



House of Commons

Business, Innovation and Skills  
Committee

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**The UK steel industry:  
Government  
response to the crisis:  
Government Response  
to the Committee's  
First Report of Session  
2015–16**

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**Third Special Report of Session  
2015–16**

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## 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 MP](#) (*Labour, Hartlepool*) (Chair)

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

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

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

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

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

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

[Chris White MP](#) (*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).

### Publications

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), Martin Adams (Second Clerk), Josephine Willows (Committee Specialist), James McQuade (Senior Committee Assistant) and Jonathan Wright (Committee Assistant).

### Contacts

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## Third Special Report

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The Business, Innovation and Skills Committee published its First Report of Session 2015–16, *The UK steel industry: Government response to the crisis* (HC 546), on 21 December 2015. The Government's Response was received on 12 February 2016 and is appended to this report as Appendix 2.

### Appendix 1: Letter to the Chair from the Minister of State for Small Business, Industry and Enterprise

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Dear Iain,

**Government Response to the House of Commons Business, Innovation and Skills Committee Report on the UK Steel Industry: Government Response to the Crisis**

I am writing to provide the Government response to the conclusions and recommendations laid out in your Report on the Government response to the recent steel crisis.

This continues to be a difficult time for the UK steel sector with global over production and reduced demand. This has led to many companies having to take difficult commercial decisions.

Throughout this crisis Government has worked with the sector to support the UK steel industry. We have delivered on four of the five asks of UK steel and on Business rates we await the conclusions of the Chancellor's review. We continue to work closely with the sector.

I would welcome an indication of when the Committee will publish this response.

The Rt Hon Anna Soubry MP

Minister of State for Small Business, Industry and Enterprise

*12 February 2016*

# Appendix 2: Government Response to the House of Commons Business, Innovation and Skills Committee Report on The UK Steel Industry: Government Response to the Crisis 11 February 2016

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## Introduction

1) The Government welcomes the Business, Innovation and Skills Committee's inquiry into the current steel crisis and its report *The UK Steel Industry: Government Response to the Crisis* published in December. The report's conclusions and recommendations provide a valuable contribution to the discussion about how to secure the best possible future for UK steel. The Government's response to these is set out in the following sections.

2) The UK and global steel industry is facing extremely challenging economic conditions. There is a global overproduction of steel of around 35% worldwide. Since 2008 a number of plants have closed across Europe, and the number of workers in the steel manufacturing sector has fallen by about 70,000. European steel demand has not returned to pre-crash levels. And the price of some steel has almost halved over the last year alone.

3) These difficult times have resulted in a number of companies having to take tough commercial decisions. These include the closure of the SSI UK plant at Redcar, and significant redundancies at plants operated by Tata Steel UK and others.

4) Throughout this crisis, the Government has worked intensively and pro-actively with the sector to support the UK's steel industry. On 16 October 2015 we hosted a Steel Summit in order to discuss how best to proceed with key Government and industry participants as well as constituency MPs, recognising the significant part steel companies play in local communities. Since then, and through the efforts of three Ministerially chaired Working Groups, the Government has been unceasing in its efforts to deliver on the five key 'Asks' put to us by our partners in the steel industry:

- i) **Lower energy costs:** on 14 December the Government received State Aid approval to pay further compensation to Energy Intensive Industries including steel from renewable electricity policy costs. Guidance and forms have also been published allowing eligible companies to apply. Along with the compensation we have already been paying to steelmakers since 2013, the overall package will save the steel industry about £100 m over the financial year – roughly 30% of their electricity bills. We will now go even further and exempt Energy Intensive Industries from these costs.
- ii) **Flexibility over EU Emissions Regulations:** we have now provided the industry with a longer lead-in time for compliance with EU Regulations. This will save companies millions of pounds.
- iii) **Support for UK steel in major construction projects:** we have published and further updated procurement guidance for government departments to allow

aspects such as social impacts, job impacts and staff safety to be taken into account when procuring steel for major projects. We are the first country in the EU to do this. We have also mapped quantities of steel that will be needed for government infrastructure projects and shared this with industry

- iv) **EU and international level action on unfair trading practices:** in July and again in November last year, the government voted in favour of anti-dumping measures on certain steel imports. It was the UK that lobbied successfully, in support of industry calls, for an investigation into imports of reinforcing steel bar. And it was the UK that secured an Extraordinary Meeting of the EU's Competitiveness Council and agreed faster action. Recent announcements by the EU on registration measures for cold rolled strip and provisional duties on Rebar show they are taking swifter action where the industry provides evidence.
- v) **Business Rates:** the Treasury are currently undertaking a review of the business rates system in England which will conclude by Budget 2016.

