

February 2016

### Submission to the National Assembly for Wales' Enterprise and Business 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 is an urgent need for action in a number of areas including Chinese dumping, energy costs, business rates, procurement and skills retention.

## 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.
- 2.2 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.
- 2.3 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 Since the steel crisis came to national attention, after SSI UK went into liquidation at the start of October, in excess of 6,000 job cuts have been announced across the UK.
- 3.2 On 18 January Tata Steel announced their intention to cut 1,050 jobs from its 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 Community representatives have attended meetings of the WAG Task Force established following the announcement of 18 January. We welcome the Task Force and will play a full and active role to represent our members' interests, however it should be recognised

that the unions and Tata Steel are in a consultation process over the proposed restructuring and we will be challenging the company's plans.

- 3.4 Tata Steel have now announced approximately 3,000 job cuts over the past 6 months, and that is why Community is demanding that government secure a firm commitment from Tata that they are committed to maintaining steelmaking in the UK long-term.
- 3.5 There are many factors contributing to the ongoing UK steel crisis but two stand out: the uncompetitive regulatory environment perpetuated by the UK government, and the unfair dumping of Chinese steel products in contravention of WTO rules.
- 3.6 It has become increasingly clear that Chinese dumping poses an existential threat to the UK and European steel industry. Despite 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. We believe that if China does achieve Market Economy Status it will be a catastrophe for our industry and most likely the final nail in the coffin for UK steelmaking.
- 3.7 The situation is critical; devolved and central government must act now and do everything in the power to safeguard the future of this vital strategic foundation industry of fundamental importance to UK manufacturing and industrial supply chains.

## 4. Key areas where the Welsh Government can make a difference:

### **Business Rates**

- 4.1 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.
- 4.2 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.

#### **Procurement**

4.3 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.

4.4 There is no doubt that industry needs support from government but steel companies must also be prepared to help themselves e.g. how can it be at a time when Tata Steel UK is on its knees and crying out for orders that only around 30% of the steel used by Jaguar Land Rover comes from their UK plants?

# 5. Community's calls for UK Government action

- 5.1 Community endorses the position of UK Steel, as articulated in their brief prepared for the Steel Summit of 16 October 'The future of UK steel a sector in crisis'. We fully support UK Steel's five demands for immediate government action:
  - 1. Fully implement the Energy Intensive Industry Compensation Package ahead of April 2016 (steel companies are still waiting to receive payments)
  - 2. Continue to back EU-level action on anti-dumping measures
  - 3. Bring Business Rates for capital intensive firms in line with their competitors
  - 4. Don't gold plate regulations unfairly and deliver pragmatic implementation of regulatory frameworks
  - 5. Support local content in major construction projects
- 5.2 Community was pleased to play an active role in the national Steel Summit but we participated on the basis it would not be a talking shop and that tangible immediate action would follow. However, we are increasingly disappointed at the lack of urgency from government; after an initial flurry of activity and plenty of rhetoric very little meaningful support has been delivered to date.
- 5.3 Community would like to stress that, while we support the demands of industry, as articulated above, we consider these actions to be necessary but not sufficient. The stability and financial security of our steel companies is of course critically important, but our industry is about so much more than company profits. Steel companies, and indeed governments, will come and go, but the workers and their communities will remain just as they have for a century and more. This is our industry and we are its guardians; the stakeholder that takes the long term view and will never give up on our future.