



Business, Innovation and Skills Committee

Oral evidence: [UK Steel Industry](#), HC 546-i

Tuesday 27 October 2015

Ordered by the House of Commons to be published on 27 October 2015.

Witnesses including written evidence where submitted:

At 4.10pm

- Tor Farquhar, Group Human Resources Director, Tata Steel Europe
- Luis Sanz, CEO, Celsa Steel UK
- Gareth Stace, Director, UKSteel
- Roy Rickhuss, General Secretary, [Community Trade Union](#)

At 5pm

- Tom Blenkinsop MP, Chair, APPG Steel and metal related industries
- Nia Griffith MP, Secretary, APPG Steel and metal related industries

At 5.25pm

- Rt Hon Anna Soubry MP, Minister for Small Business, Industry and Enterprise
- Stuart Edwards, Deputy Director, Materials and Resource Industries, Department for Business, Innovation and Skills

[Watch the meeting](#)

Members present: Mr Iain Wright (Chair), Paul Blomfield, Richard Fuller, Peter Kyle, Amanda Solloway, Jo Stevens, Michelle Thomson, Craig Tracey, Chris White

Questions 1-119

Witnesses: **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, gave evidence.

Q1 Chair: Gentlemen, good afternoon. Could I welcome you to the Business, Innovation and Skills Select Committee? I am keen to get as much out of you, with regard to the issues affecting the steel industry, as possible, so we will start slightly early. Could I ask you to introduce yourselves and tell us where you are from?

Tor Farquhar: My name is Tor Farquhar. I am the HR Director for Tata Steel in Europe.

Luis Sanz: Luis Sanz, CEO of Celsa Steel UK.

Gareth Stace: Gareth Stace. I am director of UK Steel, the trade association that represents the steel sector in the UK.

Roy Rickhuss: Roy Rickhuss, General Secretary of Community.

Q2 Chair: We are very grateful that you have spared the time in what must be difficult circumstances, and I want to talk about the issues affecting the steel industry. This is a question for all of you, but if I may start with you, Tor: how grave is the situation affecting the British steel industry at the moment?

Tor Farquhar: I cannot recall a time when it has been graver. The pressure on price is extreme. The transformation of China from importing 100 million tons of steel to exporting what we believe to be 340 million tons of steel—which is the same as the whole of the US and European steel industries—has had a dramatic effect on price and put massive pressure on all steel companies, particularly in Europe. I cannot emphasise how much we need action, and quickly.

Luis Sanz: I support what Tor has said. The industry is under a massive level of pressure, and it is coming from the huge energy costs, which we have already mentioned, the Chinese steel dumping, the unfair business rates that we are paying compared to other European countries, and the refusal of the Government to promote the responsible sourcing of British steel.

Q3 Chair: Gareth, how grave is it?

Gareth Stace: Very grave. I know that this is not a debate about soundbites, but if we were a patient on the operating table, we are bleeding very quickly, and unless that bleeding is stopped very, very soon we are likely to die on that table. As a sector, in the last few months even, we have up to 20% of our total workforce either losing their jobs or in threat of losing their jobs. 20% of the total workforce is massively significant, and therefore the case now for Government to deliver is extremely urgent. All parts of Government, right to the top, to the Prime Minister, understand the situation. We have heard from the Prime Minister that he is keen to do everything that he can, within his power, to help us and correct the unfortunate situation that we find ourselves in. The time, now, is all about actual delivery of what the Government have promised and are promising.

Q4 Chair: Roy, what are your members saying, and what do you think about the steel industry at the moment?

Roy Rickhuss: From my perspective—and you would hope that I would try to put across how the workforce is feeling—first of all I do fundamentally agree with what my colleagues have said. We work very much in partnership in the steel industry, and we have tried to over many years. Throughout those years we have seen challenges. We have seen massive challenges and change. Any industry that has gone through the type of change that the steel industry has, from the 1980s right the way through to where we are

now—and you have seen a significant change in the workforce. What seems to be more frightening about what is going on at the moment is that it seems to be out of control. We do not seem to be able to impact, from our perspective, Whereas in the past when there has been a problem, the companies have talked to the unions and we have been able to work together to find a solution and a way forward, it seems now as if the issues that we are talking about—and I am sure we will talk during the course of this session about the main issues facing the industry—are not ones where can say, “We will change working practice”, or “We will do something more flexibly”, or “We will do a step-up and save”. It is not enough. The most concerning thing for the workforce now is that we cannot see how we can take control of this, unless we get help—significant help—from the Government and others.

Q5 Chair: Are we expecting further closures?

Tor Farquhar: We are not making any announcements today, you will be relieved to hear and I will be equally relieved to say, but there are no guarantees. When you asked earlier about the nature of the industry, and Gareth used some pretty provocative language to describe that. Nothing can be ruled out. Clearly we are under massive pressure.

Q6 Chair: Gareth did use very emotive language to stress the urgency of the situation. The patient is haemorrhaging and is on life support. Can the patient recover? Is there a future for the British steel industry, Gareth?

Gareth Stace: There is a future for the sector. It is easy to read all of the press reports and take from that that we as a sector are bloated, old-fashioned, underinvested and actually uncompetitive. That is not the case. The case is that we are highly efficient, innovative, and invested. We have a highly skilled workforce. We are producing products that we export globally. They are high-quality products. They are added-value products. The problem is that we have our hands tied behind our backs because of Government policy loading costs onto us, as well as the European Commission not acting as quickly as it could in terms of stopping the massive onslaught of Chinese imports coming into our market and potentially being dumped onto our market.

There is a massive future for the sector, but for all parts of the sector, not just the really high-value stuff. We are highly efficient throughout that process, and I am sure Luis will be able to tell you how efficient his site is, producing reinforcing bar, in terms of being one of the most efficient sites in Europe.

Q7 Chair: Tell the Committee what needs to be done in order to safeguard the British steel industry, and tell us the timescale in which that has to happen.

Gareth Stace: We have set out five areas on which Government need to take emergency action. If these five areas were all delivered tomorrow, that would not be it for the steel sector and we would all be happy, go away and be enormously competitive. It is not that. It is just that we have highlighted some things that Government can do, and can do in the short term as emergency measures. I will briefly talk about each of them. However, what we need to see is Government taking those measures and then working with industry and others to understand what sort of steel sector the UK and the UK economy needs going forward. How do we create a sustainable sector that is investing and growing and taking a

larger proportion of the expected global demand for steel increasing not at the moment but in future years?

The first of the five issues, which I will go through in order of importance, is tackling the energy prices. At the moment we are paying double what is paid in France or Germany for our energy. That is as a result of Government policy. We need action on that to address it, and to fully deliver the Government's energy-intensive industries compensation package. This is a package that is enormously welcome, but it is not fully delivered at all. We are still paying 70% of those costs, and we need the Government to go to Brussels—as the Secretary of State Sajid Javid is doing tomorrow—and get that state-aid approval to deliver that package in full, not in months. The process cannot take three or four months. The Secretary of State needs to come back tomorrow from Brussels with a political outcome that says, “Yes, we are going to get approval, and the Government are going to start paying the package in full.”

Q8 Chair: Should that have happened earlier? Should the Secretary of State have gone to Europe earlier to receive approval for the energy costs compensation package?

Gareth Stace: Yes. The application has been in since the beginning of this year.

Q9 Chair: Why has he not done that? I will ask the Minister that, and I know that you cannot talk for the Government, but you must speak with BIS on a regular basis. Why has that not happened, given the urgency of the industry's case?

Gareth Stace: As you have said, Chairman, I think that you need to ask the Ministers themselves why it has not risen to that level before. As you say, from the day that that application went in we have been saying, “What can we do to speed up this process and to get that approval?” because this application is a simple application. It is very similar to a previous application that they already have approval for, so why did that process not just take a month or two, and not months and months and months? If we listen to officials at the moment, it could take months going forward, and we just do not have that time. For every month that we do not get this full package delivered, the steel sector in the UK pays £4.5 million a month that its competitors are not paying, as a result of not getting the package.

On business rates, we pay five to seven times more than our competitors in Europe, and that is because in the UK we have this very strange situation where investment in plants and machinery is included in the business rates valuation process. Therefore, 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. We have said to the Government that they need to remove that. What we saw at the steel summit a few Fridays ago in Rotherham was the Secretary of State agreeing that that was a perverse situation that we find ourselves in, and that he is looking at it very closely. I would urge him to get on and make that change, because everyone can see, across parties and industry, that we find ourselves in a very strange situation there.

In terms of trade, what we need to see is a change in the speed and focus of tackling unfair trade from other countries, including China. What we want to see is the UK Government fully supportive of any proposals that come out of the Commission that will help the steel sector in the UK, and, more importantly, speeding up the process of tackling unfair

trade from Europe, and thinking about other tools in the toolbox—for example, the use of safeguarding measures rather than just anti-dumping measures to tackle the trade.

We also want to see more local content, and there are a number of levers that can be pulled to ensure that we see more British-made steel in major capital projects. I am sure that others on this table can bring more examples to that than I can. But there are a number of levers that the Government could use tomorrow to favour more sustainable steel here in the UK being used for those capital projects.

Finally, we have seen today in terms of the Industrial Emissions Directive and the Government using its full powers of derogation, giving steel companies more time to meet very challenging air pollution targets that they have just received. Rather than 2019, they are being given an extra four and a half years, and we have seen this announced today. That is very welcome. It was the easiest of the five asks that we were calling for, but it is still very welcome. That shows that Government can deliver on what we are asking them to deliver on, so let us see the other four asks being delivered on as well. You asked about timescales: these are all about delivering in the next few weeks, and certainly not months. If it is months, then potentially there will be further casualties in the sector.

Q10 Chair: Tor, is there anything to add?

Tor Farquhar: Gareth summed it up extremely well. The speed issue on unfair trade in Europe is the key piece. The US have very effectively put up barriers to unfair trade—*56 versus the Europe six* [16:21:48]—and that simply re-diverted the flows of material. It is very important that Europe is seen to be acting quickly and together on that issue. That is the main issue: speed.

