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Innovation & Skills

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Our ref: MCB2016/07925/DM

The Rt Hon Fiona Mactaggart MP
House of Commons
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4 May 2016

Dear Fiona,

Thank you for your letter of 4 April to the Rt Hon David Cameron MP, enclosing correspondence from your constituent regarding the issues currently affecting the UK Steel industry. I am responding as this matter falls within my Ministerial portfolio.

Since you wrote your letter, Parliament has now had the opportunity to consider this important matter through the Oral Statement given by the Rt Hon Sajid Javid MP on 11 April and at the Emergency Debate on the UK Steel Industry in the House of Commons the following day.

Please be aware that the Prime Minister – who visited Port Talbot in April – and I both regard the steel industry as vital to the British economy. Following Tata Steel's announcement on 29 March 2016 we recognise that this is an extremely worrying time for the employees affected, their families and the communities in which they live. We have always said that we will do everything we can to ensure we keep making steel at Port Talbot. You may be aware that the sales process for Tata Steel's remaining UK assets commenced on 11 April 2016. We are working closely with Tata to find a credible buyer for their entire UK operation. Our interests are to support Tata Steel and the wider industry, secure as many jobs as we can and deliver a sustainable future.

That is why on 21 April 2016, the Secretary of State announced that a package of support worth hundreds of millions of pounds will be made available to potential buyers on commercial terms to support the ongoing operation and deliver long term investment in the future of the business. We will also consider support in other areas such as plant, pensions and power supply, and any other areas that potential buyers believe the Governments can provide support.

The Government believes that the business remains an attractive investment proposition. In the UK, Tata Steel's remaining plants include modern assets, a skilled workforce and market access that will be attractive to investors prepared to invest for the future. The UK's infrastructure pipeline further strengthens the attractiveness of investment in the UK steel sector.

I understand your concerns about the wider sector and as you can appreciate that the challenges facing the steel industry are considerable. Around the world, steelmaking capacity is approximately 35 percent higher than demand. In China alone, excess steel capacity is 25 times the UK's entire annual production; and other emerging economies are increasing production too.

This has resulted in global steel prices collapsing during 2014, exacerbating the already significant pressure on the global steel industry. This itself has led to dozens of plant closures across Europe since 2008 and seen the number of workers in European steel manufacturing fall by about 70,000.

We have been working diligently with the industry to provide all the support we can during these difficult times and has convened a Steel Council to ensure our support is targeted in the right areas. To date we have made substantial progress in addressing the significant challenges faced by the industry including:

- **Dumping and unfair trading practices** - The UK has been at the forefront of action in Europe to tackle unfair trading practices. We voted for anti-dumping measures on wire rods in July 2015 and seamless pipe and tubes in November 2015. More recently, we voted for measures on reinforcing bar and cold-rolled flat products and successfully lobbied the European Commission on behalf of industry to open the rebar investigation. We have been at the forefront of pressing the Commission to take action on unfair steel dumping, such as calling for the Extraordinary Competitiveness Council in November 2015. The UK has also significant action internationally. On 18 April 2016 the Secretary of State for Business attended the OECD's High Level Steel Meeting. The conference was the first time that all the major steel producing countries have come together with industry, representing some 90% of production around the world, to explore the problems facing the global steel industry. We will continue to work with all partners, and in the meantime will support anti-dumping tariffs imposed by the European Commission where there is evidence that steel is being dumped.
- **Energy costs and Emissions Regulations** – We absolutely recognise that energy costs are a major concern for UK Steel makers. The UK currently has amongst the lowest gas prices in Europe and Government has taken significant action on industrial electricity prices. In December 2015 we secured state aid clearance to pay further compensation to energy intensive industries (EII's) – including steel – for renewable policy costs, and the first payments under this scheme have just been made. This compensation is in addition to the £175 million the Government has already given to mitigate the impact of climate policy since 2013 – including £80 million for the steel industry. At the Autumn Statement we went even further and announced that we would exempt EII's from renewable policy costs. This will save the steel industry over £400 million by the end of this Parliament. We are also supporting the steel industry by securing flexibility over EU emissions regulations, ensuring that social and economic factors can be taken into account when Government procures steel. On 15 February 2016, I used a High Level Stakeholders' Conference on EII's to maintain the pressure on the Commission to make progress in the areas covered in our joint letter of 5 February 2016, calling for further support for the UK and EU steel industry.

- **Steel Procurement** –Last year we published new procurement guidance for central government departments, to ensure that social and economic factors are taken into account when Government procures steel – with hundreds of billions of pounds of infrastructure spending due over the next few years, this guidance will make it easier than ever for the public sector to buy British steel. We are the first Government in the EU to take advantage of this flexibility. We are also working with all UK steel companies to ensure they are fully aware of the public procurement pipeline and able to compete for these contracts. This guidance has now been extended across the whole public sector and we are setting up an approved list of steel suppliers.
- **Business Rates** - On business rates, the Government understands the help an exemption of plant and machinery from business rates will provide. Government has carefully considered the case for removing plant and machinery from business rates. But there are fundamental operational challenges to delivery which would impact on the fairness of the tax and accuracy of billing. We have to balance reductions in business rates alongside difficult decisions to balance the books.

Steel making is vital to the UK and the Government understands the magnitude of its importance to the wider Welsh and UK economies; we will continue to do everything we can for our excellent steel makers, community, management and workforce to secure a long term and viable future for Britain's steel industry.

Anna Soubry,

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THE RT HON ANNA SOUBRY MP

