



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

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[The Economy, Infrastructure and Skills
Committee](#)

19/10/2016

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Hannah Blythyn Bywgraffiad Biography	Llafur Labour
Hefin David Bywgraffiad Biography	Llafur Labour
Russell George Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Vikki Howells Bywgraffiad Biography	Llafur Labour
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Adam Price Bywgraffiad Biography	Plaid Cymru The Party of Wales
David J. Rowlands Bywgraffiad Biography	UKIP Cymru UKIP Wales

Eraill yn bresennol
Others in attendance

Jeff Beck	Trefnydd, GMB Organiser, GMB
Jon Bolton	Prif Swyddog Gweithredol, Liberty Steel UK Plates & UK Steel Development Chief Executive Officer, Liberty Steel UK Plates & UK Steel Development
Tony Brady	Swyddog Cydlynu Rhanbarthol, Unite Regional Co-ordinating Officer, Unite

Professor Martin Brunnock	Cyfarwyddwr Technegol, Tata Steel Europe Technical Director, Tata Steel Europe
Rob Edwards	Prif Drefnydd, Cymuned Lead Organiser, Community
Chris Hagg	Pennaeth Materion Allanol, Celsa Steel Head of External Affairs, Celsa Steel
Carwyn Jones Bywgraffiad Biography	Aelod Cynulliad, Llafur (Y Prif Weinidog) Assembly Member, Labour (The First Minister)
Dominic King	Pennaeth Polisi a Chynrychiolaeth, UK Steel Head of Policy and Representation, UK Steel
James Price	Dirprwy Ysgrifennydd Parhaol—Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru Deputy Permanent Secretary—Economy, Skills and Natural Resources Department, Welsh Government
Gwenllian Roberts	Dirprwy Gyfarwyddwr—Ynni a Dur, Yr Economi a'r Seilwaith, Llywodraeth Cymru Deputy Director—Energy and Steel, Economy and Infrastructure, Welsh Government

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Mike Lewis	Dirprwy Glerc Deputy Clerk
Gareth Price	Clerc Clerk
Gareth Thomas	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 09:20.
The meeting began at 09:20.

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Russell George:** Good morning—bore da. I'd like to welcome Members and members of the public watching to the Economy, Infrastructure and Skills Committee. I do move to item 1. There are no apologies today.

**Cynrychiolwyr Diwydiant—Cymorth ar gyfer y Diwydiant Dur yng
Nghymru
Industry Representatives—Support for the Steel Industry in Wales**

[2] **Russell George:** So, I move to item 2. Today we have representatives from the industry in regard to support for the steel industry in Wales, if I could ask the witnesses to introduce themselves.

[3] **Mr Hagg:** My name's Chris Hagg. I'm the head of external affairs for Celsa Steel UK, based in Cardiff.

[4] **Professor Brunnock:** Good morning. My name's Martin Brunnock. I'm the manufacturing director for the mills in Port Talbot and Llanwern.

[5] **Mr King:** Good morning. Dominic King, head of policy and external affairs at UK Steel.

[6] **Mr Bolton:** Good morning. I'm Jon Bolton. I'm chief exec for Liberty Steel UK Plates. I'm responsible for UK steel development. I'm also chair of UK Steel, and I'm joint chair of the steel council with the Secretary of State for the UK.

[7] **Russell George:** I'm very grateful for your time this morning and your submissions, and pleased that you are with us today for our session. Members will have some questions for you. If I can just start, I'd be grateful perhaps if you could talk to us about the effectiveness of the Tata taskforce.

[8] **Professor Brunnock:** Do you want me to take that one?

[9] **Russell George:** Yes, please.

[10] **Professor Brunnock:** The taskforce between Welsh Government and Tata Steel has been very strong and positive. We meet on a regular basis. I

think we've seen positivity around funding for skills and knowledge, both currently and when we had to go through the restructuring phase. We appreciate the support of Welsh Government in that respect. Of course, we meet on a regular basis. Innovation, research and development are key on the agenda. It also helped with some environmental-type schemes on the plant. So, I think that the Tata Steel's position is a positive one in respect of the taskforce.

[11] **Russell George:** Are there any areas of improvements that you think could be made?

[12] **Professor Brunnock:** Well, it depends what you mean. I think speed could be an issue, but I think the dialogue from our perspective is positive. I think there are a number of, I guess, discussion topics in the pipeline that we are working through with the taskforce to make good, if you like. So, I think we're on the right road. I think if we get there a bit quicker, it would be a positive.

[13] **Russell George:** Mark Isherwood.

[14] **Mark Isherwood:** Thank you. I think it was last year that UK Steel said that the cost of green levies was around £4 million a month, or close to £50 million per annum, subsequent to which the Chancellor's proposals for cutting costs for energy-intensive industries had to be approved in Brussels under state-aid rules and, after some negotiation, only came into force earlier this year. What progress has since been achieved, working with the UK Government or not, and what further proposals, if any, do you as a sector or industry have to address those high energy costs?

[15] **Mr Bolton:** Do you want to kick off, Dominic?

[16] **Mr King:** Yes, sure. Sorry, I was looking towards Chris there, because he leads on the electricity work with UK Government. There has been some shift from Government. So, the EII compensation package went in earlier this year, which is a significant benefit to steel companies around the UK. However, we did some research, along with steel companies in the UK and abroad, and we determined there is a huge differential between the price you pay for electricity in the UK and the price you pay in Europe. The figure is £17 per megawatt an hour. In simple terms, that's £1 million a week differential between ourselves and Germany. To put that in context, we put a number of recommendations forward on how to reduce that figure so there

is no differential, so we have a competitive advantage, and we're on a level playing field with our competitors. Back in June, at the Steel Council, I think there were six detailed recommendations put forward, none of which were accepted. We're awaiting decisions on all of them. In that preceding time, since June to now, we have lost, as a steel industry, £20 million compared to Germany. That is the differential there. So we're, sort of, calling for UK Government to take real, decisive action straight away to tackle that. If they do not tackle that, we look at it and go, 'Is there a long-term for the steel industry?', and you think, 'Actually, that's going to be a challenge.'

[17] **Mr Hagg:** Sorry, could I pick up on that? I fully endorse everything that Dominic has said there. Obviously, the energy-intensive industry's compensation package, which was put through in the early part of the year, was a very welcome relief to the steel industry, but the quantum of the differential that still exists is massive—£17 per megawatt hour is huge. By the way, the group that I led, the energy prices group, also constituted members of what was then the Department of Energy and Climate Change and also the Department for Business, Innovation and Skills, which is now the Department for Business, Energy and Industrial Strategy within the UK Government. So, we have their input as well, and clearly they also have some internal figures, which I think probably show that the differential, in their eyes, is even bigger. So, the industry estimate is, perhaps, on the modest side of what the quantum of that differential is.

[18] We put forward some very detailed proposals, particularly in the various areas of where there is a differential, so whether it be on the base cost, whether it be on the tariffs or the extra costs that Government is putting in, or the transmissions costs, and we put a suite of recommendations forward. Unfortunately, since June we've seen no real progress. We're still waiting for answers as to whether any of those recommendations are likely to be either accepted or rejected.

[19] **Mark Isherwood:** Where is the blockage? Is it UK? Is it Brussels? Is it a combination of the two? Or is it—?

[20] **Mr Hagg:** No, sorry, it's UK Government—entirely.

[21] **Mark Isherwood:** UK Government. Okay—

[22] **Mr Hagg:** The variety of excuses do come forward about, you know, the referendum, Brexit, change of Prime Minister, change of Ministers. But,

yes, it's UK Government.

[23] **Russell George:** How do those excuses come? Do they come in a written form or—?

[24] **Mr Bolton:** As joint chair of the steel council, maybe I should comment on it. I think, as Chris says, it is disappointing that we've had such a delay put down to referendum, followed by change of Government, briefing of officials. There's a meeting with chief executive officers taking place next week, which is hopefully a precursor to the next council meeting. But I think there was—and as Chris referred to—definitely a split between the old BIS wanting to take forward the recommendation, particularly around energy, and a reluctance on behalf of DECC to take it forward. We were hoping that, with those two departments coming together, we would see some movement, and we hope to get some feedback on that next week.

[25] **Russell George:** If you do have any—sorry, Mark—written evidence that you could provide us that demonstrate what you said, that would be very useful for the committee because that would be something I think the committee would take up. Sorry, Mark Isherwood.

[26] **Mark Isherwood:** Thank you, that was very helpful. You refer to the, I think, £17 per megawatt figure, is that the further reduction you need to see to establish the viability that you seek? And how is the absence of that impacting on investment decisions?

[27] **Mr Bolton:** Two things: yes, that's the number that we've arrived at. As Chris said, we believe that's a more conservative estimate to what the number is. It was a short-term impact that Dominic has explained. The impact on businesses, on the ongoing running of the businesses, will vary on what they're doing. So, for electric arc furnace, that's 20 per cent of your actual conversion cost. For a mill, like at Newport, for example, it's £2 or £3 a tonne, per cost. But the point you make about the investment decision—to me, that's the key one, because if you do want to see a structural change in the steel sector for a more competitive future, then we believe the green steel vision that Liberty have—actually I think it's aligned with what is required in terms of the structural change to actually combine blast furnace and electric arc furnace steel making. That investment in electric arc furnace steel making that's required to be more competitive requires the electricity price to be more competitive.

[28] **Mark Isherwood:** Thank you. I think you've just answered my next question. I'll just slip in one final question. I understand that in some European member states, like Germany, for example, the offset has driven up domestic energy prices. How do you understand the proposals that were, you thought, going ahead prior to June, in the UK, going to move towards your needs without necessarily offsetting domestic energy tariffs?

09:30

[29] **Mr Bolton:** Therein lies the challenge, I think, for Government, because it becomes a political challenge at that point. Chris can comment probably more accurately than I can.

[30] **Mr Hagg:** I think, on that score, the £17 per megawatt hour that we're talking about is in order to put us on a fair and even footing against European competition. And by the way, it's not just Germany, it's also France that have done similar sorts of things in order to make their industries very competitive. I think Jon's right, it becomes, then, a political decision as to whether you wish to have a continued competitive steel industry or not. And then you make the decisions as to what's the best way of addressing that particular problem.

[31] To answer the investment decision thing, we, as Celsa, have plants in a variety of countries around Europe and even though the steel industry is not in the healthiest of states, there are investment decisions that have been made in the last six to nine months by our company, and because there was a disparity between the cost of production in this country and the cost of production in France, then the decision was made to make that particular investment in France.

[32] **Russell George:** Before I come to—. I'm sorry, did somebody else want to add to that?

[33] **Professor Brunnock:** I was just going to make a comment, not necessarily on price, but that the Welsh Government's support for the environmental improvement programmes for energy efficiency in Tata in Port Talbot, in Orb and in Shotton has been very positive, so it's worth commenting on that. We can't go into specifics, but it is a very positive thing.

[34] **Russell George:** Before I come to David Rowlands, can I just ask Professor Brunnock a question? When do you expect to make the final

decision on your UK steel plants?

[35] **Professor Brunnock:** I think that's a good question. We're not going to put a timescale on it, because we don't want to make a decision that would be incorrect. What we have to do in Wales is continue making the progress we've made on the foundations for success, which is to get the plant cost-effective and creating value-added products, which we're making good progress on. But we can't comment on a timescale between what's happening with the sales process or, in fact a merger, which is public, perhaps, with ThyssenKrupp. But the timescale—it's not possible to put one on it, because we have to get the right decision for Tata Steel.

[36] **Russell George:** Okay. Adam Price.

[37] **Adam Price:** It's good to hear that the sale process is still open and not just the merger. I was wondering if you would comment on the position that trade unions both in Germany and in the UK are very worried about the merger, and what that might mean due to the public comments, for instance, of the chief executive of ThyssenKrupp that this would be a means of taking capacity out of the steel industry. There are obviously fears as to where that axe might fall.

[38] **Professor Brunnock:** I can't comment on what the chief executive of ThyssenKrupp might say. What I do know, from a Tata perspective, and particularly from a Tata Wales perspective, is that we have to get ourselves in the best possible position from a competitive place, and I think we've got some tail winds at the moment; some of those are external factors, as you will have read about in the press, and a lot of those are internal factors in terms of where we position ourselves. So, I think nothing is inevitable. I think that, absolutely, the people and the workers within Tata Steel UK are positioning the plant in the right place to be absolutely competitive with Europe's best.

[39] **Adam Price:** Two of the bidders, of course, have Welsh connections. One of them, Excalibur, which has been actively financially supported by the Welsh Government, most recently said that they would welcome a joint bid, according to the comments of their chair, Roger Maggs, with Liberty. Has there been any discussion with Liberty on the possibility of a joint bid?

[40] **Mr Bolton:** Yes, there has. Obviously, at the time we were all covered by confidentiality, so that couldn't be covered, but we've made no secret of

the fact, I think, that we'd be comfortable to work together with any other interested party. We strongly believe there is a future for the sector and that it has a very strong future here in Wales as well. So, absolutely, we would work with Excalibur.

[41] **Adam Price:** And has the Welsh Government—? Well, maybe we'll ask the First Minister this in a second, but have you had discussions with the Welsh Government as well about the possibility of a joint bid?

[42] **Mr Bolton:** Not directly, I don't think.

[43] **Adam Price:** Okay, thank you.

[44] **Russell George:** David Rowlands.

[45] **David J. Rowlands:** It's following on a little bit from the energy costs, but perhaps the flipside of it, and I think Martin has touched on it a little while ago. Can you tell us what progress has been made with the environmental improvement project at Tata Steel's Port Talbot site? Do you have—?

[46] **Professor Brunnock:** I can't, because of the competitiveness of the—. So, there's a lot of progress, I can tell you that, which is positive. I can't get into too much detail in public because of the competitiveness of the industry, so we can maybe have a discussion offline, but in terms of public, I have to say that it is very positive, I think, in constructive engagement with the Welsh Government, but I can't go into what the exact details are.

[47] **David J. Rowlands:** The broader question is: what do you all see as similar projects that would have the highest priority as far as you are concerned with regard to this energy efficiency?

[48] **Professor Brunnock:** I think there's always ongoing dialogue around energy efficiency in plants. I think one of the things that we would like to be able to do is to look at our power plant, for example. That's an ageing piece of kit that needs development and needs asset improvement. I think, as we improve that asset, then we become more energy efficient and cost competitive. So, that will be an area of key focus for us—

[49] **David J. Rowlands:** What sort of progress is being made by the generation plant that we're talking about there—the individual generation

plant down at Port Talbot?

[50] **Professor Brunnock:** So, we've had some capital expenditure approved by India to spend on the equipment, to upgrade it, to increase the amount of megawatts we can actually provide to the site and then reduce our electricity import—

[51] **David J. Rowlands:** Are you being helped with that by the Welsh Government? Is there investment coming from them?

[52] **Professor Brunnock:** Again, that's part of the taskforce debate and one of the topics that we're talking to the taskforce on on a regular basis. I'm not at liberty to comment, at the moment, on that, but certainly the dialogue is very close and the Welsh Government is supportive.

[53] **David J. Rowlands:** Fine, thank you. Celsa consider the Welsh Government are

[54] 'in the vanguard of making the right steps to support local sustainable production'

[55] regarding energy efficiency. Could you make some comments on that question?

[56] **Mr Hagg:** Yes, sure. The reason I say that is that, again, as part of the electricity working group, one thing that we were putting to UK Government was that they should establish a fund to help energy efficiency within the whole of the UK. Now, Wales is ahead of the march on this, in that there are some funds and schemes in place, and there are active discussions that continue with energy-intensive industries down here for us to tap into that. So, that's why I say they're in the vanguard, because there is a scheme that's already existing, and one of the recommendations we gave was, 'Actually, do a copy-paste of the Welsh scheme, really, for the rest of the UK.' So, the discussions continue on having various energy efficiency schemes. As you can understand, being such an energy-intensive user, then energy efficiency is key to everything that we do, whether it's from lighting to variable speed drives, right the way through—the whole gamut through to generation of electricity. I think, maybe, with the variability that we're seeing in electricity costs, maybe the whole thing about generation of electricity is coming higher on the agenda for all of us.

[57] **David J. Rowlands:** Is there anybody else who wants to make a comment on where they see the priorities lying with regard—?

[58] **Mr King:** I think you can't underwrite the importance of energy efficiency funding at this current moment. These are massive capital-intensive firms across the UK that need huge amounts of investment, especially around energy efficiency. When you are at a point in time when you are in crisis, you don't have money sloshing around and capital sloshing around to be putting into these funds. So, there need to be steps taken by the UK Government with the support of Welsh Government to put these things in place for bad times, so that in the good times, it can be repaid through cost-cyclical loans, or perhaps through grants. I think there is an importance that a number of the companies based in Wales are UK companies, so UK Government does, to a certain extent, need to take a lead here, with the support of Welsh Government. Wales are doing a very, very good job in individual cases, but there can be a lot more joined-up work here.

