



House of Commons

Business, Innovation and Skills  
Committee

---

# **The UK steel industry: Government response to the crisis**

---

**First Report of Session 2015–16**





House of Commons  
Business, Innovation and Skills  
Committee

---

# The UK steel industry: Government response to the crisis

---

**First Report of Session 2015–16**

*Report, together with formal minutes  
relating to the report*

*Ordered by the House of Commons to be printed  
14 December 2015*

## The Business, Innovation and Skills Committee

The Business, Innovation and Skills Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Innovation and Skills.

### Current membership

[Mr Iain Wright](#) (*Labour, Hartlepool*) (Chair)

[Paul Blomfield](#) (*Labour, Sheffield Central*)

[Richard Fuller](#) (*Conservative, Bedford*)

[Peter Kyle](#) (*Labour, Hove*)

[Amanda Milling](#) (*Conservative, Cannock Chase*)

[Amanda Solloway](#) (*Conservative, Derby North*)

[Jo Stevens](#) (*Labour, Cardiff Central*)

[Michelle Thomson](#) (*Independent, Edinburgh West*)

[Kelly Tolhurst](#) (*Conservative, Rochester and Strood*)

[Craig Tracey](#) (*Conservative, North Warwickshire*)

[Chris White](#) (*Conservative, Warwick and Leamington*)

### Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

### Publication

Committee reports are published on the Committee's website at [www.parliament.uk/bis](http://www.parliament.uk/bis) and by The Stationery Office by Order of the House.

### Committee staff

The current staff of the Committee are Chris Shaw (Clerk), Jessica Montgomery (Second Clerk), Peter Stam (Committee Specialist), Josephine Willows (Committee Specialist), Sonia Draper (Senior Committee Assistant), and Pam Morris (Committee Assistant).

### Contacts

All correspondence should be addressed to the Clerk of the Business, Innovation and Skills Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5777; the Committee's email address is [biscom@parliament.uk](mailto:biscom@parliament.uk).

# Contents

---

<b>Summary</b>	<b>3</b>
<b>1 Introduction</b>	<b>4</b>
Steel in the UK	4
Historic context	4
The current crisis	6
<b>2 Government response to the steel crisis: creating a level playing field</b>	<b>9</b>
Energy Intensive Industries compensation package	12
Business rates	15
Procurement	16
Conclusions on the response to the crisis	16
Compensation for SSI workers	17
<b>3 Effective action on unfair trade practices</b>	<b>19</b>
EU action	20
UK vulnerability	21
<b>4 Strategic importance of steel</b>	<b>22</b>
Government industrial policy	22
Industrial capacity and skills	23
Future for steel	23
Lessons learned	24
<b>5 Conclusion</b>	<b>25</b>
<b>Conclusions and recommendations</b>	<b>26</b>
<b>Formal Minutes</b>	<b>30</b>
<b>Witnesses</b>	<b>33</b>
<b>Published written evidence</b>	<b>34</b>
<b>List of Reports from the Committee during the current Parliament</b>	<b>35</b>



## Summary

In recent months, a series of site closures and job losses have sparked concern within Parliament, in Government and across the steel industry. The current crisis facing the steel industry arose due to a combination of over-production in the global market, a strong pound and low prices. These recent pressures should be seen in the context of decades of declining production and employment in the UK, set against rising production of cheap steel elsewhere, notably China.

The policy measures required to improve UK competitiveness are well established and broadly agreed but successive governments have not implemented them. When it took office, the current Government signalled a greater determination at an international level to combat unfair trade practices which are damaging the European and UK industries.

It was the closure of the SSI plant at Redcar in early October 2015 that prompted a more urgent reaction from the Government. Its initial response focussed on compensating those affected rather than seeing what could be done to save the plant. Since then, the Government has begun to address some of the issues required to improve the competitiveness of UK steel, for example, by changing procurement guidelines and bringing forward the full implementation of measures to compensate energy intensive users. But the impact of this activity will not be felt in the industry for some time and, in the meantime, production is permanently diminished.

Even when fully implemented, these measures should not be seen as the answer to the long term difficulties faced by the UK industry as a result of the expansion of production and dumping of steel in the UK market by China. In this context, we recommend that industry and government now work together to identify what a future UK steel industry might look like and then take the necessary steps to achieve this vision. There are also lessons to be drawn from the current crisis for the way in which Whitehall engages with industry and is able to respond to emerging concerns from key sectors before a crisis takes hold.

# 1 Introduction

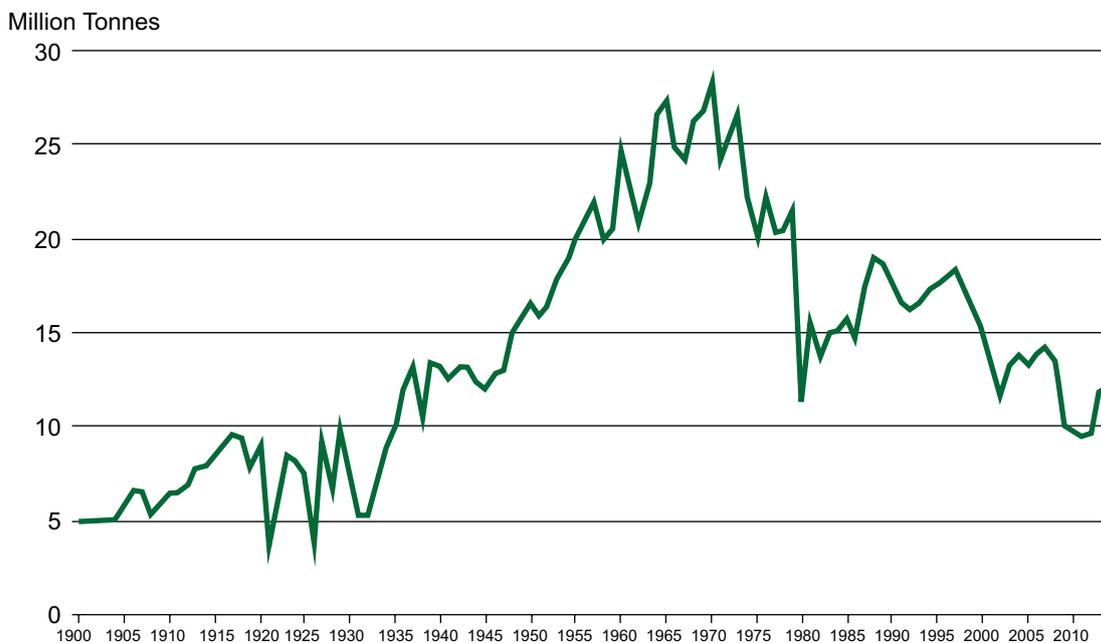
## Steel in the UK

1. Steel constitutes a fundamental component of most elements of everyday life. From buildings to cars, to chemicals or food, steel underpins a range of industries and processes. Steel constitutes an important part of the UK's foundation industries, so-called because they supply materials to multiple strategic manufacturing and construction supply chains. Taken together, these industries represent 20% of those employed in the manufacturing sector in the UK and generate Gross Value Added (GVA) of £24.6bn.<sup>1</sup> In 2014, the steel industry<sup>2</sup> in the UK employed 34,500 people across 465 businesses and had an economic output of £1.7 billion.<sup>3</sup> This employment is spread unevenly across the UK: over 50% being located in Wales or Yorkshire and Humberside.<sup>4</sup> The UK steel industry therefore not only underpins a range of domestic industries; it forms the core of some local communities.

## Historic context

2. While the steel industry is of significant local importance the commodity itself is subject, like other products, to competitive market forces in the global economy. It is therefore important to set the current crisis in an international and historic context. The UK steel industry has shrunk substantially over the last forty years, both in terms of production and as a major employer, as illustrated by Figures 1 and 2.

Figure 1: UK steel production since 1900



Source: Office for National Statistics, The British steel industry since the 1970s, December 2015

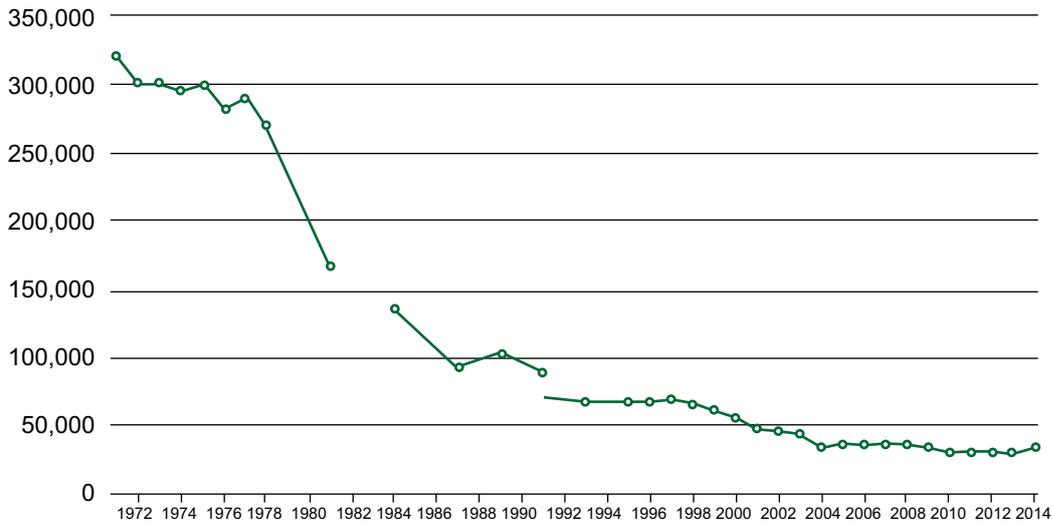
1 PwC, 'Understanding the economic contribution of the Foundation Industries,' January 2014, p 2

2 'Steel industry' being defined as the manufacture of basic iron; steel/non-ferro alloy; tubes, pipes, hollow profiles and related fittings; and other products of first processing of steel.

