

ICF

- New Member
- Congress

Latin America

Pages 3-4

News

- Alcatel
- Tycom
- BICCGeneral
- Phelps Dodge
- NKT
- Commscope
- Lucent
- Furukawa

Page 4

Statistics

Pages 5-6

I.C.F.
INTERNATIONAL
CABLEMAKERS
FEDERATION

P.O. BOX 26
GRABEN 30
A-1014 WIEN
AUSTRIA

PHONE +43-1-
532 96 40

FAX +43-1-
532 97 69

WEBSITE
www.icf.at

New Member

We are happy to welcome REKA CABLES LTD from Finland as Full Member.

ICFC 2000 - BOSTON - OCTOBER 11-15

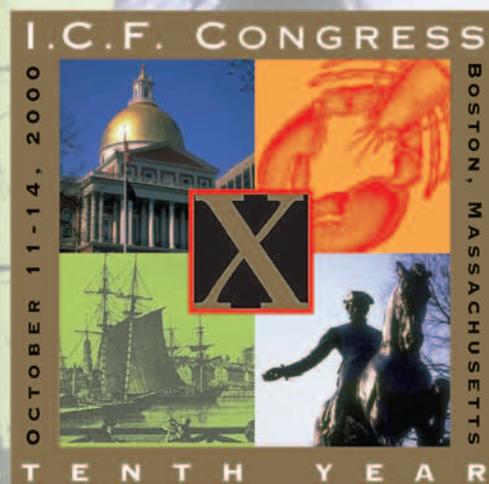
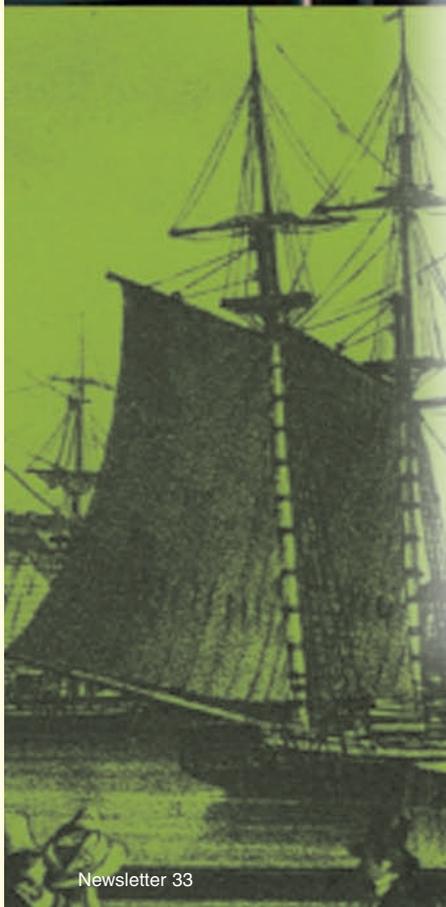
This Newsletter reaches you as the 10th ICFC is approaching and 130 delegates have registered for this jubilee Congress.

Business Program

Thursday, October 12

INDUSTRY RESPONSE TO CHANGE is the first topic. Looking back to 1991, the Bathtub Model, and to 1996, Surviving Bathtub Economics **Prof. Graham Sharman** will investigate with us how external change drivers and initiatives from inside the industry have worked out. Present positioning and direction, by regions and in various product markets will be presented in the context of (forseeable) events. Is the wire & cable a slow "brick and mortar" industry suffering capital disease? Some may believe that, others find solutions and proceed successfully. Here we enter the field of the financial industry and **Mr. Jerry Labowitz, Merrill Lynch, NY** will analyse the background of several key events that have changed or will

change the wire & cable landscape. His ideas express "An Investor's View of The Wire and Cable Industry" and he will most likely trigger some new thoughts.





NEWSLETTER

How can we make better use of shareholders capital and how can we look beyond the P/L bottom line? **Asset Management** is the reply and **Mr. Tony Tripeny, CFO of Corning Cable Systems** (a new member company that replaces the memberships of Siemens and Siecor) will present his views.

