



Salzgitter Mannesmann Stainless Tubes: Houston plant goes global

While Salzgitter Mannesmann Stainless Tubes' European and American operations have always worked closely together, recently the company has decided to fully integrate its operations strategy to make the most of the synergies the complementary business models can offer. Stainless Steel World spoke to three of the top people in the SMST team to find out how this strategy will be put into effect, and what it means for the global stainless steel tubing business. Sitting around the table for the interview were Michael Bellinghausen, Group CEO; Christophe Le Rigoleur, Group Managing Director and Tony Thurman, President of SMST USA.

By Christian Borrmann & Joanne McIntyre

“Originally the Houston plant was mainly focused on US applications and produced for the NAFTA countries of Canada, US and Mexico. This is why the basis of its qualifications was ASME and ASTM,” begins Mr. Thurman. “As part of our ongoing expansion plans we want Houston to be a truly global supplier with a broader range of certifications. The plant will soon also be fully certified

with European qualifications, the same as all SMST plants in France, Germany and Italy. We’ve already achieved TUV and PED approvals.”

Mr. Bellinghausen explains how the business models between the regions differ. “The main difference between the business models in Europe and US models is timing. In Europe, we have a “make to order” approach with the whole

process from ordering the raw material to production to delivery taking around four to six months. In the US we maintain a large inventory of raw material and work directly from existing hollow stock which means we can supply most items within six weeks. This business model works perfectly for the US market but in order to transform the Houston plant into a global operation it needs to also



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and within 12-14 weeks it will be shipped. This more than meets the lead time expectations of the client so they are understandably delighted.” This new strategy broadens the company’s whole portfolio and offers a different perspective on how SMST can supply its products. “It’s a diversification for the company that actually allows us to service clients in a different way.”

The SMST Houston plant has sold material from the European plants for many years and in terms of global tonnage sold, is in fact the largest market for SMST European operations. The fine tuning of company strategy to bring the business operations of the plants closer together means that the entire global SMST sales network will now contribute to the SMST USA production.

“Our European plants will take greater advantage of our US capabilities, inventory and raw material stocks to offer quick delivery,” adds Mr.

be able to operate using the European model for maximum flexibility.”

“A significant difference is that the US market will not accept long lead times for commodity alloy items, although for special items this is not a problem,” adds Mr. Thurman. “Therefore we have to operate with a large hollow inventory, in the range of USD 10-15 million dollars’ worth of raw material, to achieve short lead times. However a large inventory is both expensive and inherently risky: if the nickel price drops after you’ve bought material this can quickly translate into losses. Implementing the European system in parallel to the traditional US model will help us to reduce these risks, and offer flexibility to our customers.”

Flexibility is an asset

“We are creating greater flexibility because customers can choose which delivery method they prefer,” explains

Mr. Le Rigoleur. “Such flexibility is a tremendous asset; we can deliver with the European “made to order” approach at lower cost when long lead times are not a problem, or alternatively customers anywhere in the world can ensure guaranteed delivery in a very short period of time using the US system. This is an additional service we can offer our entire global network. If for example a Chinese customer has a project order with plenty of lead time this would be serviced by our European facilities; whereas for an urgent repair job we can supply tubes rapidly from the Houston site. These two kinds of delivery possibilities will prove very valuable for our customers.”

Mr. Le Rigoleur was able to provide an actual example. “This week we received an order in Germany for 10,000m of ½ inch tubing in a 400 series nickel alloy. The customer needs it in a hurry so we’ve placed the order through Houston

A brief history...

The SMST Group integrates the tradition of three seamless stainless steel worlds: Mannesmann, Dalmine and Vallourec. Resulting in “DMV Stainless” from this international merger in 1994, DMV became a part of Salzgitter group in 2003 and adjusted its name to Salzgitter Mannesmann Stainless Tubes in 2008. The company’s headquarters are in Mülheim an der Ruhr in Germany, with additional plants in Costa Volpino (Italy), Montbard (France), Remscheid (Germany) and Houston (USA).



Over the past four years we have done a great deal of R&D in cooperation with major clients to anticipate their future needs.

Thurman. "This offers a multitude of benefits for customers including reduced lead times, the placement of smaller orders, and increased customisation of orders. Under the European production model, the need to pre-order materials means it's not possible to make changes during production. However in Houston we are pulling items from inventory in small batches so we can easily adjust an order to meet their changing needs."

Global specialist industries targeted

Closer integration between the European and US plants will offer many synergies, including the transfer of sales and technical knowledge, explains Mr. Thurman. "Our aim is to keep the Houston business relatively small and mobile by participating in profitable niche markets that a lot of other manufacturers can't participate in. These are very diverse and take advantage of the high alloy products we sell, such as the civil nuclear,

medical and OCTG industries. These are niche markets requiring the specialist alloy products which we are also supplying out of Houston."

"Our highly specialised sales networks within the SMST Group will also benefit from closer cooperation by sharing technical and sales experience. Key account managers in Europe share what they know about the needs of our customers here by transferring this knowledge to Houston. There is a lot of in-house knowledge available. For example if you look at nuclear power generation, both our French and Italian plants are ASME qualified and AREVA certified, and this highly technical knowledge can be utilized by the Houston plant. While the Houston sales team will of course continue to play a key role within the NAFTA countries, the entire SMST sales network is now available to support them. The Houston site can now target very specialist niche markets in the Americas as well in Asia, Europe, the Middle East etc."