3 UK steel industry: statistics and policy, Standard Note [SN07317](#), House of Commons Library, October 2015

4 As above

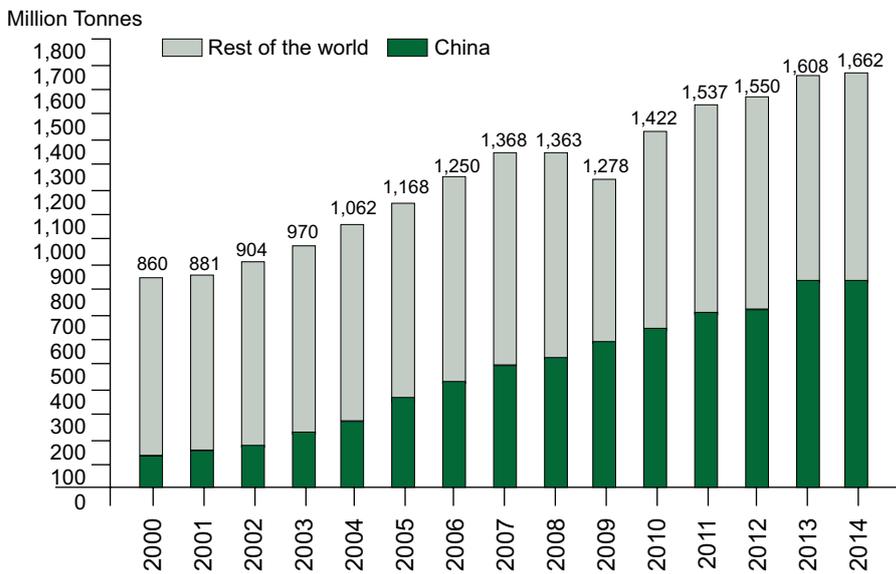
Figure 2: Employment in UK steel industry<sup>5</sup>



Source: Office for National Statistics, *The British steel industry since the 1970s*, December 2015. The breaks represent slight discontinuities caused by changes in survey methods.

3. Over the same period, other countries have increased capacity substantially. In the last decade, world steel production has undergone a rapid expansion, with total production increasing by 96% between 2000 and 2014. Most of this increase is accounted for by China, which has more than quadrupled its steel production since 2000.

Figure 3: Increase in steel production



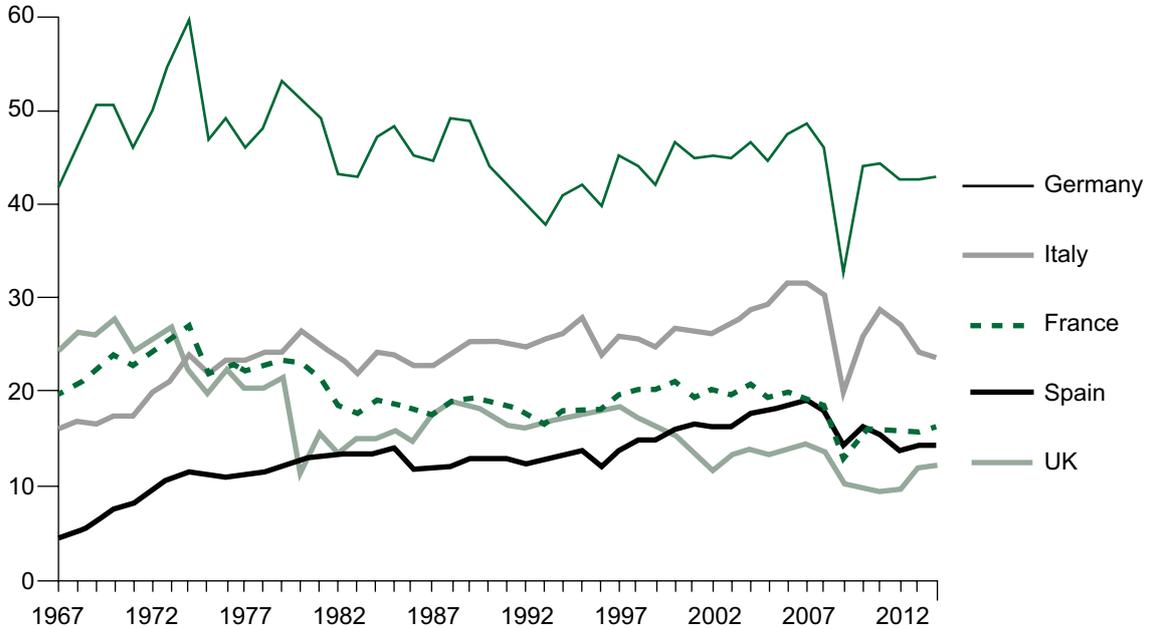
Source: EEF / UK Steel Annual Review 2014

4. Over the last four decades production in the UK has slipped behind that of our major competitors such as France, Spain and Italy, and has fallen even further behind that of Germany (Figure 4). On the basis of relative production, it appears that, over a long period of time, other European countries have both better valued their domestic steel industry

5 Breaks indicate changes in calculation methodology

and have been able to withstand global competition more effectively than has been the case with the UK. These two points appear linked. We regret this failure on the part of successive UK Governments to value the steel industry as a crucial foundation for manufacturing and the wider economy and the related ability to compete amidst fierce global trade.

**Figure 4: European steel production (thousand metric tons)**

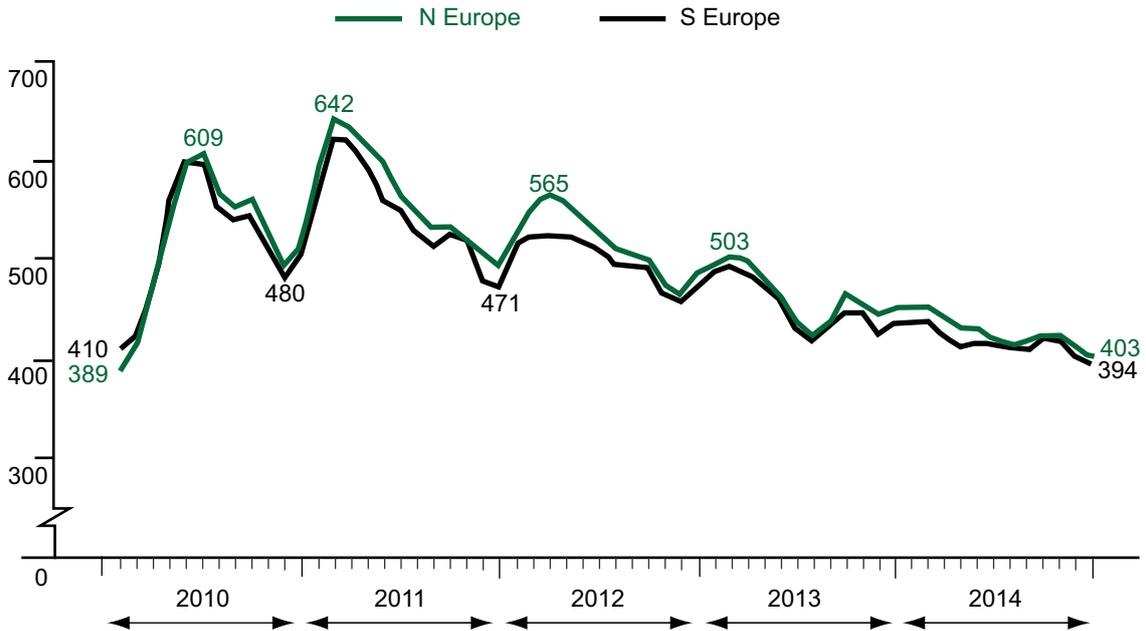


Source: World Steel Association, Steel statistics yearbooks

### The current crisis

5. The slowing of economic growth in China over the last two years has contributed to a decline in demand for steel there and consequently an over-abundance of steel on the international market. This has pushed down prices significantly.

Figure 5: Steel prices since 2010 (Euros per tonne/ex works)



Source: EEF / UK Steel Annual Review, p 4

In the UK, this slowdown in demand has been coupled with the effects of a strengthening pound to add further pressure on price. This combination has been described as a “perfect storm” of difficulties for the industry<sup>6</sup> and has caused the current crisis in UK steel. Industry analysts have characterised the consequent situation faced by the industry as “very grave”.<sup>7</sup>

6. This period of acute pressure has resulted in over five thousand job losses within the past six months, which have affected whole communities. Although the difficulties facing the industry have been growing for some years, the word “crisis” has been used largely since August or September, and was a term the Minister was comfortable to use in the debate in the House of Commons on the steel industry in September 2015.<sup>8</sup> The sequence of events in the steel industry over the summer and early autumn is set out in Table 1 below.