Luis Sanz: If I may, I would like the opportunity to explain the specific case of Celsa Steel, so that we can put everything that Gareth has explained on a theoretical basis into context. Celsa Steel UK is part of the Celsa Group, which is a family-owned company with its headquarters in Barcelona. However, we have presence in different countries. We have presence in France, Poland, Denmark, Sweden, Finland, Norway, the United Kingdom, Ireland and obviously Spain. When we are talking about comparisons in costs, we are not talking about averages; we are not talking about statistics; we are talking about real numbers of how much the sister companies are paying in the different countries.

We came to the UK in 2003, unfortunately because the previous company Allied Steel and Wire went into liquidation, and we acquired the assets of the company. At that time we came here with a lot of enthusiasm, on the back of a plan to increase efficiencies and capacity, and with a strong business plan based on local and responsible sourcing. This was everything that we have had in mind since then. What we have done in these 10 years has been increasing the workforce. When we came here at that time, we employed less than 500 people. Today we are directly employing almost 2,000 people, and indirectly over 5,000 people, according to study done by Grant Thornton. Our contribution to the UK economy is almost £150 million per year to GVA and to the Welsh economy £105 million per year.

Q11 Chair: Are you going to lay people off, as a result of the current market conditions?

Luis Sanz: At this moment in time, this is not in the agenda.

Roy Rickhuss: That is the point that I was going to make, as a follow-up to what my colleagues were saying. We need to see some support for skills retention, because they are absolutely vital. You can have the best kit, the best plant, the best of everything, but you need the best people. Particularly as a lot of companies in the steel sector are seeing that a way to survive is to move onto high-value, niche products, so you need a highly skilled workforce to do 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.

The first time that Teesside Cast Products was mothballed, there was a very good skills retention programme that enabled around 200 workers to be kept, so that their skills were retained. When SSI came in at that time to restart the plant, the skills were there to enable them to do that. Other European countries—even in Wales—have schemes where they can do that. The perverse situation, from our perspective, was that if you were a Tata employee—and Tor might want to comment on this—working in the Netherlands, you could get support. However, if you were a Tata employee working in the UK, then you could not.

Q12 Chair: Can I just ask, gentlemen: you were all at the steel summit, and I was too; what do you think of the steel summit? Do you think that, as a result of that, you have a greater degree of prioritisation and urgency? Was it worth your while, and will it help the steel industry?

Tor Farquhar: We had the right people in the room. We had Government; we had industry; we had the trade unions; we had the industry bodies. Everyone was in the right room. It should not take a crisis for all of us to be in the right room more regularly. The foundation industries need to be given equal status with other areas, such as the automotive industry, where there is considerably more focus over a longer period, for manufacturing to truly flourish. That is a little bit of a downside. However, the good news was that we were all there.

In terms of the agenda that we have just talked about—those five points—it felt that everyone in the room was aligned and supportive of achieving those five goals. I do not think that there was any disagreement. That was also good. Working groups were set up, two out of three of which have already met. That shows some progress, and, as we heard from BIS this afternoon, we have some progress on one of the five items. Of course, there are four of the most critical items still there, and we need action on them in weeks rather than months. The judgment will be about those actions happening. If those actions happen, then it has been a rousing success and we should continue to work together in the interests of the shared agenda that we have for manufacturing in the UK. We have complete alignment of all parties. This should be the start of something good, to help rebuild manufacturing in the UK.

Q13 Chair: What did you think of the steel summit, Luis?

Luis Sanz: It was a positive sign from the Government, to actually get together with the industry, including companies, the unions and other stakeholders. That was a really positive thing showing that this was higher up in the awareness of the Government at this moment in time. We expect to see a practical, pragmatic, efficient and urgent action. We expect these working groups not to be talking shops, and actually to be something that will deliver actions that will deliver the results expected during the coming weeks. The reason for that is that I do not know if it is so common that you have in front of you the unions, the companies and the other stakeholders saying that the solution in the short-term is this: five specific points that are deliverable.

Q14 Chair: Gareth, the five specific points that are deliverable were not a surprise to anybody around the table at that steel summit. These were well known. You did not, as an industry, present anything new. In that regard, are you disappointed that the pace of action has not been as urgent as perhaps the crisis demands?

Gareth Stace: How long ago was the summit? It was quite recent. If we were having the same discussion in two weeks' time and were in the same position, I would be saying that the Government is dragging its feet, literally in two weeks' time. I said right at the beginning that this is all about delivery, and perhaps I am being too generous but I believe that we need to give Government a little bit more time to deliver on some of those five key points. In the working groups we have seen some progress in terms of attitude, and I think that we saw a different attitude at the steel summit—of Government understanding the issue and willing to take action and committing to take action at that summit. But, as we have all said, it has to happen very quickly.

Q15 Chair: Roy, are you saying to your members that the steel summit was a success?

Roy Rickhuss: No, not yet. The jury is out. I agree with what has been said so far, but I would certainly go back to why the steel summit took place, and I agree with Tor that it is sad that it came to the crisis to make people sit up and start to take notice. We have been making these points for a long time. It actually took a backbench debate, which was supported by members across all parties who helped to secure that debate. As a consequence of that debate, there came a commitment from the Minister to hold the summit. So we should not forget why we had the summit, because it did not just appear. It was through a debate that was brought about by backbenchers across all parties saying, "There is a crisis. We need something to be done." That is why the summit came about.

There was a sixth element, if you like, at the summit, which has not been mentioned yet, because I do not think that it was part of this emergency action that has got to happen immediately. That was that if we get through this current emergency—and I believe that we will—we have got to take a longer-term view. We have to have a strategy. I think there was a call at the summit for an independent review. The metals strategy is a useful start, but we need an independent commission or report to look at the industry and the needs of the country in terms of steel going forward. We are keen, as trade unions, to make sure that the benefit of that industry going forward is felt by communities within the UK, and that we actually try to join up the supply chains and make sure that the full value is felt within the UK.

Q16 Chair: Gareth, I think that you have mentioned the three working groups that the Secretary of State announced at the steel summit. I will ask all of you, gentlemen, but are you involved in those? Are they working? Are they a success?

Gareth Stace: I am involved in all three of them, and I am ensuring that the experts from the industry are also involved in them. What we have seen is that they were all set up very quickly, which is useful. There is a balancing act between setting them up very quickly and taking the time to include the right people, and I hope that Government has got that balance about right. It is still early days for them, but they have met and there are more meetings tomorrow. The one that I attended only last week on procurement was really useful, in terms of what we proposed and put on the table was actioned, and the timescales for coming back to us and for the next meeting are fairly short.

I would agree with Roy that the jury is still out, but from what I have seen I am very positive about going forward. But, again, I could be talking to you in two weeks' time and it might be a very different situation.

Q17 Chair: Gentlemen, are you all involved in working groups? Roy, have you been participating?

Roy Rickhuss: No. I was just checking. I have not been back to my office for a few days; I have been away. We have not had an invitation to attend and we have not participated. I will have to check, but if that is the case it is disappointing. We are here, we were at the steel summit, and we made clear that the trade unions want to play a full part in making the solution to the crisis, and we were promised at the summit by the Secretary of State that there would be full participation from all stakeholders. However, at the moment I am not aware that any trade unions have been invited to participate in the working groups. Perhaps Gareth knows different.

Gareth Stace: When I have been asked, I have made the case that we need to see trade unions at those working groups in terms of the expertise that you would bring to that table. I do not think that anybody should be excluded from them. Obviously, it is not my decision.

Q18 Chair: Luis, have you been involved? Have you been participating in working groups?

Luis Sanz: We have not participated in the working groups.

Q19 Chair: Have you been invited?

Luis Sanz: We were on the same day, two hours before the working group was going to meet.

Q20 Chair: And Tata.

Tor Farquhar: Tata Steel has been represented in the single meetings in the two working groups that I understand have already met.

Q21 Chair: But you are not involved in all three?

Tor Farquhar: The third group, as I understood it, still has to meet.

Q22 Chair: And which one is that?

Tor Farquhar: My information was that it was the competition and productivity group, which is due to meet shortly.

Gareth Stace: Yes, tomorrow.

Q23 Craig Tracey: Thank you, Chairman. Just to start off, I would be interested in the panel's view of the conduct of the Thai owners of SSI. I will start with you, Roy.

Roy Rickhuss: If I am honest, it is difficult for the trade unions, because SSI came in and took over Teesside Cast Products. We have to accept that that was a fantastic achievement, and they did invest a significant amount of money in the plant and in ensuring that we got the plant up and running. Unfortunately—this is where it gets hard—we do then have to be critical. Certainly in the latter stages, there was clearly something going seriously wrong within the company, and they were not talking to people who they perhaps should have been talking to; perhaps they were not making the situation known earlier, so that perhaps things could have been helped. Towards the end, I have to say that it was extremely difficult because they disappeared. They went back to Thailand and they would not answer calls, they would not answer emails and they would not come and meet the workforce, sit with us and tell us what was going on.

So I had a lot of respect for SSI when they took TCP over and put a lot of money, time and effort in. Towards the end, unfortunately, things spiralled out of control and they did not know how to deal with things, and they disappeared back to Thailand, which was unfortunate for us.

Gareth Stace: I represent the sector, so I cannot talk about individual companies, but I agree with what Roy is saying; listen to his account of what happened there. In terms of the speed of what happened, it suddenly happened very quickly. I brought a load of officials from the Department of Energy and Climate Change to the site only a couple of months before, and we were talking about the long-term-future issues for the site there. It was a difficult situation that I was not involved in as the sector association. I know that Government had a lot of involvement there and tried to work through the processes there. However, the Government took their decisions, and because I am not party to those decisions, I have to stand by them.

Q24 Craig Tracey: Looking at the future of the industry, then, and if we are to move forward, would you say that big infrastructure projects that the Government are putting in place and are committed to—I think Tata provided 40,000 tons of steel for the aircraft carriers—are going to be the future of the industry? Do we need to look at more specialised industry, or does the model carry on working as it is?