5) The Government has also prioritised action to help those individuals and their families affected by the steel crisis. We have put in place Task forces in Redcar and Scunthorpe, and made up to £90 million available in support packages. The Government is working closely with the Devolved Administrations to support those affected in Scotland and Wales. We continue to work closely with the local communities and stand ready to target further support where needed.

6) The Government has taken significant action in response to industry asks to support our steel sector and will continue to do all it can in the coming weeks and months to ensure a healthy and sustainable future for UK steel.

## Energy Intensive Industries

**1. CONCLUSION** *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. RECOMMENDATION** *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. RECOMMENDATION** *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)*

7) The Government is grateful to the Committee for welcoming the exemption for Energy Intensive Industries (EIIs).

8) The Government does not agree with the Committee's view that the 2011 compensation package was not implemented. This was commenced in 2013 following State Aid approval by the European Commission. Compensation payments to EIIs for the indirect costs of the EU Emissions Trading System and the Carbon Price Support mechanism have been made since 2013 and 2014 respectively. They will continue for the life of the Parliament. This has included over £60 million in compensation to steelmakers to date.

9) At Budget 2014 the Government announced additional reliefs from the costs of renewables electricity policies. These relief regimes for the Renewable Obligation, small-scale Feed-in-Tariffs (RO/FiT) similarly required State Aid approval by the European Commission. On 14 December 2015, the European Commission approved relief for EIIs that meet certain criteria.

10) The Government published guidance on claiming compensation for the indirect costs of the RO/FiT for eligible EIIs on 19 January 2016. For the current financial year, eligible EIIs may submit applications for compensation for the costs of the RO/FiT in their electricity bills up to 31 March 2016. The compensation amounts will be calculated from the date of the State Aid decision (14 December 2015). Thereafter, such payments will be made quarterly in arrears. Guidance and application forms can be accessed from the Gov. uk website:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/473545/PPN\\_16-15\\_Procuring\\_steel\\_in\\_major\\_projects.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/473545/PPN_16-15_Procuring_steel_in_major_projects.pdf)

11) The exemption of EIIs from the indirect costs of Contracts for Difference (CfDs), also approved by the European Commission last December in the same decision, will commence as soon as the necessary statutory regulations are put in place. This should take place later this year.

12) BIS and DECC are working jointly to develop the necessary mechanism to transition the compensation scheme for the RO / FiT into an exemption, which the Government had announced at Autumn Statement 2015. This will give certainty to investors in EIIs on avoiding these policy costs in their electricity bill. The Government will consult on our proposals to implement the mechanism in Spring 2016.

## Business Rates

**4. CONCLUSION** *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. RECOMMENDATION** *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)*

13) The Government recognises that the amount of business rates payable on a building increases when a property's rateable value increases, including where there is investment in rateable plant and machinery. We are aware of the view from some sectors, including steel, that the inclusion of plant and machinery acts as a disincentive to make certain types of property improvement and that the cost of this is an issue that they consider when making such investment.

14) This is why, when the Government launched the Business Rates Review in March 2015, one of the specific areas included within the consultation was investment in property. We have discussed this with a wide range of stakeholders including representatives from across the steel sector and had regular meetings with industry since the review was launched to explore their concerns.

15) We have taken on board the large number of wide-ranging responses and suggestions which have been made on how the rating system could alternatively look to treat plant and machinery and are committed to considering these options.

16) We must, however, also review the possible implications of such reform to ensure that the system remains fair for all sectors and businesses which are subject to business rates. The Chancellor has stated the review will be fiscally neutral and the department also receives representations for reform from other business areas, such as small businesses.

17) The Government will continue to consider how we can develop business rates as part of an internationally competitive tax system to support investment and increase productivity. We will report on the outcomes of the Business Rates review at Budget 2016.