[59] **David J. Rowlands:** Do we have any figures with regard to that to back it up—the sort of money that's going to be needed to bring these energy things forward?

[60] **Mr King:** As an industry, I think every one of our members put forward a number of energy efficiency schemes. They wanted very detailed—how many jobs it will help create, the environmental impact, the improvement of productivity. That is all with the UK Government at the moment, and it has been since early this year, and, again, we are still waiting for a decision.

[61] **David J. Rowlands:** Thank you very much.

[62] **Russell George:** Hefin David.

[63] **Hefin David:** I'd like to look at the evidence that was given on business rates and the role of business rates. I'd like to direct my question first to Mr King and then to Mr Hagg, if that's okay. First of all, we've taken evidence on business rates previously and it's a fairly imprecise tool, isn't it? But you would welcome the progress made with business rates.

[64] **Mr King:** I think the announcement last week around the reassessment of business rates was obviously a massive positive in Wales in the sense that they put it through straight away. However, that's not sorting out the long-

term problem, because they could go up as much as they come down. The big thing that we see is plant and machinery being included in business rates—so, for instance, Tata investing millions of pounds into a blast furnace and then being massively hit with a huge bill at the end of it, and their rates increasingly significantly into the hundreds of thousands. If anyone was creating this now, they would never create it in that way, because it stops investment. And it is something that is fully devolved to Wales to make that decision. We understand there are a lot of concerns around it in terms of the cost and the impact, but, if the Welsh Government truly believe that they want to be the centre of an industrial strategy, the centre of manufacturing growing, a good example is getting rid of plant and machinery on business rates to help drive growth in the steel industry, but more widely in manufacturing as well.

[65] **Hefin David:** So you see that there's a benefit more widely, that it won't actually lead to companies that would necessarily benefit and shouldn't benefit. So, is there a cost associated with that?

[66] **Mr King:** The cost is, I guess, very large to the Exchequer in England, but also in Wales—I think what we're pushing is for Wales to take a lead here, showing them we can do it better here.

[67] **Hefin David:** I suppose the point I'm making is you could also be subsidising those companies that don't need it.

[68] **Mr King:** To a certain extent, but capital investment is always a good thing. If your company is growing and improving and becoming more energy efficient, more productive, that is a good thing for your own economy, for job prosperity, for productivity. So, even if it's a company, say, making money, we see that as a good thing as well.

[69] **Hefin David:** Okay. And Mr Hagg, you've suggested there may be a way to tie this to outcomes in relation to recycling.

[70] **Mr Hagg:** Our business ethic is about trying to suggest solutions to problems, and therefore the way that we're approaching this is to really talk about the circular economy and the idea of local, responsible sourcing, but then linking that to the idea that perhaps, if somebody is using a high level of input of recycled material in their process, then is there a case for either help, exemption or relief on business rates in order to encourage that sort of activity? So, I think the plant and machinery thing is extremely valid because,

obviously, if we're investing in new kit, it doesn't make sense, in my opinion, for us to then be charged business rates on that. But, yes, is there another alternative that would, say, depending on the rate at which you are recycling inside your business—? Is there an opportunity to target business rates and encourage more of that behaviour?

[71] **Hefin David:** Do you feel the Welsh Government are open to dialogue on these issues? Perhaps both of you could give me a reflection on that.

[72] **Mr Hagg:** My impression, certainly, from Welsh Government and our interaction with Welsh Government over the last few months is yes, they're interested in real good dialogue about anything and everything. So, yes, they are engaging with us on this.

[73] **Hefin David:** Mr King.

[74] **Mr King:** I would echo what Chris has just said around that. I think it's—this issue of electricity prices and energy efficiency, it is about creating a level playing field with our competitors on the continent. That is all it's about. We're not asking for special handouts or anything else. What we're asking for is a level playing field, so companies can do what they do best—grow, invest, create jobs. We see that as a positive thing, and I think, for Welsh Government and UK Government, that should always be in the forefront of their minds.

[75] **Hefin David:** Okay. Thank you.

[76] **Russell George:** Hannah Blythyn.

09:45

[77] **Hannah Blythyn:** Thanks, Chair. I want to look at the role of and the importance of procurement in sustaining UK steel, but, before I do, I just want to ask you on a general observation, which is connected to the stability of the industry. I've quite a lot of contact with the workforce in the sector, and I know, and I'm sure you'll share this, there's a state of flux and uncertainty—there's a level of uncertainty there, and not only is it impacting on employees but perhaps the ability to retain those skills within the industry within Wales and the UK. I'm aware of the steps you think Government should take to help with that and support that, and feel free to elaborate, but also I'm curious to hear what steps the industry's taken to assist with the

issues we're facing with that.

[78] **Professor Brunnock:** Are you talking about procurement specifically, or the skills actually to make sure we make the right decisions around that?

[79] **Hannah Blythyn:** Actually addressing the insecurity that there is within the industry at the moment because of everything that's happening.

[80] **Professor Brunnock:** I think there is some unrest in the organisation. What we're doing within Tata Steel is we are recruiting apprentices. Just in Port Talbot and Llanwern this year we recruited 78, recognising the skills that we'll need in terms of mechanical, electrical and production apprentices. We recruited graduates, and we run a doctoral programme, and we are getting 50 doctoral students through per year, and a lot of those then go on to be employed either within Tata Steel or within the supply chain, and a lot of those within Wales or the UK. So, I think we recognise that you have to keep the skill base in place. You can't effectively reduce your workforce and not retain the skills. The other thing is that we are actively, this year, with the Welsh Government, training our workforce quite considerably to upskill them for the future. So, I think we see that as a massively important thing, and not something that we're shying away from at all.

[81] **Hannah Blythyn:** On procurement more specifically, I know there's been guidance brought in by both the UK and the Welsh Governments; have you seen that create significant change in the way public procurement takes place? How do you think that can be improved on still?

[82] **Mr Bolton:** And also in Scotland, as well—I spent time with the Scottish steel taskforce—so, legislation is in now, guidelines are in, and certainly we're seeing across the board an increase in the number of enquiries as a result of that. So, UK content has become far more important and far more of a feature of the enquiries we're seeing. One of the recommendations we made into the steel council was that we track that more closely, because, at the moment, we're seeing the early indications of that increase in enquiry level, but is it actually manifesting itself in increased orders? So, I think we have to keep a close eye on that, and there was obviously some recent publicity around examples where Government departments are not, maybe, adhering to those guidelines, although that preceded some of the guidelines, I think, some of the decisions from the Ministry of Defence. So, it's important we track it and we monitor it, and we watch it, but I would say the early signs are encouraging.

[83] **Hannah Blythyn:** So, do you think there's a need for additional monitoring and reporting procedures?

[84] **Mr King:** Absolutely. The English Government have put in place guidelines, which obviously came out earlier this year. They have been put in place very similarly in Wales, and, for the first time, Government departments will start having to report on the amount of steel they buy, but, more importantly, the percentage of UK content within that. We expect the figure to be pretty low; it's due out this autumn. But the idea is to try and move away from this anecdotal conversation around it to going, 'If it's 40 per cent, how do we get it to 45 per cent, how do we get it to 50 per cent? How do we keep pushing that up?'

[85] I think there are concerns around projects that are out of scope within that. So, projects that are funded via Contract for Difference—so, Hinkley Point, potentially tidal lagoons, and offshore wind, they're not necessarily covered. So, obviously, we're pushing the UK Government to include that. Ultimately, what we want is cultural change around procurement. I think everyone logically goes, 'If you're spending public money, you should probably be trying to spend a large proportion of that in your own country.' It makes financial sense, and sense to the wider economy. Unfortunately, over the last 10 years, I don't think anyone has quite noticed that, and we've regressed to the point of always focusing on lowest price. So, it's about trying to build that back up, that cultural change, so people are giving the best opportunities to the UK steel sector, but also wider UK companies.

[86] I think Wales have actually led from the front in a lot of this work. So, they released pipeline data a month ago, so all publicly-funded projects in Wales are now going to be—. Companies will have prior sight of how much steel is going to be needed in that, so they can help get in early, at the design phase, but also be aware of what big projects are coming on so they can make sure they're involved in that. But there are still a number of steps to take. It's not, unfortunately, a short-term solution; it's a long term.

[87] **Hannah Blythyn:** Thanks.

[88] **Mr Hagg:** I do think, on that score, that procurement guidance was extremely helpful. I think there is anecdotal evidence that that has prompted a bit of a shift, but we now need to make sure that we get the reporting mechanisms in place, and we need the supply chain to take it on, not just for

public procurement, but, actually, private procurement as well. But the public procurement, governmental procurement, can lead the way on this. It's encouraging that there is a gathering of some of that evidence, but it does seem to take a long time for that cultural shift to take place.

[89] **Mr Bolton:** I'd also add, I think, that the guidelines were welcome, and it was a step in the right direction, but what we really want is it to be more than guidelines, for it to be actually quantified—what is the economic benefit of awarding this contract here in the UK as opposed to elsewhere? What is the lost value to the UK economy—you know, doing the socioeconomic assessment, quantifying it, and taking that into account when awarding contracts, specifically as opposed to guidelines?

[90] **Hannah Blythyn:** Thank you.

[91] **Russell George:** Are there any other—? Sorry.

[92] **Professor Brunnock:** We probably have a role to play as well. So, for example, Tata Steel sponsored the main Procurex Wales Live event last week in Cardiff, showcasing Tata Steel products, so I think the industry also has a role to play, as well as Government.

[93] **Hannah Blythyn:** Thank you.

[94] **Russell George:** I'll just ask Members: are there any other Members on procurement processes? Mark Isherwood.

[95] **Mark Isherwood:** Early last year, Tata Steel Colors in Shotton told me they were directly affected by substandard imports of carbon steel rebar. I then supported a cross-party motion in the Assembly in March 2015, calling on the Welsh Government to adopt a charter for sustainable steel, pledging only to purchase from suppliers adhering to the framework standard for responsible sourcing. When I subsequently chased that with the Welsh Government early this year, the answer I got was, 'I'll have to check what reason was given why we couldn't do it.' But do you know why we couldn't do it, or whether that opportunity still might present itself in some form for procurement?

[96] **Mr Hagg:** I think the reasons given by both Welsh Government and UK Government for not making things mandatory have been that they cannot specify, if you like, a particular scheme or a particular standard. They have to

always open it up to 'or equivalent', as being the rationale behind it. So, I think that we're now getting the sense that there is a willingness to actually take some of those sustainability-type issues and the differentiators, which would imply more local sourcing, and use those within the procurement process. But, as I understand it, there are some legal issues that they may have.

[97] **Russell George:** Vikki Howells on a new subject area.

[98] **Vikki Howells:** Thank you, Chair. In the short term, but, perhaps most importantly, in the long term, the ability to trade competitively is really key to the future of Welsh steel. So, I'd like to ask you, first of all, what do you think the UK Government's priority should be for maximising trade opportunities for us following the decision to leave the EU, especially given the fact that around 70 per cent of Welsh iron and steel exports currently go to EU nations?

[99] **Professor Brunnock:** In terms of Tata Steel, clearly, we support free trade. It's absolutely the right thing to do. The UK Government, they need to speed up. When they take action, they need to do it more quickly, we feel, and look at the penalties in terms of revoking the lesser duty rule. It's something we've talked to them about that they haven't done. What we wouldn't want them to do is to back out of anything that they've agreed on and put steel in the bargaining tool for the Brexit agreement. So, that's something we'd be strongly advocating they don't do. But, in terms of free trade, they need to work with Europe and make sure that we don't get unfairly treated, which we were last year hugely by China and other countries unfairly dumping into Europe and the UK, and then Wales. And I don't think we acted, or the Governments didn't act, quickly enough to prevent that happening. So, our markets then are blocked. So, for example, with the American market, the taxes are so high that it's blocked to the UK steel companies. So, I think the UK Government needs to act a lot quicker than they have done in the past.

[100] **Mr King:** I guess, post Brexit, the big thing is—. Trade defence instruments are administered at the moment by the EU Commission and they do big, nine-month long investigations, and that happens. Finally, the EU are starting to get tough, or tougher, on actually tackling dumping. Dumping means that it's state subsidy, basically, from China, which means that they're selling it under-priced in Europe, which is dropping the price, meaning that companies go out of business, unfortunately.

[101] Post Brexit, the UK will have to put in place its own trade defence instruments. What we're calling for is free trade, obviously, front and centre always, but fair trade. So, when unfair trading practices happen, you should block it, and I think a lot of the worry and a lot of the rhetoric, I guess, from the UK Government is, 'Free trade at all costs; we don't mind if companies go bust because of unfair trade practices.' I think that is one of the most important things, in the short term, to try and tackle so that we have strong, robust trade defence instruments to actually deal with countries, such as China, dumping in the UK.

[102] **Vikki Howells:** So, if I'm right in reading the fact that you believe that access to the single market is really crucial, does that not create any tension then between our ability to actually implement the anti-dumping measures against China, but also potentially in the future with issues with Russia and Belarus as well?

[103] **Mr King:** In terms of the single market, that is massively important to us as a sector. If we did go under World Trade Organization rules, steel would be tariff-free with the EU, but that's not really the point. It's the sectors that are there in the UK—automotive, aerospace—and the impact that it could have on them and their businesses shifting out of the UK, which is so vitally important. So, the single market for us is No. 1 and our biggest concern at the moment. That access to skills, innovation and the breaking down of non-tariff barriers, and being in the customs union are all massively important.

[104] Supposedly, they're going to be creating TDIs next year, our own set of them. Our view is that we should almost be taking what the EU is currently putting in place—so, strong stringent rules—and applying it to the UK. There are massive challenges around that. Currently, if a case is taken in the EU, it will be by a number of companies, so the cost is shared, whereas, actually, if it happens in the UK, it will be one company against the whole of China. It's not a particularly easy or nice place to be, but we believe that the UK Government should be behind companies, supporting them in that process, to make sure that trade remains free and fair.

[105] **Vikki Howells:** Finally, if I can just ask, with regard to the anti-dumping measures, I believe that there are a plethora of measures being put in place by the EU at the moment—37 different measures—and while they have seen a reduction in Chinese dumping, I'm sure that many people would

argue that that hasn't been good enough. So, are there any particular measures within those 37 that you would like to keep or change?

[106] **Mr King:** All of them. The reason why China's exports into the UK have reduced is, in a large part, to do with those dumping measures being in place. If they go, it could open up the floodgates almost overnight again. We saw it with rebar—that it went from China having almost zero penetration into the UK to having 50 per cent almost overnight. That is the impact that these measures can have. So, we believe they should all be brought back over and that should be a priority for the Government.

[107] **Russell George:** On this subject, Hefin David.

[108] **Hefin David:** I've just picked up on some of your responses to Vikki and some of her line of questioning. There seems to be a divide between the language used of 'free and fair trade' and the actual reality, which I think you said are a defence mechanism and tariff barriers. The reality is that this seems to be a trade war, whereas we're talking about free and fair trade. Is there a distinction there or am I wrong?

[109] **Mr Bolton:** The words that Dominic used were 'unfair trade'. So, that's the distinction you have to make. We're asking for an open market as much as possible. That's the first and foremost—

[110] **Hefin David:** But you're not going to get it.

[111] **Mr Bolton:** But if it's unfair dumping, where China are dumping steel in the UK below its cost of manufacture, then that's unfair trade.

[112] **Hefin David:** And that's where we're going. That's where we are. That's the realpolitik.

[113] **Mr King:** And that's what we've got to stop.

[114] **Mr Bolton:** That's what we've got to address—that's the issue we're addressing.

10:00

[115] **Mr King:** And it's what the EU are currently doing, and the UK will have to now do this.

[116] **Hefin David:** But we're not doing it. The UK's not doing it.

[117] **Mr King:** The UK is part of the EU still, for the next couple of years.

[118] **Hefin David:** Okay.

[119] **Mr King:** We'll wait and see, anyway, but, yes, the UK will have to start doing it themselves in two years' time.

[120] **Hefin David:** Okay.

[121] **Russell George:** New subject—Jeremy Miles.

[122] **Jeremy Miles:** Thanks, Chair. Can I turn to research and development? I visited the Bay campus of Swansea University recently and saw the work of the Sustainable Product Engineering Centre for Innovative Functional Industrial Coatings and the advanced materials imaging team about the future applications of steel, which was very inspiring. So, I'd be interested in your thoughts on the other proposal that has come from Swansea University around a national steel innovation centre. Would you welcome that sort of initiative? I'd be grateful for your thoughts on that.

[123] **Professor Brunnock:** Yes, certainly, we would. I think SPECIFIC is a great example of open innovation with different companies, with like-minded goals and different universities with like-minded goals to come together and actually develop something that is new to the world. I think they've been hugely successful in that, and Tata Steel are proud to be part of that project.