Tor Farquhar: In the global industry, it is very clear that niche, high-value products and differentiation strategies are probably the central feature of a successful steel future for the UK in the global market. That does not preclude there being a good domestic market for construction, etc, with the domestic industry supplying locally. The construction market is essentially regional or national, so there is a combination there. I would say that I think the future can be secure, but it is about differentiation, high-value products, innovation, new product development and research. All of those are areas where the European steel industry excels.

As a company, we have launched over 30 new products each year for the last three years. It is important for other areas, such as aerospace and automotive, that we have a steel industry that is pushing the boundary technologically to support those industries, to support developments of electric cars and light-weighting in vehicles, and all of those other areas. In those areas, Europe excels.

Q25 Craig Tracey: Do you feel, then, that the industry is in the right place to do that currently? Is it keeping up with the advancements, or is more needed to be done?

Tor Farquhar: I think we are here today because there are some very basic issues that need to be addressed about fair competition. That weakness, which affects the whole industry in the UK particularly and in Europe, undermines that potentially valuable future. I am painting a picture of a strong future for the steel industry, but only in the circumstances where we address immediately some of the basic issues that are challenging us today.

Luis Sanz: In some of the cases, we have in mind that the steel industry is an old industry; it does not take care of the environment, for example. Some of the players in the UK steel industry have actually done their homework, and I am going to put Celsa as an example. We have invested £300 million, during the last 10 years—and the majority was during the first five years—just to build a state-of-the-art electrical furnace, which is the biggest investment that you can do in this business. We invested in a new rolling line, and we invested in distribution. All of these three investments are long-term investments, which have not happened in other countries, so we are ahead of them.

Today Celsa has one of the most efficient electrical furnaces in Europe, according to Eurofer, which is the association of steel producers. With this in mind, we cannot compete with some of the imports, because although we recycle—we are one of the biggest recyclers in the UK, and we recycle more than 1.2 million tons of scrap and convert it into steel—in a market where the scrap arising is around 10 million tons a year, we only use domestically 25% of it. So we are exporting 75% of the scrap to be recycled elsewhere.

Here we have our recycling company that is converting the scrap into steel. We have low CO₂ emissions—according to Eurofer we are a benchmark—and we cannot compete for the basic reasons that Tor was saying, which is that we do not have this level playing field. So in terms of the future, I really think that, obviously, we have to do innovation, but innovation in product, as we have been doing, and innovation in process, as we have been doing. In front of you, really, you have an industry that has had the leadership of this, and we are promoting some quality products that you cannot find in other places around Europe, and despite this we are still struggling.

So we need to do an analysis of what is really going on in the short term, because 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. I would like to give you these numbers just to think about the size of the problem and where the problem is coming from. 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 into Ireland. The rest of the countries have taken nil.

Q26 Craig Tracey: Would you say, then, that the introduction of a British steel standard, which I think the Government are looking at, would be a welcome point for your company?

Luis Sanz: We already have standards for quality. The Government should promote a full, co-ordinated and holistic approach with a supply chain, and it has to be based on the pillars of sustainability, economically, socially and environmentally. These are the three pillars that we need to look at. We need to deliver the value. It is not just the purchase price; it is the value that we deliver.

Craig Tracey: I think the Government did some work around that, with the procurement, did they not? Again, that should help on that.

Q27 Chair: May I just challenge the industry on this, following on from what Craig said. You will have seen an article in the *Financial Times* yesterday about the steel industry, and there was an interesting quote from somebody from a major car company saying, “We buy our steel abroad. We used to source in the UK, but they stopped making the steel we were buying.” How are you innovating and making sure that you are close to domestic customers, and are Government doing enough to help you align with the supply chain in a strategic manner?

Tor Farquhar: I read the article, and I think that in automotive supply there will always be a deliberate choice to try to have more than one supplier, because of the dependence that you have for just-in-time delivery, etc, and for production interruptions. In terms of the steel industry in the UK, given the scale of the industry that is now in the UK, that means that the alternative supplier will often be overseas, so there is a structural issue there that will probably always be the case. Clearly a vibrant steel industry in the UK with more competition would be good for all of us.

The other piece on that is to say that clearly we brought new products into the market. We continue to seek to accelerate the pace of new products and to meet the demands of our customers—particularly our automotive customers, who are part of our focus in the UK. To invest, we need to have the best possible situation in which to justify investments, and, as we have said, we are certainly challenged, particularly in the UK. The currency does not help us. I would say that Nissan in Sunderland, for example, have an extremely high share of production depending on British steel. I think the Juke, which is one of their most modern vehicles, has approximately a 75% share of our steel in it, so that article was not fully correct.

Q28 Richard Fuller: Mr Rickhuss, I think that there is nobody on this Committee or in Parliament who does not have empathy with the people affected by this crisis in your communities and who would not believe that the union should be playing a full and active role in the response, so I do hope that your information is incorrect and you will have been thought of.

I would like, if I may, to say that there is also a separation of sentiment between the communities and people affected and the industry itself. I hope you will forgive me if I direct a couple of questions at Mr Stace on that. Mr Stace, as director of UK Steel your organisation plays a key role in promoting the ambition of the steel industry. Clearly you have failed in the ambitions of the steel industry. You have come today with quite a hefty list of demands. I wonder what you feel and what you would say to the employees in the companies in the steel industry that are affected, for your organisation’s failure, and what you would say to the taxpayers who you are now asking to help bail you out.

Gareth Stace: I would say to the employees that for each and every one of them where they find themselves is a tragedy for them and their families. They all have a living to

make, and they find themselves in a very difficult and tragic situation. That is not a situation that we, as employers in the sector, are solely responsible for. As I set out before, this is largely as a result of Government policy, which has increased costs to us, and the massive surge that we have seen in terms of Chinese exports. 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.

You talked about the taxpayer bailing us out. That is interesting. If we think about what we are asking for from the Government in terms of the five asks, some of which have a financial impact, with the energy ask what we are asking for is not Government to reduce energy costs for us, because we believe they may be too high. 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 doing now with the energy-intensive industries compensation package is correcting that past mistake. It is not a handout, and it is not a subsidy. It is just correcting an unlevel playing field that we find ourselves in at the moment.

In other countries, such as Germany, right at the beginning of the development of those policies industry went and presented the evidence, just like we did, and the German Government realised that if they loaded costs it would damage their sector, so they did not. Those German steel companies have never paid these costs. They were exempt right from the beginning. That is where we are. We are not asking for taxpayers to bail us out; we are just asking to be put on the level playing field that we have been telling Government for many years that we are not on as a result of their policies.

Luis Sanz: If I may talk about specifics, the message is clear that we are not asking for handouts. We are just asking for a level playing field. We know how to compete. We really want to compete. We know how to compete in tough situations, and we will succeed. However, we need this level playing field. If we take the forward pricing for September 2016, the Germans will be paying in a year €24 per megawatt hour, including taxes. Doing the same theoretical exercise for my company, with the same consumption, in the UK I will be paying €68. That is 2.8 times as much. Talking about a bailout or handout in this situation is not really appropriate.

Q29 Richard Fuller: I just think that UK Steel has failed the country, and I find surprising the complete absence of any humility about that—the fact that you are here; we are having an inquiry; the Government have a taskforce—and that nobody is prepared to say sorry for the distress they are putting their workers through, or to say to the taxpayers, “Thank you. Please, this is important.” Mr Sanz, on the issue, you seem to be the man who has the data, and that is very helpful. On this issue of the additional energy costs that are charged in the UK versus Germany, what proportion of your cost of goods would this change represent? Because you face substantial changes in the industry, so presumably the change in this energy cost is millions. What percentage of costs would that be?

Luis Sanz: Let me give you an example. So the difference in cost between this theoretic cost that they would have in Germany, and the one in the UK, will equate in a year to £25 million.

Q30 Richard Fuller: That is not the question I am asking. What is the proportion of your cost of goods that is represented by this particular initiative?

Luis Sanz: 10%.

Q31 Richard Fuller: 10% of your costs. You think across the steel industry this one change will reduce the cost of goods in the UK steel industry by 10%?

Luis Sanz: If I understand properly the question, energy costs, for us, in the total cost base that we have, are 10%. If you take into account that the raw material is globally traded, and it is the same for all the competitors, which is 2/3 of the costs—

Q32 Richard Fuller: Sorry to interrupt; I want to be very precise here. I thought that the change that you were asking for was the change in the additional cost on top of energy, so that the UK's extra taxes on energy is the same as it is in Germany. I am asking what that change in fees—these additional charges—represents as the total amount of your total costs. Presumably it has to be significant, otherwise it would not be in your plan, because you are facing this deluge of steel from China. Please do not tell me that it is only 2% of your cost of goods.

Luis Sanz: If you look at the margins that we have, we need to take this seriously. I was saying £25 million, and I lost in my company £15 million last year. £25 million or £15 million is really significant.

Q33 Richard Fuller: Okay, so it is a significant proportion of your overall costs.

Luis Sanz: Indeed.

Q34 Richard Fuller: Is that true across the industry, Mr Stace?

Gareth Stace: Yes, it is broadly true across the industry. We need to remember, as Luis mentioned, that steel is traded globally and the price is set globally, so any costs that we face and our competitors do not face puts a significant disadvantage on us in terms of our ability to compete globally.

Q35 Richard Fuller: I am sorry to press this, Chairman—and perhaps we can clarify afterwards—but you are making a very good point about China and dumping and the speed of response. The Chairman has raised some concerns we all have about the speed of response on that particular issue. You then have five issues that you have highlighted. It just seems to me that the incremental change in the energy costs, in terms of the impact on your cost structure and your ability to compete, is not going to be a significant part of a change. Therefore, I am wondering why you have highlighted it so significantly, but I might be wrong.

Tor Farquhar: There is not a silver bullet: one solution that solves everything. This is not a piece where the companies have nothing to do and the Government have everything to

do. Let us be upfront about that. We seek fair competition. What Luis is pointing out is that the margins are very small, so any disadvantage is magnified. Therefore these five issues become hugely significant. Clearly the most significant is about fair trade; that is the most significant. However, the energy costs are a significant part, and the disadvantage is substantial. Therefore, in a low margin business it becomes a significant issue for us.