6 [‘UK steel bit by perfect storm of falling prices and high costs,’](#) Financial Times, 29 September 2015

7 Q3 [Gareth Stace]

8 Q37 [Gareth Stace]

Table 1: Steel crisis timeline

Date	Event
16 July 2015	Tata jobs losses in South Yorkshire and West Midlands
17 September	Debate on the steel industry in the House of Commons
28 September	SSI announces they will be mothballing their plant in Redcar
2 October	SSI goes into liquidation
5 October	Official Receiver announces the Redcar plant will close after no buyer is found
16 October	Government holds a "steel summit" which sets up three working groups to tackle issues in the industry
16 October	Tata announces it expects to significantly reduce its workforce at its Scunthorpe plant, alongside sites in Motherwell and Cambuslang
19 October 2015	Businesses in the Caparo group enter administration
20 October	Chinese President Xi Jinping visits the UK, during which he is asked about issues in the steel industry
23 October	Government and Tata Steel announce an initial support package of up to £9 million to ease restructuring and job losses at Scunthorpe
28 October	Secretary of State Sajid Javid visits Brussels to pursue action on steel
9 November	Steel is discussed at the EU Competitiveness Council
11 December	Reported that 600 jobs had been saved at Caparo group*

\* [600 more jobs secured at Caparo](#), BBC News, 11 December 2015

7. Given the seriousness of the crisis in the industry and the speed of events, we convened businesses, unions, interested parliamentarians and the responsible Minister to hear evidence about the Government's response to the crisis. We followed this up in further correspondence with the Minister.

8. Whilst it is important to view the current crisis against the historic performance of the industry, we have not sought in this brief inquiry to examine in detail every decision of successive Governments which may have contributed to the current situation. That is a much deeper study. Instead, we have focussed on recent events and the effectiveness of the Government's response to the current crisis. We also consider whether there are any broader lessons for the Government in terms of its industrial policies.

## 2 Government response to the steel crisis: creating a level playing field

---

9. Given that the UK exports some 52% of its steel to the EU and that an estimated 69% of imports are from EU countries it is vital that UK producers are able to compete on an equal footing with European countries.<sup>9</sup> We heard that this is not the case at present. Witnesses representing the steel industry were at pains to insist that they were not seeking a taxpayer-funded bail-out or preferential treatment. Rather, they were seeking—and had been for some time—specific policy changes relating to business rates, energy prices, procurement and emissions to allow them to compete on a similar basis to European competitors.

10. The Director of UK Steel argued that, in addition to facing pressures from global market forces “we have our hands tied behind our backs because of Government policy loading costs onto us”.<sup>10</sup> These costs, he said, arose from government policies relating to business rates and energy prices, in addition to the UK’s approach to procurement. This is an assessment with which the Minister for Small Business, Industry and Enterprise, Anna Soubry MP, was happy to agree, telling us that the industry “do not ask for any money. All they ask for is a level playing field. They are right to make that ask and they should get a level playing field. That is all they ask for”.<sup>11</sup> She added that “at the moment, they cannot fight fairly, because they have one hand, arguably both, strapped behind their back”.<sup>12</sup>

11. The industry has identified five actions that are available to address the current crisis. Some of these actions are entirely within the gift of the Government; others require EU approval or coordinated action at an EU level. These actions, alongside the Government’s response to them, are summarised in the table below. We concentrate in this Report on energy prices, business rates and procurement.

---

9 UK steel industry: statistics and policy, Standard Note [SN07317](#), House of Commons Library, October 2015

10 Q6 [Gareth Stace]

11 Q95

12 Q98

Table 2: Government response to the “five asks”

Issue	Action sought	Reason for action	Action delivered
<b>Energy prices: implementation of Energy Intensive Industries package</b>	Full delivery of whole package within the next few months. <sup>1</sup>	The Energy Intensive Industries compensation package contains measures aimed at offsetting the costs of environmental levies on high energy users. The measures are required to be compliant with EU state aid rules and therefore need EU approval.	An initial Government undertaking to bring forward scheduled April 2016 introduction to date of state aid approval by EU, expected by end of 2015  An additional £45m was announced to be available to commence compensation for the costs of the Renewables Obligation from the date of state aid approval, alongside the provision of relief from the costs of the small Feed in Tariffs. <sup>2</sup>  On 25 November 2015 the Chancellor announced that the Government would provide an exemption for energy intensive industries from the policy costs of the Renewables Obligation and Feed-in tariffs. This would save £410 million a year by 2019-20. The government also announced action to mitigate the impact on household energy bills. <sup>3</sup>
<b>Business rates: inclusion of plant and machinery in evaluation make them 5 - 7 times higher than in competitor countries</b>	Reduction of business rates to competitive levels	Witnesses told us of a “perverse” situation in which “if you as a company invest then the next year you pay more in business rates, because you have invested to make your company more efficient, more streamlined and more competitive. Whether you are making a profit or not, you are still paying more business rates.” <sup>4</sup>	None yet - “Full review” of business rates to be completed by the end of the year but outcome must be “fiscally neutral”
<b>Procurement: UK steel companies are losing out on major procurement projects</b>	Procurement processes to include social, sustainability and environmental considerations as well as price	Whilst major procurement decisions are subject to rules relating to fair competition throughout the EU, there is sufficient flexibility to Member States to apply guidelines governing procurement processes to allow factors other than price and quality to be factored into decisions.	Government published on 30 October new guidelines for departments to apply on major projects when sourcing and buying steel.  The guidelines should encourage purchasers to consider the environmental and social implications of bids, such as their carbon footprint and impact on supply chains and disadvantaged workers, including the long-term unemployed. <sup>5</sup>

Issue	Action sought	Reason for action	Action delivered
<p><b>Industrial emissions:</b> Industrial Emissions Directive threaten further pressure on costs</p>	<p>A derogation from implementing the Directive</p>	<p>The Industrial Emissions Directive places requirements on industry in relation to emissions and the use of technology to reduce them. This would create additional costs to industry. Member States are able to designate specific plants to be given more time to meet the new requirements.<sup>6</sup></p>	<p>In October 2015, the Government announced, subject to final approval by the Commission, a four and a half year postponement in implementing the Industrial Emissions Directive.</p>
<p><b>Anti-dumping measures:</b> Chinese steel being sold below cost price in UK. The term 'dumping' refers to the export by a country or company of a product at a price that is lower in the foreign market than the price charged in the domestic market.</p>	<p>Measures taken at EU level to prevent dumping of Chinese steel products into EU markets.</p>	<p>We heard that "what we have seen in September is the biggest month ever of Chinese exports globally. It is something like 11.5 million tons, which is almost as much as we produce in the UK a year".<sup>7</sup></p>	<p>None yet – Issue raised with Chinese President in October, who undertook to take action against Chinese overcapacity. Extra meeting held at EU level on 9 November 2015 to encourage action.</p>

1 Q7 [Gareth Stace]

2 HL Deb, 9 November 2015, WA, [Lords written answer] p 9

3 HM Treasury, Spending Review and Autumn Statement 2015, Cm 9162, November 2015, p 93

4 Q 9 [Gareth Stace]

5 Crown Commercial Service, Procurement Policy Note: Procuring steel in major projects, Action Note 16/15, 30 October 2015

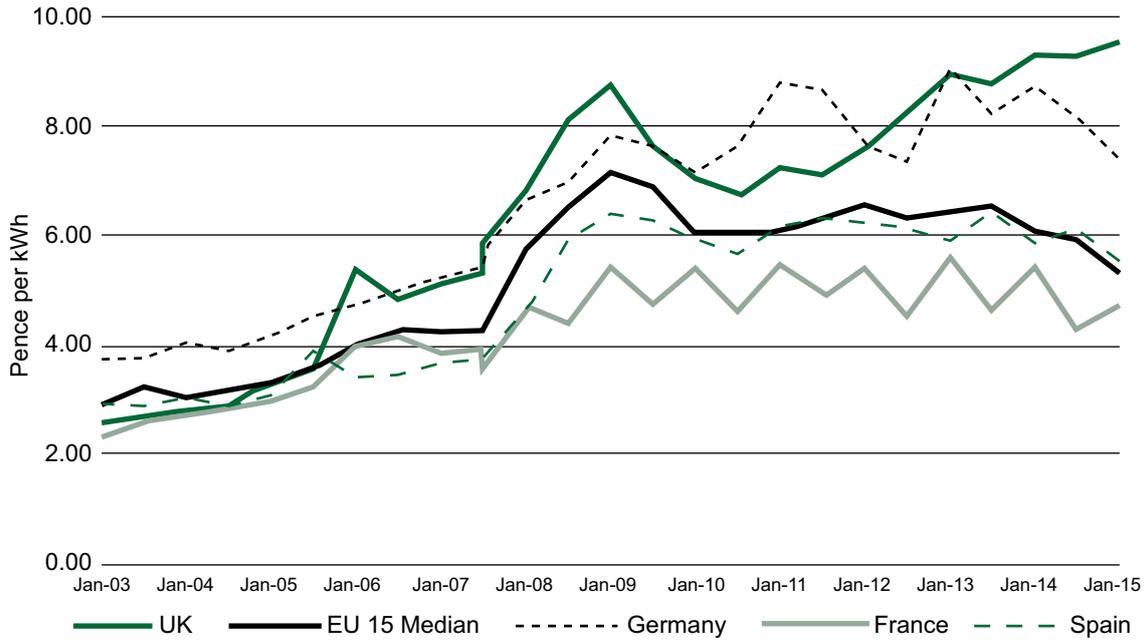
6 "Steel industry offered additional time to meet European emissions regulations", Department for Business, Innovation and Skills press release, 27 October 2015