## Procurement

**6. CONCLUSION** *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. RECOMMENDATION** *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)*

18) As the Committee notes the Government has taken action to remove the barriers, perceived or real, which have prevented UK steel suppliers from winning more public sector steel contracts.

19) Following the Steel Summit of 16 October, the Procurement Working Group, chaired by Rt. Hon Matthew Hancock MP, Minister for the Cabinet Office, was set up to address concerns from the industry that UK steel companies were losing out on major procurement projects. It has brought together procurement leads from across government; alongside representatives of the UK steel industry and the Scottish and Welsh Governments.

20) The group has overseen a range of initiatives that will help level the playing field for UK steel businesses. These include:

- Publishing new guidance on procuring steel for major government projects. The guidance requires wider socio-economic considerations such as skills, responsible sourcing, good supply chain management, and health and safety capability to be taken into account in procurement where relevant. We are the first country in the EU to take advantage of and to implement these new flexibilities.
- Setting out publicly for the first time the indicative quantities of steel for key projects, such as HS2, new nuclear and offshore wind, in the Infrastructure and Government Construction Pipelines. This greater transparency will allow UK suppliers to prepare and plan far more effectively for future contractual needs.
- Updating current British standards for steel, reinforcing bar (rebar) (standard BS4449) in order to address concerns on the type and quantities of alloys and other ingredients being added to some steel imports, as well as considering issues related to the use of CE marking on imported steel.

21) The Government accepts the report's conclusion that the impact of changes to procurement rules will not be apparent for some time. However, we do not accept the Committee's assertion that these changes could have been made sooner. Previous EU procurement rules prevented wider social and environmental impacts from being taken into account in procurement decisions. The UK consequently argued hard for greater flexibility during EU negotiations on revisions to procurement rules. We then transposed the relevant EU directive early through the new Public Procurement Rules (The Public Contracts Regulations 2015), making us the first EU member state to do so. We were only able to revise the procurement guidance once these regulations had come into force.

22) The Government also accepts that it will take some time for the new procurement guidelines to bed in properly. We are closely monitoring take-up to ensure that significant benefits to the UK industry can be achieved as quickly as possible.

23) With respect to the National Infrastructure Commission, the Government will write to the interim Commission Chair, Lord Adonis and draw his attention to the reports findings. Whilst the Commission will make its own independent recommendations, the Government will work closely with the Commission, and will also decide what should be built and how it should be delivered.

24) Furthermore, the Government intends to host a national Pipeline Launch Event for key supply chain organisations and stakeholders. This will help to provide a greater understanding of the scale of steel opportunities across sectors and regions at a programme level, in addition to signposting opportunities for early engagement with departments running major projects.

## Local Support

**8. CONCLUSION** *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.*

25) The Government does not agree with the conclusion that more could have been done to save the Sahaviriya Steel Industries (SSI) plant at Redcar from closure.

26) Since resuming steel production at the Redcar plant in April 2012, SSI UK unfortunately made huge year-on-year losses. A £275 million loss in 2012, a £193.5 million loss in 2013, an £81 million loss in 2014 and a £92.5 million loss up to the end of June 2015: totalling £642 million losses in just over three years. The price of steel slab, which was the sole product produced at the Redcar plant almost exclusively for export, had halved and was continuing to fall. SSI UK had also racked up significant debts, both to UK suppliers and to Thai banks as a subsidiary of the Thai parent company. Against these economic realities, there was simply no silver bullet that could have saved SSI UK.

27) In fact, without the action the government took last year, the Redcar plant would in all likelihood have closed sooner and workers would have gone unpaid. Action from the government ensured workers were insured to turn up to work, after the Minister directly intervened to get an extension of the Employers Liability Insurance, and ensured workers were paid their September salaries.

28) Normally EU State Aid rules allow a company in difficulty to receive rescue or restructuring aid. However in the case of the steel industry such aid is explicitly and strictly prohibited. The rationale behind this is, given the significant overcapacity in world steel production, to ensure that the EU follows a market driven approach to achieve the capacity adjustments and restructuring necessary to ensure a viable and sustainable steel industry in Europe<sup>1</sup>.

