

## Metal Bulletin

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# The route to the future

John Browning's assertion last week at MB's 20th International Aluminium Conference that at least two more ring dealing members of the London Metal Exchange are preparing to offer electronic order routing to their customers is a clear indication that deep structural change is afoot within the market (see page 10).

When Browning controversially allowed customers of Dresdner Kleinwort Wasserstein (DrKW) to post orders to the LME's electronic trading platform Select, many ring members cried foul.

Such has been the success of the DrKW's system, however, that ring members Barclays Capital — where Browning is now e-commerce director — Refco and Semptra have also offered order routing to customers.

Significantly, the next batch are ring dealers and also traditional brokers, not affiliated to banks, Browning says.

With margins under pressure, and banks and their large hedge fund customers muscling in on their turf, it's maybe not surprising brokers might now be ripping up their old business models.

Inexplicably the LME declines to comment on the volumes of business done electronically.

But according to Browning's analysis, lots for simple three-month member-to-member trades on Select are doubling year-on-year.

With 180,000 three-month lots traded in August, that implies around half of such trades are now executed on Select.

This trend can only continue, as more brokers offer order routing to their customers.

Electronic trading is the norm in many other markets, and as the LME increasingly goes down this road, it is highly likely that new customers will be attracted to metals.

Those members who are investing in order routing are no doubt counting on the fact that their clients will increasingly expect it for more simple transactions.

It should also free up their time to concentrate on more challenging and profitable work.

The LME executive continues to offer the mantra that voice, ring and electronic trading are equally important.

Maybe it's time to admit they are not, and to look at ways of developing the exchange to take account of Select's growing significance.

Extending Select's opening hours to attract more Asian trading is a start.

The executive should also look at the date structure of LME contracts to enable them to be more easily traded electronically to provide a further boost.

## The fight for Poland's new steel market

The former Huta Katowice steelworks in Poland, now Mittal Steel Poland's Dabrowa Gornicza plant, remains a significant player in the European sections market, but it's a much quieter place than it used to be.

The plant has three blast furnaces, two of which are out of action while upgrades are carried out (one will restart this month). The steel melting facilities include two continuous casters with combined capacity of 3 million tpy. Finished product capacity is in the region of 2 million tpy.

Today's casting capacity is a lot less than Katowice had in the early 1990s. During a visit at that time (MB Mar 21 1991), we reported that it had casters capable of producing 4.5 million tpy of semis and that it was on the point of ordering a billet caster that would take its casting capacity up to 6.5 million tpy.

The plant's new owner since last year, Mittal Steel, looks as though it is at last going to realise this capacity.

A new 3 million tpy slab caster is going to be installed within the next 15 months. The caster will feed a 2.4 million tpy hot strip mill that will be installed at Mittal's Cracow plant (see page 22).

Lakshmi Mittal wants to transform the Dabrowa Gornicza and Cracow plants into modern works capable of meeting the requirements for high-quality, high-tolerance strip from Poland's fast-growing white goods industry and the region's auto transplants. But he faces two hurdles: the conditions under which the plants were privatised, and which were a key element in Poland's EU accession, limit Mittal to no more than 2.4 million tpy of hot strip capacity at Cracow and oblige him to close more than third of Cracow's remaining cold rolling capacity.

In the meantime, his rivals are grabbing as much market share as they can by setting up service centres. Arcelor is one (see p 23), but there are plenty of others, including Voestalpine and ThyssenKrupp.

There are fears of overcapacity in the Polish distribution sector, especially as Mittal has realised he must change tactics and enter the distribution business in Poland himself.