8 Q28 [Gareth Stace]

### Energy Intensive Industries compensation package

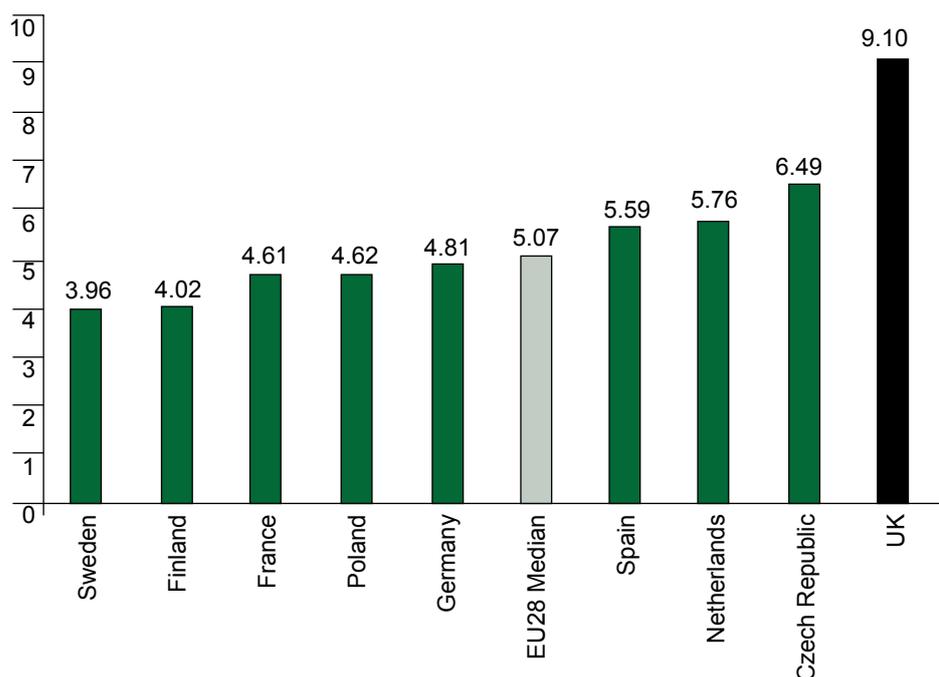
12. According to the industry, the price of electricity in the UK for extra large users is the highest in the EU by some margin. Figure 6 indicates that prices for these industrial consumers have risen steadily in the UK since the start of this century and were the highest in the EU in 2014.

**Figure 6: Comparison of European electricity prices for extra large consumers since 2003**



Source: DECC, Statistical data set, International industrial energy prices International price comparisons, Table 5.4.4. Note that the definition of extra large user changed in 2007.

Figure 7: Electricity prices for EU steelmakers 2014 (p/kWh)



Source: Eurostat / DUKES December 2014

Other studies have confirmed that electricity costs are relatively high in the UK for industrial users.<sup>13</sup> Whilst energy costs may not represent a high proportion of total costs, we were told that they nonetheless represented a “significant proportion” and that “the margins are very small, so any disadvantage is magnified”.<sup>14</sup>

13. Some of these relatively high costs can be attributed to policies designed to combat climate change. The Government estimates that climate change policies have added 18% to electricity prices for the steel industry, falling to 14% after compensatory measures are implemented.<sup>15</sup> UK Steel explained that the compensation it was seeking was not a subsidy, but the correction of a “policy mistake”:

We are asking Government to correct a historic policy mistake. When the Government decided they were going to introduce the carbon price floor or pay for renewables, they decided that they would do that by spreading the costs around consumers. We told them at the time that we are an energy-intensive sector and are exposed globally, and that if they piled those costs onto us it would damage our competitiveness. At the time various Governments of all different persuasions did not agree with us and did not believe us. Those costs were applied to us, and that was something like £130 million a year that we have been paying that our competitors have not been paying. We told them that that was going to happen. It has happened. What the Government are

13 See, for example, Fraunhofer ISI / ECOFYS, [‘Electricity Costs of Energy Intensive Industries, An International Comparison,’](#) (July 2015)

14 Q35 [Tor Farquhar]

15 EEF/UK Steel, [Annual Review 2014](#) (May 2015), p 10; see also DECC, [‘Estimated impacts of energy and climate change policies on energy prices and bills.’](#) (December 2014), p 44

doing now with the energy-intensive industries compensation package is correcting that past mistake.<sup>16</sup>

14. In its initial response to these demands, the Chancellor announced a package of measures in the 2011 Autumn Statement, known as the Energy Intensive Industries (EII) package, which is subject to EU approval under state aid rules. So far, approval has been given in respect of the costs of the EU Emissions Trading Scheme and the carbon floor price, but compensation for the renewables obligation and small scale feed-in tariffs, comprising 70% of the whole package, are outstanding, and are being borne by industry. Full implementation has been a major cause of frustration for the industry. The Secretary of the All Party Parliamentary Group for Steel and metal related industries, Nia Griffith MP, summarised it as follows:

If we go back to the Autumn Statement of 2011, the Chancellor set out quite clearly an intention to deliver on an energy-intensive industries package, and he specifically said that that would give relief from the EU emissions trading system, increase the climate change levy relief, tackle the carbon floor price and reduce the impact of the electricity market reform.<sup>17</sup>

15. Despite this intention having been set out in 2011, the previous Government only made an application to the EU for state aid approval for its full EII compensation package at the start of 2015, with the aim that funds arising would be available in April 2016. The present Government maintained this policy but told us that it had “already implemented a number of compensation packages for energy intensive industries which has resulted in over £50 million being paid in compensation to steelmakers for energy costs”.<sup>18</sup> On 28 October, the Prime Minister announced that the full package would be brought forward from April 2016 to the date that EU approval is received.<sup>19</sup> The Government has since said that “we are now expecting to have state aid approval for relief to our Energy Intensive Industries for the cost of renewables policy by the end of this year”.<sup>20</sup> Then, as part of the 2015 Spending Review the Chancellor announced on 25 November that the Government would provide an exemption for energy intensive industries from the policy costs of the renewables obligation and feed-in tariffs. This is to be a permanent exemption rather than a compensation package, as originally envisaged.<sup>21</sup> **We welcome this change in policy on energy intensive industries, which should provide greater certainty for the steel industry. However, we regret that after the previous Government brought forward the compensation package in 2011 Ministers have still not succeeded in implementing it in full. Successive Governments have not prioritised the issue sufficiently to force it up the agenda at the European Commission, which could have approved the full package years ago. This delay has directly affected the competitiveness of the UK steel industry and been a contributory factor to the current crisis. We recommend that the Government provides a timescale for how this compensation will be provided to industry in its response to this Report.**

---

16 Q28 [Gareth Stace]

17 Q45

18 Department for Business, Innovation and Skills ([UKS0006](#))

19 HC Deb, 28 October 2015, [col 343](#) [Commons Chamber]

20 HL Deb, 9 November 2015, WA, [Lords written answer] [p 9](#)

21 HC Deb, 25 November 2015, [col 1367](#) [Commons Chamber]

16. We recognise that the full implementation of this package is not without broader consequences. The Minister explained the potential implications for consumers as follows:

When we talk about Germany, which is the right comparison to make because EIIs in Germany pay about half the price of our industries, be under no mistake who pays the shortfall. That is the individual consumer. If we were change our energy pricing, the only way that you would change it is to put the burden onto consumers. Personally, to be honest with you, I would not have a problem with that. I would be happy to make that case.<sup>22</sup>

17. In the 2015 Spending Review, the Government decided on a shift in the burden from industry to the consumer. The Spending Review document indicates that the permanent exemption from environmental taxes would be accompanied by an average increase of £5 per household on energy bills, although this increase would be more than offset by other measures, which, taken together, are projected to reduce the average household energy bill by £30 from 2017.<sup>23</sup> It is not clear to what extent the additional £5 will pay for the exemption for energy intensive industries or how this levy will work in practice. *We recommend that the Government provides further detail on the exemption for energy intensive industries and the means by which the additional costs to domestic consumers is to be calculated and implemented.*

## Business rates

18. We heard that business rates for steel companies in the UK are “five to seven times more” than in European competitor countries as a result of the inclusion of investment in machinery in the calculation of business rates. The steel industry maintains that it made representations before the 2014 Budget to make changes to this situation, but no action was taken.<sup>24</sup> The Minister for Small Business, Industry and Enterprise acknowledged that the current policy has “bizarre” consequences.<sup>25</sup> She explained that there will be a full review of business rates, but was at pains to point out that, in view of the policy of making any changes “fiscally neutral”, any reduction of rates for steel companies would mean “we will have to move the burden somewhere else”.<sup>26</sup> Given that the matter will be under review until Budget 2016<sup>27</sup> and local government will be able to keep the rates collected from businesses,<sup>28</sup> there does not appear to be the prospect of any immediate action and uncertainty about whether Government will help industry meet these costs remains. **The Government does not require European Union agreement to reform business rates so as to provide a more even playing field for UK steel producers. Exempting plant and machinery from business rates valuation could demonstrate the Government’s commitment to rebalancing the economy, enhancing the UK’s attractiveness to inward investment in manufacturing and improving industry’s productivity, efficiency and competitiveness through investing in the latest equipment. We recommend that the Government demonstrates its support for rebalancing the economy towards manufacturing, and the steel industry, by reforming business rates as they apply to**

