

Written evidence submitted by UK Steel

National Assembly for Wales' Enterprise and Business Committee

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UK Steel is the trade association for the UK steel industry and represents the sector's interests to government and the public. Membership is open to all UK-based companies and organisations involved in the production of steel and our members include Tata and Celsa.

The UK steel sector is vital to the success of manufacturing in Britain. It employs 30,000 well-paid and highly skilled people, often in areas with higher-than-average unemployment. The sector is the foundation of many of the country's most important manufacturing supply chains, including aerospace, defence, automotive and construction. It innovates here in the UK, is committed to sustainability and is a significant provider of high quality apprenticeships. Its success is inextricably linked to ambitions to rebalance the UK economy.

UK Steel has played a central role in coordinating and focussing the stakeholder reaction, providing a coherent voice to achieve positive outcomes from government. The progress made in the UK and Europe, has largely been due to working together with unions and companies, who all share a common goal of saving a sector in crisis.

The steel crisis

The steel industry is in crisis - battling low demand, a rise in often unfairly-traded steel imports, a strong pound and uncompetitive policy costs. The scale of the crisis was clearly demonstrated by the liquidation of the SSI operation in Redcar last year.

UK Steel urgently called on the Government during the steel crisis summit on 16th October 2015 to take short-term steps to keep the crucial industry alive. The steps included fully implementing the Energy Intensive Industry Compensation Package, backing EU-level action on anti-dumping measures, bringing business rates for capital intensive firms in line with their competitors, and supporting local content in major construction projects.

Our 5 key asks were the actions we called on government to take immediately to stem further job losses. We have long said that there is no 'golden bullet' to save the industry, but if these actions were taken, then this would be a positive start.

Despite some good progress, we still face the real prospect of further significant reductions in steel jobs and steel production in the UK. We are not asking for handouts, but for Government to ensure a level playing field to all the steel industry to survive. We have therefore called for further short-term steps in both the UK and in Brussels to keep this crucial industry alive.

- **EU-level action on Market Economy Status (MES) for China:** the EU is currently considering whether to formally recognise China as a market economy. If China receives MES the anti-dumping measures that safeguard hundreds of thousands of EU jobs against China's unfair competition across a range of strategic EU industries would become ineffective. The EU's

other trade defence measures are simply insufficient to defend against the rising tide of dumped Chinese products, particularly steel.

- **Lift the Lesser Duty Rule:** anti-dumping measures cannot currently counter the massive blow caused by Chinese steel import surges. Lifting the Lesser Duty Rule would remove the cap on anti-dumping and anti-subsidy duty levels, and bring EU practice into line with everyone else, notably the US. However, the UK Government has played a leading role in blocking these changes. It now urgently needs to send a clear signal that it is doing all it can to support the steel industry by supporting the lifting of the Lesser Duty Rule.
- **Bring Business Rates for capital intensive firms in line with their competitors in France and Germany, by removing plant and machinery from business rate calculations:** this decision has been put on hold, but job losses here in the UK show that it can no longer wait. This action is entirely in the hands of the UK Government and needs to be taken now. Business rates in the UK are up to ten times higher than those paid by competitors in France and Germany.
- **Support local content in major construction projects:** the Government cannot afford to let up on ensuring that all major procurement projects, from rail to tidal barrages and airports, all use British steel to give this vital UK industry confidence for the long-term.
- **Direct funding assistance for the sector on R&D and environmental improvements:** if the Government recognises the strategic importance of the steel industry and manufacturing in the UK, then it needs to invest in industry to keep vital skills that will otherwise be lost.
- **Recognise that the flawed EU ETS proposal is a major threat to the steel industry:** the Commission's proposal on the EU ETS post-2020 (phase four) is likely to result in €34 billion in direct and indirect carbon costs for the sector in the period 2021-30. We urge policy makers to shield sectors most at-risk of carbon and investment leakage, such as the EU steel industry, to ensure that their global competitiveness will be preserved.

Key areas where the Welsh Government can make a difference:

Business Rates

Rates are now fully devolved and as such should be a key area of focus. As in England, business rates are up to ten times higher than those paid by competitors in France and Germany. The Welsh Government can take a lead here, by removing plant and machinery from business rate calculations.

Procurement

It is imperative that steel manufactured in the UK has every opportunity to be at the heart of government procurement. The publication of guidance to ensure social issues are properly taken into account when procuring large amounts of steel is encouraging, however it is vital that all parts of the UK take notice of this guidance. Far too often guidance is overlooked, and the Welsh Government should work with Westminster to ensure a joined up approach, that has real impact to manufactures of steel and the wider supply chain.

Europe

Whilst, a number of decisions around the flooding of the UK market with under-priced, state subsidised Chinese steel will be made in Brussels, it is vital that the Welsh Government and MEPs in

Wales put pressure on all levels to ensure that the speeding up of anti-dumping measures and the dropping of the Lesser Duty Rule take place.

Energy Efficiency Schemes

Energy costs in the UK, are some of the highest in Europe. It is well known that steel plants needs large amounts of investment to keep energy use down, improve efficiency and productivity. With traditional funding options proving to be difficult to impossible to achieve, the Welsh Government should be prepared to support investment in energy efficiency schemes (through grants and loans).

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