At this point a very special event will follow. Six members of the **ICF Council** are prepared to comment and to give an **INDUSTRY OUTLOOK** on the near future as they see it, namely

Dr. Noritaka Kurauchi, Chairman Sumitomo Electric Ind. (ICF Vice President)

Mr. Yu-Lon Chiao, Chairman Walsin Lihwa Corp.

Mr. Gérard Hauser, Chairman & CEO Alcatel Cable

Mr. Stephen Rabinowitz, Chairman & CEO BICCGeneral Cable Ind.

Mr. Boleslaw Uryga, Vice Chairman Elektrim Kable

Mr. Robert Venter, Chairman Aberdare Cables

Jointly, this panel almost covers the world!

Prof. Sharman will pick up the theme and now look ahead, maybe he will feel challenged to make some **prophecies**, pointing out the actual change factors.

E-commerce is a candidate, because for traffic in the supply chain -b2b- it takes off with amazing speed. **Mr. Tom Orłowski**, VP of the National Association of Manufacturers, USA, will explain the basics of e-commerce and show what opportunities and benefits can be reached. Also, from his experience, he can indicate what inputs will be needed and what dreams should not be expected to realise.

STANDING COMMISSION AT LUNCH

This year we save you the trouble of filling in a questionnaire, take advantage of the round table setting at lunch and have a Standing Commission member at each table. When coffee is served, you will be invited to participate in a discussion on several items such as proposing future topics, the ICF service package, why and how to find and engage new members for ICF, and any other matter you wish to bring to the attention.

In the afternoon we offer an **ADDITIONAL SESSION ON E-COMMERCE**. Through our cables and fibers, the internet doubles traffic each 100 days. Although some .com operations appear as hayfire, others do a very good job by developing e-commerce in a proper way. Especially for traffic between companies - business to business or b2b - efficient solutions are offered. Delegates that wish to take notice and hear more about these new challenges

are invited to attend four informative presentations about ways to purchase, to sell and the software required.

Friday, October 13

TECHNOLOGY UPDATES

The Friday will start with an update on **Optical Fibers** by **Prof. Evgueni Dianov**, Russian Academy of Sciences. He will help us remember the basics of optical fibers and from there explain the recent developments for advanced fiber applications and ever increasing bitrates. Prof. Dianov is a witness of the delicate balance between science - driven by curiosity, and industry - driven by economics.

The second technology topic is **HVDC**, High Voltage Direct Current. **Mr. Gösta Bergman**, ABB, will show how the traditional systems for high power transmission, Gigawatts, have spawned efficient equipment, that can handle medium power at Megawatt levels and below. Advantages could bring an evolution in energy collection and distribution, also affecting cable applications.

REGIONAL ANALYSIS AMERICAS

In succession of earlier region studies made for ICF, this year a survey is underway covering North, Central and South America. **Mr. Paul Dewison**, Metalica, UK, investigated and will highlight the findings in the segmentation format as presented in Hong Kong and demonstrated in Newsletter 31, March 2000. The audience will not be drowned in data tables and graphs, all that will be available in Boston as a separate document.

GENERAL ASSEMBLY

Last part before lunch is the General Assembly, the place and time for formal decisions and votes.

SOCIAL PROGRAM - TIME FOR NETWORKING

Meet old friends and make new connections in your network! Begin at the reception as usual on Wednesday evening at the hotel. Accompanying Ladies have been informed of the tour options available during the business sessions. Friday evening we will celebrate the tenth anniversary with an elegant gala dinner at the Harvard Club, bring your dancing shoes. Saturday is excursion day - join the trip to Newport for an authentic New England Clambake to round off this congress in a very casual setting - perfect for networking. Instead of going there directly you will be treated first to a very short but special performance on the famous organ in Trinity Church Boston.

Enjoy then the stunning view of Boston's skyline from the boat and the JF Kennedy Library and the beautiful fall foliage on the way to Newport.

Latin America: The New Frontier?