They are important, but we do accept that as an industry we have our own challenges, which we must take and we are fully up for. The trade unions and ourselves are fully at one in terms of having a competitive industry in the UK and doing our share of work.

Roy Rickhuss: Can I come in? I know that you wanted to direct the question at industry, but I actually think that the point to make is that governments and employers, to a degree, will come and go; what stays are the people and the communities that work in those industries. We see these plants as national assets, and what has not been touched on to any great degree about SSI, and I am yet to hear any clarification from any of the parties, is the question: what is going to happen to that site? There is a massive site in the middle of Redcar that somebody is going to have to pick up and deal with. Right from the start of the situation with SSI, we were trying to really get across to all parties the cost of the clean-up of that site. I do not know whether we were not believed or whether people had different views of what that cost would be, but a similar sized plant in Belgium was recently quoting £1 billion to clean that site up. I do not know—I am not the expert—who is responsible for that. SSI certainly are not going to pay for it, because they are not going to be here. Tata own some of the land. Tata have some interests around the port. Ultimately our fear will be what you have just said, sir: that the taxpayer will end up picking up that cost, as well as the cost of putting all of those people out of work.

Gareth Stace: Mr Fuller, I just wanted to pick something up, because you are focusing on the energy bit. Those five asks are all asks that Government have the ability to act upon in the short term. As Tor says, there are other issues that face our sector. We did not put in the five asks the exchange rate and the strong pound, because we know that Government cannot act upon that. We are not saying that it is just the energy problem; we are saying that that is one of a number of issues that creates the perfect storm that we find ourselves in. What we wanted to be, as UK Steel, as a sector, was realistic in terms of what we are asking Government to do for help to put us on that level playing field, not saying that energy was the sole thing, and if it was not to do with that we would all be fine, and it is just energy. It is one of the things, and it is quite a significant thing that Government can help us with.

Q36 Jo Stevens: Gareth, I have question for you. It is on energy. We have heard a lot about urgency, right across the panel, and you told us earlier that an application for energy cost compensation had been submitted right at the start of 2015. Did the Secretary of State at the steel summit explain why that application has not been pursued until now, when we are approaching the end of 2015?

Gareth Stace: There were others at the steel summit. I do not remember an explanation of why it has taken so long and what the problems were that meant it has taken so long. What I remember was the Secretary of State committing to take action and to do something different to what has already been proposed, i.e. to bring forward that

compensation from April 2016 to the day that we get state-aid approval. That was the one thing that I took from it, but others at the summit might see that there was an explanation of that. I was trying to look forward and think, “We are where we are”, but it is very disappointing that it took to this point for that action to be taken, when it is, as I said, a simple application. It is one of many that the UK has put in. Why was it not at the top of that list from day one?

Jo Stevens: I do not know if anyone else on the panel can help me with that. Thank you.

Q37 Peter Kyle: I should declare that I am a member of Community. The thing that fascinates me about the discussion as it is unfolding now is that at some point there was a moment when a challenge turned into a crisis. I am not quite sure where that moment was, and what was the trigger for it to become a crisis. Mr Stace, you have provided us with a perfect analogy for this—a very colourful one about a patient being on a table and bleeding. When was the wound inflicted?

Gareth Stace: Many, many years ago. I have been in the sector only eight years, and we were highlighting broadly the issues that we are talking about today eight years ago. That is why I said that many governments have continued, I believe, to make the mistakes that we have seen. In terms of change and when we have been using the word “crisis”, in my mind that has only been since August or September onwards. We have seen a massive shift in where we are at from then to now.

Q38 Peter Kyle: You have been speaking with clarity and predicting these events happening, and yet nobody was listening. You were saying that steelworks were going to close unless action was taken.

Gareth Stace: We talked about the impact and we quantified the impact on the sector of various policies that came in, whether that is the carbon price floor, paying for renewables, business rates, etc. We quantified that and presented the evidence. I know that when the last administration talked about bringing in the carbon price floor, from day one when we heard about this we were able to go and say, “This is how it will impact on us. This is the damage it is going to do.” We need to remember that the energy-intensive industries compensation package has been with us for a number of years now. The problem is that it is not fully delivered and, as I said before, we are paying 70% of those costs. The Government are saying, “We have this in place and it is working”. It is not. It is not fully delivered. The problem that we also face—

Q39 Peter Kyle: Do you believe that Government, therefore, knew that the Teesside operation was in terminal decline, with the speed that it was in decline, at some point since the summer of this year?

Gareth Stace: You would need to ask the Minister that. I am sure that they were aware of the difficulty that we as a whole sector have been in, because we have been telling them that and presenting the evidence of that. We are not being emotive. We are not banging our fists on the table saying, “It is a crisis. It is a crisis,” year after year. We have been very measured about how we have presented the evidence and the data.

Q40 Peter Kyle: Were people on the panel consulted actively by the Government in recent months about the future of steel—the future demand of steel and the future prospects of the steel industry?

Tor Farquhar: There was a foundation industries report that we were partially responsible for sponsoring, which is a few months old by now, I would guess. That was to draw attention to the foundation industries and their importance to the manufacturing sector. That has had traction. It is quite clear, over the last several governments, that there is a growing awareness of manufacturing and the importance of manufacturing to the UK economy. Down to 11%; that is too low, I think everyone agrees. The question is: what is to be done about it, and is there a long-term strategy that is having a quantifiable effect? That has been harder to see.

Q41 Peter Kyle: I just want to put the same question over to Mr Rickhuss. Do you have the sense that the Government were consulting about the future of the industry and the potential for domestic supply in the context of the crisis that was emerging?

Roy Rickhuss: Not if I am honest, no—not to the extent that you are referring. The first dealings that we started to have with BIS and BIS officials was around the time that Tata Steel announced that they wanted to divest themselves of their long products portfolio, and they were looking to sell the business to Gary Klesch—the Klesch Group. At that point we had real concerns about that decision, and we voiced those concerns at the highest level, to the chairman, Cyrus Mistry, himself. We actually opposed the sale of long products to Klesch.

Those were the first dealings as a union where we started to engage with Government, and since then we have had regular contact with BIS and we have found BIS to be very receptive in terms of discussions with the trade unions. Some of the officials have been very helpful in that regard.

Q42 Craig Tracey: I have just a very quick point to clear up. In your initial remarks, Mr Stace, you mentioned your five key points were in order of importance, starting with energy. Mr Farquhar then said that the number one priority was unfair trade. Would you say that you have a conflicting opinion between your members and UK Steel?

Gareth Stace: Sorry, no. Perhaps I should not have even put them in a ranking. I think that the trade one, with what we have seen with the massive surge, may be the biggest. The thing is that the Government can tomorrow do something about the energy, so that is why I put that first. I think energy, trade and then business rates after that is probably the right order.

Chair: Gentlemen, thank you very much for your time. We really appreciate it. Thank you again.

Examination of Witnesses

Witnesses: **Tom Blenkinsop MP**, Chair, APPG on Steel and Metal Related Industries, and **Nia Griffith MP**, Secretary, APPG on Steel and Metal Related Industries, gave evidence.

Q43 Chair: Tom and Nia, thank you for giving evidence to us. I do not think that you really need any introduction, but for the purpose of the record could you just say who you are and why you are here?

Tom Blenkinsop: My name is Tom Blenkinsop. I am the MP for Middlesbrough South and East Cleveland, and I am also the chair of the all-party steel and metals group.

Nia Griffith: I am Nia Griffiths, MP for Llanelli, and I am the secretary of the all-party steel and metals group.

Q44 Chair: I will begin, if I can, colleagues, by asking the same question that I asked the unions and the industry. How grave is the situation affecting the British steel industry, Tom?

Tom Blenkinsop: You heard it from industry earlier: it is in one of the gravest situations it has ever been. I would even argue that it is unprecedented, given the emergence of the Chinese dumping in the European and, in particular, UK markets. The evidence of that is nowhere starker than what we have recently seen at Redcar SSI TCP plant, with Caparo, and also in Scunthorpe, and Dalzell and Clydebridge, which is part of the long products division. They are all sites I know quite well, and I have never seen it, across different companies at the same time, on the scale that it has occurred. For the Committee's benefit, in my previous life, prior to being an MP, I was a trade union officer for Community union, in the steel industry primarily, and I have never seen it like this, and that is comparing it to 2008, during the financial crash.

Q45 Chair: Nia, what is your assessment of the situation?

Nia Griffith: The real tragedy about the situation is that we have been warning about it for a very long time. Tom has outlined the problems that we have at the moment. It is not just the long products; the shudders are being felt right through the industry. 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. Yet four years later, we still have not seen the full implementation of that, in spite of having had 10 debates on steel, having had 91 parliamentary questions put down, six questions raised in business questions, four urgent questions and a flurry of letters to the Chancellor, particularly at Spending Review and Budget time, to try to urge the Chancellor to do something about implementing the package.

Q46 Chair: Given the gravity of the situation—the unrepresented gravity, I would suggest that you have said, Tom—and given the global forces at play here, are the UK Government doing enough to help mitigate the situation and put the steel industry on a sustainable footing?

Tom Blenkinsop: I do not think it has. We have been raising these issues since the Thamesteel crisis back in 2012, with the loss of site there. But this year, prior to the general election, when we were raising these issues, the Minister in situ, prior to the

present Minister, Anna Soubry, did not even turn up to debates that we put down in Westminster Hall. We were fobbed off with Ed Vaizey, DCMS Minister, on the basis that his father wrote a book on steel. We could see these issues building up, and certainly at a local level, in relation to Redcar and the SSI plant; we were hearing rumours and getting stories about not just the local problems, but also seeing it play out at long products in relation to Scunthorpe, Dalzell and Clydebridge, Skinningrove. A vast swathe of the UK steel capacity was under real pressure. We were trying to highlight those issues, mainly around the five industrial asks that your previous panel raised.

Q47 Chair: Nia, what is your sense?