[124] I think the proposal that's come from Swansea University—and we've talked to them quite extensively about what that proposal should include. I think having an open innovation centre, whether it be on the campus or near the campus, is something that we would really, really support, and I think it's a great opportunity for the Welsh Government to be part of that and to spearhead it. I think there's enough steel, either manufacturers or users in Wales, to create an open innovation centre, but whether that looks at technology readiness levels 1 to 3, or whether it tries to bridge the valley of death, I think that's a discussion we can have at the time, you know, or during the process. But, you know, we're hugely supportive, and I think the Welsh Government could play a key role in that.

[125] **Jeremy Miles:** I think one of the plans is for there to be a network of universities that support it as well, which, presumably, is one of the key advantages of it from your perspective.

[126] **Professor Brunnock:** I think so, yes.

[127] **Jeremy Miles:** Would you give some observations on how effective R&D support has been to date? I mean, have there been tangible benefits that you would point to as a sort of route-map for the future sort of support that you'd look for?

[128] **Professor Brunnock:** From the Welsh Government?

[129] **Jeremy Miles:** In general.

[130] **Professor Brunnock:** In general. Well, we certainly have had support from Welsh Government, and we are looking to work with them now on Smart Cymru funding for new product developments, for example. I think, massively, we've had support from different universities and our own research and development to develop new products, and, particularly over the last three years, Tata Steel UK has developed over 30 new products. And if you look at our product portfolio in the latest public document, which is June 2016, we've got the most diverse product portfolio we've ever had in terms of value-creating projects. And along with that—

[131] **Jeremy Miles:** And that's been supported by public funding.

[132] **Professor Brunnock:** Some of that's been supported by public funding, and some of it from private funding. But I think working together is the key thing on that.

[133] **Jeremy Miles:** Okay. In September, the Welsh Government indicated a likely investment into Port Talbot for future product development. What's the current state of play on that from your understanding?

[134] **Professor Brunnock:** So, we've worked closely with Welsh Government to get the proposal to the approval stage, and I think that's where it is. I think we know exactly what we want to do. Smart Cymru is the vehicle to get that funding, at either 25 per cent or 50 per cent of the value—it depends on where it is within the TRL level, whether it's new to market or just a slight

innovation. So, we're working with them on that detail. But I would say it's very close indeed.

[135] **Jeremy Miles:** So, do you have a sense of the timescale for when that'll come on stream yet?

[136] **Professor Brunnock:** I can't give you a timescale today, but I can come back to you on it. I'll just check with my colleagues, but, yes.

[137] **Jeremy Miles:** That'll be useful. Thank you. UK Steel had a proposal in relation to—or made some observations in your written evidence about the advantages of a foundation industries catapult. What's your vision for how that would work in practice? And I know that there have been other proposals about materials catapults on Teesside and so on, so I'd be grateful for your thoughts on whether they occupy the same space, to some extent, or how you'd see them working.

[138] **Mr King:** I think that, in terms of foundation industry innovation, it hasn't been particularly well funded, I think, for a number of years. I think Governments tend to like to go towards the sexy, shiny end of things, rather than—unless we're focusing on a material that is the basis for most of manufacturing across the board. So, you know, that's why we're pushing it. We believe it should be something that is pan-UK, so that there are bases in Wales, in England and in Scotland. We think that's very important, because you're pooling the most knowledge and resource that you possibly can, and we believe it is, you know, one of the key things to the future. Everything else we put forward is short-term action that is needed, but, you know, innovation R&D is going to put us, hopefully, ahead of our competitors in Europe and drive us forward so that we have a long-term future.

[139] I should say that, you know, in terms of our ask, there is a piece of work ongoing at the moment on future capacity and capability, which is being funded by the UK Government at the moment. We believe that any large innovation funding decision should be based on factual evidence. When a crisis happens, you get everyone in the country putting their hands up, saying, 'I have the solution. Give me some money.' I think we need to wait until that has happened, which should be January or February next year, to help inform any funding decision around large innovation. What we want in the autumn statement is, I think, a commitment by the Chancellor that there will be money put aside for steel for that time when that report is published, so that it can go through at the budget. We feel that's important.

[140] **Jeremy Miles:** So, looking at the existing centres of excellence, innovation and production, how would you see those being configured together to create a catapult of this sort? Do you have any emerging thinking or proposals around that?

[141] **Mr Bolton:** Well, there are—. I think, if you look at all the existing centres—whether that be Swansea, Warwick, Teesside, Sheffield—they all have a certain expertise. They are already contributing in a certain way. As Dominic said, the work stream on capability and capacity in the UK—we can't put the cart before the horse. We need to do that piece of work first, rather than making short-term decisions because money might be available because of the profile that steel has. I think that would be a mistake. But I think they all have strengths and they could be pulled together. So, you could see—. You know, you've got a centre of excellence around primary steel making, which could be Teesside, for example. You've got long products, product development, around Sheffield, for example. And you've got, as Martin described, automotive flat strip products expertise around Swansea and maybe Warwick, linked to the automotive sector. So, I can see a way of making best use of existing facilities to deliver that in some way, but it needs to be driven by outcomes, linking with industrial strategy for automotive, aerospace, nuclear, offshore, construction, et cetera, et cetera. It needs to make sure that works together.

[142] **Jeremy Miles:** And you are looking at a catapult that would cover both process innovation, so to speak, and product innovation, in simple terms. Is that—?

[143] **Mr Bolton:** I think that, to a large degree, the catapults that are already in existence deal with some of the product development because they're linked to the industrial strategies of automotive and aerospace. I'm not saying there isn't a need to make a link. But I think there isn't anything around process—around things like fundamental steel making, for example—foundation.

[144] **Jeremy Miles:** And that's where you see the focus of it, effectively, as a result.

[145] **Mr Bolton:** I think there needs to be a renewed focus around that, yes.

[146] **Jeremy Miles:** Okay, thank you.

[147] **Russell George:** Adam Price.

[148] **Adam Price:** One of the criticisms that's made is that, certainly since the merger that led to Corus, there has been underinvestment by the steel industry in R&D—so, the closure of the Welsh Technology Centre and the running down of the other centres. I think I saw a figure that only about 150 people work in R&D within the UK steel industry now, compared to maybe 1,000 not so long ago. Is it a fair criticism that the industry itself within the UK hasn't invested enough in process and product innovation?

[149] **Professor Brunnock:** I think the industry has tried to focus its resources in the right place. I think the strategy that was put in place for R&D within Tata Steel was to focus on the research facilities in the Netherlands for, say, packaging and automotive and some processes in the heavy end. The Material Processing Institute is still a key part of what was the Teesside Technology Centre. It's still a key part of our research activities, which we work very closely with them on today.

[150] Regarding the Sheffield laboratory, that is, the Swinden Technology Centre, we are working now to see where we put those assets and people to make best use of them for the steel industry. Having said that, we spend a considerable amount of our own money on research and development annually in the UK. I can't go into the amounts, but it is in double figures. We're spending on research and development for process and product. Where we do that research might be not in the location, but it's applied, and how you transfer that technology from location to another is key. For example, we might do a research and development project within Port Talbot on the steel-making process. We wouldn't do the same innovation in another plant, whether it would be in Scunthorpe or IJmuiden. We would then use the knowledge gained from the research and development in the one plant and transfer that to another plant. The strategy is to make sure we make best use of our resources rather than duplicate in different areas.

[151] **Mr Bolton:** But I think it's right to say—*[Inaudible.]*—for me to say there has been a long-term legacy of underinvestment in R&D. If you compare European competitors who have spent a significantly greater percentage of their turnover on R&D, then you see more successful—particularly in Europe—higher value products, product leading, and therefore a more sustainable, futureproof organisation.

[152] **Russell George:** Last subject area, Hefin David.

[153] **Hefin David:** The Welsh Government is capable of providing some help. How would you summarise the Welsh Government's range of tools that are available, which might form part of an economic strategy? Dominic.

[154] **Mr King:** Just, I guess, a quick one on the Welsh Government: with us, anyway, they've always been in listening mode and have taken the actions I think that they can. There are a few that we've touched on, including business rates, that they could do more on, but, actually, they have taken a lot of action. For us in terms of, I guess, working to an economic and industrial strategy, there are a couple of strands. One is making sure that you look through the prism of steel but, more widely, manufacturing, when you make policy decisions—will this hurt a business? And I think, over the last 15 to 20 years, there have been successive policy changes around energy, business rates, and wider, that have hit companies and made them less and less competitive against competitors. So, I think that's the first one: you always need to look through the prism of manufacturing when you make policy decisions, as far as you possibly can. I think the second one is around growth markets. So, if you see an increase in, say, automotive, or tidal lagoons, or offshore wind, we feel there should be a correlation between an upsurge in those sectors and an upsurge of the steel uses from the UK, and, beyond that, actually, the wider supply chain. We feel that is essential for an industrial strategy. I think, in the past, the Government has put a lot of money into OEMs, into end-user sectors—so, in the automotive—but has failed to realise the importance of the supply chain to their future remaining in the UK. And I think that upward trajectory should be matched or correlated with a growth in steel.

[155] **Hefin David:** You've made much of the positive dialogue you've had with Welsh Government. Have you had dialogue about the upcoming economic strategy that the Cabinet Secretary for economy is working on?

[156] **Mr King:** I haven't personally.

[157] **Mr Hagg:** There have been initial talks, but—. So far we're engaging and I think that the dialogue is there, but have we gone into a lot of detail? Not yet.

[158] **Hefin David:** Okay, I appreciate that. Okay.

[159] **Russell George:** Any other questions from Members? Can I ask the witnesses: are there any other short points that you would like to make that may not have been covered this morning in questions?

[160] **Mr King:** Just a really quick one, I think, is: the steel sector is still in crisis and it isn't one company, it is the whole sector. It's almost just a bit over a year ago that SSI closed, with thousands of jobs going, and subsequent jobs going across the UK, and I think it's always important to bear that in mind when you are doing funding decisions or policy changes. Solving one company isn't going to solve the whole sector, and you need the whole sector for there to be a long-term future for steel in the UK. Also, I'd just like to thank the committee for having us in front of them again, and to the clerking and research. That's been fantastic, as it always is when we're down here.

[161] **Russell George:** Adam Price.

[162] **Adam Price:** Can I just ask—? We've tried to get a UK Minister to appear before us, with no luck. I know that Excalibur have tried to get to see a UK Cabinet Minister with no luck. How accessible do you find UK Government Ministers?

[163] **Mr Bolton:** That's a leading question. [*Laughter.*] I think, at the moment, it's difficult. As I say, we've clearly got meetings next week with Greg Clark and Nick Hurd. I think they have been going through a process of getting briefed. I have to say, having sat on the Scottish steel taskforce, they had similar issues in getting ministerial support up there as well. So, it is a challenge to get that. But, just to echo Dominic's point, I think it's really important you keep pushing. I think there's a real danger at the moment that it's not the top of the priority list, and that some of the short-term issues have made the problem apparently go away, when it actually hasn't gone away at all. Structurally, the same issues remain. So, the actions of the Scottish Government, the Welsh Assembly and UK Government have to be about looking to address the long-term structural issues of the UK steel sector. So, we need to keep pushing.

10:15

[164] **Professor Brunnock:** Just to echo Jon's point, the industry still is in survival mode. We should absolutely be clear on that, just in case anybody wasn't.

[165] **Russell George:** Sure. Mr Hagg.

[166] **Mr Hagg:** Sorry. Just to round up on that, our business is very much at the front end of what is the infrastructure that's going on, because a lot of our steel actually ends in the ground for foundations. We can see that new business is declining at the moment. So, we can see that there are gaps starting to appear. So, the construction industry is extremely busy right now, but that's based on orders that were taken in the early part of the year. What's happening is a slowdown on new business coming through. I think that that is going to reflect in the first part of next year. So, my key messages, which I think we've reiterated on a number of occasions, are that we've got to have some action around electricity prices, we need help, as far as procurement, to effectively come up with something that is more about local responsible sourcing, and we could do with some guidance on or help on energy efficiency. Those are the key messages that I've got.

[167] **Russell George:** And the very, very last question to Jeremy Miles.

[168] **Jeremy Miles:** Just on that point, how many quarters would you say you've seen those orders slow down for?

[169] **Mr Hagg:** We've seen the slowdown since May. So, yes, order intake has been lower through the whole of the summer period and up to now.

[170] **Jeremy Miles:** Thanks.

[171] **Russell George:** Can I thank the panel today? That's very, very helpful. I should say as well that a transcript of this morning's meeting will be available in the next few days for you to check as well. I'm very grateful for your time this morning. We'll take a short break now, and if Members can be back at 10:25. Thank you.

*Gohiriwyd y cyfarfod rhwng 10:17 a 10:29.
The meeting adjourned between 10:17 a 10:29.*

**Cynrychiolwyr Undebau—Cymorth ar gyfer y Diwydiant Dur yng
Nghymru**

Union Representatives—Support for the Steel Industry in Wales

[172] **Russell George:** Welcome back to the next session of the Economy,

Infrastructure and Skills Committee. We've got witnesses before us, and I would be grateful if you could just introduce yourselves and your organisations.

[173] **Mr Edwards:** My name's Robert Edwards, I'm lead organiser with Community trade union.

[174] **Mr Brady:** My name's Tony Brady, regional co-ordinating officer for Unite, and lead officer on steel in Wales.

[175] **Mr Beck:** Jeff Beck, regional organiser, GMB.

[176] **Russell George:** I'm very grateful for your time this morning and for your evidence as well. Members have got some questions this morning. I'll come to Adam Price first.

[177] **Adam Price:** Bore da—good morning. I was wondering if you could start by you giving your assessment of where we're currently at in terms of the position with the industry, and also you're assessment of the steps that both the Welsh and UK Governments have taken and what impact that has had so far.

10:30

[178] **Mr Brady:** I think the position we're at, we're still very much in crisis. We can't get away from the fact that there have been a lot of kind words from the UK Government. The Welsh Assembly Government has been very supportive and we acknowledge that, but today all we're getting are kind words from the UK Government, when what we need is action. We've been saying this now for 12 to 18 months, and, you know, it's getting—when does this action take place? We need to get the UK Government to accept that we need a UK manufacturing strategy. Until we get that commitment, I think the situation's looking very dire.

[179] **Mr Edwards:** Can I supplement that? Obviously, I would agree that the steel crisis is still—*[Inaudible.]*—and still engulfs our membership and the companies that they work for. However, obviously, there's been a change in the economic climate; the pound is falling in value, however, perversely, I suppose, that has helped the steel industry. It's now turning a profit and I would agree about holding the UK Government to account with regard to whatever measures that they have or haven't taken. But I would say that

there have been some changes, in particular the tariff regime has changed somewhat from the start of the year—there have been tariffs introduced. Only last week, the UK Government introduced and agreed to anti-dumping measures, so there are new tariffs on hot rolled coil and plate steel. Those measures, when they filter through, I would hope, will help further still and help turn the fortunes of the steel industry around.

[180] **Mr Beck:** I mirror very much what my colleagues have said. If you look at the impact itself on the people in Tata Steel, in Port Talbot especially—. I spoke to my convenor there yesterday and he informed me that some of the lads, if they apply for mortgages, they're being turned down because of the uncertainty. We'd very much like the UK Government to follow the stance of the Welsh Assembly and to show support to those people, not just people working in Tata Steel, but the number of contractors who've lost their livelihoods as well, as a result of Tata now taking a lot of the work back in-house themselves. A lot of the manufacturing contracting companies have gone to the wall as a result of that.

[181] So, again, on the dumping measures, we're coming out of Europe and that's extremely worrying, but the signs from this Government is that we can open the door to look to China, and they're not making enough noises about stopping them having market economy status, and that's extremely worrying.

[182] **Adam Price:** Yes, we've seen reports overnight that, actually, Chinese production is increasing and exports despite commentators feeling it would be going in the other direction. So, that threat hasn't gone away.

[183] Just turning specifically to Tata's situation, we heard earlier that Tata, currently, is engaged in a parallel process. The sale process is still open, but there are also, of course, these widely publicised merger discussions with ThyssenKrupp. Many trade unions, both in Germany and in Wales and the UK, have expressed concerns about the underlying motive for that merger proposal, which could result in capacity being taken out of the industry, which, of course, means people losing their jobs. I was wondering if you'd like to say something about the threat that that merger possibly causes to the steel industry in Wales.

[184] **Mr Brady:** This joint venture is being mooted around, but we've had talks with Tata over it. Now, from Unite's point of view, we're not convinced it's a great move for Welsh plants. I think it could mean the end of steel

making in Port Talbot. We've warned about the guarantee of Netherlands trade unions that there will be no job losses et cetera; that guarantee hasn't been given to any UK trade unions. So, the joint venture has actually stalled the selling process, which, again, is causing uncertainty, because people don't know what's happening. We've been told it can take 12 to 18 months for this joint venture to either include UK plants or not include UK plants. We don't have that time, we can't wait. We're haemorrhaging key skills across the industry. We can't wait for that, so I think we have to put some pressure on Tata to let us know where we are with this joint venture, because our belief is it's smoke and mirrors, to be honest.

