

Corus is Europe's second largest steel producer with annual revenues of around £12 billion and a crude steel production of over 20 million tonnes, primarily in the UK and the Netherlands.

Corus has a global network of sales offices and service centres, employing around 42,000 people worldwide.

Corus is a leading supplier to many of the most demanding markets around the world including construction, automotive, packaging, mechanical and electrical engineering, metal goods, and oil & gas. With innovation and continuous improvement at the heart of its business performance, Corus aims to create value by offering a differentiated product range supported by unrivalled customer service.

Corus is a subsidiary of Tata Steel, the world's sixth largest steel producer. With a combined presence in nearly 50 countries, the Tata Steel Group including Corus, Tata Steel Thailand and NatSteel Asia, has approximately 80,000 employees across five continents and a crude steel production capacity of over 28 million tonnes.



OPTIMISING VALUE FROM 3RD PARTY SUPPLIER CONTRACTS

Corus UK incurs a significant spend in complementing core iron and steel activities through sub contractor services. On the Teesside and Scunthorpe sites a number of these high value service contracts had extended well beyond expiry and required a commercial and performance review

Corus approached Mteq to assist in their efforts to optimise 3rd party supplier agreements and design a new basis for contractual terms that would deliver contracts producing best in class service delivery at acceptable quality and cost.

Over a period of two years Mteq successfully completed four projects with Corus and a number of Sub-contractors (MultiServ, Cape, Palmers) across two sites.

The Issues

Common issues applied across the following contracts:

- **Raw Material Handling – MultiServ**
Provision of Mobile Tools to transport raw materials used in iron production between numerous locations across Corus's Teesside site. Contract had expired.
- **Scaffolding & Access Services – Cape Group/Palmers**
Supply of services for maintenance and capital project work at Teesside. Cape held the current site contract, whilst Palmers grew through local purchasing. Two different basis of payment to add complexity.

- **Scrap Handling & Reclamation – MultiServ**
Provision of scrap handling and preparation for the Corus BOS plant in Scunthorpe. Transportation and processing of slag to the on-site reclamation plant. Contract was current.
- **Ironmaking Services – MultiServ**
Provision of maintenance and environmental cleaning services at Teesside. The contract had expired.

Corus management required focus and control in managing on-site contractor activity through control of resources at the point of execution. Standard performance data and planning tools were somewhat lacking which contributed to the monitoring of true productivity measures which led uncertainty of utilisation and true costs.

The contract specifications had been in place for 10 years and did not reflect the operation of today. The utilisation of equipment to deliver the contracted services had to be reviewed due to high costs of replacement

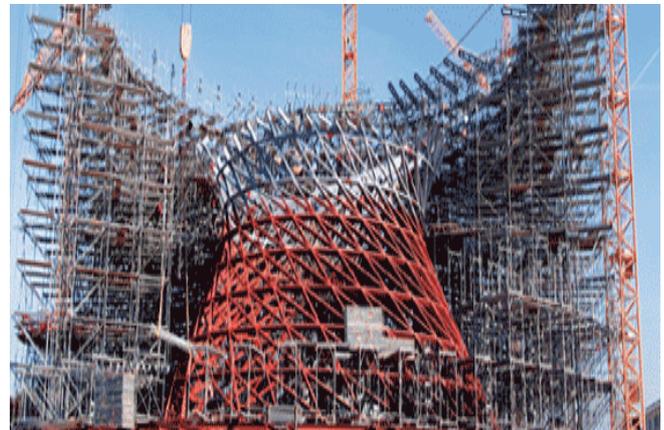
Solutions

Mteq provided a dedicated project management team, with appropriate subject matter experts working closely with Corus Continuous Improvement Teams, to design, build and install the modular solutions.

The following delivery approach was employed:

- Lean mapping of processes to identify waste and establish value add activities.
- Product catalogues, standard data, norms and earned values were developed into work measurement packages.
- Resource multi-skilling matrices installed.
- Equipment availability and utilisation model employed.
- Plant scheduling and capacity planning
- Labour resource planning and scheduling
- Developed capital equipment model to establish future expenditure requirements.

- Planning control system installed.
- Management Information controls established to utilise resources more effectively through a new Management Control System.
- Communication and review mechanisms
- Coached management and first line supervision in behavioural techniques to motivate teams and improve performance.
- Formulated specifications for new contract



Outcomes

Implementation took approximately six months for each project, delivering the following benefits:

- Corus were positioned to be in control of the operations and hold the supplier accountable for delivery.
- Management Control Systems provided visibility of true performance through a suite of KPI's and enabled Corus to monitor and control costs and also drive efficiencies.

- In addition, Corus experienced a significant rise in sub-contractor efficiency (18-26%) during project implementation. This contributed to Corus achieving the best possible contractual terms when re-negotiating current and future contracts.
- Modified behaviours around the new management controls fostered more collaborative relationships between Corus and their contractors
- Clear lines of communication enabled a more focused approach on delivering value added services.
- To ensure understanding and embed perpetuation, detailed procedural manuals were provided to the Corus continuous improvement team.
- Sustainability of systems and behavioural change was reinforced by conducting compliance audits during and after completion of each project.
- The new contract specifications reflected the required activities and measured payment against value delivered with risk shared on a sliding scale of achievement.
- Mteq provided Corus and their Contractors with the information necessary to negotiate revised contracts at reduced cost and value added reward, thereby extracting more value from the contractual relationships than had previously been achieved. This provided the basis for long term strategic relationships.



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Savings arising during the projects and any savings achieved during sub-contractor negotiations are client sensitive