Nia Griffith: Back in March 2011, we had a specific debate in Westminster Hall on the carbon floor price and energy-intensive industries, and we repeatedly, along with the energy-intensive industries group, raised that issue. The fact was that the carbon floor price had been set in such a way that it was going to be very difficult for those energy-intensive industries, and we were therefore asking very specifically to have a package delivered. That is the package that has not been delivered. When you look at prices globally, you have to compare the competitive elements. We look at energy and we see that we are 30% or 40% more expensive than other producers, and we look at business rates, which are five times more expensive than producers face in other countries, and eventually our climate change levies will, by 2050, amount to 80% more than other countries are facing. Those are the competitive elements and why these issues are so crucial to encouraging and keeping the steel industry in the UK.

Q48 Chair: Nia, I specifically asked about the UK Government, but I am interested in your perspective as a Welsh MP. Do you think that the devolved administrations, and in particular the Welsh Government, are doing more to be able to assist their local steel industry than perhaps people in Whitehall are doing?

Nia Griffith: Certainly where they can. For example, on procurement the Welsh Government have signed up to the Charter for Sustainable British Steel, because it recognises that governments can make choices; they can choose to invest. If you remember, in the last Labour Government, after the crash in 2007, there was a real effort to stimulate industry through the car-scrappage scheme and then building of public buildings like schools. Well, that has continued in Wales, because that public investment, again, provides demand. There has been very low demand in the steel industry since 2007, and that demand is absolutely vital. The Welsh Government have tried to keep up that capital investment and is an example that the UK Government should follow.

Q49 Paul Blomfield: Specifically on that point, do you therefore find it surprising, in relation to UK sourcing, that, at this time, in the middle of the crisis facing the steel industry, the Government confirmed a deal for Hinkley Point that has specifically precluded UK companies from tendering for key components?

Nia Griffith: Yes, I certainly do, and it contrasts very strongly with the Swansea Tidal Lagoon project, where the investors, who are all private investors, are absolutely committed to having a UK supply chain and the Government do not have to pay anything until 2022, when the electricity comes on stream. There is a choice with procurement, and, although people will quote EU rules, there are ways of putting in clauses like social

benefit that mean you can favour local companies. Countries across the EU do this and buy their own.

Tom Blenkinsop: In relation to procurement, we did touch on this in the steel summit and the Government promised that they would be reviewing procurement regulations to try to improve this, but when you are seeing in the media coverage of contracts being dealt with in such a way, it raises concerns about promises made in steel summits as opposed to what is actually happening in terms of delivery. What we would like to see is follow-through on those promises.

Q50 Michelle Thomson: I was just wondering. In terms of the new Queensferry Crossing happening, in fact, in my constituency, what do you believe were the reasons why no UK or Scottish company bid to provide the steel for that?

Tom Blenkinsop: Initially, I believe the contract went to a Chinese company.

Q51 Michelle Thomson: What I am saying is that no UK or Scottish company bid. Therefore, what were the reasons for that?

Tom Blenkinsop: I will come to that. What we do know is that a component was being delivered by a certain company—I think it was Spanish—which then withdrew from the original contract that had been brought in, which I think was contracted to a Chinese firm. That was picked up by a company not too far from where I am from, called Cleveland Bridge, in Darlington. They picked up that component part of the contract and used the Dalzell site to provide the plate for the bridge contract. In many ways, it was eventually delivered by a UK site.

Q52 Michelle Thomson: So it was not a business-operating environment that stopped that. It was just a series of events, you are saying.

Tom Blenkinsop: All I know is what happened. A part of the contract collapsed and, in effect, a British company, Cleveland Bridge, stepped in and used the Dalzell site to provide the plate to fulfil that contract, so they did use British steel in the completion of that contract.

Michelle Thomson: Yes, albeit, as you say, still fairly limited.

Q53 Craig Tracey: Particularly on SSI, I just want to get your view on whether their business model of producing basic steel for slab for the Asian market was ever going to be realistically sustainable. Was it not just the unfortunate case, and I use their own accounts, that, since reopening in 2012, the plant made losses of over £600 million and had debts of over £1.5 billion? Was it not just simply a case that it was not a sustainable business model?

Tom Blenkinsop: I am assuming you are directing that to me. I know Redcar TCP very well. I was union officer there during the last mothballing. I was more than pleased to be part of the team that helped bring it back under SSI at the time, brilliantly led by Community union. SSI's situation, yes, faced local difficulties, and, if anything could go wrong internationally in terms of the market price, exchange rate, energy, Chinese dumping, it went wrong.

Admittedly, in the last 12 to 18 months, the company's decisions were poor, to say the least, and there were issues around employees' pensions, around employees who thought they were paying their student loan when money never arrived to the Student Loans Company. There was a myriad of different issues that I could go into, and those will be investigated. Some of those companies that were involved with SSI in terms of recruitment, I am certain, will be investigated, because it was not just SSI who were playing tricks in the last few months.

Having said that, though, Redcar TCP is the second most cost-efficient site in Europe. There is only Dunkirk that is more efficient. 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.

Q54 Craig Tracey: I do not think the industry agrees with you, because there were no credible offers for those, were there?

Tom Blenkinsop: No, there were. That is where you are certainly wrong, and there are people who are still interested.

Q55 Craig Tracey: Okay. My understanding was that there was no credible bid.

Tom Blenkinsop: No, there were definitely people interested in that site.

Q56 Craig Tracey: You mentioned that you did not feel the Government had done enough. Given the debts and the losses over the three or four years since the plant had been opened, what more should the Government have done?

Tom Blenkinsop: If you were to look across the UK steel sector per se, you would be very hard pushed to find a site that had turned a profit since May 2010. In fact, you could probably say that about most sites prior to then. There are very few sites that have turned a profit, to be perfectly honest, and that is a reflection of the market in which we are operating at the moment. We are calling not just for the five industrial asks but for industrial discipline, because we are at a point where the Government can deliver. What we need now is industry to hold on in there, and not to follow through with the bad news of SSI and make further cuts to their sites.

If you take Caparo, for example, there was certainly no indication to the workforce or the trade unions that they were going to make those announcements, whereas, for SSI, it was becoming acutely clear as time went on within that short period of time that something was very, very bad. With Tata, in a different respect, there was a far more manageable, far more sensible, far more progressive way in which it was dealt with. What we want to see is industry hang on in there, if the Government deliver those five asks.

Q57 Chair: Can I ask, in respect of the Redcar site and the industrial assets, Tom, are they salvageable at this stage?

Tom Blenkinsop: The plan that we were hoping would come forward was via the coke ovens. If you remember back in 2010, Kirby Adams, who was then the CEO of Corus, was trying to close the blast furnace and the steel-making end so he could operate Redcar

coke ovens and South Bank coke ovens as a business in and of themselves. On the day of liquidation, SSI actually tried to set themselves up as a new company, as Cleveland Coke Power Company. They knew that the coke ovens on site were a tenable business proposition. Those coke ovens, built in 1978, alongside the blast furnace, under the Callaghan Government, are some of the youngest and most efficient in the country. You do not build coke ovens willy-nilly. They cost somewhere between £500 million and £1 billion to build. They knew they could make that into a tenable business. That has gone now, completely.

Q58 Chair: Are any buyers on the table or sniffing around at all?

Tom Blenkinsop: We certainly know of interested parties in that site, and mainly because of the asset of the RBT wharf on site, because, as I said in the Commons, if you were to build a steel plant in England today, you would put it in Redcar, which has the deep-water access, which nowhere else on the east coast line of England has. It faces Europe. It has the knowhow, personnel and skills. It has the good trade union relations. Also, you still have assets there that you could retain and acquire from elsewhere to make it a proper integrated site. Whether that is round an oxygen furnace or round an arc furnace is where the interest lies.

Q59 Chair: Some people have suggested that we access moneys from the European Globalisation Adjustment Fund for Redcar, for Scunthorpe, for other parts of the steel industry affected. What are your views on that?

Tom Blenkinsop: That was an argument put forward by north-east MEPs to get at a £5 million globalisation fund, which would help the 2,200-plus contractors, who are never added to the figure, which is the unfortunate part of this—you are talking about between 3,000 and 4,000 people who worked on that site, as well as the downstream companies that are affected—to get money so they could get skills training. We were promised an £80 million package at the time, on the day of liquidation, with the confirmation that the vast majority of that money would be new money. To date, we have not seen any of it. We hear about a £3 million figure to help apprentices who started on that day of liquidation and were let go to get through, but the £5 million Globalisation Adjustment Fund would be able to be added to those other monies to help retraining, reskilling and starting new businesses for the men and women involved.

Q60 Richard Fuller: It is going to have to be a quick question, because of time, but it is a deep question. We heard that the change from China is the big factor that has created many of the problems. That is not going to go away; that is going to stay for a long period of time. Do you think it is right to focus on the other points in the five-point plan, to try to ensure the steel industry maintains or rebuilds its competitiveness; or do you think that the change in the industry globally has been so significant that it just, in your words, Tom, cannot hang on?

Tom Blenkinsop: That is a decision for the companies, to hang on. I think they can, but we need to act quickly. In terms of Chinese dumping, there is EU precedent where there is a 24% anti-dumping on wire rod imports from China, and that has been in place since 2009 and was recently renewed. We can extend that to other products being flown into the EU market. EU member states are doing that, and what happens is, when they have dealt

with Chinese dumping, it compounds the problem for the UK, because we are not taking any individual state action ourselves against those products. That would give us a running start regarding every other issue.

Q61 Richard Fuller: Let me rephrase it a different way, then. If the Government did all the things that are on the five-point plan we have heard other than the dumping work, then we might as well do nothing. The dumping issue is the issue and having action on that is the only thing that can provide the space for the industry here to rebuild. Is that right?

Tom Blenkinsop: I would reiterate that. Other EU states, with and without EU permission, have already acted.

Q62 Richard Fuller: You are talking about Italy, aren't you?

Tom Blenkinsop: No, I am talking about France, Germany, Spain and Italy.

Q63 Richard Fuller: On dumping?