[185] **Mr Edwards:** Can I add to that? With regard to the merger, look at the positives first. I think it's only fair to do that. It would be the biggest flat steel company in Europe. It would give access to the vast engineering business that ThyssenKrupp has. It would be, obviously, a world leader and there's a trend within the steel industry for consolidating businesses and mergers. However, I think there are dangers that need to come out during the negotiations, for example both ThyssenKrupp and Ijmuiden have state-of-the-art packaging businesses that would threaten, potentially, Trostre. We here in Newport, at east, the old works that originally—because of the type of steel that it uses in the mill, it requires a certain grade that's not produced in south Wales. Therefore, they used to have steel from ThyssenKrupp. However, they used to dictate, as part of the contract, the market they could pursue. Once they were freed up from that contract, they were furnished with steel from Ijmuiden, as they are now. Obviously, a merger with ThyssenKrupp may endanger that plant as well. So, clearly, during negotiations, from the trade union point of view, we need to find out what the intentions are before any merger takes place, and if any merger suggests that it will endanger the workforce and their long-term employment opportunities, then, clearly, that would be unacceptable and we'd obviously go back and try and force Tata to reconsider the buying process, which they have now paused.

[186] **Russell George:** Just before I move on to a new subject area, do you think the Welsh Government should develop a manufacturing strategy?

[187] **Mr Brady:** Yes, very much so. I think they should. I think that they're slightly limited in what they can do, but I think the messages coming from the Welsh Assembly Government are positive. But, as I said before, it's about the Welsh Government working alongside the UK Government and getting a joined-up approach to it. It's vital that we get a strategy in the UK, not just Wales.

[188] **Russell George:** Adam Price.

[189] **Adam Price:** Just before we move off ThyssenKrupp, if sufficient assurances sought by the trade unions were not offered by Tata and ThyssenKrupp in terms of future employment and future investment in the Welsh and British steel industries, should the UK Government in those circumstances, given the strategic nature of the industry, intervene to block that merger?

[190] **Mr Edwards:** If we look back over the past 12 months, I think, right up until Brexit, Cameron as Prime Minister almost had a hands-on role within the steel industry. Why that was, I'm not entirely sure, but, nevertheless, any sort of involvement is welcome, and at that point there was clearly a deal on the table. But at the point of Brexit, that deal was pulled. So, we are still, now, back in the realms of, 'We're not sure.' So, I think, basically, it would be beneficial for the UK Government to have a role in the intervention and you are then leading into the other question about an industrial strategy.

[191] **Mr Beck:** You see, there are so many unanswered questions for the unions at the moment, where the unions in Europe are having assurances in relation to job protection and redundancies. We're not getting that, and unless we get that information, then I think there is a role for the UK Government to step in.

[192] **Mr Brady:** I would echo that. The answer to your question is: if we don't get the answers to the demands and the protection for the UK jobs, then, yes, they definitely should intervene.

[193] **Adam Price:** Thank you.

[194] **Russell George:** Jeremy Miles.

[195] **Jeremy Miles:** Thanks, Chair. One of the worst aspects of this, it seems to me, is the prolonged uncertainty and the effects of that on the workforce, which you've touched on already. I want to just talk about that for a moment. We were talking to executives from the steel companies before you came in, and one of them mentioned the recruitment of apprentices to Tata. What's your picture of the number of people coming into the industry and making decisions about whether steel is the right career for them? I'd be grateful for your thoughts on what impact the current level of uncertainty is having on

recruitment into the industry, if you like.

[196] **Mr Brady:** I think we're seeing exactly what you've described. Apprentices, whilst they still want to come into the industry, are very reluctant because there's no long-term future, as you said. It's not just the apprentices, though. It's about our existing engineering skills. We've got engineers all across the plants who are now looking at their futures. They're now leaving the industry and going to other industries that, in years gone by, didn't pay the same wages as the steel industry. Now they do, and a lot of our guys, engineers et cetera, who seem to be bound to the industry through the British Steel pension scheme. That's now been taken away. There's a lot of uncertainty around that. So, there's nothing really holding in key skills. It's the same for the young apprentices coming through. Why would you look at a career in the steel industry if it's not a job for life, as the old cliché goes? So, it's very concerning.

[197] **Mr Edwards:** I echo those points. The steel industry doesn't exist in some kind of vacuum. These are communities where it's located. The point, I suppose, is that whatever is going on filters through, even more so these days. It's magnified through social media, the media itself, and clearly that would put into any person's mind some kind of apprehension about going into an industry.

[198] However, I think it's worth pointing out that Tata Steel are taking on apprentices, and they are still employing them when they come to their qualification point. So, I think anyone looking at that would think to themselves, 'Well, they do fulfil their promises.' They aren't one of these industries where they employ apprentices and then use them as some kind of cheap labour and move on. That's clearly not the case. It's a career. It's a long career. Surely our job here today is to fulfil that and keep that sort of confidence going.

[199] **Mr Beck:** Jeremy, yesterday I was informed that the number of apprentices in Tata in Port Talbot has actually reduced by about 40 per cent from this time last year. So, that's a clear indication to me about the uncertainty for young people coming into the industry, and that's a concern.

[200] **Jeremy Miles:** In terms of the redundancy process at Tata, how do you feel that's gone, and in particular the Welsh Government support of that process?

[201] **Mr Edwards:** I think, personally, the Welsh Government and the taskforce have been exemplary, to be honest. What has come out of this is a whole range, a whole raft of—I mean, we hinted there at an industrial strategy. What you are seeing through that taskforce is the development of an industrial strategy, and also the spin-off by Edwina Hart, quite cleverly, including the local NHS and so on. It goes beyond that filter where we were talking about the steel industry not existing in a vacuum. Clearly, that's the benefit of that.

[202] **Jeremy Miles:** Some aspects of it—I think the written evidence to the committee suggested that, on the advice and retraining aspect in particular, the take-up hadn't been quite what you would have expected. Are there lessons to learn from how that's been run? I think you were specifically saying that there could have been more trade union involvement. What's your perspective on that?

[203] **Mr Edwards:** At the taskforce level, there was trade union involvement. Down at the workforce level, I think the communication between the training provider and the trade unions could have been a lot better, and therefore it didn't fulfil the potential that it could have done. At one point, I received a phone call—I think there had been two sessions at that point—'Can you help us?' and I couldn't understand why they hadn't phoned Community at that point. So, clearly, there was a—

10:45

[204] **Jeremy Miles:** This was a call from one of the training providers, was it?

[205] **Mr Edwards:** This is a training provider, yes. So, it was very difficult to rescue the situation at the eleventh hour. I think what must be said as well, running alongside that, is the issue around—a lot of people take early retirement and a redundancy package and they don't want to take up training. So that's an influence as well. So, it's a double-edged sword.

[206] **Jeremy Miles:** So you wouldn't have expected everybody to want the training anyway, for that reason, effectively.

[207] **Mr Edwards:** I wouldn't have said that; I mean, that's—. The outreach could have been better, that's what I'm saying.

[208] **Jeremy Miles:** I see.

[209] **Mr Edwards:** Whether people would have fulfilled that potential and taken advantage of it, well, that's another question entirely.

[210] **Jeremy Miles:** Okay.

[211] **Mr Brady:** I think we have to be honest. There was some good work done by the trade unions and the company. We looked at a lot of redundancies, but, as Rob touched on, many of the workforce who were looking at early retirement had a package that suited them. Now, that doesn't soften the blow, but it does answer the question why people weren't asking for the help and there weren't as many people reaching for the help. Yes, lessons can be learned, but—. If that ever happens again, that cushion that we had there before has now gone, so we have to learn the lessons, yes.

[212] **Jeremy Miles:** Thank you.

[213] **Russell George:** I'd like to ask Members if they've got questions on the British Steel pension scheme. Adam.

[214] **Adam Price:** Yes. You'll have seen the recent press reports that Tata has suggested discussions with the pensions regulator and with the pension protection fund to try and—according to the reports—reach some agreement where they would offload the pension fund in return for a commitment to make some contribution over a given period. I'd like to hear your reaction to those reports, and what's your current understanding of the latest state of play, both in terms of Tata's position on the pension fund and also the UK Government?

[215] **Mr Brady:** Well, this is an emotive subject, the pensions. We don't really know what Tata's intentions are. We've got our beliefs as to what Tata's intentions are. I think it's our belief that Tata want to distance themselves from the BSPS. The talks with the regulators, I believe, have taken place, but we have this situation whereby, if the regulators agree to a new form of a pension scheme, then it has to go past the regulators and the pension protection fund. Now, we've got a situation where there's a very large pension, the PPF really want that pension in their pot, if you like. So, there are a lot of things—boxes have to be ticked to get past the regulators. However, it's a decision that we have to put to our members, because, having had discussions with trustees, et cetera, everybody's in a position where the

company has to make plain to everyone what the commitments are. Until we get to that situation, there's not an awful lot we can do. We've got ideas, but we can't discuss them until the company make clear what their intentions are. Now, we believe their intentions are to give notice to close the pension scheme, but, until that actually happens, we can't really comment on it.

[216] **Mr Edwards:** The only thing I would say—at the start of the year, there was a pension hole of £660 million, quite a frightening figure. But, when you put it into the context of the size of the pension fund itself, which is a £15 billion pension fund, it tends to dwarf that figure itself. There were comparisons with BHS, and so on, which are wrong. Since the Brexit vote, obviously the fortunes of the stock market have changed, and, prior to that, the pension hole was reducing, and it's reducing still. The last figure I heard, it was £350 million or £330 million, so—. And that's still—. The problem is the covenant, which is the value of the business against the value of the pension fund in its entirety. Clearly, that dwarfs the business. So, that's the problem, and that's the problem that the company has to deal with. As Tony said, though, we don't know what option they will pursue. The only thing from a trade union perspective is not to go in that pension protection fund.

[217] **Adam Price:** And in terms of the UK Government's consultation on changes to the pension fund that they're consulted on, what's your position on those, and where are we in terms of that consultation?

[218] **Mr Brady:** Again, we don't really have a key position on it. The consultation—some of our members replied to it and some didn't. We don't know. We've still got this problem about the pre-1997 people who are in the pension. If we're serious about looking at BSP1 or whatever it is, or a variation of the current scheme, we have to look at pre-1997 people working whom we'd still represent. There are a lot of things that have to be cleared up beforehand, especially this joint venture, which is teetered on the verge of this pension as well. ThyssenKrupp—I don't think they want to take on anything to do with a British steel pension. However, they're quite willing, and they've actually stated that they'll bring the German pension deficit to the table. So, what's different between the German pensions and UK pensions? As I've said before, until Tata come out and commit to some strategy, then there's not a lot we can add to it.

[219] **Adam Price:** There has been some suggestion that the UK Government could help, given the massive profits they are making out of the mineworkers pension scheme, which is obviously a source of great anger in mining

communities going back many generations. That's money that belonged to working people in communities like ours. Any thoughts on that?

[220] **Mr Edwards:** I think, in regard to the UK Government, part of the Cameron deal that was on the table, and I don't know every part of that, whatever it was, but it was to support the pension fund. However, unfortunately, now that deal's gone, there is no support. So, they're back on their own again in regard to the answer and solution to the pension fund. I agree that the UK Government could have a role in that. It's whether a—*[Inaudible.]*—would be willing to do that. I don't know.

[221] **Adam Price:** Thank you.

[222] **Russell George:** Mark Isherwood on questions around higher electricity prices, and David may want to come in on this as well, maybe. Mark Isherwood.

[223] **Mark Isherwood:** Thank you. In the session this morning, a number of points were raised around electricity prices being uncompetitive against steel producers elsewhere, and the potential for energy efficiency improvements as well. We know that UK Steel had indicated, I think early last year, that energy costs, or the green levies, would cost them £4 million a month. We know the UK Government negotiated an agreement with the European Union to help with the costs of high energy. But what proposals or ideas do you have for actions the UK Government could, and should, take to tackle those electricity price differentials?

[224] **Mr Edwards:** I think first and foremost is to support the businesses going forward, in the context of coming out and saying about this, and having an industrial strategy would support that. Now, part of an industrial strategy would clearly have to have—. You'd have to take into account energy prices. It would have no value to have a manufacturing sector that doesn't have some kind of tie-in with some kind of electricity prices, as they do on the continent. But France and Germany pay a lot less in terms of their industrial companies—it can be up to 50 per cent less. And, clearly, that kind of intervention must come from a UK level. So, if you're going to have an industrial strategy, I would say electricity prices have to be part of that.

[225] **Mr Brady:** I would echo that. Rob's right—it's more than double what France and Germany have paid on electricity prices. If we're serious about a strategy, then all we're asking for is a level playing field. We need to be in the

same situation as our competitors in Europe. It can't be right that UK plants are paying more than 50 per cent for electricity that's needed to run the plants. There should be definitely something done, and it should be part of that strategy that we—[*Inaudible.*—]—before.

[226] **Mr Beck:** I would also like the UK Government, whereas some of the other European countries—the EU at the moment are using several of its funding streams to help the steel sector to modernise and become more energy efficient. I'll give you some examples of that. There are high-energy efficiency co-generators of heat and coal in Poland. There are highly efficient co-generation power plants in Lithuania, thus reducing the cost of electricity. There's the construction of a liquefied natural gas terminal in Finland, a green certificate reduction for energy-intensive users in Romania, the production of electricity from renewable energy sources in the Czech Republic and, in addition, the renewable energy Act in Germany, which gives them lower prices. So, why can't our Government make use of this while we're still within Europe for the short period we're still left there and at least mirror some of these schemes and get them off the ground to reduce the energy costs? Give us a level playing field so we can survive.

[227] **Mark Isherwood:** How would you address—? You mentioned France and Germany, for example. In order to meet their obligations, it's understood, certainly in Germany, that there's a higher, therefore, energy cost share for domestic consumers to reduce the pressures on the high-energy-use industrial sector. How do you feel we could mitigate that whilst meeting the needs of the steel and other high-energy industries in the UK?

[228] **Mr Edwards:** I talked to German colleagues earlier in the year, and what they do understand, from a consumer point of view, is that any additional cost that they have is to protect what is already there: their jobs, their communities and so on and so on and so on. So, that knock-on effect is that understanding, which is obviously an educational role, but it's also an understanding that there's a long-term aspect to this. For example, Germany supports its coal industry by having a 20-year plan. Clearly, you can't have a 20-year plan if you live within a free-market economy where everything is laissez-faire. So, it's having that kind of understanding within your country and the state mind—it's like a collective psychology that they understand that process and that support mechanism that's there for them and for everyone's benefit.

[229] **Mr Brady:** Can I just add to that? Rob's correct. If you look at the

mindset of people in Germany, they're proud of the manufacturing heritage. Again, it's this strategy that we're trying to import or trying to talk about here. People understand why they may be paying extra domestically, because it's keeping them in jobs. There's a pride in what they manufacture; they want to manufacture their own steel, their own cars, et cetera, et cetera. We don't seem to have that. We have to educate people that that's what we want to do as a country. We need to be having a buy-in from everybody that we need to manufacture. What do we do? Rob talked about education. That would be a good start. I think people would buy into it, if they understood. We can't even get the Government to commit to making the right move forward. So, the difficulty is getting people in the community to follow on with that. It's right that we have to educate people, but it has to come from the top.

[230] **Mark Isherwood:** We heard from the industry representatives this morning in a similar context about the need for free and fair trade, so you can't have Government supporting industries to undercut steel producers in the UK—from overseas, I'm referring to. Community—Mr Edwards, you've expressed some concerns about the impact that leaving the EU could have on energy costs. I wonder if you can expand on your reasons for those concerns and what solutions you might have.

[231] **Mr Edwards:** Not just on energy costs. Clearly, the whole steel industry and the supply chain and the car industry: all are living under a cloud of uncertainty at the moment. You've got the potential of the tariffs, which we are now supporting, going up against our own products. Clearly, that has to be taken into account during the negotiations. So, it's about having that robust support and maintenance of—you know, trying to keep a steel industry in the UK at the time when you've got a crisis going on, you're leaving Europe, and you don't know what tariffs you're going to be facing in the long term.

[232] There has been the introduction of tariffs, like I said, against those outside—they were introduced only last week—but they're still not as robust as those you find in America. America is hardly a socialist republic; it's a free-market economy that drives on the buck, so I don't see why we can't do that in the UK and then when you come to the conclusion of whatever talks in whatever shape they come, that you bear in mind manufacturing and the needs of the manufacturing industries going forward.

11:00

[233] **Mark Isherwood:** Thank you. Does anybody else wish to comment?

[234] **Russell George:** Sorry, anyone commenting? Did you have any more questions following that?

[235] **Mark Isherwood:** Only just that somewhere I think Mr Beck listed a number of examples where overseas support for energy efficiency measures has been provided by Governments, but what, amongst energy efficiency projects you're aware of, do you think should be given priority at a UK level, and what costs would you foresee for UK and Welsh Governments to achieve that?