Focusing on niche markets

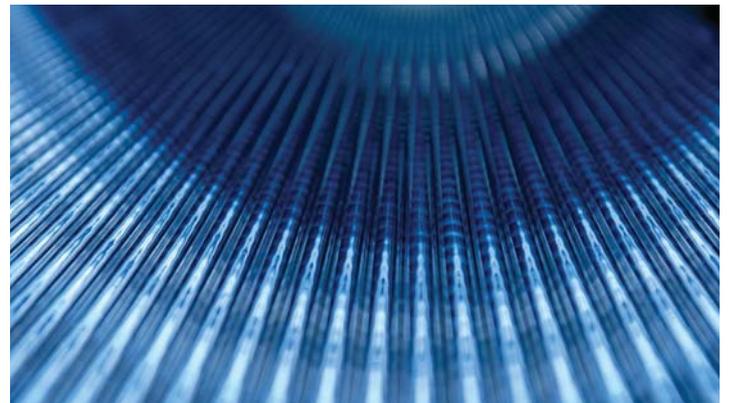
"Historically the Houston plant was created to service the conventional power generation boiler and heat exchanger business," explains Mr. Bellinghausen. "While it was highly successful, that market has changed with strong competition now coming from Asia and harsh government rules forbidding the construction of coal fired plants in the US. While we still make these products in Houston, with added global expertise of the SMST group we will expand sales in a wide range of product through our global network." "It's important to be flexible in adapting to anticipate market needs. For the past few years our policy has been to select the best opportunities in terms of markets and segments and to anticipate developments so we are ready when opportunities arise," Mr. Bellinghausen explains. "Our global approach and locations in four countries allows us to share our technical sales and marketing knowledge with every individual in SMST to make the most of each such opportunity. We will further develop our ability to anticipate developments, particularly for the North American market. The US is a dynamic market which is continuously evolving. We're happy to sit down with companies to discuss their product developments. If they want to develop a special application, for example specialized power generation such as biomass or solar, our Houston staff can provide dedicated, adapted solutions, whether that is a stainless steel or a nickel alloy."

Oil & gas driving business

"The oil and gas industry has long been one of SMST's core businesses and in Houston we feel that we may be under-utilising our capacity," says



Houston is a hub for the oil & gas business and SMST maintains a large inventory of tubing in special materials.



The wide range of material grades we produce can be utilized for a range of special applications as diverse as automotive, oil and gas, nuclear, and aerospace."



Quality is strictly controlled by the team of experts at the Houston plant.

Mr. Le Rigoleur. "As the area is a major oil and gas hub we want to develop special applications for the industry, for example instrumentation tubing. With a more diversified portfolio customers will be keen to call us for everything they may need. The wide range of material grades we produce can be utilized for a range of special applications as diverse as automotive, oil and gas, nuclear, and aerospace."

With the company taking a long term approach to the industries it services, today's depressed oil and gas prices will not affect its long term plans. "We expect the shale gas revolution in the US to generate a lot of new business. We're very active in a range of industries including petrochemical, fertiliser and oil & gas, and are confident that the boom created by new investments will benefit the Gulf Coast in particular and the US as a whole."

Mr. Le Rigoleur adds: "The LNG business is a great example of this. While the US is not historically an LNG exporter, the huge growth in shale gas capacity means there are ten different LNG plants on the drawing board right now. Five have already been approved and two are under construction. We're witnessing levels of growth in the area that we haven't seen for 20 years."

"The energy profile around the world is changing. The US has reviewed the importance of Saudi Arabia for its oil & gas supplies and this will dramatically change the overall economy. A lot more construction will occur in other areas to support that market. For instance in the past Louisiana and Texas piped oil to the rest of the US. Now those pipelines need to be reversed to bring shale gas

into Houston. A lot of supplementary business needs to go into making that work."

"In the next three years in the US approximately USD 77 billion dollars will be spent on LNG exports; the majority will be spent within 100 miles of Houston."

Future developments

"In the near future we will purchase equipment to further diversify and increase our productivity. We will work even faster and be able to produce different materials in smaller quantities," says Mr. Thurman. "We're already working on producing materials which have not been produced in Houston in the past. The on-site production of duplexes and special nickel alloys will be increased and our

Reworking service

As Houston is a leading area for the oil & gas business many companies hold tubing in inventory in special materials. SMST offers a service to rework these tubes for special business applications, for instance by downsizing tubes to the desired dimensions. "When the Houston plant was first set up the raw materials came in standard pipe sizes so we installed extensive tooling capacity," explains Mr. Thurman. "We're happy to offer an additional service to our customers by utilizing our expertise and equipment to tool any alloy on the shelf that needs reworking".

plan is to develop small to medium sized volumes for highly demanding applications. These can then easily be transported within the US."

"SMST is involved in highly specialized applications using high end alloys such as alloys C-276, 59, 625."

"Over the past four years we have done a great deal of R&D in cooperation with major clients to anticipate their future needs. We are also evaluating heat transfer and heat exchanger tubing issues with clients and can offer tremendous material support."

"Houston has a very bright future," concludes Mr. Bellinghausen. "The US economy is improving and with the Gulf Coast expansion underway and the new markets that are emerging, Houston is going to re-establish itself as a leading location in the market place. "

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Facts & Figures

Name:	Salzgitter Mannesmann Stainless Tubes GmbH
Headquarters:	Mülheim an der Ruhr, Germany
Founded:	1885
Production sites:	Remscheid (Germany), Costa Volpino (Italy), Montbard (France), Houston (USA).
Key products:	Seamless stainless steel & nickel based alloy tubes and pipes
Application:	Oil & Gas, Power Generation, Chemical and Petrochemical, Mechanical, Automotive, Fertilizer, Aerospace etc.
Employees:	1100 SMST Group
Website:	www.smst-tubes.com