Tom Blenkinsop: Yes.

Q64 Chair: Are you suggesting, Tom, that the UK Government are out on a limb, there is a concerted EU response to the dumping measures, and we are not part of it?

Tom Blenkinsop: I think it is a bit of both. The EU could pick up on other elements within the steel market, whether it be hot strip, slab, or whatever, but it is certainly evident that other member states within the EU are already acting on their own individual basis and are interpreting European law in the way that best suits their industry.

Chair: Colleagues, thank you very much. Tom and Nia, we really appreciate your time. Thank you.

Examination of Witnesses

Witnesses: **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, gave evidence.

Q65 Chair: Minister, thank you for sparing the time to talk to us on the Select Committee. We all know who you are, but could you introduce your official?

Anna Soubry: This is Stuart, who is the deputy director in my Department. He provides me with a considerable amount of advice and support, especially when it comes to the steel industry.

Q66 Chair: I am really grateful to you for the energy that you have provided in respect of the steel industry. It has been sadly lacking in recent years, if I may say so. Could

I ask how important the Government think the domestic steel industry is to the modern British economy?

Anna Soubry: The Prime Minister described it as a vital industry. I share his assessment of that. The people who were on the first panel, from the steel industry and indeed from Community, can perhaps confirm some of this. One of the first people I met, having been appointed on 12 May or whenever it was, was Gareth, because I had been told in no uncertain terms that there were grave problems in our steel industry, so that was back in May. I met him. Ernst & Young came in, because I said to my officials, as much as I respect and admire the impartial advice that they give to us, I wanted somebody with an overriding view of the future of the British steel industry and the huge challenges it faces.

So we sat and we had our meeting, and Gareth made very clear to me—and he is here, and I know he will confirm or deny—many of the asks that were being made by the steel industry. Obviously dumping was one of those things, and he made it very clear that they wanted us to take, frankly, action that has never been taken, as far as I understand, by any Government, on dumping, in particular towards steel. My officials gave me the advice that they give, which is, “Minister, we normally abstain on these matters.” I said, “Well, I think he makes a very good and compelling case, and, in my view, we should vote in favour of these anti-dumping measures.” That is what happened in July, I believe it was, and I think that is one of the first times.

That change in policy happened very quickly under the new Government and it has continued. We abstained in the last vote, which was on a particular type of steel; there is a very good reason for that. But, anyway, that is how seriously I take it, and I believe that is how seriously my Government take it as well.

Q67 Chair: Can I press you on this? What is your view of what *The Economist* said last week, when it said, “Britain’s steel industry is not strategically important”?

Anna Soubry: I do not agree with them on that. I do not believe my Prime Minister agrees with it, and my Secretary of State does not agree with that either. It is important.

Q68 Chair: So the Prime Minister thinks that the steel industry is strategically important.

Anna Soubry: Absolutely. 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 are agreed on that. When we were at the summit, which of course you were at, Mr Chairman, we talked about why that was. Defence is a really good example of the need to produce your own steel. I always put it in 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.

Q69 Chair: If it is a strategically important industry, why did it take a Backbench Business debate to get a steel summit in October, with industry, unions, parliamentarians, as well as you and the Secretary of State around the table?

Anna Soubry: To be honest with you, I am one of those people who appreciate and understand why we often have meetings and so forth, but, as anybody who knows the way I work in Government will know, I get a bit fed up. I am not saying the steel summit was a talking shop, but what I do not want is when we can all sit round, have a good old chat about things and say everything is dreadful. I would much rather just get on and do stuff. I think that is exactly what we have been doing.

The steel summit was a very good idea, and I said that in my speech when we closed that debate, because it was needed at that time, after everything that had happened in Redcar and, truthfully, when we knew what was going to come down the track at Tata—and we did. We all knew that, when we were at that summit. We knew exactly what was coming the following week. We do not say these things publically, but let us be honest about it. We knew that we were at an absolute crisis point, and Redcar was that awful, awful moment when everything politically came together. It needed that awful moment at Redcar to concentrate all the political minds in Government to say, “We have been doing work, but now we have absolutely got to escalate it”, because we also knew that the other companies faced such huge problems.

Sorry, I should also say that, of course, I went to see Tata in Port Talbot. I went for a tour there and I went on a visit to Celsa, so I am very much aware of the brilliant equipment they have there and the fact that they use 40% of Cardiff’s electricity, just to give you an idea of the amount of electricity some of these steel companies use.

Q70 Chair: Minister, I really admire your refreshing attitude and I like the fact that you do not want meetings to discuss meetings, but you want to get on and do it. Can I ask about the working groups, which sound suspiciously like meetings to discuss meetings? Can you talk me through what is going on? What real progress—decisive, timely action—is taking place, say, on public procurement? How is that changing now, as opposed to the steel summit?

Anna Soubry: Take procurement. I was not at that meeting; that is chaired by Matt Hancock, so I rely on Gareth to give me a good independent assessment of it. I think he was impressed by the progress we have made, even from what happened at the steel summit, where we went through what Nia was talking about: the changes that the Government has made in procurement so you can take in economic and social value. Other work has been started some time ago, but that work will now be escalated, to see what else we can put into the scorecard.

Q71 Chair: What does “escalated” mean? Given that Gareth has said “two weeks to save the steel industry”, what are we doing in order to make sure of that?

Anna Soubry: Let me tell you a really good idea. You might have something where you say to an official—no disrespect to you, Stuart and all the others—“Can we report back on this next week? Can you give me an answer by the end of the day?” That is the way you escalate. Truthfully, and no disrespect to anybody, a lot of people here have not been in Government. That is quite an achievement, and no disrespect to civil servants. People in Government often do not work that way, unfortunately. They are used to a strict way: “We will come back in a week’s time.” So it is not; it is actually by the end of the day.

Q72 Chair: I asked you at the steel summit this direct question, which is: public procurement is important, but alignment of industrial supply chains is key too.

Anna Soubry: True.

Chair: Have things like the Automotive Council, the Aerospace Growth Partnership, and the Offshore Wind Industry Council been put in place to make sure that all the stuff that needs to be put in place for steel and the supply chain is happening now?

Anna Soubry: This is the different way of working. The day after the steel summit, I spoke to Andrea Leadsom. She and I spoke on by mobile phone on a Saturday to talk specifically, for example, about offshore wind. I do not want to go into all the details of it, because some of these things are commercially sensitive, but we want to know why more of the blades and more of the masts are not made using British steel. That is a piece of work that was immediately set in progress on the Monday, when I sent an email on the Saturday. These are the things that we are looking at.

On the supply chain, you are absolutely right. We know 97% of Crossrail has used British products, so we want to make sure that we replicate that in the other great pieces of infrastructure that we do. Bringing the supply chains together is absolutely critical.

Q73 Chair: We heard from the first panel that the trade unions have not been invited to the working groups. Why is that?

Anna Soubry: There are no conspiracy theories on this. I chair one of them, and, at the moment, I have kept it—and it drives them mad—to a very tight group of officials so we could start it up and say, “Right, you go and look at safeguarding. Can we do that? What are the rules on that? You go away and look at working with other European Union states to see how we can do this and we can do that.” That was the first thing, certainly, on mine, and that is my understanding of the others: immediately getting on. The idea that I would exclude communities or anybody else is nonsensical, if they have a role to play.

Truthfully, I hope these working groups stop working in about two or three weeks’ time, because the work will be complete. I thought, actually, Luis was coming from Celsa, but I may be wrong. All the companies are coming tomorrow to the group specifically to talk about dumping, because I specifically want the evidence to put now to the EU.

Q74 Peter Kyle: Thank you, Minister, for coming today. I appreciate both of you being here. Minister, you are on record as saying that you wish you had known nine months ago what you know now, so that you could have acted back then.

Anna Soubry: On SSI.

Peter Kyle: Indeed. What is it you could have done nine months ago that you could not have done in the last month?

Anna Soubry: SSI is what I was referring to. Tom touched on the situation with SSI. I think he is being generous, and Roy is probably being generous as well, but it was a nightmare. You have heard the stories about the fact that the employers’ liability insurance had not been paid. We found out about that at 4.20 on a Friday afternoon. I had a telephone call at 9.00 at night with the insurance provider, almost begging them to

extend the cover until Monday. These guys worked like lunatics, literally scrabbling around getting bits of money together. That is how bad it was.

Q75 Peter Kyle: What you are describing is a reactive approach to this.

Anna Soubry: No, it was not.

Peter Kyle: When you found out, you reacted, but you were not proactively finding out the state of the steel industry and reacting in time. Perhaps it was not the fault that you had to wait nine months before acting. You were not acting nine months ago.

Anna Soubry: Nine months ago, we knew that there were difficulties and huge losses in the steel industry; that is a matter of public record. Nine months ago, we knew that SSI was losing hundreds of millions of pounds a year. What we did not know was the scale of them not paying their bills. What we did not know was the scale of their debts. That is the point I make about the examples I give about SSI: nobody knew the full extent.

Let me be absolutely clear. On Thursday, 1 October, as it would have been, so the day before it went into liquidation, do you know how people knew that the entire company had gone into, effectively, administration? A tweet was sent out, which we happened to get, because we are on social media, in my bedroom in Redcar, to say, "Look at the website."

Q76 Peter Kyle: You are not describing a Minister or a Government Department that is in the driving seat here. You are describing one that is reacting.

Anna Soubry: No.

Peter Kyle: Let me phrase it a different way, then. Gareth Stace said that what needs to happen is the correction of past policy errors. As he was describing the past policy errors that needed correcting, I saw you, being a very expressive person, nodding away profusely in the background.

Anna Soubry: Absolutely.

Peter Kyle: What have you precisely done since becoming a Minister to correct past policy errors?

Anna Soubry: I think one of the biggest ones is dumping. Well, it is; there is no debate about it. It has never been done before. In fact, when the UK representative voted in favour of protectionist measures, I am told that they went back to them; they were so surprised at the agreement to it, because it had never been done before. That is a really important change by Government.