[236] **Mr Beck:** Well, there are obviously many forms of energy saving schemes out there, even construction of your own power plants, to a degree. But you'll have to look at the longer term on this, you know. So, there's maybe a saving, but it's not going to happen overnight; it's going to be over the longer term, and I think something that the UK Government has seriously got to look at is putting the funding in place to give us these plants to reduce the energy costs. We've got to start somewhere. At the moment we're just in limbo; we're not getting anything from Westminster to support the industry, and the uncertainty that surrounds it.

[237] **Russell George:** David Rowlands.

[238] **David J. Rowlands:** Yes, it's only really to reinforce what my colleagues have been questioning you with regard to. Obviously, high energy costs are damaging the industry, you know, beyond. I think we've been given a figure of £17 per megawatt it costs you more in this country than it does in all the other countries of Europe. Now, this country has been pursuing a process of low-carbon energy for some time. Do you think that what they've done, actually, is to cut out the plants that were giving us cheap energy far too soon and, therefore, that's driven the cost of energy up? So, we've been taking out the coal plants, the gas plants and not replacing them with adequate energy supplies, which means, of course, that's what's driven up. Do you think that we ought to be pulling back on that just a little bit, until the new plants are in place? Germany, actually, is building coal plants—you know, there are 20 new coal plants actually being built in Germany at this moment—low carbon, apparently, but they are pursuing a different policy. Do you think we ought to change our policies a little on this basis?

[239] **Mr Edwards:** Well, going back to this and supplementing what you've just said, I think there's potentially a European-wide energy policy. So, moving out of Europe, what will that mean to our future energy supplies? Because we'll obviously be outside of—. Obviously, we import electricity from France and so on, and oil from Russia, and the future will potentially be Chinese-created nuclear plants. So, in terms of, like, an energy policy, you know, I'm not an expert on this. I know what I'd like to see. Perversely, there is, obviously, metal going into those plants, and they will be supplied from British plants. Celsa, here in Cardiff, will be supplying Hinkley point, for example. So, you know, it's a contradiction all round.

[240] **Mr Brady:** I think it wasn't really a question you asked, it was more of a statement, and I think I would echo what you said.

[241] **Russell George:** We've got—. Did you have any more questions, David?

[242] **David J. Rowlands:** No.

[243] **Russell George:** That's fine. We've got four other subject areas, and we've got to finish just after 11:25, really. So, just bear that in mind, and don't feel that you have to answer every question. If there's any urge to, then please do, but don't feel you have to all answer the question. Hefin David.

[244] **Hefin David:** Could you give us an indication of the value you see in business rate relief, further to the evidence you've already given?

[245] **Mr Brady:** I think business rate relief is key. We have to get—. I mean, they're up to 10 times higher than France and Germany, our business rates, and I think plant and machinery should be removed from business rate calculations. I think that's a must. That's a given. That should be standard.

[246] **Hefin David:** The danger is it's such an imprecise tool that that kind of process will benefit companies that are relatively profitable. So, you could end up with the public sector subsidising profitable private sector companies as well.

[247] **Mr Brady:** It's about getting to this level playing field, isn't it? It's about getting to where we can compete in the market. With business rates at the moment, we can't compete, so we have to do something to bring ourselves down to the level of the competitors.

[248] **Hefin David:** Did you have dialogue with the Cabinet Secretary, as a devolved responsibility?

[249] **Mr Brady:** It is devolved, isn't it?

[250] **Hefin David:** Yes. You'd welcome dialogue, then.

[251] **Mr Brady:** Yes, definitely.

[252] **Hefin David:** Rob, you look like you're—

[253] **Mr Edwards:** Yes. I think it's worth highlighting the fact that one of the problems with Tata, and one of the things they complained about, was the lack of support—not from the Welsh Government, but wider. When they do invest, they don't seem to get the help that they require. For example, they built a new blast furnace within the last five years at Port Talbot and then were hit with a £400,000 per annum increase in business rates for that blast furnace. So, clearly, you are giving and taking at the same time. It is a difficult business climate to operate in, and you are not rewarding what is investment, and a sizable investment. That's where you could differentiate between a business that isn't investing and one that is investing.

[254] **Hefin David:** One of the proposals that I think came from Celsa was a form of reduction for those who are good at recycling.

[255] **Mr Edwards:** Absolutely. As a business, clearly, with an electric arc furnace, they recycle a hell of a lot of steel. So, clearly, that would be of benefit as well to their business.

[256] **Hefin David:** So, it would be beneficial in these circumstances to Tata.

[257] **Mr Edwards:** To Tata and the steel industry in general.

[258] **Hefin David:** And the steel industry. Okay, thank you.

[259] **Russell George:** Hannah Blythyn.

[260] **Hannah Blythyn:** I'm over here. [*Laughter.*]

[261] **Russell George:** Say again, sorry? Are you prepared to ask your questions?

[262] **Hannah Blythyn:** Yes.

[263] **Russell George:** That's fine. Sorry.

[264] **Hannah Blythyn:** Thanks, Chair. You mentioned in your opener about how the steel industry is still in crisis, and that what we need are not kind words but immediate action, especially from the UK Government. But you also recognise the need for looking long term as well to have a manufacturing and industrial strategy in place. What role do you think steel procurement practices would play in that? Also, I would welcome your views on the guidelines—what you think the impact is of the guidelines that have been brought in by both the Welsh and UK Governments on public sector procurement.

[265] **Mr Brady:** I think that is vital. We have said time and time again on procurement policy: anything that is Government-led should be using UK steel. That holds for energy infrastructure, travel, rail, everything—buildings. Everything should be done using UK steel. We have to get away from this myth that we don't produce certain types of steel. We do. We can. We would choose not to if there is no market for it, but we have got the infrastructure in this country—we can produce any kind of steel that's required. I think the Governments have to put better measures in place to make people and companies accountable for not using UK steel. Good work has been done on procurement, especially by the Welsh Government. However, there doesn't seem to be a proper measure to keep people in line, companies in line, on it. There's no accountability.

[266] **Hannah Blythyn:** That was one of the things that we got from the industry representatives this morning—the need for perhaps additional monitoring and reporting procedures. Would you agree with that, and do you foresee perhaps a role that the trade unions can play in that partnership to actually make sure that this is happening on the ground as well?

[267] **Mr Brady:** Definitely. The Government, trade unions and the industry should all get together and make sure there's investment in the industry for retention of skills. Research and development's key. We have to improve our research and development and focus on that because we have got a massive challenge, going forward, and we have to all work together, definitely.

[268] **Mr Beck:** Yes, we welcome the recent report on procurement in the

public sector. What we would like to see as a trade union, if at all possible, is to extend some of that into the private sector. In Margam and Port Talbot, right in the shadow of Tata Steel, there's a private company building a waste-to-energy plant there. We were there on 1 March for a demonstration outside because local lads can't get work in there. There was a convoy of Polish lorries taking steel fabrication into that project, right in the shadow of Tata Steel. I think that we need to go a step further and try and put these measures into the private sector, where possible. It is wonderful what the Welsh Assembly has done for the public sector, really commendable. I'd like to see it extend further.

[269] **Mr Edwards:** I would agree. One of the benefits of coming to the taskforce was an examination of the procurement of the public sector and where they source steel, and the tie-in of downstream operations from Tata and into the market, and how that benefits the public sector. Obviously, one other thing I would say about the taskforce: along with the other taskforces that were in Scotland and Teesside and so on, I think what you had there was almost a skeleton, if you like, of an industrial strategy. Because it was bringing people together—the experts, people in the industry—and then they were ironing out any creases that were potentially in the way of developing this procurement programme that has come out of here. And there's the identification, Tony's right, of what steel is required in the UK, and, in Scotland, the A-road there, a major development source deal from Celsa, again that came out of talks around the taskforce. So, clearly, all this tying together of the taskforce and the different individuals who are involved—again, I don't think it's an exaggeration in saying it's a skeleton by which you could develop an industrial strategy.

[270] **Russell George:** Vikki Howells.

[271] **Vikki Howells:** Thank you, Chair. I'd like to focus on our trade relationship. That's obviously key to the short-term crisis and also the long-term viability of the Welsh steel industry. Given what you've said so far, what do you think the UK Government's priority should be in terms of maximising our trade opportunities following the decision to leave the EU, especially given the fact that around about 70 per cent of Welsh steel and iron exports go to EU nations?

[272] **Mr Edwards:** Going on from what I've just said, I think they should now start talking to the groups that were part of the taskforces in the different parts of the country, and start talking to the Welsh Assembly, the Scottish

Parliament, Northern Ireland, about developing how we now trade. It's perhaps a little bit blinkered—and I'm going by media reports, because, clearly, I'm not involved—but for the UK Government to take a sort of blinkered approach that they know what's best doesn't seem to be helpful when there is so much to offer about what trade could look like outside of the EU. And I think, once you've got those experts together, as we did with the taskforce, then clearly that's the opportunity and a starting point.

[273] **Mr Brady:** I would add to this that it's—. We see this a lot; it's not rocket science. We need some joined-up thinking. All these different committees—there are some fantastic people around the table, but we're not using it, really. We're using it within our own taskforces; it should be joined-up thinking, everybody should be getting together and, I'll go back to it again, we need a commitment from the UK Government that this is the way forward. All this should be in a manufacturing strategy that the whole company takes hold of. But we need it driven from the UK Government, and again we're not seeing anything. We're not seeing any commitment, we're not seeing any encouragement. Until that happens, then I think we'll be in the same boat as we're in.

[274] **Vikki Howells:** Building on that, then, could I ask you, in particular, Rob Edwards, for some further details on why Community consider that access to the single market is vital for the connection between the UK steel industry and the plant in the Netherlands?

[275] **Mr Edwards:** I think it's essential that we continue the talks that are carried on and being conducted at a national level at the moment. The national steel co-ordinating committee is, obviously, represented by national officers and key reps from all the unions and they're developing a strategy and looking at these sort of things. Obviously, there's the European council at the moment—the European works council—and these matters are discussed there. I'd hate to think, just because there's Brexit, that those committees will break down. There's no need or necessity that that should happen. So, clearly that's where it should start and that's where those discussions should take place.

[276] **Vikki Howells:** Okay. Do you think there's any tension then between the fact that so many of the stakeholders that we've talked to already today have said that access to the single market is absolutely imperative for the future of the Welsh steel industry, but yet, at the same time, there is this desire for protectionism in the form of tariffs against the dumping of Chinese

imported steel as well. How can we resolve that potential area of conflict moving forward?

11:15

[277] **Mr Edwards:** Again, it's all about discussions. As a Labour Party member and a supporter of the Labour Party, I'm not going to argue any different, but I have to acknowledge that, last week, there were tariffs put in place by the UK Government against anti-dumping measures. So, I have to say it as it is, and that's what happened.

[278] **Vikki Howells:** And finally, when we talked to our first set of stakeholders, Dominic King from UK Steel, when I asked him about the range of different anti-dumping measures the EU was currently operating—there's a whole plethora; 37, I believe—I asked him which he thought we should keep, and would there be any that he would look to change in the future, so to sort of tie up loose ends and improve the policy as much as possible. Mr King said to me that he thought that the best thing would be for us to actually endeavour to keep all 37 anti-dumping measures as a way to try and protect the Welsh steel industry. I'd like to ask you all, really, whether you would agree with that approach.

[279] **Mr Beck:** Yes, I'd certainly agree with that approach, but in the EU at the moment, the measures are between 10 and 13 per cent, which are not adequate. I would go even further and increase those for the UK.

[280] **Mr Brady:** Yes, I would agree with that. We've said this before. We keep all the measures in place, but we have to run deeper. We have to do more. But, again, that's comes from—and I keep going back to it—the inaction from the UK Government. We have to get some sort of commitment. We have to put pressure on them from all sides to get them to come out and make a stance, and we have to do that immediately.

[281] **Mr Edwards:** I concur with that point.

[282] **Vikki Howells:** Thank you.

[283] **Russell George:** Our last subject area is on industrial and economic strategy, but I appreciate that we may have covered this, to some point, in earlier questions. Have you got any further questions, Hefin?

[284] **Hefin David:** Just one thing, very quickly. I think we have covered it, and I think you've made it clear what you want the industrial and economic strategy to be, although, in the previous evidence session, our stakeholders said that one area of focus that we may not have spoken about so far is growth markets within the supply chain. So, would you like to just comment on what you perceive to be the growth markets in the supply chain, which might be helpful to—?

[285] **Mr Edwards:** Well, clearly, there are the big infrastructure projects. That's welcome, and that's sort of an add-on, a bonus, if you like, for the steel industry at the moment. But it's the bread-and-butter stuff that needs to be key. For example, here in south Wales, Tata—strip products, the car industry. That's key to keeping a buoyant steel industry in the UK. No ifs and buts, that's where the growth is. What we don't want to do is damage our UK steel industry and the UK car industry by not getting those Brexit discussions correct.

[286] **Hefin David:** So, it's nothing new, it's what we've been doing all along.

[287] **Mr Edwards:** I wouldn't say that, but you're asking a businessman who might have more information in regard to his markets than I do.

[288] **Hefin David:** Yes, okay. Well, what's very clear is that you're saying, 'Protect what we've got'.

[289] **Mr Edwards:** Yes.

[290] **Hefin David:** Okay.

[291] **Russell George:** Do Members have any other questions? Mark Isherwood.

[292] **Mark Isherwood:** Going back to touch on the procurement. In 2015, the Assembly had a cross-party motion calling on the Welsh Government to introduce a charter for sustainable steel, and we were told that, for legal reasons, it couldn't happen. I think that that was to adhere to the framework standard for responsible sourcing. Do you have any views on that—I think the unions had some input into the briefings for that debate—and how you had felt that that might be a way for the Welsh Government to support procurement in these areas?

[293] **Mr Edwards:** I'm not sure I understand the question—the first part of it. I wasn't familiar with what has gone on with regard to the discussions here at the Assembly—what you said there.

[294] **Mark Isherwood:** Well, last year, in March 2015, in a cross-party motion, signed by Members of all parties—there was a motion calling on the Welsh Government to adopt a charter for sustainable steel, pledging only to purchase from suppliers adhering to the framework standard for responsible sourcing. The Welsh Government subsequently said that they were unable to do that. We heard this morning from the industry representatives that there were legal reasons. Do you have any knowledge or views on that and whether, at a devolved level, the Welsh Government would be able to, now or post Brexit, sign up to some form of charter?

[295] **Mr Edwards:** It sounds like a good idea, but I'm not familiar with it and I won't have enough knowledge to offer an answer, to be honest.

[296] **Russell George:** Perhaps if we draw to a conclusion now, but can I ask you if you've got any final thoughts? Perhaps there are issues that you want to raise that weren't asked in questions. Any final brief thoughts that you want to provide the committee?

[297] **Mr Edwards:** No more. [*Laughter.*]

[298] **Russell George:** That's fine. Anybody else?

[299] **Mr Brady:** I mean, I think we've said it from the outset, it's about getting this message across, and that it's everybody joining up and putting enough pressure on UK Government to believe in this country and to believe in the manufacturing of this country. You know, especially when Brexit kicks in, we want to be a country with its own economy. We have to be making our own steel, we have to be manufacturing our own goods, and I think we have to be serious about wanting to do this. Until that commitment comes out—I've said it and I've said it, time and again—we'll be in the same position as we were 18 months ago.

[300] **Russell George:** Can I thank you for coming to the committee this morning—very grateful for your time and your evidence? There will be a transcript that will be made available to you in the next few days, so please also check that for accuracy. We're very grateful for your time this morning.

[301] **Mr Brady:** Thanks a lot.

[302] **Mr Edwards:** Thank you.

[303] **Mr Beck:** Thank you.

11:21

Papurau i'w Nodi Papers to Note

[304] **Russell George:** Can I just ask Members, if we move to item 5, just to note the papers? Is that agreeable, for all Members to note item 5? Okay. We'll just go into private session for a few minutes.

*Gohiriwyd y cyfarfod rhwng 11:21 ac 11:30.
The meeting adjourned between 11:21 and 11:30.*

Y Prif Weinidog—Cymorth ar gyfer y Diwydiant Dur yng Nghymru The First Minister—Support for the Steel Industry in Wales

[305] **Russell George:** Welcome to the final session of the Economy, Infrastructure and Skills Committee. This morning, I'd like to welcome the First Minister and his officials. This is the first time, First Minister, that you've attended this new committee of the fifth Assembly. I'd like to welcome you here, and as I've said to your colleagues who've been before our committee, we very much hope to have a constructive relationship with the Welsh Government and to be a critical friend—that's the term I used. I'd be very grateful, First Minister, if you could just introduce your officials this morning.

[306] **The First Minister (Carwyn Jones):** Yes. James Price, who is Deputy Permanent Secretary, and Gwenllian Roberts, who is the deputy director for energy and land—

[307] **Ms Roberts:** Steel.