22 Q77

23 HM Treasury, Spending Review and Autumn Statement 2015, [Cm 9162](#), November 2015, p 39

24 EEF/UK Steel, [Annual Review 2014](#) (May 2015), p 10

25 HC Deb, 17 September 2015, [col 1262](#) [Commons Chamber]

26 HC Deb, 17 September 2015, [col 1262](#) [Commons Chamber]

27 HM Treasury, Spending Review and Autumn Statement 2015, [Cm 9162](#), November 2015, para 1.219

28 HM Treasury, Spending Review and Autumn Statement 2015, [Cm 9162](#), November 2015, para 1.237

*manufacturing, with priority given to the removal of disincentives to invest in plant and machinery, at the earliest possible opportunity.*

## Procurement

19. Procurement policy is currently the subject of discussion of a government-initiated working group, which is considering what can be done to help UK producers to compete more effectively for major contracts.<sup>29</sup> The Government published, on 30 October, new guidelines for departments to use for major projects when buying steel. The Minister explained that these would increase the visibility of opportunities for UK suppliers and “help steel providers compete on a level playing field with international suppliers for major government projects and stimulate competition.”<sup>30</sup> The new guidelines state that they are intended to ensure that government “applies a more strategic and transparent approach to the sourcing of steel in major projects.”<sup>31</sup> We understand it is possible to include in invitations to tender provisions in relation to these factors without breaching state aid rules and that such flexibility is routinely used in other countries.<sup>32</sup>

**20. We welcome the action the Government has taken to amend procurement guidelines to improve the chances of UK steel companies securing business for major projects. However, the impact of these changes will not be apparent for some considerable time. We regret that this change in policy was not made many months, if not years, earlier. Whilst the new guidelines are welcome, the Government—not just the Minister—needs to actively champion the use of domestic steel in large public infrastructure projects. We recommend that the National Infrastructure Commission looks closely at how the interests of UK steel industry and its supply chain can be considered in relation to large scale procurement decisions.**

## Conclusions on the response to the crisis

21. After the steel summit on 16 October, the Government established a set of working groups—each chaired by a minister—to consider issues relating to public procurement, international comparisons and competitiveness and productivity. Since then some of the steps taken in pursuit of the ‘level playing field’ can be attributable to these groups, though questions remain about the extent to which they themselves have brought about these changes and whether there has been sufficient engagement with sectoral groups or associations about the place of UK steel in supply chains. These signs of activity and talks are welcome, but they are not in themselves proof of changes to the business environment for steel. At the moment, the jury is still out on the effectiveness of the working groups.

22. With regards to the policy changes sought by industry to allow it to compete on a more equal basis at a European level, the Government’s responses since the closure of the SSI plant at Redcar are set out in Table 2. Ministers have now secured some action, for example a change to procurement guidelines and agreement for a derogation from the Industrial Emissions Directive. But there is no guarantee that the most important issue—

29 Department of Business, Innovation and Skills ([UKS0006](#))

30 Department of Business, Innovation and Skills ([UKS0006](#))

31 Crown Commercial Service, [Procurement Policy Note: Procuring steel in major projects](#), Action Note 16/15, 30 October 2015

32 European Commission, [State Aid Rules for the Steel Sector](#)

combatting the dumping of cheap steel—will be resolved imminently and therefore produce better conditions for the UK steel industry.

23. None of the challenges being considered in response to the current crisis are new: industry had been making the case that these areas need to be addressed for some years. UK Steel told us that industry had been “highlighting broadly the issues that we are talking about today eight years ago”. The Minister concurred, explaining that on appointment “I had been told in no uncertain terms that there were grave problems in our steel industry”. Indeed she told us that:

[...] nine months ago, we knew that there were difficulties and huge losses in the steel industry; that is a matter of public record.<sup>33</sup>

24. Government could and should have been more energetic in identifying policies that adversely affected UK industry and in pursuing the Energy Intensive Industries compensation package in the EU. Earlier action on business rates and procurement should have been a higher priority. We recognise that, since the crisis developed, progress has been made, in no small measure due to the personal commitment and energy of the Minister for Small Business, Industry and Enterprise. But there is still more activity than concrete action and this will need to change if further damage to the UK steel industry is to be avoided. We consider action at an international level on dumping in the next chapter.

25. There are also, perhaps, questions to be asked of the industry with regards to its handling of the issues which led to the current crisis. For example, in respect of SSI, Tom Blenkinsop MP, Chair of the All Party Parliamentary Group on Steel and metal related industries, acknowledged that “admittedly, in the last 12 to 18 months, the company’s decisions were poor, to say the least.”<sup>34</sup> We also question whether there has been sufficient attention given across the sector to supporting UK producers and accompanying supply chains. No doubt there are companies in the UK which have been active in supporting UK steel. For example, we heard that 75% of the steel for one of Nissan’s “most modern” vehicles is sourced from the UK.<sup>35</sup> If the underlying causes of the current crisis have been known about for some time, we would expect the Department to be closely engaged with industry so as to have early warning of any major difficulties. Events there indicate that there is no effective early warning system in Whitehall, a failing which greatly reduced the chances of saving the assets under threat. This weakness must be addressed.

## Compensation for SSI workers

26. Following the closure of Redcar steelworks and SSI going into liquidation, the Government announced a package, worth “up to £80m” for those affected, although up to £30m of this would be in the form of statutory redundancy payments.<sup>36</sup> In response to our request for a breakdown of how these funds would be allocated, the Government informed us that there were three elements to the package, as outlined below. The Minister explained that the figures were in some cases estimates, or provisional, as “the ultimate spend will be

---

33 Q66

34 Q53

35 Q27

36 HC Deb, 13 October 2015, [col 169](#) [Commons Chamber]

demand-driven and in many cases will also depend on an individual's circumstances".<sup>37</sup> The package is split into three parts:

- (1) **Redundancy Payment:** To include Redundancy Pay, Holiday Pay, Arrears of wages, Notice Pay and missing Pensions Contributions, subject to statutory limits. We were told that to date, some £9.57m worth of claims have been paid or are currently being processed for payment by the Redundancy Payments Service and that "the first instalment of £1.1m has been made available towards a safety net fund to support SSI workers with short-term financial challenges".
- (2) **Retraining:** The Government says that it is prioritising programmes for those affected by Redcar's closure. For example, it has mobilised the Jobcentre Plus' Rapid Response Service. So far, up to £3m has been made available from the Skills Funding Agency's overall budget specifically for retraining redundant SSI workers, and those in the supply chain, through local colleges. £2.65m has been paid towards support the redeployment of 50 SSI apprentices.
- (3) **Local economy:** The Government is working with the local Task Force, led by Amanda Skelton, Chief Executive of Redcar and Cleveland Borough Council, to deliver on proposals which it brings forward.<sup>38</sup>

The provision of such support for those affected by the closure is important, but it is regrettable that the Government's response has focussed solely on compensating and retraining those who have lost their jobs, and not also sought to protect assets of national importance.

**27. Following the closure at Redcar, we welcome the rapid action the Government took to put together a package for those made redundant, but are not convinced that every effort was put into exploring how the plant could be saved from closure, within state aid rules. We regret the loss of facilities and assets and the inevitable loss of the skills needed to support them. Whilst we support the priority being given to encouraging local providers to take a lead on the allocation of some of this money, it is still far from clear whether the sums provided will be sufficient to support the economic regeneration and retraining required. The Government's response should be judged, not in terms of how much money has been allocated in redundancy payments, but on the impact on the communities affected, and the proportion of those who lost their jobs that are in work in six or twelve months' time. We will be keeping track of how the money announced is being spent and will return to the issue again. In the meantime, we recommend that the leader of the Task Force is provided with the necessary additional resources to enable her to carry this important work. We have commented here primarily on Redcar, but other communities across the UK affected by the closures mentioned previously will be facing similar concerns.**

---

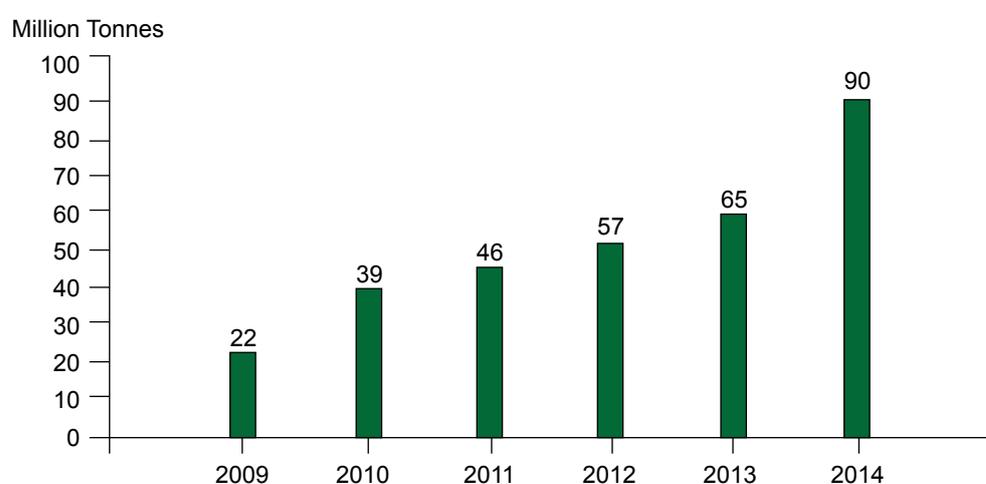
<sup>37</sup> Department for Business, Innovation and Skills ([UKS0004](#))