Although often appearing to offer great opportunity, the Latin American market has failed to achieve its potential. Market growth has been sporadic and, still, Latin America remains a small market for wire and cable in global terms. Market value for the region, excluding Mexico, stood at US\$2.9 billion in 1999, just 4.6% of the world total. Even worse than its small size, market volumes fluctuate widely from year to year, and profits are often elusive. Despite its difficult background, there is an air of change in Latin America. In our research for the ICF report *Market Segmentation in the Americas* we identified a new optimism that sustained economic growth can be achieved and a revived commitment by cablemakers.

The new optimism is most apparent in Brazil. Sentiment was at a near all-time low in Brazil early in 1999 as its currency (the Real) was devalued by 30% in January following a crisis of confidence resulting, primarily, from the knock-on effects international events. Unlike former devaluations, this one was not followed by runaway inflation and deep recession. Indeed, the Brazilian economy staged a remarkable turnaround in the second half, to achieve modest 0.8% growth for 1999 as a whole (against former expectations of a 5% decline). There is a growing consensus that sound macroeconomic management and improved fundamentals will combine to make sustained growth of around 5% p.a. a real possibility. As Brazil accounts for nearly half of Latin America's GDP, trends here are statistically important. The actual impact of revival in Brazil on other parts of the region is less convincing, Latin American economies being notoriously inconsistent in economic trend. Outside Brazil, most countries saw a very steep downturn in 1999. While some, notably Peru, are rebounding well, others, notably Argentina and Venezuela, are not.

While steady market growth is far from certain, international cablemakers are keen to ensure that they are poised to get their share if conditions do improve. Recent investment has been focussed on Brazil. Not only is Brazil the largest national market, it is also a gateway to neighbouring countries, being a member of Mercosur

(and thus gaining import tariff concessions) and, since the devaluation of the Real, it is a low cost base. The list of foreign companies entering Brazil in the past year includes Lucent, with its \$50 million investment in a greenfield fibre optic cable plant in Campinas. Fibrecore, another US-based fibre optic cable company, has purchased XTAL, a local cable supplier. Draka has penetrated Brazil's telecom cable market, both in fibre and copper products, by inheriting a 50% stake of local company ANK with its NKF acquisitions (then converting this to a wholly owned subsidiary) and, also, through a more recent local acquisition. Commscope has entered the scene by buying a Motorola facility, which it will convert to make coaxial cables. Following active investment in Brazil's automotive industry by the main car companies, harness wire is another area of investment focus. Sumitomo and Portuguese interests have combined to form two companies, Cabeltel and Cabelte, to address the telecom and automotive markets respectively. Condumex has formed the harness wire supplier Cablena, while Delphi Automotive has acquired a wire company in order to source internally in Brazil. Interest in other energy cables is less obvious, although BICCGeneral has recently made an investment, through its Spanish subsidiary.

While the new investments in Brazil may be little more than a foothold, other foreign cablemakers have a much greater existing presence. The largest cable companies in Brazil are owned, or part-owned, by Pirelli, Phelps Dodge and Madeco. Two other important, established, suppliers are Furukawa and Alcatel, both of which have recently invested heavily in fibre optic cable. As well as their Brazilian presence, Pirelli, Phelps Dodge and Madeco are each important in Latin America as a whole. Pirelli Cabos in Brazil is much larger than any other Latin American cable company; Pirelli is also market leader in Argentina. As well as Brazil, Phelps Dodge has cable interests in Chile, Venezuela and has small Caribbean and Central American plants. For Chile-based cablemaker and copper products company Madeco, the Brazilian subsidiary Ficap is the largest cable plant, but it is also present in Chile, Argentina and Peru.

While Pirelli has succeeded in making a profit in Latin America, in Brazil at least, Phelps Dodge and Madeco have had a more difficult time recently. Phelps Dodge is in the process of closing three of its cable plants (see *News in Brief*), at a cost of \$36.7 million. While costly, Phelps Dodge sees this move as necessary to position



NEWSLETTER

the company or when market conditions improve. Before this year, PD was already in the process of reducing the number of plants and withdrawing from the copper telecom cable business, intending to supply the region from a few remaining regional production units.