[308] **The First Minister:** Energy and steel, I beg your pardon.

[309] **Russell George:** First Minister, I wonder if I could just ask you to make some general comments from your perspective on where you see the current

position with regard to the steel industry, and perhaps also comment on how you feel that the Welsh and UK Governments have helped support any issues.

[310] **The First Minister:** The first thing to say is that the steel industry isn't out of the woods yet, not by some distance. The situation isn't quite as acute as it was at the beginning of the year. We have worked very closely with the UK Government and also with Tata itself. The exchange rate has helped, in terms of the export market, as well. In addition to the support we've already offered—as a matter of public record: the £60 million, a combination of loans and grants, some for environmental improvement, some for training and some for capital improvements—the Valuation Office Agency has revalued Tata's plants in Wales, which resulted in an improvement in the business rate situation for them.

[311] Tata now, I believe, are waiting for action on two things: energy prices and pensions. They still take the view, I believe, that energy prices in the UK are too high, despite the assistance it has been given by the UK Government. And secondly there's the issue of pensions. That's still an outstanding issue. Now, I welcome what the Prime Minister has said about the UK Government wanting to be interventionist, which I think is the right way forward. I have written to her now asking her to expound on that principle in order to assist Tata with energy and with pensions.

[312] **Russell George:** Thank you, First Minister. I think, on those two points, they'll be areas that will be raised later in the session. Adam Price.

[313] **Adam Price:** Bore da, Brif Weinidog. A ydych chi wedi cael cyfarfod gyda—rwy'n anghofio'i deitl yn llawn nawr—yr Ysgrifennydd Gwladol dros fusnes, menter a strategaeth ddiwydiannol i drafod dur yn benodol?

Adam Price: Good morning, First Minister. Have you had a meeting with—I forget his title in full now—the Secretary of State for business, enterprise and industrial strategy to discuss steel specifically?

[314] **Y Prif Weinidog:** Nid wyf wedi cwrdd yn bersonol â'r un newydd. Cefais lawer o gyfarfodydd gyda Sajid Javid pan oedd e yna, ac mae hynny'n rhywbeth y mae Ken Skates wedi arwain arno. Ond mae yna drafodaethau, yn enwedig galwadau

The First Minister: I haven't met the new Secretary personally. I did have many meetings with Sajid Javid when he was in post, and that's something that Ken Skates has led on. But there have been some discussions and phone calls that have taken place in

ffôn, wedi cymryd lle ynglŷn â Tata. Y peth diwethaf a ddigwyddodd ynglŷn â beth rwyf i wedi'i wneud oedd y llythyr a gafodd ei hala at Theresa May.

[315] **Adam Price:** Wrth gwrs, un o'r datblygiadau sydd wedi codi ydy'r broses gyfochrog, bron a bod, yna, lle mae'r broses werthu yn dal i fynd rhagddi, ond hefyd mae yna drafodaethau gyda ThyssenKrupp i archwilio'r posibilrwydd o uniad. Rŷm ni wedi clywed y bore yma gan gynrychiolwyr yr undebau llafur am eu pryderon dybryd nhw, a dweud y gwir, ynglŷn â goblygiad posib yr uniad hynny. Beth yw barn Llywodraeth Cymru ynglŷn â'r perig posib y byddai'r uniad yna'n arwain, efallai, at golli swyddi, neu hyd yn oed gau safleoedd yng Nghymru?

[316] **Y Prif Weinidog:** Y perig mwyaf byddai cau un o'r ffwrneisi. Nid wy'n bosib, nid wy'n credu, i Bort Talbot weithredu gydag un ffwrnes. Petai cyfnod yn dod lle byddai'n rhaid adnewyddu'r ffwrnes hynny, wrth gwrs ni fyddai dim cynhyrchu o gwbl, petasai hynny'n digwydd. Mae'n rhaid cael un ffwrnes yna i'w chadw os yw un yn gorfod cau lawr. Rŷm ni wedi gwneud hyn yn glir i Tata, ac, wrth gwrs, un o'r pethau mae'n rhaid i mi bwysleisio yw bod y trafodaethau gyda Tata wedi cymryd lle ynglŷn â chynnig pethau iddyn nhw, i roi cymorth iddyn nhw, ond hefyd sicrhau eu bod nhw'n gwybod ein bod ni'n erfyn pethau nôl. Rŷm ni'n

relation to Tata. The last thing that took place in relation to what I have done personally was the letter that I sent to Theresa May.

Adam Price: Of course, one of the developments that has arisen is this parallel process, almost, where the sales process is ongoing, but there are also negotiations with ThyssenKrupp to look at the possibility of a merger. We've heard this morning from trade union representatives about their dire concerns, if truth be told, about the possible implications of that merger. What's the Welsh Government's view on the possible risks that that merger would lead to job losses, or even the closure of sites in Wales?

The First Minister: The biggest risk would be the closure of one of the furnaces. I don't think it's possible for Port Talbot to operate with one furnace. If a period of time came when that furnace had to be renewed, of course there would be no production happening at all there. You've got to have one kept going if one is shut down. We have made this clear to Tata, and, of course, one of the things I have to emphasise is that the discussions with Tata have happened in relation to us offering them different situations and scenarios to assist them, but also to ensure that they realise we expect things back. We want to see jobs

moyn gweld bod swyddi'n cael eu cadw am gyfnod hirdymor. Rŷm ni hefyd eisiau sicrhau cynhyrchu ym Mhort Talbot. Mae hynny'n meddwl bod yn rhaid cadw dwy ffwrnes ac nid dim ond un.

[317] **Adam Price:** Fe glywsom ni gan gynrychiolydd Unite y bore yma eu barn nhw fel undeb yn achos uniad, neu'r argymhelliad i uno—y cynnig i uno ThyssenKrupp a Tata—pe na bai yna ddigon o addewidion pendant ynglŷn â dyfodol swyddi ac yn y blaen yn cael eu cynnig, fel sydd wedi digwydd yn barod, mae'n debyg yn yr Almaen, mi ddylai fod Llywodraeth y Deyrnas Gyfunol yn ymyrryd yn y sefyllfa yna i atal yr uniad yna rhag digwydd er mwyn gwarchod diwydiant sydd yn strategol bwysig. A ydych chi'n cytuno â'r farn hon?

[318] **Y Prif Weinidog:** Ydw, achos y nod pwysicaf yw sicrhau bod y swyddi'n cael eu cadw a bod capasiti Port Talbot yn cael ei gadw hefyd. Felly, mae'n hollbwysig bod Llywodraeth y Deyrnas Unedig yn ystyried—ac fe wnes i ddweud hyn wrth David Cameron pan oedd e yna—camau sydd yn sicrhau bod y swyddi'n cael eu cadw. Beth sy'n bwysig dros ben yw ailbwysleisio'r pwynt rŷm ni wedi ei ddweud wrth Tata, sef bod yna gymorth ar gael, ond mae'n rhaid i ni gael telerau sydd yn sicrhau bod swyddi'n cael eu cadw hefyd. Nid arian rhydd yw hwn a byddai Llywodraeth y Deyrnas Gyfunol yn gorfod dweud yr un peth

being kept in the long term. We want to see the ensuring of production in Port Talbot, which means keeping two furnaces and not just one.

Adam Price: We heard from the Unite representative this morning their view as a union that in the case of a merger, or a recommendation to merge ThyssenKrupp and Tata—if there weren't specific pledges on the future of jobs and so on actually made, as has happened already, apparently, in Germany, then the UK Government should intervene in that situation to prevent that merger from happening in order to safeguard an industry that is strategically important. Would you agree with that?

The First Minister: Yes, I would, because the most important goal is to ensure that jobs are safeguarded and that the capacity of Port Talbot is also safeguarded. So, it's extremely important to see the UK Government considering—and I told David Cameron this when he was in post—steps to ensure that those jobs are safeguarded. What's very important is to re-emphasise the point that we have already made to Tata, which is that there is assistance available, but that we also want terms that will ensure that those jobs are safeguarded as well. It's not free money, as such, and the UK Government would have to say the

wrthyn nhw.

[319] **Adam Price:** Wrth gwrs, mae Llywodraeth Cymru wedi cefnogi tîm Excalibur, sy'n cynnwys rhai rheolwyr wedi eu secondio o Tata. Yn ddiweddar, maen nhw wedi dweud y bydden nhw'n fodlon edrych ar gynnis ar y cyd gyda'r cwmni arall, wrth gwrs, sydd â phresenoldeb yng Nghymru, Liberty. Roedd Liberty, y bore yma, wedi cadarnhau bod yna drafodaethau wedi digwydd rhwng y ddau gwmni. A fyddai Llywodraeth Cymru yn croesawu'r math yna o gydweithrediad ac a yw'n cynnig cyfle i ni yng Nghymru, gyda'r ddau gwmni, o bosib, yn dod at ei gilydd, i ni greu sylfaen gref ar gyfer y diwydiant i'r dyfodol?

[320] **Y Prif Weinidog:** Wel, rŷm ni wedi bod yn gweithio gydag Excalibur, wrth gwrs. Mae straeon wedi bod bod y ddau gwmni yn mynd i weithio gyda'i gilydd. Nid yw'r berthynas wedi bod yn un cyfeillgar iawn bob tro. Os yw pethau wedi newid yr wythnos hon, mae hynny i'w groesawu. I fi, beth sy'n bwysig yw sicrhau—ar hyn o bryd yr unig opsiwn sydd ar y ford gyda Tata yw gweithio gyda ThyssenKrupp. Os bydd yna gydfenter gyda ThyssenKrupp sydd o les i ddiwydiant dur Cymru, yna, wrth gwrs, byddem ni'n gweithio er mwyn sicrhau bod hynny'n digwydd. Ond os nad yw hynny'n digwydd, wrth gwrs, byddem ni'n dal i weithio gyda chwmnïau

same thing to them.

Adam Price: Of course, the Welsh Government has supported the Excalibur team, which includes some managers who were seconded from Tata. They've recently said that they would be willing to look at a joint proposal with the other company, of course, that has a presence in Wales, Liberty. Liberty this morning confirmed that discussions and negotiations have taken place between the two companies. Would the Welsh Government welcome that kind of collaboration and does it provide an opportunity for us here in Wales, with those two companies, perhaps, coming together, to create a strong foundation for the industry in the future?

The First Minister: Well, we have been working with Excalibur, of course. There have been some stories floating around that the companies are going to collaborate. The relationship hasn't always been a very friendly one. If things have changed this week, then we would welcome that, if that's the case. To me, what's important is—the only option on the table with Tata at the moment is working with ThyssenKrupp. If there is a joint venture with ThyssenKrupp that is beneficial to the steel industry in Wales, then, of course, we will work to ensure that that happens. But if that's not going to happen, then, of course, we would still work with

eraill er mwyn sicrhau'r swyddi a'r capasiti sydd yna ym Mhort Talbot.

other companies in order to ensure that those jobs are safeguarded and that the capacity is also safeguarded in Port Talbot.

[321] **Adam Price:** Yn olaf, Gadeirydd, un o'r rhwystredigaethau, rwy'n credu, gan y cwmnïau sydd wedi yn cynhyrchu cynigion yw'r broblem o gael sgysiau gyda Tata, ar un ochr, ond hefyd, rwy'n cael ar ddeall, hyd yn oed gyda Llywodraeth y Deyrnas Gyfunol. Pe bai yna gynnig ar y cyd rhwng y ddau gwmni sydd â diddordebau Cymreig yn datblygu, a oes yna rywbeth y gallai Llywodraeth Cymru ei wneud er mwyn hwyluso'r trafodaethau gyda Tata ond hefyd gyda Llywodraeth y Deyrnas Gyfunol?

Adam Price: Finally, Chair, one of the frustrations, I think, of the companies that have been making proposals is that there is a problem in terms of having conversations with Tata, on the one side, but also, as I'm given to understand, even problems in having conversations with UK Government. If there were to be a joint proposal between those two companies that have Welsh interests, is there something that the Welsh Government could do in order to facilitate the negotiations with Tata, but also with UK Government?

[322] **Y Prif Weinidog:** Mae trafodaethau gyda Tata wedi cymryd lle a'n dal i gymryd lle ar lefel swyddogol, a hefyd gyda Gweinidogion. Mae'n hollbwysig, wrth gwrs, i sicrhau bod yna berthynas yna gyda Tata ym Mhrydain Fawr ond hefyd gyda Tata yn Mumbai, a dyna pam, wrth gwrs, rŷm ni wedi bod yn Mumbai sawl gwaith er mwyn sicrhau bod y berthynas yna a bod Tata yn deall y diddordebau sydd gennym ni fel Llywodraeth yn nyfodol y diwydiant dur yng Nghymru.

The First Minister: The discussions with Tata are still continuing on an official level, and also with Ministers. It's very important, of course, to ensure that that relationship with Tata exists on a UK level, but also with Tata in Mumbai, and that's why, of course, we've been there several times in order to make sure that that relationship exists and that Tata understands the interest that we have as a Government in the future of the steel industry in Wales.

[323] Nid yw'n amlwg, ar hyn o bryd, pa fath o drafodaethau sydd wedi bod yn ddiweddar rhwng Gweinidogion Llywodraeth y Deyrnas

It's not clear at the moment what type of discussions have happened recently between UK Government Ministers and Tata. I would certainly

Gyfunol a Tata. Byddwn yn eu hannog nhw i sicrhau bod y trafodaethau yn dal i gymryd lle. Mae llythyr wedi mynd at Theresa May; nid oes ateb wedi dod nôl eto. Ac ar hyn o bryd, nid yw mor glir nawr, o gymharu â'r hyn a oedd yna pan roedd David Cameron yna, o ran beth yw safbwynt y Deyrnas Unedig ynglŷn â dyfodol y diwydiant dur. Roedd David Cameron yn hollol glir, i fod yn onest—roedd e'n deall pwysigrwydd strategol y diwydiant dur. Nid ydym wedi clywed cweit yr un geiriau mas o'r Llywodraeth hon. Mae'n hollbwysig bod y geiriau yna yn cael eu hailbwysleisio er mwyn bod y diwydiant dur yn gwybod bod y gefnogaeth yn dal i fod yna o'r Deyrnas Unedig.

be encouraging them to make sure that those discussions continue. I've sent a letter to Theresa May and haven't had a response as of yet. And at the moment, it's not entirely clear now, compared to what it may have been when David Cameron was in post, in relation to what the UK's stance is on the future of the steel industry. David Cameron was very clear on that point, to be honest—he understood the strategic importance of the steel industry. We haven't quite heard the same words from this current Government, and it's very important that we re-emphasise those words and that stance so that the steel industry knows that support is still in existence for them from the UK Government

[324] **Russell George:** Jeremy Miles.

[325] **Jeremy Miles:** Rwyf am droi at gwestiwn o ymchwil a datblygu, ond cyn gwneud hynny, a gaf i jest checio un pwynt sy'n codi o gwestiynau Adam Price? Roeddech yn sôn am delerau ar gyfer buddsoddiad neu gefnogaeth ariannol i brynwr neu Tata. A fyddai hynny'n golygu, pe na byddai'r telerau yna'n cael eu cyrraedd, y byddai rhyw fath o addaliad neu ryw fath o dynnu'r gefnogaeth yn ôl?

Jeremy Miles: I want to turn to the question of R&D, but before doing that, can I just check one point that arises from Adam Price's questions? You mentioned the terms for any investment or financial support to a purchaser or to Tata. Does that mean, if those terms couldn't be agreed, that there should be some sort of repayment or withdrawal of support?

[326] **Y Prif Weinidog:** Wel, mae'n rhaid inni warchod arian cyhoeddus a sicrhau bod yr arian hynny yn cael ei ddefnyddio yn y tymor hir i sicrhau swyddi. Beth allwn ni ddim ei wneud,

The First Minister: Well, we do have to protect public funds, of course, and make sure that that money is used in the long term to safeguard jobs. What we can't do, of course, is

wrth gwrs, yw rhoi arian ac wedyn just give money away and then find ffeindio mewn blwyddyn neu ddwy out in a year or so that those jobs nad yw'r swyddi yna. So, felly, rŷm ni have gone. So, we are very aware of yn ymwybodol o'r ffaith bod yn rhaid the fact that we do have to tie any clymu unrhyw fath o fuddsoddiad investment by Tata into some grants gan Tata i mewn i unrhyw grantiau or loans that may be available from neu fenthyciadau y byddai ar gael ourselves, because it's important that oddi wrthym ni, achos mae'n we can show that that money has hollbwysig ein bod ni'n gallu dangos made a difference in relation to bod yr arian wedi gwneud safeguarding posts. gwahaniaeth ynglŷn â gwarchod swyddi.

[327] **Jeremy Miles:** Diolch. In September, the Cabinet Secretary wrote to Assembly Members indicating that there were discussions under way about a potential increase of investment in Port Talbot in terms of research and development, and one of the managers from Tata this morning indicated to us that discussions are well under way, but wasn't clear today what the timescale was, or indicated he would come back to us on that. I was wondering if you could give us an indication of where discussions are.