29) The only legal alternative would have been to offer support on commercial terms. Yet despite close engagement with the company over a number of months, the SSI board was ultimately unable to present the Government with a credible turn-around plan.

30) On 1 October, without any prior warning to the government, the parent company in Thailand announced it was filing for business rehabilitation, a form of bankruptcy. The following day SSI UK went into liquidation.

31) On 2 October 2015, after the company's creditors initiated winding-up proceedings, the company went into liquidation. Following their appointment as liquidator, the Government ensured that the Official Receiver could deliver a safe liquidation of SSI and consider any viable offers for the company's assets. Following discussions with interested

<sup>1</sup> Rationale for steel state aid rules explained in European Commission Press Release dated 20 January 2016. [http://europa.eu/rapid/press-release\\_STATEMENT-16-118\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-16-118_en.htm)

parties, it became clear to the Official Receiver that there were no credible buyers for the blast furnace or coke ovens. On 12 October the Official Receiver consequently took the decision to start shutting down these facilities.<sup>2</sup>

32) Under these circumstances, the Government firmly rejects the suggestion that it could have done more to maintain operations at the SSI UK plant at Redcar.

#### 8. CONCLUSION

*.... 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)*

**10. CONCLUSION** *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)*

**9. RECOMMENDATION** *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)*

33) The Government welcomes the report's acknowledgement of its rapid response to the closure of Redcar. We also agree that our response should be judged on the impact on the communities affected and the proportion of those helped back into work, rather than the amount of money allocated. The Government was clear it would not impose prescriptive solutions on how the support package should be spent but would instead work closely with the Task force on locally led programmes.

34) The Government and Task force quickly agreed significant programmes including:

- £2.4 m: Safety Net Fund to help SSI workers deal with immediate financial issues
- £1.7 m: Apprentices Training and Salaries
- £3 m: Retraining courses at local colleges
- £2.6 m: Flexible Support Fund for further training, including longer-term courses
- £750,000: Business Start-up Advice and grants
- £16.5 m Jobs and Skills Fund to help local firms employ former SSI workers or their spouses
- £16 m Let's Grow fund for firms in the SSI supply chain and wider Tees Valley to safeguard jobs, create new jobs and assistance to help them expand

<sup>2</sup> Official Receiver press statement 12 October 2015 <https://www.gov.uk/government/news/redcar-coke-ovens-to-be-closed>

35) This funding was available to the Task Force within a matter of weeks, as well as immediate Jobcentre Plus support and redundancy related-payments made by the Redundancy Payments Service.

36) Following SSI's liquidation, the early results are encouraging. All 51 apprentices, who benefitted from a specific £1.7 million support package, are already in training, education or placed with new employers and initial data suggests that 495 former SSI workers had found a new job (in addition to those re-employed by the Official Receiver). The Task Force also reported that over 5,000 calls were made to the Jobcentre Plus helpline and nearly 3,000 people had received help and advice from the Support Hub.

37) The Government remains committed to supporting the Tees Valley through this difficult time. We are working hard across Government with local partners, the Official Receiver and Lord Heseltine to realise the economic potential of the SSI site and attract other investment to the area. We will also continue to support other communities affected by job losses in the steel industry. For example, jointly with Tata and working with the Scunthorpe Task force chaired by Baroness Liz Redfern, we have already committed up to £9 million to support Scunthorpe steel workers and the local economy through retraining and support for companies in the local area to grow and create new jobs. This is on top of Jobcentre Plus support which has included Jobs Fair, help and advice. We are similarly working with a local Task force in Rotherham to ensure the right level of support is in place following job losses there, and have agreed funding requested by local partners to assess supply chain impacts and retrain workers. Where there are significant redundancies in Scotland and Wales, as has happened at Port Talbot, the Government will continue to work with the Devolved Administration to support those affected.

38) With respect to the report's recommendation, the Government has made additional administrative resource available to the SSI Task force. BIS Local provides the secretariat to the Task force, and, where needed, BIS funding has also been provided to administer Task force interventions. For example, the £16.5 million Jobs Incentive scheme includes £0.5 million funding for the body responsible for administering the scheme.