Madeco is also in the process of recreating itself. While intending to keep its core presence in each country, efficiency is being improved dramatically. The accounts show the reason for this. In 1999, Madeco made a net loss of Ch\$40.5 bn (US\$ 76 million) on revenues of Ch\$251.3 bn (US\$478 million). In 2000, Madeco is still making a loss, recording a negative Ch\$9.4 bn in the first half. Given the exceptionally poor recent figures of the one large company focussing almost exclusively on Latin America, suppliers should perhaps be wary of committing too much to this volatile regional market.

News in Brief

(provided by Metalica, UK)

More on the Alcatel IPO: A provisional date of mid-November to first week December has been set for the **Alcatel** cable business Initial Public Offering (IPO). Uncertainties remain as to the fate of plants that combine fibre and copper telecom cable activities, such as **Alcatel Espana's** Santander plant in Spain, where investment of Pta 3 bn is in progress, 75% of which is directed at fibre optics, 25% towards copper cable. **Lucent Technologies to Finalise Spin Off of Avaya Inc.:** The separation of **Lucent's** Enterprise Networks Group, since June called **Avaya**, will be completed on September 30th through a distribution of shares to existing Lucent shareowners. Avaya, with annual revenues of around \$8 bn, makes PBX and copper-based structured cabling systems and related products.

Tycom Cash-Rich After IPO: After raising \$2.3 billion, twice as much as expected, from the sale of 14% of its shares in July, **Tycom Ltd.** will not need to use credit to fulfil its existing contract commitments. Tycom, still 86% owned by its former parent **Tyco International**, is a leader in the manufacture and installation of submarine fibre optic cable.

Having disposed of most of its international assets, bar those in Spain and Portugal, **BICCGeneral** is re-focussing on the Americas. In July it sealed a deal with Mexican cablemaker AXA S.A. de C.V. for the acquisition of telecom central office and data cable company **Telmag** Located in Tetla, Tlaxcala Mexico, Telmag's annual reve-

nues is around \$25 million. **Restructuring at Phelps Dodge International:** In its second quarter results, mining company **Phelps Dodge** announced a \$60 million pre-tax charge related mainly to asset revaluation, closure and restructuring costs at the cable operations of its subsidiary, **Phelps Dodge Industries**; two plants will be closed in Venezuela and one will follow in El Salvador.

NKT Cables Rationalisation: Following the acquisition of F & G Kabelwerke GmbH in 1999, Denmark-based **NKT Cables** has announced further rationalisation of its operations, centred on the former F & G Cologne unit. The project will involve the loss of 500 of NKT's European workforce of 3,300. Closures of plants at Jyderup and Brondby in Denmark, already underway, will mean the loss of 150 jobs.

Commscope Acquires Motorola Unit in Brazil: The Campinas plant of **Motorola**, formerly used to make telecom equipment, has been acquired by **Commscope Inc.** and converted to make coaxial cables for wired and wireless telecom networks. Concurrently, Commscope signed a worldwide cable supply agreement with Motorola for wireless cable products.

Expansions in Optical Fibre: Shortage of fibre is the key issue in fibre optic cable today. This year's market growth, forecast at nearly 40%, will not help matters at all. Not surprisingly, there has been a string of capacity expansion announcements; here are some in the press in recent months. **Lucent's** US\$ 1 billion worldwide programme was announced in June's *Newsletter*. Meanwhile, leading fibre producer **Corning** is expanding capacity at both of its existing world scale production units in the United States, and is building a third. On top of its existing plans, **Alcatel** recently announced the formation of a one million fibre km joint venture in Shenzhen, China with **SDG Information Co.**, a local technology company. In Japan, **Furukawa Electric** has announced a Yen 7 bn investment to double its fibre capacity. Although these, and other, expansions will eventually redress the fibre supply shortfall, with capacity taking around two years to come on-stream, 2001 promises to be another year of shortage.

The ICF Newsletter is published several times each year by The **International Cablemakers Federation**, P.O.Box 26, A-1014 Vienna

Telephone (+43 1) 532 96 40, Fax (+43 1) 532 97 69
e-mail renate@icf.at

The International Cablemakers Federation accepts no responsibility for the accuracy or the content of materials provided by third parties as identified.