[328] **The First Minister:** Well, those discussions are ongoing. We are aware that Tata is in discussion with the Welsh European Funding Office about how they might be able to support the relocation of the Tata Swinden Technology Centre equipment to Swansea, to increase the level of R&D taking place in Wales. Swansea University, of course, as well has expressed an interest in developing R&D in the future, and the work of SPECIFIC in Swansea is hugely important in terms of R&D in the steel industry and beyond. But there have been discussions that we've been having with Tata about boosting R&D in south Wales and the example of Swinden is—I mean, some of those discussions are confidential, as Members will understand, but I can tell Members about the discussions that have been taking place about Swinden.

[329] **Jeremy Miles:** And that would be a relocation, did you say, of research facilities to south Wales?

[330] **The First Minister:** Equipment.

[331] **Jeremy Miles:** Equipment. Okay. You mentioned Swansea University's SPECIFIC work and so on. Swansea University has also, earlier in the year, indicated a proposal for a steel innovation centre that would be a

partnership, effectively, between the steel industry and a range of universities. I was wondering what the Welsh Government's position is in relation to that, and whether that would be something that you would look to support.

[332] **The First Minister:** Financial support is difficult, given the current financial situation. We would look for UK Government financial support. The project, obviously, is something that's hugely important, I think. It would support Tata's future technology road map and it would help in terms of meeting the needs of potential users of steel in the traditional sectors where steel is used. So, at the moment, we'd have to explore what funding might be available, but given the fact this would be a UK facility, it's not unreasonable, then, to expect the UK Government to assist with funding.

[333] **Jeremy Miles:** Okay. One of the other participants in the discussion this morning was advocating a steel foundation sector catapult, which has already been mooted in Teesside for the materials catapult there. What's your view on the merits of that, and in particular whether it's conceivable that that could be based in Wales?

[334] **The First Minister:** I'm aware of it. We would support it as long as it was driven by industry need, if I can put it that way, and not just a higher education and research-led proposal. There are proposals that will have their own merits, but what is absolutely crucial is that that catapult is not seen as an opportunity for research in itself, but is driven very much by the needs of industry and targeted very strongly in that way.

11:45

[335] **Jeremy Miles:** I think that's what the witnesses were saying this morning, so everyone, I think, is on the same page with regard to that. I suppose one of the questions is: what institutions will be brought in as part of that catapult? It would be great from our point of view, I think we'd all agree, to see that partly located in Wales at least, given the centres of excellence that we have here.

[336] **The First Minister:** It's difficult to give an exhaustive list of who would be part of that catapult. Again, catapults are UK Government proposals, which we support, there's no reason why we wouldn't support them, but it's important that, where proposals come forward for a catapult, they are very much industry-driven. In terms of who might be involved, it would be a

matter for individual institutions, then, to make a pitch in order to become involved in the catapult.

[337] **Jeremy Miles:** Okay; thank you. Diolch.

[338] **Russell George:** David Rowlands, on energy prices.

[339] **David J. Rowlands:** Good morning, First Minister. First of all, can I take this opportunity to sincerely congratulate the Welsh Government on their involvement in this steel crisis at the moment? Almost all our participants this morning have been very complimentary about what you're doing with that. But one of the things that's fundamentally come out of our discussions this morning is, of course, the cost of energy to the steel industry. So, can I ask you: how are you interacting with the UK Government, and what pressures are you putting on them to try to resolve this issue of high energy costs?

[340] **The First Minister:** Can I thank the Member for his kind words? We've been writing for years to the UK Government about this issue. They've taken some action, I think it's fair to say, but our energy-intensive industries do feel that they are paying too much for their energy. It's not just Tata; Celsa have made the point very strongly to me, as have others, particularly in the tech sector. Of course, information technology is quite a significant energy user, and for them it's an important issue. Celsa have said to me, for many years, and I've no reason to disbelieve them, that energy costs in Germany are 20 per cent lower and in Spain they're 37 per cent lower. Now, we can't possibly expect to compete in the long term if that's the difference in energy prices between the UK and the rest of Europe.

[341] Why does this happen? It's the opaque nature of the energy market in the UK. We have, it is said, a competitive market—I'm not sure that members of the public would agree with that. It's very difficult to understand what kind of tariff works for an individual. Now, for businesses, what they say to me is that the difference is that, in other countries, they would be offered a substantial discount because of the energy that they use, which isn't available in the UK. So, the tariff price might be comparable, but it's what happens with bulk buying. It's not to do with the energy source or energy supplier. Germany and Spain have significant renewable sectors that contribute to their energy; they don't add to the cost of energy. But it's the way in which the market operates for the benefit of larger users that doesn't appear in the UK. And Celsa are not the only business who have said it to me,

all businesses have said that when you compare the UK to other countries, the nature of the UK energy market is such that it's not beneficial to their operation.

[342] **David J. Rowlands:** Well, Germany, by the way, are building 20 new coal-fired power stations as well, aren't they; are they going to be that clean? Obviously, the flip side to this is about energy and the improvement of energy and conservation. So, what sort of progress is being made with the environmental improvement project at Tata Steel's Port Talbot site? It was mentioned by the Cabinet Secretary for Economy and Infrastructure in a letter to the Assembly on 12 September.

[343] **The First Minister:** Well, I'd caution the Member against coal-fired power stations, because we don't have enough coal in the UK to fire them, and we'd have to buy it and, with the exchange rate, it's probably not a good move at this moment in time—

[344] **David J. Rowlands:** We're sitting on 3 billion tonnes of it actually, First Minister.

[345] **The First Minister:** —and there are the environmental implications. But the question about the environmental protection scheme, of course, is a fair one. We did establish it last year, it's there to help us to provide aid to energy-intensive industries, including steel, to help them to become more efficient. We are working at the moment with a number of steel companies on projects that could be supported through this route, but it mitigates the effect of energy prices, rather than dealing with the fundamental problem. Part of the package that is already on offer to Tata includes ways of enabling them to use less energy and therefore, of course, help to control their costs better. So, yes, it will help energy-intensive industries, but fundamentally, the UK can't afford to be seen as uncompetitive when it comes to energy prices. Some action has been taken, but until more action is taken to deal with that, we will appear unattractive as a place to invest and remain if an industry is particularly intensive in terms of the way it uses energy.

[346] **David J. Rowlands:** On the back of that, what level of investment is the Welsh Government planning to provide to fund energy efficiency projects, and which projects would you currently see as the highest priority?

[347] **The First Minister:** James, do you want to come in there?

[348] **Mr Price:** Yes. It's a very simple answer really. So, these schemes tend to be demand-led, and then they're prioritised based on value for money and environmental impact. So, there is no particular budget set aside for them. They will come out of the economic development budget as a whole, and they'll be prioritised based on value for money. But we've not turned any down. It's quite difficult for companies to fit schemes into this, because the scheme works says, in order to draw the money down, you have to go above and beyond the European standard. You can't just draw this down for doing something that you are statutorily required to do.

[349] **David J. Rowlands:** Fine. Thank you.

[350] **Russell George:** First Minister, I don't know if you're aware that the Petitions Committee have received a petition in regard to calling on the Welsh Government to support the completion of a new power plant planned for Port Talbot steelworks. Are you aware of this petition?

[351] **The First Minister:** Not the petition, no; I'm aware of the issue.

[352] **Russell George:** Okay. Can you provide any comments on that petition in regard to support for the Port Talbot steelworks?

[353] **The First Minister:** I was checking then just to check on what I can say about it, given the commercial situation. Well, it's quite simply this: it's part of the £60 million package that we can help with the power plant, and good progress is being made on that. What we have offered Tata we believe is a good deal. Tata have said the same thing, but, of course, we still have these outstanding issues of energy prices and pensions that will need to be addressed in order for the full package to be made available for Tata. So, there's no difficulty in terms of moving forward with the support we've put in place for the power plant.

[354] **Russell George:** Okay. I'm very grateful. Hefin David.

[355] **Hefin David:** Do you think, First Minister, that the Welsh Government could do more with regard to business rate relief?

[356] **The First Minister:** We are limited in what we can do with business rate relief. We have a limit of €200,000 that we can offer over the course of a three-year period, if I remember rightly. So, it's not a huge amount of money. But, that said, the Valuation Office is conducting revaluations at the

moment. Bear in mind that we believe, firstly, that the steel industry will see a significant reduction in the rates that it pays, up to £4 million across Wales—or just for Tata, actually. Secondly, the valuations that took place last time around were based on rateable values in 2008, which was at the very height of the boom, if I can put it that way. So, I would expect there to be a reduction anyway. So, that will be far more effective in offering business rate relief in that sense.

[357] Secondly, the package of £60 million was well beyond what business rate relief would offer anyway, so my argument would be that we've offered well beyond what business rate relief would deliver in any event in order to help Tata.

[358] **Hefin David:** Okay. I appreciate that, and I suppose I'm working on the principle of every little helps. One of the specific calls in the evidence that both the trade unions and industry representatives have made is for rate relief for plant and machinery. Do you think that's a viable—? I know the complications with—. It's not a precise tool, is it, business rate relief, but is there a way that the Welsh Government could find a route through there?

[359] **The First Minister:** We have explored this with the Valuation Office, and I have to say that it is hugely complicated to operate. We took the view that, instead of focusing on that issue, and the complications around it, we would simply offer something more through the £60 million package that we've already offered. But we did explore this with the Valuation Office.

[360] **Hefin David:** In the longer term, the Cabinet Secretary for Finance and Local Government has indicated that he's reviewing business rate relief over the next 12 months. Would he consider a longer-term solution? This is a clear issue for more companies than just steel.

[361] **The First Minister:** I think most companies will probably benefit from the revaluation, because of the fact that it's based on figures that we have now, not figures that we had in 2008. The issue is, of course, that, if we were to offer a specific package for Tata, we would have to offer it for the entire industry. We couldn't just pick out one operator. It is something we considered, but, given what we are seeing, as the revaluations move forward, it does seem to me that they will see a reduction in the rates they pay anyway because of that revaluation.

[362] **Hefin David:** Okay.

[363] **Russell George:** Hannah Blythyn.

[364] **Hannah Blythyn:** Thanks, Chair. I'd like to turn to the role of procurement in sustaining the steel industry. Both the industry and trade union witnesses that we had in earlier this morning were positive about the steps the Welsh Government are taking in terms of the guidance being brought in on this. I think they said that where the challenge is ahead is how we actually quantify that and monitor it in practice. So, I'd welcome your views on how the guidance that the Welsh Government has put in place is actually starting to see a shift in practice.

[365] **The First Minister:** We have the Tata taskforce procurement work streams led by Value Wales; it does have representation from Tata, from Celsa and also from Unite. In terms of what that work stream has done, it's been able to identify the requirements that we will have as part of the infrastructure investment plan in order to ensure that there is sufficient Welsh capacity to meet that demand. That work has now finished.

[366] On 16 September, Members will recall that the Cabinet Secretary did publish the evidence that was gathered by that work stream: the report on the future Welsh public sector steel requirements and the capacity and capability of the steel sector. We know that grant funding and investment in programmes like twenty-first century schools are levers for us in order to require recipients of funding to show us how their supply chain contracts do support locally produced products like steel. Just to give one example—one concrete example, actually, literally—the eastern bay link, where 89 per cent of the steel for reinforcing bars—the steel that will remain in situ—will come from Welsh plants. So, that's an example of how we've been able to boost procurement in one particular project that we've provided funding for.

[367] In terms of our transport contract documents, we do state that the contractor has to ensure that materials used by that contractor and their sub-contractors do comply with the requirements of the British standard and we do explicitly state that there's an expectation from the Welsh Government that the contractor will not use steel dumped from overseas markets on any projects. So, a lot of work has been done and the example of the eastern bay link is an early example of the fruits of that work.

[368] **Hannah Blythyn:** So, do you foresee a role in the future for the infrastructure commission in ensuring that, actually, a greater number of

public sector procurement projects do include Welsh steel, and, also, how could we perhaps shift to challenge the private sector as well?

[369] **The First Minister:** Possibly, although I think that responsibility lies with us as a Government, if I'm honest. The commission's role would be at least to identify projects to be taken forward in the future, but it is for us to ensure that, as part of the contracting process of those projects, that procurement and the use of local steel, and, indeed, beyond steel, the use of Welsh products generally, is an intrinsic part of not just the contracts with the contractor, but also with the sub-contractors as well.

[370] **Russell George:** Vikki Howells.

[371] **Vikki Howells:** Thank you, Chair. First Minister, we've heard from a range of different people this morning—different stakeholders—and one thing that stood out very starkly to me is their belief in the great benefits that have come from the Welsh Government's very proactive approach to the steel crisis, contrasted with the apparent inertia of the UK Government.

[372] The UK Government declined the offer to appear before the committee here today, but they did send us a paper at the last minute. In that paper, they talk about the fact that they've commissioned a study to inform the development of a vision for a sustainable and competitive steel sector in the UK, with the aim as well of identifying future opportunities for steel products in new and existing markets. I was wondering what your view would be for them to prioritise in relation to that, given the fact that around 70 per cent of Welsh steel and iron exports go to EU nations.

[373] **The First Minister:** There's been a change since the referendum. Before the referendum, the one criticism I would have had of the UK Government is that it failed to support the raising of external tariffs for steel products, which the EU wanted to do. People talked about the tariffs, but the reality was that the EU wanted to increase tariffs and the UK—and I think the Netherlands possibly—voted against increasing those tariffs. That said, when David Cameron was Prime Minister, he did take a genuine interest in this issue. He recognised the strategic importance of steel as an industry, he was willing to distinguish steel on that basis, because it was strategic, from other industries in terms of the support that he was willing to make available.

12:00

[374] Similarly, the relationship with Sajid Javid when he was business Secretary was very good. I met him several times. We have to remember that we had a crisis in the steel industry in the middle of an election, and, actually, it didn't become a bitter election issue between parties. Tata welcomed that. That's what they wanted to see. Since the referendum in June, I do get the impression that the steam has run out of this in London. When I met with the Prime Minister, she did say—because I raised it with her—how important steel was, but we are not seeing the same level of momentum or personal involvement by the Ministers, which does trouble me, which is why I've written to the Prime Minister asking her to put her interventionist views into practice and ensure that the eye is not taken off the ball, to use a phrase that has been used against me in the past. I suspect that there is a feeling in Whitehall that, because things are not as acute as they were, because there is not an imminent threat of closure, and because the exchange rate has been helpful, things are therefore resolved. They are not. We can't rely on the exchange rate to be the panacea for the steel industry, especially when serious issues like pensions and energy prices are still outstanding. So, my worry is that there might be a feeling in Whitehall that things are not quite as bad as they were, so we can take our time over this. That isn't the case. It is true to say that things are not as acute, but there are still serious issues that need to be addressed.

[375] **Vikki Howells:** Thank you. With regard to the Welsh Government, what plans are there for us to further support steel producers to export to the EU and to find new markets as well?

[376] **The First Minister:** Well, we work with steel producers as part of the work that we do to promote exports. The problem is that there is uncertainty. Nobody knows what access steel producers will have to the EU market at the end of the two-year period from the triggering of article 50. The difficulty with steel is—. Steel, like agriculture, is one of those sectors that tends to fall outside normal trade negotiations. If you look at free-trade agreements between countries, or indeed the agreement that exists with Norway and the EU, agriculture's excluded. Steel is one of those iconic industries that is difficult to include in a free-trade agreement, and that means tariffs. The problem is—. Well, if the UK stays within a customs union at the least, with an external tariff against, for example, China—fine. But if the UK tries to impose tariffs against all steel coming in, including from Europe, the same thing will happen to the UK back and that means we'll have tariffs in the European market, whereas, economically, what we need to do is to put external tariffs against markets in Asia and not against the European

market. So, these are complicated issues with steel, which are more complicated for sectors such as automotive. Automotive understands the challenge, but steel is much more difficult to predict. We want to export more steel. We produce very good steel. But, until the issue of market access is resolved, it's very difficult to say to producers, 'Well, look, this is the future for the next five to 10 years'. They need to understand what the terms will be in terms of their market access to Europe.

[377] **Vikki Howells:** That, in a way, is the central dilemma, isn't it, between wanting access to a single market, but also, on the flipside, then, the calls—the very urgent and necessary calls—for protectionism. That's something that we were talking about with other stakeholders earlier on in the session. The EU currently has 37 different measures in place to try and combat the dumping of cheap foreign imported steel. Do you think that the UK Government should look to develop new policies in relation to that as we approach Brexit, or would you see the current anti-dumping measures as being sufficient, and ones that we should endeavour to hold on to?

