

October 2016

Submission to the National Assembly's Economy, Infrastructure and Skills Committee

1.1 Community is the largest and leading trade union in Tata Steel UK, in the Welsh steel industry and in the UK steel industry, and our General Secretary Roy Rickhuss is Chair of the National Trade Union Steel Coordinating Committee. We have represented steelworkers for more than a hundred years and we act as a responsible and pragmatic stakeholder prepared to confront the serious challenges facing the industry.

1.2 Community is leading the campaign to Save our Steel and secure a sustainable future for the UK steel industry. We believe there continues to be an urgent need for government action in a number of areas including Chinese dumping, energy costs, business rates and procurement. After an initial flurry of activity and plenty of rhetoric we are becoming increasingly frustrated at the lack of urgency from the UK Government.

2. Steel industry in Wales

2.1 The importance of the steel industry to Wales, economically certainly, but also culturally, historically, and in terms of regional and national identity, cannot be overstated. In 2012 Cardiff University carried out a study which found that Tata Steel supported 1.22 additional jobs in its supply chain for each of its 8,000 direct employees in Wales; in effect Tata Steel supported nearly 18,000 jobs in the Welsh economy. The study also showed that Tata supported £3.2bn of output and £1.6bn of value added in Wales and paid a minimum of £14 per hour to permanent staff.

2.2 It should be noted that while Tata Steel is the largest it is by no means the only employer in the Welsh steel industry. There are other significant employers including Celsa Manufacturing based in Cardiff, Liberty Steel Newport (formerly Mir Steel), Liberty Tubes in Tredegar (formerly Caparo Tubes), and a number of independent steel stockholders and processors.

3. The Steel Crisis

3.1 Despite some recent improvements in market conditions based on currency and steel prices, there is no doubt the steel industry remains in crisis. It is imperative that all stakeholders keep up the momentum to Save our Steel and secure a sustainable future for our industry.

3.2 Since the steel crisis came to national public attention, after SSI UK went into liquidation at the start of October 2015, in excess of 6,000 job cuts have been announced across the UK. This figure includes the 1,050 jobs that Tata Steel announced in January they would cut from their UK business, including 750 jobs at its Port Talbot-based Strip Products UK business, 200 jobs in support functions and a further 100 jobs at steel mills in Trostre, Corby and Hartlepool.

3.3 On 8 July Tata Steel announced that they were in dialogue with ThyssenKrupp regarding a strategic partnership involving the Port Talbot-based strip products division and connected downstream operations. The Joint Venture could create the second largest steel producer in Europe and the leading producer of flat products.

3.4 The trade unions have not been persuaded that a Joint Venture with ThyssenKrupp is in the best interests of the UK businesses, and should talks progress the unions would require guarantees on a range of issues including jobs, future investment and production capacity. A major issue to resolve is the future of the British Steel Pension Scheme; the joint trade union position is that the Scheme must be kept out of the PPF.

3.5 There are many factors contributing to the ongoing UK steel crisis but two stand out: the uncompetitive regulatory environment and the unfair dumping of steel products in contravention of WTO rules. Despite recent market improvements it has become increasingly clear that Chinese dumping poses an existential threat to the UK and European steel industry. In spite of this fact the UK Government continues to act as a cheerleader for China in Europe regarding their bid for Market Economy Status. MES for China would be a complete disaster as it would make it even harder for European producers to gain protection from unfairly traded Chinese imports.

3.6 The situation remains critical; devolved and central government must act now and do everything in their power to safeguard the future of this vital strategic foundation industry of fundamental importance to UK manufacturing and industrial supply chains. There is an urgent need for government, industry and trade unions to work together to develop an industrial strategy for steel involving a long-term focus on investment, skills and research and development, to ensure the UK industry is equipped to meet the demands of the future.

4. Steel Taskforce

4.1 Community has attending meetings of the Taskforce and participated in the working groups and other related activities. In our view the Taskforce has brought together a strong collection of key stakeholders and experts to further the interests of the industry, the workforce and those who have recently left employment. We believe the four working groups are focussing on the right priorities for our industry – energy, procurement, business rates and trade – and we are hopeful the Welsh Government will make progress in these key areas.

4.2 We would like to highlight the work of the Health Sub-Group, which has developed an excellent relationship with the Swansea Aneurin Bevan Health Board to offer support services

to workers in a redundancy situation, particularly with regards to mental health. We believe this relationship represents a model of best practice that might be replicated in elsewhere.

4.3 We recognise that the advice and retraining programme for redundant steelworkers has been approached with the best of intentions. However there can be no doubt that take up has been very disappointing and that this foreseeable; we firmly believe that had the unions been invited to play a greater role we would have ensured better rates of participation and improved project outcomes.

5. Key areas where the Welsh Government can make a difference

5.1 BUSINESS RATES. Rates are now fully devolved to WAG and as such should be a key area of focus. Our business rates are up to ten times higher than those paid by competitors in France and Germany. We want to see government level the playing field by removing plant and machinery from business rate calculations. Including plant and machinery in the calculations is anti-investment and anti-industry. Tata Steel recently invested £185 million in the construction of a new blast furnace in their Port Talbot steelworks and in return for that investment received a £400,000 increase in business rates; this is patently uncompetitive and ridiculous.

5.2 PROCUREMENT. WAG has a better record than Westminster of using procurement to support domestic industry and local communities, but there is still plenty of room for improvement. Industry needs a renewed focus on capturing value for Welsh and UK supply chains in major projects e.g. transport and energy infrastructure. Over 55% of procurement spend is now within Wales but steel industry supply chains don't stop at the border which is why WAG and Westminster must work together to ensure their procurement policies support the UK steel industry as a whole.

5.3 ENERGY. WAG can provide funding support to steel employers to make energy efficient investments that make businesses more competitive and sustainable for the future.

6. Impact of Brexit

6.1 Until it is understood exactly what 'Brexit' looks like, it is difficult to say exactly what impact it will have on the UK steel industry. Initial areas of concern are;

- i. The vital need for continued access to the single market – over 50% of UK steel exports currently go into the European single market. The single market is particularly important to the connection between the UK steel industry and Dutch steel plant at IJmuiden.
- ii. The impact of any changes to health and safety legislation on the men and women working in very dangerous environments.

- iii. The overarching economic uncertainty created by the Brexit vote puts at risk the new inward investment that the industry so desperately needs. Creating stability and growth in the UK economy will be crucial to the success of any future venture within the sector.
- iv. The impact of Brexit on energy costs will have a significant effect on the steel industry. Despite some UK Government assistance on electricity costs, there remains a large gap between the costs borne by UK steel companies and their European competitors.
- v. A significant question exists over what the UK's trade defence policy will be post Brexit. If we remain in the single market, then the current challenges around Chinese dumping will still exist. If we leave the single market, then it will be the responsibility of the UK Government to set a new trade policy to protect the steel industry.
- vi. The UK steel industry is becoming increasingly fragmented and if we leave the EU there is a serious risk our steel companies will become isolated; it is vital that UK producers continue to have access to world class skills and R&D. Government must support the development of collaborative networks and practices to ensure the UK is not left behind.