In relation to energy, I have had numerous conversations with the Secretary of State about it. All I can say is this. There have been a number of conversations and exchanges about looking at our energy prices, exactly to address the very real concerns that Gareth and his colleagues have, which are right. Let me make it very clear. I will tell you what I think. I do not like a system that takes away from people and then hands back. I just wish we were not doing this to our energy-intensive industries in the first place.

Q77 Peter Kyle: You have drifted away from the question, so I am going to interrupt you.

Anna Soubry: Sorry.

Peter Kyle: The question was about specifically what actions you had taken. We know that you do not like conversations and meetings; you like action, but it is interesting that you came back and started talking about conversations you have had.

Anna Soubry: You cannot change Government energy policy overnight. Can I just explain something? 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.

Q78 Peter Kyle: In terms of the marketplace, the situation that unfolded at Redcar, in the process of which you are an active participant, happened within the context of a market for steel, which we have been discussing here, and the future of it. What discussions did you have, leading up to the closure in Redcar, about the future demand for steel domestically?

Anna Soubry: Domestically?

Peter Kyle: Yes. There are British steelworkers—

Anna Soubry: Sorry, SSI produces steel for Thailand. That was the whole point.

Q79 Peter Kyle: Yes, but, in terms of the domestic market here, did you look for how the domestic market could be a solution to the challenge of a British manufacturing plant?

Anna Soubry: Peter, the situation at SSI, truthfully, was dreadful. It was losing hundreds of millions of pounds. It had never turned a profit and the price of slab had almost halved. There was a real desire: “God, how can we try and save this place?”, because the huge significance it has is not lost on anybody. We know now 800, we think, in the supply chain alone have lost their jobs. If there was any way that anybody could have even kept the flame burning, which was what had happened last time but in very different circumstances, because Tata did the mothballing, it would have been done, but the harsh, horrible reality was that it had lost hundreds of millions of pounds, with slab falling and consumption, unfortunately, not being where it needed to be.

Chair: Minister, I am going to have to move on, because an awful lot of people want to ask you questions.

Q80 Paul Blomfield: On the question of local sourcing, you said it was absolutely critical that we seek to use UK steel in major infrastructure projects. Are you concerned, then, that there is a lack of joined-up thinking in Government, when the Government has signed off a Hinkley Point project that specifically precludes UK companies from even tendering?

Anna Soubry: That is the first I have heard of that.

Paul Blomfield: Well, let me illuminate that, then.

Anna Soubry: I am taking it that that is true. I mean, I do not know, so it had better be true. Well, I hope it is not.

Chair: Let us listen to Paul, then.

Q81 Paul Blomfield: There was a conference at the Advanced Manufacturing Research Centre in Sheffield about getting ready for nuclear in summer 2014, at which representatives of EDF and Areva were present. There were questions from Sheffield companies about the opportunities to bid for the large forged steel elements, which form the major part of the pressure vessels. They were told by representatives of Areva and EDF that there would not be an opportunity to bid for those. Indeed, as part of the justification, they said that some of the rationale for EDF acquiring that part of Nuclear Electric was to provide work for underutilised French manufacturing assets.

Anna Soubry: I cannot comment on things of which I have no knowledge. It is all hearsay. What I can absolutely say is that we will make further inquiry and we will write to the Committee. These are very, very serious allegations, and forgive me but I do not know the truth of it.

Q82 Paul Blomfield: But you will undertake to investigate them.

Anna Soubry: Of course I will. They are very serious allegations, so they had better be accurate.

Q83 Paul Blomfield: If they are substantiated, as I am sure they will be, will you intervene with colleagues in Government to review future procurement policy in relation to the unfolding nuclear contracts?

Anna Soubry: We have done all that already. As I explained and others have explained, on the procurement side of things, we have already introduced, way before any other EU countries, a different way of doing procurement, putting in the social benefit, and we seek to extend it even more, to the advantage of not just British-made steel but, indeed, all British-made products.

Q84 Chris White: Minister, I have been very impressed with what you have said so far, seeing you lead from the front and pick up these issues. As to the idea of you and Andrea Leadsom having conversations and thinking about what else British steel can be making, if it was not for your picking up some of the pieces now, we could potentially have similar problems in other industries. Is it as good as you are? Is your Department sufficiently resourced? You had to bring in Ernst & Young to give you advice.

Anna Soubry: The reason I brought in Ernst & Young was not because of any criticism of any officials. I just wanted to bring in somebody completely detached from all of it, so be very, very clear about that. Often we hire people and ask them to go and look at businesses, to give them a completely independent look. I do not want it thought that this is any reflection on my Department.

Q85 Chris White: I take your answer on board, but do you still think, when you are discussing what we should do about British steel, what we should be making from British steel, it is only as good as you are? Is your Department not sufficiently resourced to be working out these things and telling you, rather than you asking these questions?

Anna Soubry: No. Let me be absolutely clear. The standard and level of advice that I have received from people like Stuart and all that team is outstanding, and I mean that. Their depth and level of knowledge is absolutely outstanding. The other thing that I really appreciate, as much as their huge depth of knowledge and the respect that they have for the industries, is their honesty. They give good, honest advice. Forgive me, I have worked in three Government Departments; I am probably now in trouble with the other two. These guys are excellent.

Q86 Chris White: Absolutely, and I will take that on board as well. When I walked into this Select Committee earlier, the first response I heard was that the warning signs had been there for a while, something in the region of eight years. Do you think something should have been done sooner?

Anna Soubry: Oh, of course. Isn't it brilliant, the benefit of hindsight, when you look back on things? Look, the reality and truth is that there are people sitting in this room—just look at SSI—who knew how bad things were. That is the truth of it: they knew how bad things were and they battled on. The reason they battled on was because they wanted to save SSI and everybody was fearful that, if they went public—you might remember, if you look back at any of the debates and the media stuff, I said, “I am not going to talk this company down. I am going to talk this company up”—creditors would go.

We are talking about a council that is owed over £7 million in rates. I think Northumbrian Water is still owed £8 million. We are talking about some very serious creditors and we are talking about some very brilliant people locally who were owed a lot of money and did not do anything. There are people who have not been paid and probably will never be paid in the supply chain, because they kept schtum, they kept on working and, in the end, they lost their jobs.

Q87 Chair: I just want to narrow something down quickly. Up to £80 million will be available for help. Could you break that down for us in terms of what that means? How much will be on retraining?

Anna Soubry: Absolutely. Hang on, just wait one minute. I have some of the figures in front of me, because I had a meeting today with key people in the taskforce who have come to London. First of all, as you know, there is a redundancy payment of £20 million to £30 million, as part of the £80 million. That leaves somewhere between £50 million and £60 million. At the moment they put in five bids for what they want. There is an apprenticeship package. They found a place for every single one of the 50 apprentices. Now we need to get the funding sorted out. We have given them the first tranche of the two-year package on the flexible training support fund. There is a £1.1 million safety net fund, which is currently operated by the council, which I hope we can sign off today to get that money in place. It is for emergencies: people in debt, people in crisis.

Then there are two other big funds that they have asked for, in the region of about £16 million. There is the “Let’s Go” and the jobs incentive fund. They are extensions of current RGF-type projects. They are not yet at the place where we could sign off by Friday, which is what, truthfully, I would like, but I think, by Friday, everybody will know the place they have got to and where they need to get to to get a sign-off within the next couple of weeks.

Q88 Chair: Can I press you on that? When will money be in the North-East, on the ground?

Anna Soubry: They had, yesterday, just over £2 million to get those first two things off. I want the £1.1 million to be signed off today. It will take ministerial direction, by the way. All these take ministerial direction, and that is what Sajid and Greg Clark have already done. The other two will not need ministerial direction. That will come together, and I would anticipate that that will be done, if not next week, the week after. That is a total of about £33 million, and that is money going in.

The next thing that I insisted on is that, instead of them having to come to us, cap in hand almost—and I have made sure that Amanda Skelton has four people that she can immediately have to help and support her, because she is doing two jobs at once—we put the money down with them. These people know what they are doing, and so, instead of them having to come to us with bids, frankly, we trust them to get on and do it.

Q89 Chair: And that money will be available to any former SSI worker. I am going to speak as a pure constituency MP. It is not just for the Borough of Redcar and Cleveland; people from Hartlepool will get that as well.

Anna Soubry: Yes, that is right. One of the things that we were a bit concerned of is that £3 million has already gone to the FE colleges, but only in the Redcar area, which is great for them, but, as you identify, a lot of people working at SSI and in the supply chain do not actually live in Redcar. If you are in Hartlepool and you want to go to a more local college, that is what the flexible training support fund is for. I cannot remember what it is, but they have well over £1 million already. That is a two-year funding stream for them.

Q90 Chair: If you could just provide to the Committee that breakdown of the £80 million, as you have just articulated, that would be very helpful.

Anna Soubry: Yes. We do not have the final figures yet.

Q91 Richard Fuller: Minister, you have described the steel industry as strategic, which seems to be a magic condition that industries get into when they get into trouble, so I would like to ask you some quick-fire questions to judge how far you have drunk the interventionist Kool-Aid on this. Do you believe, when we look at the purchase of steel for our infrastructure products in the future, we should prefer British steel over imported steel even if it is of below their quality or it is overpriced?

Anna Soubry: If it were ever to be below quality, but I would struggle to believe that British steel could ever be below the quality of anybody else’s.

Q92 Richard Fuller: So you are saying we should not, if it is not of the same quality.

Anna Soubry: I do not believe it would be below quality, so that is academic.

Q93 Richard Fuller: What about price?

Anna Soubry: No. Frankly, buy British. You get what you pay for.

Q94 Richard Fuller: So you are paying more because it is British.

Anna Soubry: Because it is quality.

Q95 Richard Fuller: Okay, I will try to make that out. Let us ask you the next question. I think, quite rightly, everyone here would applaud the £80 million that you have put in to help employees in that sector.

Anna Soubry: That is just in Redcar.

Richard Fuller: Exactly. Do you think, though, that the industry seems to be asking Government and taxpayers for money as well, despite their denials earlier? Do you think the Government should be giving money to the steel industry to support it, separate from the money it is giving to support employees?