<sup>38</sup> Department for Business, Innovation and Skills ([UKS0004](#))

### 3 Effective action on unfair trade practices

28. Whilst the Government has now begun to take steps to help the UK steel industry to compete on a more equal basis with other European countries, the global competitiveness of European steel against the over-production in China remains an issue. Indeed, it represents a far more significant long term threat to both UK and European competitiveness. Since 2009, total steel exports from China have quadrupled; and in that period the EU has seen a 50% increase in steel imports from that country.<sup>39</sup>

**Figure 8: Chinese steel exports 2009–14**



Source: EEF / UK Steel Annual Review

29. In the rebar (wire rod) market, Chinese share of the UK market increased from zero at the start of 2013 to 37% by the end of 2014.<sup>40</sup> The overall increase of Chinese steel production has been described by UK Steel as a “massive surge”.<sup>41</sup> As a consequence, the price of steel dropped by 45% in 12 months, from \$500 a tonne to about \$280 in September 2015.<sup>42</sup> The industry argues that most Chinese producers are state owned and are able to operate at a loss by receiving state subsidies.<sup>43</sup> As a result, Chinese producers have been accused of dumping steel—selling below the domestic cost price—on European markets. **The scale of the problem should not be underestimated. Even if the Government was able to deliver on all the other asks outlined in the previous chapter, the future of the industry would remain in doubt unless effective action at an international level is taken to level the playing field in terms of trade practices and global pressures.**

30. We heard two key messages relating to unfair global trade practices: that the EU needed to do better at responding to dumping complaints and that the UK needed to address its vulnerability to these practices.

39 EEF/UK Steel, [Annual Review 2014](#) (May 2015), p 7

40 EEF/UK Steel, [Annual Review 2014](#) (May 2015), p 7

41 Q42

42 UK steel industry: statistics and policy, Standard Note [SN07317](#), House of Commons Library, October 2015

43 EEF / UK Steel briefing for round table meetings [not published]

## EU action

31. The EU is capable of taking action against dumping and has already introduced a number of measures against various steel products from China and Taiwan. For example, protective measures taken on wire and rod imports from China have been in place since 2009 and recently renewed.<sup>44</sup> We heard that the UK has normally opposed protectionist measures when they come before the Council of Ministers. However, **the Minister for Small Business, Industry and Enterprise told us that, shortly after taking up her current role, in July 2015, she succeeded in changing the UK’s stance to voting in favour of the extension in relation to wire rod.**<sup>45</sup> **We applaud this action, which sends a signal as to the Government’s commitment to fair trade, and we commend the Minister for taking this step. We believe that UK Ministers should have actively promoted EU action in support of European steel at a much earlier stage, and urge Ministers to pursue an EU-wide response to illegal trade practices.**

32. In May 2015 the Commission announced an investigation into the latest dumping allegations, but we understand that these investigations can usually be expected to take between nine and fifteen months.<sup>46</sup> The Secretary of State pursued this issue at an additional meeting of the EU Competitiveness Council, on 9 November 2015. At this meeting, it was agreed that action should be taken to speed up the current investigation and to provide resources for the investigation of new cases. Discussions with key steel producing countries, including China, would be “intensified”.<sup>47</sup> Following requests from industry, the Prime Minister raised the issue of steel supply with the Chinese President on his visit to London in October 2015. We were told that President Xi reported that China also faced pressures on its steel industry and “had plans to reduce capacity of its steel production.”<sup>48</sup> **We acknowledge that the Government has raised the issue of the over-production of Chinese steel on a bilateral basis and at an EU level. But no tangible action or agreement has come out of it. We are therefore concerned that this is merely talking with no improvement for the UK or European steel industry; much more sustained pressure is required.**

33. In contrast, other global competitors appear far more agile and active in maintaining their domestic steel capacity and capability. In the US, the process for reaching a decision on illegal dumping can take less than two months, for example.<sup>49</sup> Tor Farquhar of Tata Steel Europe, told us that “the US have very effectively put up barriers to unfair trade”.<sup>50</sup> If the EU is unable to act swiftly to combat dumping from other countries, notably China, steel companies operating in Europe are likely to face a very difficult future in the medium term. This action is not about advocating protectionism, but about being proactive and dynamic in tackling unfair trade practices which are at odds with international trade standards. **Whilst we recognise that Member States may take whatever steps they can to protect domestic industry—and UK governments may not have done as much as some—we believe that it should not be left to individual Member States to take action against unfair competition. Successive governments should have done much more to**

44 Q60

45 Q66 [Anna Soubry] and Department of Business, Innovation and Skills ([UKS0006](#))

46 “[EU opens investigation into Chinese steel rebar imports](#)”, Reuters, 30 April 2015

47 Department of Business, Innovation and Skills ([UKS0006](#))

48 Department of Business, Innovation and Skills ([UKS0006](#))

49 United States International Trade Commission, [Understanding Antidumping & Countervailing Duty Investigations](#), accessed 15 December 2015

50 Q10

**press for accelerated action at an EU level. *We recommend that the Government now uses its influence to seek the early completion of investigations by the Commission into dumping in order to enable effective action to be taken as early as possible. It should further seek to reform the bureaucratic procedures that prevents the EU reacting to allegations of dumping with the speed of its main international competitors.***

## UK vulnerability

34. Secondly, we heard concerning reports that the UK was somehow more vulnerable than other EU producers to the effects of this dumping. In 2014 the UK imported 687,000 tonnes of steel from China, compared to 303,000 tonnes the year before. Luis Sanz, Celsa Steel UK, explained the impact of Chinese dumping on the UK as follows:

[...] obviously globally there is an oversupply, and we can analyse this and get to the conclusion that out of the oversupply, more than 50% of the problem is coming from China, and these are the numbers. [...] China, in 2013, of the products that we produce, which is the reinforcing bar and the wire rod, imported 4,000 tons per month to the European Union, and all the 4,000 tons were coming into the UK, so that is less than 50,000 a year. In 2015, during the first seven months, China has imported to the European Union, for these products, 26,000 tons per month. That is more than a 500% increase in two years. They have taken 40% of the UK market share in two years. Of these 26,000 tons that have gone into the European Union, 24,500 have come to the UK, which is 94%. The other 6% has gone to Ireland. The rest of the countries have taken nil.<sup>51</sup>

35. We find these figures extraordinary. By way of explanation, we heard that other EU countries are taking action to protect their national industries “with and without EU permission” by “interpreting European law in the way that best suits their industry”.<sup>52</sup> If these statistics are accurate, it would appear that the UK is uniquely and alarmingly vulnerable to imports of cheap steel from China. It must be the responsibility of the industry itself to predict and respond to long term trends in global production and consequently prices. The consequences of the recent increase in steel production in China is something which UK producers should have been alert to, and we have not explored in this inquiry the extent to which this was the case. But industry is entitled to expect that action will be taken against unfair trading practices and that the UK Government will provide similar support to that provided by other European competitors.

**36. The evidence we have heard about the level of dumping in the UK is extremely worrying and should be a serious cause for concern for the Government. *We recommend that, as a matter of urgency, the Government investigates what steps other European countries take to protect themselves against dumping and explore the reasons behind the high proportion of imports from China into the UK. The results of this investigation should be set out in the Government’s response to this Report.***

---

51 Q25

52 Q64

## 4 Strategic importance of steel

---

### Government industrial policy

37. The Government’s response to the steel crisis should also be seen in the context—and perhaps as an example—of its broader industrial policy. The language of this policy has shifted from the “industrial strategy” of the previous government to the “industrial approach” preferred by the current Secretary of State, although he told us that they “mean essentially the same thing”.<sup>53</sup> He stressed that, while Government can help any industry, “I do not want to be in a position where it looks like the Government have favourites and therefore we do not care about other industries.”<sup>54</sup> In contrast, the Minister for Small Business, Industry and Enterprise, Anna Soubry MP, was happier to acknowledge that the Government has priorities: “We have never moved away from looking at and understanding what sectors are important to us.”<sup>55</sup> The Chancellor of the Exchequer said in his Autumn Statement that “Businesses also need an active and sustained industrial strategy. That strategy, launched in the last Parliament, continues in this one.”<sup>56</sup> **We agree with the Chancellor on the need for an industrial strategy. Whether it is called a strategy or an approach may primarily be a matter of semantics; what matters is that the Government supports those industries which it considers to be important and the foundation industries which support them.**

38. Ministers have consistently spoken of the importance of the steel industry. The Prime Minister has described it as “vital”.<sup>57</sup> The Minister for Small Business, Industry and Enterprise disagreed with the suggestion that the steel in industry “is not strategically important.”<sup>58</sup> She said that “The steel industry is a very important part of our manufacturing sector, it is important to our country and we have to do everything we can for it”.<sup>59</sup> She explained to us that:

There are certain things, aren’t there, which you think, as a country, you could possibly live without? But then there are the core things that you need for any good economy, and one of those things is a steel industry, and we agreed on that. [...] Defence is a really good example of the need to produce your own steel. I always put it this way. Come the time when HS2 and HS3 place the orders for rail tracks to be made of steel, I want those rail tracks to be made, rolled, whatever it is, in Britain, and made from British steel. That, if you like, is the emotional hook upon which all our work is now resting, to secure what is left of the British steel industry.<sup>60</sup>

We agree that there are sound strategic reasons for the country to maintain the capacity to produce steel. That capacity is now in danger of being lost.

