

Response from Carwyn Jones to letter sent on 15 April 2024 – The Future of Welsh Steel – Committee scrutiny

EVIDENCE TO ECONOMY, TRADE AND RURAL AFFAIRS COMMITTEE

I thank the Committee for inviting me to give evidence regarding the TATA steelworks at Port Talbot. I should say at the outset that I do have first-hand experience of the events in 2016 but inevitably, my views on the current situation will contain an element of speculation.

It is worth emphasising at the outset that the circumstances in 2016 and those of 2024 differ significantly. In 2016, TATA announced that they were putting their UK operations up for sale whereas this year, TATA have announced the closure of the heavy end at the Port Talbot works as part of a deal with the UK government, leaving the Welsh Government with precious little room for manoeuvre compared to 2016. It is regrettable that The UK Government seem not to have engaged with the Welsh Government during this process leaving the Welsh Government in a position of dealing with what appears to be a “done deal”.

In 2016, there was a great deal more flexibility in the situation and I prioritised contact with TATA in an effort to work with them to secure Port Talbot’s future. This involved numerous conversations as well as a visit to Mumbai to talk to members of the TATA board. I felt it was essential to keep up communications with TATA in order to show the Welsh Government’s concern. In my view, this proved effective and subsequently, this was confirmed to me by a TATA representative. It is worth pointing out that at this stage, TATA’s board were concerned about how the business was perceived. Their image mattered to them.

The situation this time around is different; an agreement has been made between TATA and the UK Government and so the scope for persuading TATA to take a different course is negligible. I do not think that the approach taken in 2016 would have worked this time. In addition, TATA seem less concerned about how they are perceived than was previously the case.

I have been asked about how important the links are between Wales and India and how well they work. When I was First Minister we had three offices in the country, all locally staffed. All of them reported directly to me every month. I also visited India on several occasions. The Welsh Government offices in India, and indeed around the world are invaluable; they give us access to intelligence on the ground that we would not otherwise have. They have also worked effectively with UK embassies and consulates as well as with trade organisations. In addition, Ministerial visits abroad are important as they open doors that would otherwise be shut. Ministers in other governments tend only to agree to meetings with those of equivalent rank. They do not usually meet officials. It follows then that when a Welsh Government Minister travels abroad, they will be able to secure meetings that would otherwise not be available and create relationships at a higher level.

One of the key differences between 2016 and now is the working relationship between the Welsh and UK Governments . In 2016, both governments were very much “on the same page” and when I visited Mumbai, Sajid Javid was also there as a Secretary of State. We met

and discussed the issue at length. Similarly, I had the impression that David Cameron, as Prime Minister, took a personal interest in the future of Port Talbot. The UK Government's interest waned after his resignation. This time however, it appears to me that TATA and the UK Government have been negotiating with each other without the involvement of the Welsh Government which is a mistake in my view. Despite the political tensions that are inevitable between the governments, it is possible to work together on common goals and this should have been an opportunity for the UK Government to demonstrate such a willingness by involving the Welsh Government in the original discussions with TATA. It is now extremely difficult for the Welsh Government to make any representations on behalf of the Port Talbot workforce because an agreement has already been reached.

I am surprised by TATA's comments of late. They have said that they are losing one million pounds a day in the UK, a figure that has gone largely unchallenged in politics and the media. Yet they were also saying this in 2016. I would ask whether TATA has really been losing such a sum on a daily basis since 2016 and have simply carried that loss for all this time. I am also aware that until quite recently, TATA were opposed to the idea of an electric arc furnace (EAF). I attended a meeting of the All-Party Group on Steel at the Senedd in the autumn of 2021 and the TATA representatives there were clear that they did not think that the technology worked for them. In addition, nobody until now has suggested that Port Talbot could operate using only EAF technology. The assumption has always been that there would also need to be a blast furnace in place to supplement it. There are also questions about the EAF such as where the feedstock will come from and how it will be powered given that energy costs were always a concern for companies such as TATA operating in the UK. I would also question whether there are sufficient safeguards in place to ensure that the EAF is actually delivered in the future or whether there is a danger that it will fall by the wayside.

Finally, I have been asked about the structures that have been put in place to help with transition. I have not been involved with this so feel unable to comment. However, what is essential is for there to be more time for the transition to take place, as requested by some of the trades unions. The whole process is very rushed and there will be a significant gap between the end of blast furnace production and the introduction of the EAF. The UK Government, through its provision of money to TATA is in a position to exercise more leverage over the company to convince them to extend the life of at least one of the blast furnaces until the EAF is fully operational. There is no question in my mind that an EAF is a much greener and more sustainable way of making steel but the transition towards it could have been extended to give the workforce and the town time to adapt. Sadly, that has not happened.

I am willing of course to assist the Committee in any way and hope that these submissions will be of assistance.

Carwyn Jones