## Effective international action on unfair trade practices

**11. CONCLUSION** *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. CONCLUSION** *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)*

**14. CONCLUSION** *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. RECOMMENDATION** *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)*

39) The Government is acutely aware of the scale of the challenge facing the industry, and has actively used its influence to address this via a comprehensive strategy of bilateral, international and EU engagement. The Government does not agree that other Member States have taken action to protect their industries from dumping that the UK has not. Anti-dumping measures can only be taken at the EU level: it is a basic principle of the EU that Member States cannot unilaterally impose tariffs.

40) As the Committee acknowledges, the Government was taking action before the events at SSI unfolded. In July 2015, we voted in favour of anti-dumping measures on the import of steel wire rod. Even earlier in the year, the UK, acting with industry, lobbied successfully for an EU investigation into imports of rebar.

41) As events unfolded, the Government redoubled its efforts to ensure effective action at EU level. In addition to meeting the Trade Commissioner to call for action, the Secretary of State for Business, Innovation and Skills also secured an extraordinary meeting of the EU Competitiveness Council in November 2015. This Council agreed, amongst other things, on the need for fast and effective action to tackle unfair trade practices.

42) The Government has also worked hard to turn these words into action. We have intensified our discussions with the steel industry, including at the International Comparisons Working Group chaired by the Rt Hon Anna Soubry, to provide help on all on-going and forthcoming individual unfair trade cases. As the Committee noted,

the Government supported measures on wire rod and steel pipes. Following a complaint from industry, we also successfully lobbied at a very early stage for an investigation into dumped reinforcing bar. And in recognition of the immediate risks posed to EU and UK industry by a surge in imports, the Commission also recently acted swiftly to announce registration of imports on both reinforcing bar and cold-rolled steel.

43) The Government is also, working with the Commission and others to assess the current procedures for conducting anti-dumping and anti-subsidy investigations. We expect these issues to be discussed at the forthcoming 15 February 2016 EU Stakeholders' Conference. The aim is to identify ways in which European Commission investigations can be conducted faster without a loss of quality or engagement by all interested parties. The Government recently wrote to the Commission highlighting areas where investigation timeframes might be shortened, so as to enable quicker action where the evidence points to unfair trade practices by international competitors. The Secretary of State covered these and other relevant issues in a joint letter dated 5 February to the European Commission and the Dutch Presidency with his French, German, Italian, Polish, Belgian and Luxembourg colleagues. The letter was subsequently endorsed by Spain and Slovakia.

44) The Government updated Parliament on its contribution to EU action on steel in a Written Ministerial Statement on 11 February.

**13. CONCLUSION** *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)*

**16. CONCLUSION** *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. RECOMMENDATION** *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 Governments response to this Report. (Paragraph 17)*

45) Whilst China has reportedly reduced production by 70–80 million tonnes the Government believes that there is still more that China could do. This is why the Government supported the agreement at the November 2015 Extraordinary Council that the EU should use its own dialogues with China to tackle the issue and act with a unified voice in other forums, such as the OECD. Chinese overproduction was subsequently discussed in the OECD in November 2015, and a special OECD conference will be held in April 2016 to explore ways of tackling overcapacity in steel production.

46) The Government has also raised the issue directly with China. The Prime Minister, the Secretary of State for Business and the Foreign Secretary have all separately raised

concerns about excess capacity in the steel sector at the highest levels of the Chinese government. On his visit to the UK, President Xi said China was taking measures to reduce overcapacity. We will continue to raise the issue bilaterally via the EU and via the OECD.

47) With respect to the recommendation as noted in paragraph 39, no EU member state can unilaterally impose tariffs or anti-dumping measures. These decisions and measures are taken at the EU level.

48) The Government has however used the International Comparisons Working Group to examine how non-EU countries use trade. It found that a number of non-EU countries do impose provisional measures faster than the EU. In part, this is because their investigations are of a different standard of thoroughness than the EU's, involve less engagement with the full range of interested parties and do not take account of the full impact (some of which is positive) of cheap imports on the economy. However an independent evaluation of the EU's trade defence instruments concluded that, given sufficient resources, there is still scope for faster EU action. As noted in paragraph 42, the Government has written to the Commission to set out how this might be achieved.