Anna Soubry: No, because they do not ask for that. They 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.

Q96 Richard Fuller: Just so I can clarify your earlier comment, you said, if we make any changes in the energy situation for the steel industry, then the consumers will be paying for that.

Anna Soubry: No, it is not paying for it. It is just, instead of the burden falling on EIIs, the burden would be spread, like they do in Germany, across all consumers, and, at the moment, they are part of it. They are not getting subsidy from the taxpayer; we are just recognising that these people use extraordinary amounts of energy, but, in return, they provide a superb manufacturing base, which no country should ever want to get rid of.

Q97 Richard Fuller: Onto the third question, you have a responsibility, Minister, in saying it is a strategic industry, to outline whether the steps that you can take—the four things they ask in the plan, plus the measures on the anti-dumping—will be sufficient to protect the industry from this fundamental change in global forces.

Anna Soubry: Not necessarily.

Q98 Richard Fuller: If you cannot make sufficient changes to enable the industry to survive the change in global forces, why are you taking these steps?

Anna Soubry: The case that Gareth and his colleagues make, all of them, is that, at the moment, they cannot fight fairly, because they have one hand, arguably both, strapped behind their back. All they ask for is a level playing field, and I think they are absolutely right. It is not the job of Government to begin to tie business up. The job of Government

is to create the framework, let them get on, and that is all these guys ask for. They are not asking special favours. They just want a level playing field, to compete with other countries in Europe and beyond, and I agree with them.

Richard Fuller: Thank you, Minister. I think I have the answer to my question about the Kool-Aid.

Q99 Michelle Thomson: Thank you for coming. We have heard today about the time it has taken to get to this point where the patient has become sick, is clearly failing and, indeed, may be requiring palliative care. I hear your sense of regret over being in that position, and also your sense of energy about trying to do something about it, but to what extent do you regret that successive UK governments have failed to implement a cohesive industrial strategy? If you do, is that something you will undertake to take up, going forward?

Anna Soubry: You could have had all the strategies in the world; it would not have made any difference. There is no magic bullet to this.

Q100 Michelle Thomson: With all due respect, they would not be very good strategies if they made no difference.

Anna Soubry: You can do all this: write a strategy, have a meeting. Actually, they have identified the areas of work where Government can be involved and has some responsibility, and they ask us to get on and give them a level playing field. Personally, I just do not get all het up about strategies. I would much rather get on, give these guys the level playing field that they ask for and they deserve so that they can compete on fair and equal terms with everybody else.

Q101 Chair: Is the metal sector strategy that you launched last week a waste of time?

Anna Soubry: No. Forgive me, Mr Chairman. If you look at the metal strategy, it is a series of asks, and many of those asks are reflected in five asks that Gareth and the rest of the industry make. I am not saying that I have a problem with strategies and all of that, but do not say it is the magic bullet. Do not say, "If we had a strategy, we would not be in this position." It is like, "If we did not have a committee, we would not be in this bad position."

Q102 Michelle Thomson: With all due respect, I am not saying that. What I am trying to draw out is a lack of focus, and we are talking specifically about steel today, but in industrial strategy. Manufacturing we know is an issue. It is roughly 10% of the UK's output. It is more that, and the balance between services and manufacturing and so on, that we oft talk of as being an issue. Can we see that changing so that other industries do not potentially enter palliative care, as has steel?

Anna Soubry: Every Government, whatever colour, always wants a good manufacturing base. Whether they achieve it is a different matter. I would say this of Mr Wright's Government when they were in power. They did not want to destroy it. Nobody goes out to destroy a manufacturing base. Whether or not you achieve the maintenance and growth of it is a different matter, but nobody sets out to destroy it.

Q103 Michelle Thomson: I am certainly not suggesting that, but I am pointing out that the lack of it clearly, given the timescales, is affecting—

Anna Soubry: Can I just say this? I think the last Government had a strategy, but it did not stop huge-scale redundancies in the steel industry and all the difficulties from occurring. I just do not want us to get hung up on strategies; that is all. Now, if you ask me whether we want to look at the way forward and whether we want to, as Gareth and I have talked about, do a report into the future of the steel industry, there is probably really good merit in that. Personally, do I want to see that metal strategy being firmed up and made a bit more meaty? I do not have a problem with that either. It was a great document, so it is a good starting point.

Q104 Craig Tracey: There is just one quick question from me. Given the stabilisation of the steel industry since 2010, with employment as well, after there had been 23 years of gradual decline, you alluded that you would like to see an end to this in two to three weeks. Do you think this current situation is short-term and potentially, in the scheme of things, just a blip, and there is a big future?

Anna Soubry: To me, my priority is securing Scunthorpe and making sure that Port Talbot is able to survive as well. We are already starting to do great things with the taskforce in Scunthorpe. I could bore you, genuinely, about some of the things that are already happening. Also, at Port Talbot, one thing that Community touched on is skills, for example, so we want to make sure that absolutely all the staff there are skilled in the right way. I want to look at the port and get that sorted out. I also want to look at land and making sure they are targeting the right place to maximise their asset.

Q105 Chair: On that basis, Minister, have Redcar and the industrial assets there, in your opinion, died a death? They are not coming back.

Anna Soubry: I am just being honest with you. I think, sadly, it is not going to come back, and that is dreadful. Of course it is. There is potential there, because you have a fantastic workforce: highly skilled, absolutely driven, some brilliant people, great unions, a fantastic council and I will even say some excellent MPs. It has every opportunity that some other things will come there that will be just as good as a very long, fine tradition of making steel.

Q106 Chair: What do you think of Lord Heseltine's comments at the weekend that said it is as good a time as any for steelworkers in Redcar and elsewhere to lose their jobs, because the economy is working well?

Anna Soubry: I do not think he actually said that.

Chair: I think he did.

Anna Soubry: Lord Heseltine always brings great experience to anything, and he could have a role to play in Redcar, to make sure that we get the inward investment, working on that with UKTI, for example, working with the taskforce, because they are doing a great job at the moment. Now we need to work with the LEP. There is a great guy there who is the chair, Paul Booth, doing an excellent job. Now we need to look at some of the stuff that we know about in national Government and make sure that Redcar absolutely is the

focal point for a regeneration that brings longevity of real skills and real industry back to it.

Q107 Chair: Do you agree with the Minister for the Northern Powerhouse's comments that the SSI closure is a distraction?

Anna Soubry: No. I do not think he even said that. I never comment on stuff when I am told that somebody has said it. I do not even know if James said that. I do not think it is very fair. It is a bit naughty of you, Mr Chairman.

Chair: We have not got time to go on at length, Minister, so I want quick-fire questions and answers.

Anna Soubry: Right, and I will try to keep it short.

Q108 Chair: During the Chinese state visit last week, did the Prime Minister achieve anything?

Anna Soubry: Yes.

Q109 Chair: What?

Anna Soubry: Well, he raised it with the Chinese.

Q110 Chair: Did they say, "Well, that is very kind, and we are just going to completely ignore your comments?"

Anna Soubry: I do not think they said, "That is very kind. We are going to ignore you." He raised it with the Chinese. He put it absolutely on the agenda. It was on the agenda in any event, thanks to the media.

Q111 Chair: Were there any discernible, tangible actions as a result of raising it with the Chinese?

Anna Soubry: I honestly do not know the answer to that. I suspect it is: we are raising it because we are onto it and we will not let it go. We will be a dog with a bone.

Q112 Chair: Could you find out from No. 10 and tell the Committee what actual tangible actions came out of the raising of the issue?

Anna Soubry: I do not think anything would, though, would it? You would expect he would raise it.

Q113 Chair: So what is the point? What on earth is the point of raising it when nothing happens?

Anna Soubry: Now, hang on, because everybody said, "Raise it", so that is exactly what the Prime Minister did. He raised it, and I can assure you it was the beginning of the conversation, because other Ministers also had meetings with other members of the Chinese delegation. It was absolutely the right thing to do. You cannot win, can you? But he raised it and he did the right thing, absolutely.

Q114 Chair: What is the Secretary of State going to come back from Brussels with in terms of victories tomorrow?

Anna Soubry: I think it is brilliant that he has gone over. It is not just about advancing the EII; it is also about working with other member states so we can look at what more we can do. Safeguarding, which is what we call the nuclear option, is certainly one of the options that we are at least considering.

Q115 Chair: What does victory look like tomorrow, when he comes back?

Anna Soubry: I cannot say off the top of my head, and I certainly cannot in 10 words.

Q116 Chair: Why not? You are the Steel Industry Minister.

Anna Soubry: When he comes back tomorrow, I am hoping that he will have been able to advance the excellent conversations that I already know he has had with a number of commissioners and a number of other member states, particularly about dumping, but also about EII.

Q117 Chair: It was made clear to us in previous panels that we seem to be out on a limb when it comes to the EU.

Anna Soubry: That is not true.

Q118 Chair: Why not? Can you demonstrate that we have a coherent European policy against Chinese dumping?

Anna Soubry: Let us get a couple of things absolutely straight. There have been conversations already with commissioners, which have been extremely positive. There have also been discussions. In fact, I am going to go and speak to another Minister in another country, because I am of the view that there are a number of us on the same page. Let me just put this in as a word of caution, as a Minister who believes the United Kingdom is better in the EU. Do not let us fall into the trap of anybody using this as a way of kicking the EU. The EU is the way that we can begin to solve it, especially on dumping, and we are working with our colleagues.

Q119 Chair: There is a division, but a final question. For a Minister that does not like conversations, it just seems that the British Government, Prime Minister downwards, are just having conversations, rather than actions. Why on earth is that happening?

Anna Soubry: No. I can assure you that we are not just having conversations. Stuff is being done and I very much look forward to the day when I return and talk to you about the positive stuff that we have done to try to retain and keep a steel industry in this country, because that is our absolute determination.

Chair: Minister, thank you very much for your time and for your conversation. We appreciate it. Thank you.

Anna Soubry: You are very naughty, Mr Wright.