---

53 Oral evidence taken on [14 October 2015](#), HC (2015-16) 500, Q41

54 Oral evidence taken on [14 October 2015](#), HC (2015-16) 500, Q42

55 Q176

56 HC Deb, 25 November 2015, [col 1367](#) [Commons Chamber]

57 Q66

58 Q67

59 HC Deb, 15 July 2015, [col 325WH](#) [Westminster Hall]

60 Q68

## Industrial capacity and skills

39. In the case of the steel sector, the prospects of future growth have been severely damaged by the irrevocable loss of capacity and skills. In their evidence to us Community argued that “Government must recognise that major steel assets, like the Redcar blast furnace and coke ovens, are national strategic assets of critical importance to our economic future and security.”<sup>61</sup> Tom Blenkinsop, MP, told us that

I still firmly believe that, if a programme was put in place in order to maintain the coke ovens and properly mothball the blast furnace, you could have retained the assets in situ, until these five elements were put in place and the market buoyed again.<sup>62</sup>

40. Once facilities have been closed, it is unrealistic to expect them to be recoverable. The Minister did not dissent from this view, telling us that “I think, sadly, it is not going to come back, and that is dreadful.”<sup>63</sup> The costs of cleaning up the land and preparing it for future use have not been calculated but are likely to be large.

41. The loss of skills is equally difficult to rectify. Recent events and closures have led to the announcement of over 5,000 job losses already. There will also be a significant if unquantifiable number of jobs lost as a result of the impact on businesses in associated supply chains. Roy Rickhuss told us that

What we see quite often in the UK is that when there is a downturn, workers get laid off, those skills get lost, and it is very difficult then to bring them back.<sup>64</sup>

42. Having these assets is vital to help the industry rebuild after the worst of the current crisis has passed and market conditions are more favourable. It is possible for skills to be preserved. Roy Rickhuss explained that there had been effective skills retention programmes, both in this country—when Teesside Cast Products was mothballed—and also in the Netherlands.<sup>65</sup> We have not seen similar schemes following the Redcar closure. The consequent loss of capability for the industry, and for the UK, is irrevocable. **Given the importance with which Ministers themselves have held the steel industry we regret that Ministers were not able to give more attention to investigating the potential for maintaining existing facilities and preserving the skills base.**

## Future for steel

43. It is primarily for industries themselves to adjust to the changing economic climate and prepare to meet future challenges posed by the global market. We have not examined in detail the actions of the companies themselves in this brief inquiry, nor the industry’s performance in planning for the future. There are, no doubt, questions to be asked. Regardless of where responsibility lies for the current crisis, if steel is to have a viable future in the UK, it needs to adjust and plan for the future. The metals sector, of which steel is a part, has now sought to do this. The Government has supported the work of the

---

61 Community ([UKS0002](#)) para 3.7

62 Q53

63 Q105

64 Q11 [Roy Rickhuss]

65 Q11 [Roy Rickhuss]

Metals Forum to establish a strategy for the future. In its recent document, *Vision 2030*, the Minister for Small Business, Industry and Enterprise wrote:

The Metals Strategy will provide a platform for Government to work with the sector on the issues which may hold back growth of the sector.<sup>66</sup>

The Metals Forum seeks to provide a single voice for the component parts of the sector in order to improve connectivity within the industry and maximise its value and contribution to the economy.

44. The document itself recognises the need for considerable change within the sector but does not set out a clear list of agreed actions to be taken in respect of the steel industry. It is a good start and we welcome the Government's engagement. But even if the five asks from industry are delivered in full, more work needs to be done to develop detailed policies and measures to provide for a more secure future. The working groups established by the Government and the Metals Strategy should represent the start of a better, strategic and proactive, relationship between industry and government. **Having accepted that the steel industry is of strategic importance to the country, the Government has a responsibility to do what it reasonably can to protect its health. We recommend that the Government identifies and articulates the type of steel industry it believes is required in the UK and works with the industry to establish the detailed measures and actions required to secure its future over the medium to long term.**

## Lessons learned

45. Whatever the results of the Government's immediate action, there are potentially useful lessons to be drawn from the current crisis for future policy. First, it appears that Whitehall was insufficiently sensitive to the warning bells that had been sounded by the steel industry for some time. There needs to be ongoing engagement and escalation where necessary, rather than crisis management late in the day. Secondly, it is clear that over a number of years that the UK has not taken full advantage of state aid rules to support UK business. More clarity and proactive engagement is required. Thirdly, we now know that rapid action is possible. Ministers have demonstrated over recent weeks that where there is the political will and commitment, it is possible to make progress domestically and to be more proactive in pursuing UK interests at an EU level.

46. We do not believe that industries should expect to receive hand-outs from governments, however important they may be. But they should generally be entitled to expect from government domestic legislation that allows them to compete fairly with our European neighbours, and support at an international level in securing fair competition globally. **The Government should now work with industry to consider the extent to which the success of other core sectors is threatened as a result of domestic policy decisions as opposed to global market pressures. We recommend that the Government should set out what mechanisms it will put in place to maintain close links with key sectors and how it will ensure that it can act at an early stage to avoid the damage suffered by the UK steel industry being experienced by other key sectors. We further recommend that the Government should publish and publicise clear guidance on what is and is not permissible under state aid rules, based upon an examination of current European practice.**

<sup>66</sup> Metals Forum, [Vision 2030, The UK Metals Industry's New Strategic Approach](#), (October 2015)

## 5 Conclusion

---

47. In this inquiry we have found that the Government identified steel as an industry of vital importance but, like its predecessors, did not have the effective early warning systems in place to detect and address mounting problems. Since the closure of Redcar, we recognise that Ministers have worked hard to mitigate the impact of closures and start addressing the policy challenges identified, both domestically and at a European level. But increased activity has not yet translated into measurable impact for those in the industry and the communities they sustain. Nor will current measures in themselves be enough to provide certainty for the future. The Government must now work with industry to establish what a sustainable future for UK steel looks like, and then commit to taking the necessary measures to help deliver it.

## Conclusions and recommendations

---

### Government response to the steel crisis: creating a level playing field

1. We welcome this change in policy on energy intensive industries, which should provide greater certainty for the steel industry. However, we regret that after the previous Government brought forward the compensation package in 2011 Ministers have still not succeeded in implementing it in full. Successive Governments have not prioritised the issue sufficiently to force it up the agenda at the European Commission, which could have approved the full package years ago. This delay has directly affected the competitiveness of the UK steel industry and been a contributory factor to the current crisis. (Paragraph 15)
2. We recommend that the Government provides a timescale for how this compensation will be provided to industry in its response to this Report. (Paragraph 15)
3. We recommend that the Government provides further detail on the exemption for energy intensive industries and the means by which the additional costs to domestic consumers is to be calculated and implemented. (Paragraph 17)
4. The Government does not require European Union agreement to reform business rates so as to provide a more even playing field for UK steel producers. Exempting plant and machinery from business rates valuation could demonstrate the Government's commitment to rebalancing the economy, enhancing the UK's attractiveness to inward investment in manufacturing and improving industry's productivity, efficiency and competitiveness through investing in the latest equipment. (Paragraph 18)
5. We recommend that the Government demonstrates its support for rebalancing the economy towards manufacturing, and the steel industry, by reforming business rates as they apply to manufacturing, with priority given to the removal of disincentives to invest in plant and machinery, at the earliest possible opportunity. (Paragraph 18)
6. We welcome the action the Government has taken to amend procurement guidelines to improve the chances of UK steel companies securing business for major projects. However, the impact of these changes will not be apparent for some considerable time. We regret that this change in policy was not made many months, if not years, earlier. Whilst the new guidelines are welcome, the Government—not just the Minister—needs to actively champion the use of domestic steel in large public infrastructure projects. (Paragraph 20)
7. We recommend that the National Infrastructure Commission looks closely at how the interests of UK steel industry and its supply chain can be considered in relation to large scale procurement decisions. (Paragraph 20)
8. Following the closure at Redcar, we welcome the rapid action the Government took to put together a package for those made redundant, but are not convinced that every effort was put into exploring how the plant could be saved from closure, within state aid rules. We regret the loss of facilities and assets and the inevitable loss of the skills needed to support them. Whilst we support the priority being given to encouraging

local providers to take a lead on the allocation of some of this money, it is still far from clear whether the sums provided will be sufficient to support the economic regeneration and retraining required. The Government's response should be judged, not in terms of how much money has been allocated in redundancy payments, but on the impact on the communities affected, and the proportion of those who lost their jobs that are in work in six or twelve months' time. We will be keeping track of how the money announced is being spent and will return to the issue again. (Paragraph 27)

