



William Graham AM
Chair
Enterprise and Business Committee

4 April 2016

Dear William

Thank you for your letter of 4 March regarding the future of the steel industry in Wales.

There is a significant amount of work currently being undertaken in this area through my Tata Steel Task Force, especially given the latest announcement by Tata last week. The First Minister updated Members today in an oral statement.

We have been working closely with the steel industry for many years and are very aware of the difficult challenges currently being faced. We have regularly been raising the issues with the UK Government and continue to do so – the First Minister raised concerns about energy price impacts in 2011.

I appreciate that there will be further discussions on the issues around the steel industry at the Committee's meeting tomorrow. However, I have attached information relating to the points you have raised.

Edwina Hart

FUTURE OF THE STEEL INDUSTRY IN WALES

1. Business Rates

At our Committee Session on 3 March, I referred to the detailed work that has been undertaken on examining the options for changes to business rates.

We have been in detailed discussion with the Valuation Office Agency on the implications of making changes aimed at supporting the steel sector in Wales.

For example, as part of our discussions, the Valuation Office Agency has already confirmed that it will be considering the State of the Industry and its impact on how individual plants are operating in the 2017 revaluation. Although the full impact of this will not be clear until the revaluation process is complete, this means that from 2017 rateable values will better reflect current circumstances at steel plants in Wales.

Business rates relief that is targeted at particular sectors is considered to be selective state aid and must be awarded in line with de minimis requirements. This limits the amount of relief that can be awarded to €200,000 over a three year rolling period.

In addition to this, steelworks assessments are valued using the contractors basis and should therefore benefit from a reduction to the decapitalisation rate which we have already set at 3.8% for the 2017 revaluation compared to 4.5% in 2010.

We have been examining options around plant and machinery within rating assessments. However, following discussion with the Valuation Office Agency, it has not yet been possible to identify a means to do this which would avoid state aid and appeals, given the lack of data available and the technical complexities.

I recently announced the establishment of a new Enterprise Zone at Port Talbot Waterfront. The proposal for the Zone aims to create new employment opportunities and strengthen the economic base of the area and the Business Rates Scheme, aimed at small and medium-sized enterprises in the Zone, will form an important part of this offer.

Regarding other measures aimed at lowering the cost to Wales' manufacturing sites, my Officials continue to explore the options carefully given the technical complexities I have explained previously.

The UK Government has finally drawn to a close its structural review of business rates. We now have a much clearer picture of what the UK Government intends to do here and my Officials will examine closely the implications for Wales before providing advice on any changes that could be made going forward.

2. ProAct

ProAct was introduced to respond to the economic down-turn in 2008 and provided a specific response to that situation. Within the Welsh Government, we have a reputation for responding successfully to situations requiring our support – at this time we are not considering re-introducing the ProAct Programme.

We are working with the steel sector to ensure that we can meet the requirements of companies affected by recent pressures in the industry to ensure they are equipped to

meet the future needs of the sector. We will put in place similar support arrangements through existing mechanisms that will provide skills development for those that need it – and can include a contribution to salaries whilst employees are in training – as such we can provide significant financial support towards likely training costs.

We are currently supporting Tata with skills funding to re-train and up-skill staff that remain in employment at Tata Steel in order to further develop key skills within the company necessary to support the sustainability of the business for the longer term.

3. Chinese Steel

I have asked my Officials to procure some research into the quality of steel. This has not been commissioned yet but once it is complete the findings will be shared.

4. Joint Working

Discussions are ongoing with Tata and the UK Government.

5. European Globalisation Adjustment Fund

The European Globalisation Adjustment Fund (EGF) provides a financial contribution for active labour market measures, aimed at reintegrating those made or at risk of being made redundant in the labour market. Member States are responsible in the first instance for tackling trade adjustment redundancies. The fund is, therefore, designed to add to national, regional and local assistance. It is the UK Government's position that the UK already offers a broad range of personalised support to workers made redundant, which could not be duplicated or substituted by EGF. Only if more support is necessary other suitable sources of support will be considered.

We will continue to raise the potential for EGF to provide support.

6. Progress Going Forward

The timescales regarding the job losses at Port Talbot are a matter for Tata. As I indicated in my evidence, it would not be appropriate for me to comment on the detail of the redundancy process.

I responded quickly to the announcement in January by Tata in establishing a Tata Steel Task Force. Through the work of the Task Force and the work streams, the Welsh Government is working closely with all parties to support those individuals and business impacted by the announcement.