49) With respect to the Committee's concerns about Chinese steel imports into the UK, the primary cause for the surge in direct Chinese steel imports is with respect to one particular steel product, reinforcing bar ('rebar'). The UK market share of Chinese rebar imports increased from 0% (January 2013) in 2013 to 37% (end 2014). Increased imports of rebar continued into the early part of 2015. This is why last year the UK successfully pressed for the EU to launch an investigation into the imports of rebar; the European Commission imposed provisional measures on Chinese rebar imports on 29 January. Whilst we welcome the EU imposing duties on Reinforcing Bar, it is disappointing that they are not higher in this case. We continue to lobby the Commission to do more and act faster.

## Securing a future for the UK steel industry

**19. CONCLUSION** *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. CONCLUSION** *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)*

**24. CONCLUSION** *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 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)*

**21. RECOMMENDATION** *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)*

50) The Government strongly believes in the importance of a sustainable UK steel industry. The Government has worked closely with the industry and delivered significant action against its five asks of the government, as already detailed in this document.

51) It is important to remember the context in which the Government has been taking action. Between 1998–2010, 35,000 jobs were lost and steel production fell by a third. It is also worth remembering that these are private companies that need to operate commercially. No Government has control over all the global and financial pressures these companies face. We do, however, continue to work closely with the industry to do all we can to ensure a sustainable future for the industry, including commissioning an independent study assessing the competitiveness of the UK steel sector, which is being conducted in partnership with industry.

52) As detailed earlier in this document, the Government has mapped quantities of steel that will be needed for infrastructure projects and shared this with industry, the first time any government has done this.

## Effects on other sectors

**18. CONCLUSION** *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)*

**22. RECOMMENDATION** *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)*

53) The Government is focussed on delivering tangible outcomes. As detailed in this document, we have taken significant action to help our steel industry and continue to do so. The Government regularly meets with our Industrial Sector Councils, from Oil and Gas to Automotive and Chemicals and continues to work closely with industry. And there are many success stories - our automotive and aerospace industries continue to power ahead, our chemicals and agritech industry continue to grow strongly and we continue to be a world leader in offshore wind. This engagement with industry also helps alert government to upcoming risks. Underpinning all our work to back industry is maintaining a strong and growing economy, after the worst recession this country had faced in a century just over five years ago.

54) The Government will build on this work in the forthcoming Innovation Plan, announced by the Secretary of State for Business, Innovation and Skills in January 2016. This plan will bring together the whole of Government to support and drive forward innovation, ensuring we are leading the next industrial revolution as much as we did the first.

## Maintaining links with key sectors

**23. RECOMMENDATION** *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. (Paragraph 46)*

55) As noted above The Government is committed to maintaining close links with key sectors. As a department we have regular discussions with industry at both Ministerial and official level. The Government also operates a dedicated strategic relationship management programme, with dedicated managers for 83 companies across 14 sectors including some of the largest diversified companies. We undertake regular structured dialogue with each to ensure that we understand their key priorities, the external pressures facing their business and the market within which they operate.

56) The Government also participates in a number of Industrial Sector Councils, such as automotive and aerospace. These allow us to work with sectors to develop policy that supports our key industrial sector. The government recently established a cross government Ministerial support group for the oil industry, in recognition of the pressures that industry is facing as the price of oil continues to tumble to new lows.

## State Aid guidance

**23.b RECOMMENDATION** *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)*

57) Guidance on permissible aid for steel can be found on both the Gov.uk and European Commission websites.

<https://www.gov.uk/government/publications/state-aid-manual>

[http://ec.europa.eu/competition/state\\_aid/legislation/legislation.html](http://ec.europa.eu/competition/state_aid/legislation/legislation.html)

58) However, we appreciate that State Aid rules are not always clear to potential aid givers and beneficiaries. We therefore agree with the Committee's recommendation that we publish and publicise clear guidance on what is and is not permissible under State Aid rules. We will set out the detail in one easily accessible document by April 2016.

59) Summarising these briefly, aid cannot be given to steel companies for rescue and restructuring or capital support but provided that the company in question is not in difficulty, it can be legally provided for support of:

- research and development,
- energy and environment
- training

Alternatively, support can also be provided by governments on commercial terms without breaching the rules.