[378] **The First Minister:** Within the next two years, we need to ensure that the EU has sufficient common external barriers to protect against dumping. The US have done it. There is progress there now, but, of course, it is what happens after two years that's the problem. Because, if we are then outside of the market, then the anti-dumping measures might apply to us, which doesn't help us a steel industry. These things have to be dealt with carefully and delicately to make sure that the steel industry doesn't suffer as a result of the changes that will happen in two years' time. My argument has always been that full and unfettered access to the single market's crucial. It's fundamental to our whole economic policy, not just for steel. If we see any tariff barriers put in place against steel from the UK going into Europe, the UK isn't big enough, as a market, to compensate for the loss of being competitive in the European market. No-one's saying that we'll not be able to sell steel, but it's the terms on which we'll be able to do that that are absolutely crucial for the UK. Yes, at the moment, if you're an exporter, things are good because the exchange rate is as it is, but we can't rely on the pound being where it is now as a way of ensuring economic sustainability in the future. Currency fluctuations have to be dealt with. They can't be relied on as a long-term economic policy.

[379] **Vikki Howells:** Thank you.

[380] **Russell George:** First Minister, would you be able to provide the

committee with a copy of the letter you've mentioned to the Prime Minister?

[381] **The First Minister:** Yes.

[382] **Russell George:** I'd be very grateful. Adam Price.

[383] **Adam Price:** Just very briefly, following on from that, I've heard reference to the work that's being currently conducted within the UK Government on—is it 35 different economic sectors and the way in which they will be individually affected by exiting the European Union? The suggestion implicit in that is that, maybe, a bespoke approach might be adopted. We've heard in the last few days, haven't we, of a possibility of buying access for the financial services sector? Is the First Minister worried about the potential implications of that, because that preferential access might not be bought for the steel industry and other industries that are important to us?

[384] **The First Minister:** The financial services sector is an important part of the Welsh economy, but it can't be treated more favourably than any other sector. I do worry that there is an over-focus on getting the right deal for the city of London and not enough focus on manufacturing. I met with David Davis yesterday—not he of dental fame, but David Davis the Brexit Secretary. I thought it was a very honest and forthright meeting. It was a good meeting, but I do get the impression that when the difficult questions are asked, the answer is, 'It'll be fine'. We explored the issue of the border with Ireland: 'It'll be fine'. I still have no idea how that will work out, but—. The issue of market access to the EU: 'It'll be fine'. Now, I don't share that optimism on his part. The concern that I have is that the UK Government is full of people who have links to the City of London. They see the City as important, and, yes, there's an argument to say that it is important, but it's not so important that other sectors should be forgotten about in its wake, which is why, for me, unfettered access for, ideally, all sectors of our economy to the single market is the most important issue for Wales as we deal with Brexit.

[385] **Adam Price:** I'm grateful to you for that. Focusing back in on Port Talbot and the wider local economy there, the Welsh Government set up and is obviously supporting the enterprise zone. I was wondering if you could just update us on the progress so far. How successful would you think, in your assessment, the enterprise zone is in terms of attracting businesses into the area and economic development more generally?

[386] **The First Minister:** It's relatively early days yet. We have to bear in mind that there is a private sector-led advisory board, chaired by Roger Maggs, which is leading the work on this. A marketing exercise is under way to promote the business rates scheme, which will mean savings of up to £55,000 a year for eligible businesses, or their business rates paid, in fact, whichever is the lowest. There has been an announcement, of course, that we've secured enhanced capital allowances, which will be available in designated areas of the zone, again making it easier to attract investment. And, in fairness, there has been a swift and positive response from the UK Government in that regard.

[387] In terms of the 2015 targets for enterprise zones in Wales generally, we know that those targets have been met. As far as Port Talbot is concerned, it wasn't one of the earlier enterprise zones, but what is in place now in terms of what will assist businesses with business rates, and also the capital allowances—we know that those factors have been successful in attracting investment into enterprise zones in other parts of Wales in the past.

[388] **Adam Price:** I think the invitation for businesses to apply to the business rates scheme closed at the end of September. I was wondering if you could say a little bit about the level of response and what number of businesses you expect to benefit from that. Also, you mentioned the capital allowances scheme as well. If you could say a little bit about what the response so far has been to that as well.

[389] **Mr Price:** Okay, so just the specifics on those two, then. There have been 37 applications received for the business rate relief, which is totalling about £800,000, and 50 per cent of the applicants that we've had have gone to two workshops in order to understand the detail of how to take that up, and how to take up other support from the Welsh Government. In terms of other inquiries, including enhanced capital allowances, we're talking to two potential, significant inward investors, and on the ECA front, we're talking to two or three people about taking them up. The important thing to realise about ECAs, though, is that they operate under the same state aid framework as other supports, so businesses have to decide whether they want to take up an ECA or if they want to take up a grant. So, we're in discussions, but no ECAs have yet been drawn down. But that's not that surprising because it's detailed tax planning.

[390] **Adam Price:** I suppose, in thinking about local economic strategy in

situations like this, there are, sort of, two generic approaches, aren't there? One is kind of doubling down on your existing specialisation, and many of the things that we've been talking about today in terms of the steel innovation centre and trying to build on that existing competitive advantage in the steel industry. The other one is diversification, of course, which is looking at new industries to the Port Talbot area, which build on the, sort of, wider assets. I'm thinking, particularly, in terms of Bilbao here, which faced a similar crisis in steel and in ship building as well, and out of that process, of course, came things that nobody could have predicted, like the Guggenheim. I know that the Welsh Government is now going to conduct a feasibility study on a contemporary art gallery—why not in Port Talbot? But, you know, is the Welsh Government also thinking about, over the long term, alongside a thriving steel industry, what other new forms of economic activity could actually build on the asset that there is there within that area?

[391] **The First Minister:** One glaring example is the tidal lagoon, because we know that the Port Talbot dock—Port Talbot and Milford are the only two docks that could deal with the equipment that would be needed, in terms of taking the equipment out to sea. Port Talbot is ideally placed to be the centre of enterprise for manufacturers of tidal energy equipment and for those who maintain the equipment. That is the biggest opportunity Port Talbot has. That's why we want to see progress from the UK Government, so that they get one with—so that that the lagoon can be built. That's an opportunity for many thousands of jobs, literally in Port Talbot, because of its proximity to the lagoon.

[392] **Russell George:** Okay, thank you. David Rowlands.

[393] **David J. Rowlands:** You've caught me a little bit off-hand there—

[394] **Russell George:** Have I? That's fine. David, we have got a section on pensions that Members might want to comment on. Hefin.

[395] **Hefin David:** Chair, just before that, I was going to ask about the line of inquiry Adam Price was following, with your permission.

[396] **Russell George:** Absolutely.

[397] **Hefin David:** Thank you. Just regarding the wider economic strategy, and the issue that Adam Price has said about doubling down or innovating, or both—. Have you had dialogue, and has the Cabinet Secretary for Economy

and Infrastructure had dialogue, with the steel industry representatives, trade unions, managers, about the forthcoming economic strategy and developing economic strategy?

[398] **The First Minister:** We're always in contact with those in the unions, who then inform us as to how the strategies should be developed. The big issue that we face is this: in terms of inward investment, our strategy for many years—pre and post devolution—has been to attract inward investment, on the basis—well, in the 1990s it was to do with low pay; we don't do that anymore—but on the basis of Wales being the gateway to the European market. If there's a barrier in place for that market, it changes fundamentally what offer we can make to investors from around the world. The UK is not big enough as a place; it's not a big trading block like the EU, or China, or India, or the US, for that matter, and that does present challenges for us, which is why it's hugely important that investors feel that if they come to Wales, they will be able to access the European market. Any kind of barrier would make it very difficult for them to remain in the long term, and they certainly wouldn't come in the first place.

[399] **Hefin David:** But, equally, it would make sense to access local market intelligence and the information we've got at this point in time, locally and regionally. Have we made the most of that?

12:15

[400] **The First Minister:** I believe we have, and I know that the Cabinet Secretary understands the need to develop the local economy as well. Again, until, I'd say, about 12 or 13 years ago, the issue of helping small and medium-sized enterprises to grow wasn't really taken seriously—not by the Welsh Development Agency, particularly; they saw themselves as completely focused on inward investment and SMEs were not important. We don't take that view. We know that SMEs have the capacity to grow and in time become public limited companies. The big challenge is to convince them not to sell to a bigger competitor and actually grow.

[401] **Hefin David:** Or even for them to become medium-sized organisations.

[402] **The First Minister:** Yes. We are under-represented in the stock exchange, because there's been a tendency, as businesses have grown in Wales, for the owners then to sell, and then, of course, say, 'Well, we don't

want to become a plc and also get listed on the stock exchange'. It was an issue we actually explored about, probably, nine or 10 years ago now. We explored the possibility of the Cardiff stock exchange reopening. We worked with the Confederation of British Industry on that, and the difficulty—. There were two issues with it. Firstly, the reality is that the London stock exchange doesn't exist physically—everything is done electronically. We have traders in Cardiff who operate on the LSE. You don't have people standing there anymore physically selling things. And, secondly: equity. There wasn't enough investment equity in Wales to justify the stock exchange. Well, technically, it still exists—technically. It's dormant, but being reawakened. Dublin had done it, but the world has moved on now, because electronic trading has overtaken the traditional physical stock market model. But we know that SMEs remain the—. There is a pyramid in the Welsh economy and SMEs are an important part of that pyramid, and encouraging them is hugely important.

[403] **Hefin David:** I appreciate your indulgence, Chair.

[404] **Russell George:** Thank you. Do Members have any final questions? I know Mark Isherwood does, and if other Members do, please indicate. Mark Isherwood.

[405] **Mark Isherwood:** Shall I pick up on the pension issue?

[406] **Russell George:** That's fine.

[407] **Mark Isherwood:** I think you indicated earlier in your comments today that the two key issues with the UK Government were energy costs and pensions. I suppose in terms of the Welsh Government itself, the Cabinet Secretary for Economy and Infrastructure's September letter, which has been referred to a few times, outlined a potential training package for employees across all Tata sites. What progress has been achieved so far with that?

[408] **The First Minister:** Well, there's an offer on the table for skills and training, which is part of the £60 million offer. That said, I know that the current schemes, such as ReAct, have been used by some employees in Tata. For example, if we look at ReAct itself, I can say that just over 200 ReAct applications have been approved to date for individuals within the steel industry—153 for Tata itself, and of those, 147 at Port Talbot and six at Llanwern. Applications have been approved for 59 individuals from eight Tata supply-chain companies, who stated their redundancy is as a direct

result of the reduction in work from Tata. So, we can see that those schemes have been successful to help people to retrain and to move on to other jobs as well.

[409] **Mark Isherwood:** Okay, thank you. How do you respond to the concern expressed to the committee by the Community union that the Welsh Government's advice and retraining programme had had a disappointing take-up, and might have benefitted from greater involvement by the trade unions, or with the trade unions themselves?

[410] **The First Minister:** Well, ReAct has supported over 19,000 individuals since April 2011. I suspect, of course, what's happening in Tata is that workers want to stay. They're not looking to move on at this moment in time. There are those, of course, who are of an age where retraining wouldn't be important to them; it's the pension package that they would get that would be important to them. And there is a feeling, I suspect, that the situation that was very, very difficult at the start of the year is now less difficult and there is more hope for the future of the industry. Although, I have to emphasise that it is not out of the woods yet; there is still work that has to be done. I suspect what's happening is that workers are staying with Tata and want to continue working in the industry.

[411] **Mark Isherwood:** I think we heard—. They referred to some of those who had left and said, of course, some don't want to take up training, but they still felt that their involvement might have increased uptake. Do you agree with that?

[412] **The First Minister:** No. I think there are many factors at play here. First of all, of course, we haven't seen a large number of redundancies of late. There have been redundancies, of course, within the steel industry. Many of the redundancies that have occurred have been voluntary, and many of them have involved people who retire. As a result, they're not interested in looking for training. Nevertheless, we have had applicants. I've identified the numbers who've sought assistance. If there were to be a downturn in prospects in the steel industry, I would then expect to see more applicants coming forward.

[413] **Mark Isherwood:** Okay. Back to the UK Government: the UK Government has made proposals for pension reforms in its consultation. Would you favour those proposals, or prefer to explore an alternative solution?

[414] **The First Minister:** It's whatever works. I know the issue of law changes has been explored by the UK Government. There are two issues, of course, that are important here. First of all, originally, the work that was done on a plan to deal with pensions was on the basis that there would be another operator of the plant and that Tata would withdraw. It's a different scenario where you have an existing operator and a company that will continue in existence with a pension scheme that they want to receive help with. The danger then, of course, is that others will say, 'Well, you know, if you're helping Tata, we want help as well.' That's why there's a need to distinguish the steel industry as an iconic and strategic industry that is in a different category to other industries. Why? You can't be a modern industrial economy if you don't make steel. You need steel in order to manufacture, you need steel in order to provide the equipment for your armed forces—it is in a different category to other industries and that's why I've always taken the view, and David Cameron did as well, that it was possible then to take a different and bespoke—to use the word that's in vogue at the moment—approach to pensions for the steel industry in order to secure its future.

[415] **Mark Isherwood:** Okay. Thank you. To jump back to energy efficiency and a couple of points I was going to raise, you refer to the assistance given by the UK Government on energy costs. You also refer to energy costs in Germany and other countries being lower. Of course, the UK Government had to negotiate that intervention at EU level, and, in Germany, to an extent, that's been offset against higher domestic energy costs in terms of the green levy. What, therefore, consideration, in addition to the dialogue you have with the UK Government, have you given to the need to accommodate, at least for the foreseeable future, the EU requirements around the energy costs applying to energy-intensive industries?

[416] **The First Minister:** The answer to that is that other countries in the EU don't have the same problems. And this is not something—. This is what's been said to me by Celsa and they are talking about other countries in the EU that have lower energy prices and that operate in what is meant to be the same market. I think much of it is to do with the sheer obscurity of the UK market and the difficulty of understanding where money goes in the UK market when looking at the profits of energy companies. It was much easier in the days of the CEBG to understand where investment was coming from and how it would benefit the economy.

[417] I think we have got to a position in the UK where we expect other

people to pay for our power stations; we're not prepared to pay for them ourselves. We welcome, of course, Hitachi's investment in Wylfa Newydd, we welcome Hinkley—Hinkley is an opportunity for the Welsh steel industry—but I do think we have to understand that we can't just rely on other people all the time to provide us with the energy facilities that we need. We're going to have to pay ourselves at some point.

[418] That means, yes, for me, looking at nuclear, but we can't just have nuclear power stations; we have to have a mix. I don't think coal has role to play, if I'm honest. I have many scars on my back from people looking to protest about wind turbines being close to them; if I suddenly decided to support coal-fired power stations, I suspect they'd be far worse. So, for me, it's a question of getting the right mix in terms of renewables, in terms of nuclear, in terms of—yes, we have fossil fuel plants for the time being—natural gas. But, also, we have to bear in mind that we cannot be a country that is over-dependent on imported energy. There are energy security issues for us there. So, we have to understand that we have to invest in, for example, the tidal lagoon in order to create energy security, of course, because the lagoon can't go anywhere, but also to make sure that we have energy supply in the future. The UK Government has to understand we can't just keep on asking other people to pay to build power stations.

[419] **Mark Isherwood:** My question was more—

[420] **Russell George:** Sorry, Mark. We have to finish quite promptly today, because we've got a remembrance event upstairs. Can I just ask Adam for a very sharp question, and if the First Minister could incorporate any brief points before we close the meeting?

[421] **Adam Price:** Well, I just wanted to ask—the effect of the collapse of the pound, of course, is good news in the short term in terms of making steel exports more competitive, but, on the import side, of course, with coking coal, I think there's been a massive increase in price, hedged, in the short term, but that will I think run out at the end of this year. Does that make the Margam mine or the project that previously Tata had looked into about five or six years ago again a viable proposition, and also other projects like the pelletizing plant on the iron ore, which could at least lower the impact of this very cyclical import price situation that they face?

[422] **The First Minister:** The analysis is right, of course. Coal and iron ore imports will rise in time. There is an issue about the cost of transporting the

raw materials from the port to the steelworks, which is substantial. In other countries they would not have sold off a port serving the steelworks separately to the steelworks itself. The reality is, of course, the port enjoys a monopoly on the supply, on the throughput, of raw materials through the port, and that is—. Tata have said to me that they find that their costs of moving from the port to the steelworks are substantial compared to other sites that they have in Europe.

[423] On the issue of the mine, the mine, we know, is a—well, it was then—£500 million investment. I suspect there wouldn't be investment in the mine unless Tata felt there was a long-term future for the plant. So, we come back to the package on the table from Welsh Government and the UK Government. If Tata feel there's a long-term future, then the mine becomes viable. Of course, as the price of coal goes up, then the argument for the mine strengthens, but that's only on the basis that the package is there to sustain the future.

[424] **Russell George:** I'm very grateful, First Minister, for your evidence this morning. That draws our meeting to an end. Our next meeting will be on 3 November.

*Daeth y cyfarfod i ben am 12:27.
The meeting ended at 12:27.*