

**BACKGROUND PAPER FOR THE ECONOMY, INFRASTRUCTURE AND SKILLS
COMMITTEE ON THE FUTURE OF THE STEEL INDUSTRY IN WALES IN
ADVANCE OF THE FIRST MINISTER'S SESSION ON 19 OCTOBER**

SEPTEMBER 2016

1. This paper has been prepared to support a discussion on the future of the steel industry in Wales.
2. I strongly believe there is a future for the industry and we are fully committed to supporting steel making in Wales. Steel is a priority for the Welsh Government and this was reflected in my meeting with the Prime Minister earlier this summer – we both agreed steel is a UK Strategic asset, requiring coordinated working across both Welsh and UK Governments.

Tata Steel Task Force

3. The high-level Tata Steel Task Force was established immediately following Tata Steel's announcement in January. The Task Force is identifying and overseeing the practical actions that can be taken in response to this announcement and has included overseeing the early establishment of the Port Talbot Enterprise Zone.
4. The Cabinet Secretary for Economy and Infrastructure has taken over as Chair of the Task Force. The sixth meeting took place on 4 August. Attendance has been strong at all meetings including attendance by UK Government Ministers. The Task Force oversees the work of four work streams.

Training and Skills Work Stream

5. This work stream has been looking at the support needed for those workers who might be displaced following the announcement by Tata. The redundancy process that has been taking place in Tata since January is nearing completion and both the Unions and Tata have strongly praised the flexible and sensitive support provided to date by all agencies.
6. Support to Tata's workers, including advice sessions have been opened up to workers in the supply chain. Support has been provided by a wide range of organisations including the Money Advice Service, UK Steel Enterprise, local voluntary organisations and HMRC. On site presence by Job Centre Plus continued through until the end of July. Careers Wales has carried out partnership presentations and worked on a one to one basis with a number of Tata and known subcontractor employees.

Business Support and Supply Chains Work Stream

7. This work stream is examining the supply chains to the company and supported the proposal for an Enterprise Zone for the area. Through Business Wales, 30 companies have been offered specific support and 24 companies have been, or are, actively participating in that support, whilst some companies have asked for the support offered to be deferred given their specific circumstances and business challenges. The work stream will continue to monitor the situation and support from Business Wales remains open for businesses seeking help.
8. At the last meeting of the Task Force it was agreed the Training and Skills and Business and Supply chain work streams would be merged given the clear overlaps between the two groups and the significant progress made to date.

Health Work Stream

9. This work stream is gathering and sharing information about the personal support available to individuals and their families. The work stream, led by the Abertawe Bro Morgannwg University Health Board, is progressing a programme of work to address both the health and wellbeing needs of Tata staff and workers in the supply chain.
10. The work is focussed on community-based actions which include and support the needs of wider family members including children. An information leaflet has been produced promoting the support available and the work stream is working hard to ensure this information reaches all those who may need it. To date nearly 9,000 leaflets have been distributed.
11. Consideration of the wider impacts on health wellbeing has been an important element of the Tata Task Force. Research learning from this work will provide important lessons for other Task Forces set up in response to redundancies of this nature.

Procurement Work Stream

12. This work stream has been looking at the opportunities to support the steel industry through procurement. We have recently published a report into the future Welsh public sector steel requirements and the capacity and capability of the steel sector. The report sets out the current position and progress achieved to date:
 - Analysing the Wales Infrastructure Investment Plan (WIIP) to establish forecast future steel requirements;
 - Establishing high level information on the capacity and capability of the steel sector to fulfil these requirements;
 - Identifying opportunities to help ensure that the steel sector has the best opportunity to win sub-contracts to supply steel in public projects;
 - Mainstreaming consideration of steel requirements in to the Welsh Government Grants process and 21st Century Schools business case processes;

- Compilation of strategic public sector framework agreements which provide steel suppliers with the opportunity of establishing supply chain opportunities;
- Revision of Community Benefits guidance to signpost to steel standards, such as the Charter for Sustainable British Steel.

The longer term future prospects for the industry in Wales

13. We are absolutely committed to secure a long-term and sustainable future for steel making in Wales. This includes the steelmaking operations at Port Talbot and Cardiff as well as all the steel mills and processing plants throughout Wales.
14. The focus of our support to the steel industry in Wales is to put in place the right conditions for the long-term viability of steel making and specifically on placing Welsh plants on a more competitive, resilient and sustainable footing.
15. We have been making very good progress over recent months to support the industry within the powers available to us. In tandem, the UK Government needs to deliver more concrete actions and progress for those major factors that have caused such difficult conditions for the sector in Wales and beyond, such as global capacity and the unfairly traded imports.

Potential impact of the European referendum result

16. The EU referendum result has caused uncertainty for the steel sector. UK Steel producers extensively trade into the EU. After the UK and Ireland, the EU is the largest market for UK made steel. In 2015, 71% of flat steel products and 65% of long steel products exported by the UK went to EU countries. In Q1 of 2016, 685,000 tonnes of steel was exported to the EU.
17. The UK is also a significant net importer of finished steel from the EU. In Q1, the UK imported over 100,000 tonnes each from Germany, Spain, the Netherlands, Belgium and France. Uncertainty over the future trading relationship with the EU is a primary concern, particularly with regard to what access UK producers might in future have to the single market.
18. Many UK steel producers are internationally owned. Without full and unfettered access to the single market the UK's steel making plants might be less attractive to international owners in consideration of business investment decisions. The EU referendum result has also caused further uncertainty around the position of Tata Steel on the strategy for its European business.
19. In the immediate term, a weaker sterling provides opportunity for increased export sales and imports of competing steel products will be more costly. However, the majority of raw products used to make iron and steel are imported and will be more expensive.
20. Trade defence instruments are essential to defend our indigenous strategic industries from unfair international distortion of competition. Recent EU trade

defence cases on steel products including rebar, grain orientated and hot and cold rolled steels, all of which are manufactured in Wales, reiterate the importance of a robust trade defence mechanism.

21. After leaving the EU, it will be important for the UK to have capability of developing appropriate trade defence instruments to ensure we are able to fight instances of unfair trade and adequately protect our strategic indigenous industries. A key issue must be that businesses in Wales are not disadvantaged through unnecessary trade barriers and that is why we are clear of the need for full and unfettered access to the EU's Single Market.
22. A Cabinet Sub-Committee on European Transition is leading our work relating to the UK's exit from the EU and we are establishing a European Advisory Group comprising business people, politicians and others with European expertise, including senior trade union representation.
23. Until exit arrangements have been fully negotiated and agreed, the Welsh Ministers remain bound to comply fully with EU State aid rules and any support provided to the steel sector must be given in accordance with State aid rules.