9. We recommend that the leader of the Task Force is provided with the necessary additional resources to enable her to carry this important work. (Paragraph 27)
10. We have commented here primarily on Redcar, but other communities across the UK affected by the closures mentioned previously will be facing similar concerns. (Paragraph 27)

### Effective action on unfair trade practices

11. The scale of the problem should not be underestimated. Even if the Government was able to deliver on all the other asks outlined in the previous chapter, the future of the industry would remain in doubt unless effective action at an international level is taken to level the playing field in terms of trade practices and global pressures. (Paragraph 29)
12. The Minister for Small Business, Industry and Enterprise told us that, shortly after taking up her current role, in July 2015, she succeeded in changing the UK's stance to voting in favour of the extension in relation to wire rod. We applaud this action, which sends a signal as to the Government's commitment to fair trade, and we commend the Minister for taking this step. We believe that UK Ministers should have actively promoted EU action in support of European steel at a much earlier stage, and urge Ministers to pursue an EU-wide response to illegal trade practices. (Paragraph 31)
13. We acknowledge that the Government has raised the issue of the over-production of Chinese steel on a bilateral basis and at an EU level. But no tangible action or agreement has come out of it. We are therefore concerned that this is merely talking with no improvement for the UK or European steel industry; much more sustained pressure is required. (Paragraph 32)
14. Whilst we recognise that Member States may take whatever steps they can to protect domestic industry—and UK governments may not have done as much as some—we believe that it should not be left to individual Member States to take action against unfair competition. Successive governments should have done much more to press for accelerated action at an EU level. (Paragraph 33)
15. We recommend that the Government now uses its influence to seek the early completion of investigations by the Commission into dumping in order to enable effective action to be taken as early as possible. It should further seek to reform the bureaucratic procedures that prevents the EU reacting to allegations of dumping with the speed of its main international competitors. (Paragraph 33)

16. The evidence we have heard about the level of dumping in the UK is extremely worrying and should be a serious cause for concern for the Government. (Paragraph 36)
17. We recommend that, as a matter of urgency, the Government investigates what steps other European countries take to protect themselves against dumping and explore the reasons behind the high proportion of imports from China into the UK. The results of this investigation should be set out in the Government's response to this Report. (Paragraph 36)

### Strategic importance of steel

18. We agree with the Chancellor on the need for an industrial strategy. Whether it is called a strategy or an approach may primarily be a matter of semantics; what matters is that the Government supports those industries which it considers to be important and the foundation industries which support them. (Paragraph 37)
19. Given the importance with which Ministers themselves have held the steel industry we regret that Ministers were not able to give more attention to investigating the potential for maintaining existing facilities and preserving the skills base. (Paragraph 42)
20. Having accepted that the steel industry is of strategic importance to the country, the Government has a responsibility to do what it reasonably can to protect its health. (Paragraph 44)
21. We recommend that the Government identifies and articulates the type of steel industry it believes is required in the UK and works with the industry to establish the detailed measures and actions required to secure its future over the medium to long term. (Paragraph 44)
22. The Government should now work with industry to consider the extent to which the success of other core sectors is threatened as a result of domestic policy decisions as opposed to global market pressures. (Paragraph 46)
23. We recommend that the Government should set out what mechanisms it will put in place to maintain close links with key sectors and how it will ensure that it can act at an early stage to avoid the damage suffered by the UK steel industry being experienced by other key sectors. We further recommend that the Government should publish and publicise clear guidance on what is and is not permissible under state aid rules, based upon an examination of current European practice. (Paragraph 46)

### Conclusion

24. In this inquiry we have found that the Government identified steel as an industry of vital importance but, like its predecessors, did not have the effective early warning systems in place to detect and address mounting problems. Since the closure of Redcar, we recognise that Ministers have worked hard to mitigate the impact of closures and start addressing the policy challenges identified, both domestically and

at a European level. But increased activity has not yet translated into measurable impact for those in the industry and the communities they sustain. Nor will current measures in themselves be enough to provide certainty for the future. The Government must now work with industry to establish what a sustainable future for UK steel looks like, and then commit to taking the necessary measures to help deliver it. (Paragraph 47)

## Formal Minutes

---

**Monday 14 December 2015**

Members present:

Mr Iain Wright, in the Chair

Paul Blomfield	Amanda Solloway
Richard Fuller	Jo Stevens
Peter Kyle	Chris White
Amanda Milling	

Draft Report (*The UK steel industry: Government response to the crisis*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 36 read and agreed to.

Paragraph 37 brought up and read, as follows:

The Government's response to the steel crisis should also be seen in the context - and perhaps as an example - of its broader industrial policy. The language of this policy has shifted from the "industrial strategy" of the previous government to the "industrial approach" preferred by the current Secretary of State, although he told us that they "mean essentially the same thing".<sup>53</sup> He stressed that, while Government can help any industry, "I do not want to be in a position where it looks like the Government have favourites and therefore we do not care about other industries."<sup>54</sup> In contrast, the Minister for Small Business, Industry and Enterprise, Anna Soubry MP, was happier to acknowledge that the Government has priorities: "We have never moved away from looking at and understanding what sectors are important to us."<sup>55</sup> The Chancellor of the Exchequer said in his Autumn Statement that "Businesses also need an active and sustained industrial strategy. That strategy, launched in the last Parliament, continues in this one."<sup>56</sup> **We agree with the Chancellor on the need for an industrial strategy. Whether it is called a strategy or an approach may primarily be a matter of semantics; what matters is that the Government supports those industries which it considers to be important and the foundation industries which support them.**

Amendment proposed, to leave sentence beginning "We agree..." until the end of the paragraph.-(Richard Fuller)

The Committee divided

---

53 Oral evidence taken on 14 October 2015, Q 41

54 Oral evidence taken on 14 October 2015, Q 42

55 Oral evidence taken on 3 November 2015, Q 176

56 HC Deb, 25 November 2015, col 1367

Ayes, 1

Noes, 6

Richard Fuller

Paul Blomfield

Peter Kyle

Amanda Milling

Amanda Solloway

Jo Stevens

Chris White

Question accordingly negatived.

Paragraph agreed to.

Paragraphs 38 to 45 read and agreed to.

Paragraph 46 brought up and read, as follows:

We do not believe that industries should expect to receive hand-outs from governments, however important they may be. But they should generally be entitled to expect from government domestic legislation that allows them to compete fairly with our European neighbours, and support at an international level in securing fair competition globally. **The Government should now work with industry to consider the extent to which the success of other core sectors is threatened as a result of domestic policy decisions as opposed to global market pressures. We recommend that the Government should set out what mechanisms it will put in place to maintain close links with key sectors and how it will ensure that it can act at an early stage to avoid the damage suffered by the UK steel industry being experienced by other key sectors. We further recommend that the Government should publish and publicise clear guidance on what is and is not permissible under state aid rules, based upon an examination of current European practice.**

Amendment proposed, to leave sentence beginning “The Government...” until the end of the paragraph.–(Richard Fuller)

The Committee divided.

Ayes, 1

Noes, 6

Richard Fuller

Paul Blomfield

Peter Kyle

Amanda Milling

Amanda Solloway

Jo Stevens

Chris White

Question accordingly negatived.

Paragraph agreed to.

Paragraph 47 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for publishing with the Report (in addition to that ordered to be reported for publishing on 27 October and 10 November).

[Adjourned till Tuesday 15 December at 9.00 am

## Witnesses

---

The following witnesses gave evidence. Transcripts can be viewed on the Committee's [inquiry web page](#).

### Tuesday 27 October 2015

*Question number*

**Tor Farquhar**, Group Human Resources Director, TATA Steel Europe, **Luis Sanz**, Chief Executive Officer, Celsa Steel UK, **Gareth Stace**, Director, UK Steel, and **Roy Rickhuss**, General Secretary, Community Trade Union [Q1–42](#)

**Tom Blenkinsop MP**, Chair, APPG on Steel and Metal Related Industries, and **Nia Griffith MP**, Secretary, APPG on Steel and Metal Related Industries [Q43–64](#)

**Rt Hon Anna Soubry MP**, Minister for Small Business, Industry and Enterprise, and **Stuart Edwards**, Deputy Director, Materials and Resource Industries, Department for Business, Innovation and Skills [Q65–119](#)

## Published written evidence

---

The following written evidence was received and can be viewed on the Committee's [inquiry web page](#). UKS numbers are generated by the evidence processing system and so may not be complete.

- 1 Business, Innovation and Skills Committee letter to Minister for Small Business, Industry and Enterprise, Department for Business Innovation and Skills ([UKS0003](#))
- 2 Community ([UKS0002](#))
- 3 Department for Business Innovation and Skills ([UKS0004](#))
- 4 Department for Business, Innovation and Skills supplementary ([UKS0006](#))

# List of Reports from the Committee during the current Parliament

---

All publications from the Committee are available on the Committee's website at [www.parliament.uk/bis](http://www.parliament.uk/bis).

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2015–16

First Joint Special Report	Education, skills and productivity: commissioned research	HC 565
First Special Report	Competition in the postal services sector and the Universal Service Obligation: Responses to the Committee's Ninth Report of Session 2014–15	HC 447