

Paper for the Council for Economic Renewal

Update on Steel

Introduction

This paper has been prepared to support a discussion item on the steel industry in Wales. The paper sets out the background and establishment of a Task Force following the recent announcements by Tata Steel.

Background

The steel industry is a cornerstone of our manufacturing sector. The primary steel plants drive significant direct and indirect employment, diverse supply chains, as well as research and development and innovation.

However, it is clear that the UK steel industry is at one of the most critical points in its history. This current crisis has been growing over a number of years and follows continued falls in the European steel price caused by cheap imports, particularly from China but also now others including Russia. Strip steel products imported into the EU from China have increased by almost 50% in the last year. This is exacerbated by high energy costs in the UK compared with Europe and the strong pound. The result is that the price of steel is now less than half of what it was in 2011 and substantially lower than the previous low of 2009.

As a Government, we have been working closely with the steel industry for many years and we are very aware of the challenges facing the industry. We have been raising concerns about the impact of energy prices on the most energy intensive businesses since 2011. We have raised with UK Government the concerns of Welsh steel producers about the volume and, in some cases, the quality of certain imported steel products. We support recent EU investigations into anti-dumping measures on certain steel products, including those from China.

We have also been developing proposals based around our own levers which range from research and development, skills and training, aid for environmental protection and business rates. On business rates we are looking at the options closely to support the industry with consideration being given to reducing the impact of plant and machinery on business rates bills. The assessment of plant and machinery is deeply embedded in the wider valuation approach and gives rise to considerable challenges in applying a "blanket reduction" to plant and machinery. Changes to plant and machinery are not the only steps that can be taken to support the sector through business rates. We are also discussing the overall approach to valuation with the Valuation Office as it is important that the approach to valuation reflects rental values and the current circumstances faced by the industry.

Procurement also has a key role to play. The Wales Procurement Policy Statement published in 2012 is fully supportive of the principles of the British Steel Charter. Our progressive procurement policies which are already in place, complement the aims of the Charter. As an example, we are currently reviewing the model contract documents for the delivery of major transport projects to ensure the standard is considered.

Recent Developments

On 18th January Tata Steel UK Limited announced cost-saving proposals with the potential loss of 1,050 jobs, with 750 jobs at its Port Talbot-based Strip Products UK business. Trostre was also identified by the Company as a location facing some job losses and the position at Llanwen is now becoming clearer.

In its Statement, the Company called on the European Commission to accelerate its response to unfairly traded imports and increase the robustness of its actions. And whilst it welcomed progress on UK energy costs, it reiterated that the Government must take urgent action to increase the competitiveness of the UK for the steel sector.

The Welsh Government has a strong relationship with Tata which has been developed over many years. We have supported Tata with cutting edge R&D to develop innovative and niche new products, including support through SPECIFIC (Sustainable Product Engineering Centre for Innovation in Functional Coatings). We have also supported Tata with bespoke training and skills interventions, including interventions such as ProAct and ReAct that are recognised by industry and unions at UK scale as being best practice.

Following the announcement on the 18th of January, our immediate priority has been to move swiftly and mobilise action to prepare support for those affected.

We immediately wrote to the Chancellor of the Exchequer regarding our proposal to create an additional Enterprise Zone in Wales. An Zone that encompasses the Port Talbot site would not only send an important signal to the industry, it would also create a growth environment within which other business and industry could flourish. However, for maximum impact, such an Enterprise Zone would need the full package of policy levers including Enhanced Capital Allowances (ECAs). As ECAs are a matter for the UK Government, we have asked for the Chancellor's early response as to whether the UK Government would be agreeable this.

We also immediately convened a Tata Task Force and held its first meeting on 20th January. There was strong attendance from representatives of Tata, Unite, Community Union and Multi-Union as well as representation from a range of organisations that can provide support during this difficult time and in the months ahead. They will act as liaison points for their sectors. A list of the organisations attending is attached to this paper.

The primary focus of the Task Force is to do all that we can to support the affected employees. However, the impacts are likely to be wider than just the employees who may be displaced. There are likely to be businesses affected in the main supply

chains, as well as smaller businesses that provide local goods and services. So the Task Force will also consider what can be done to support them as well. This work will be taken forward immediately and in parallel to our work to support displaced employees.

The Task Force noted that although the formal consultation was currently underway it was important to do preparatory work. The Task Force was united in a common purpose to ensure that everything would be done to support affected workers and welcomed the speed with which the Task Force had been convened.

The Task Force received an update from Tata and from the Trade Unions attending. The discussion then centred on two substantive items, support for employees including training and skills and support for businesses and the wider supply chain. The Task Force considered the key success factors from the Murco Task Force as well as sharing the considerable experience of those around the table. It was agreed to form four work-streams:

Training and Skills – this work-stream will look at the support needed for those workers who might be displaced following the consultation process. It will include representatives from Tata, the Trade Unions, Careers Wales, Jobcentre Plus, Neath Port Talbot College and will be supported by Welsh Government Officials. Other organisations will be invited as the work develops.

Business Support and supply chains – this work-stream will examine the supply chains to the company and work up the proposal for an Enterprise Zone for the area. This work-stream will be supported by Neath Port Talbot County Borough Council as well as Welsh Government Officials. Organisations will be invited to support this work as the work-stream develops.

Health – this work-stream will gather and share information about the personal support available to individuals and their families and will ensure that information and support is easily understandable and accessible. This work-stream will include representatives from Abertawe Bro Morgannwg University Health Board, Tata and the Trade Unions. Other organisations will be invited to join as appropriate.

Procurement – this work-stream will examine what can be done to drive up the number of contracts won by UK Steel manufacturers in fair and open competition. Updates will be provided by the UK Government on rail procurement, major infrastructure development and developments from a UK and EU perspective.

The Task Force will meet next in two weeks, with work-streams meeting in advance of that. The forward plan for full Task Force meetings will be determined in light of the updates from the work-streams.

Following the Task Force, we have written to the UK Government for an update on the time-line for when compensation payments could be received by the sector, an up to date position on what is being done in regard to anti-dumping measures and whether EU funds such as the European Globalisation Adjustment Fund might

provide appropriate assistance to any workers being made redundant. We have also extended an invitation to the Minister for Small Business, Industry and Enterprise, the Rt Hon Anna Soubry MP, to attend a future meeting of the Task Force.

Organisations attending the Tata Task Force Meeting

20th January 2015

Tata Steel

Unite

Community Union

Multi-Union

Neath Port Talbot County Borough Council

UK Steel Enterprise

CBI

Department of Business Innovation and Skills

Wales Office

Abertawe Bro Morgannwg University Health Board

Industry Wales

Careers Wales

Job Centre Plus

Chair of the Murco Task Force

Neath Port Talbot College