HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: The steel industry in Wales, HC 767

Wednesday 10 February 2016

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Watch the meeting

Members present: David T C Davies (Chair); Byron Davies; Gerald Jones; Stephen Kinnock; Antoinette Sandbach; Liz Saville Roberts; Craig Williams; Mr Mark Williams.

Questions 1-103

Examination of Witnesses

Witnesses: **Stuart Wilkie**, Director of Strip Products UK, Tata Steel, and **Tim Morris**, Head of Public Affairs, Tata Steel Europe, gave evidence.

Chair: Good afternoon. Before I begin, could I ask any members of the Committee for relevant statements of interest? I will have to begin by saying that I am a British Steel pension holder.

Liz Saville Roberts: I will have to say that my daughter is working to a contract that is possibly conditional on what happens with redundancies in the steel industry.

Chair: Thank you very much indeed. Mr Morris and Mr Wilkie, thank you very much for coming in to give evidence today. Obviously, we appreciate these are difficult times for you. We have a set series of questions, but if you feel that there is some information that you want to give us that we are not picking up on, please feel free to enlighten us, because I certainly want us all to gain as much as possible from this session.

Q1 Craig Williams: Can I ask at the beginning whether you can explain the factors that led to the cutbacks at the Port Talbot site?

Stuart Wilkie: The situation was, as we started the last financial year, the business plan was to produce 4.7 million tonnes of steel, which was further growth on the Port Talbot and Llanwern sites. At that time, we were already seeing the impact of the exchange rate. The euro was moving and the pound was strengthening against the euro, which was making certainly exports for us quite difficult. However, we then started to see large amounts of provisionally Chinese but also Russian steel being imported, and the prices then started to drop very quickly. Against that, we were also aware that globally, because of the slowdown in the Chinese economy, Chinese steel was landing in other parts of the world. So, in this particular year, we planned to export 400,000 tonnes from Port Talbot and Llanwern to the USA. That was the plan. Because of the import of Chinese steel into the USA the Americans very quickly took trade action and by November that market was lost to us. Therefore, in August, we took the decision that we would mothball the Llanwern site, which took 1 million tonnes out of our overall plan, and as a consequence of that, we took out 250 jobs at that time, which were basically agency people, because Llanwern is a flex plant. We then also at the same time clearly throttled back on the steelmaking at Port Talbot, but it took to the turn of the year until we understood what that rationale would look like, what the market would look, and then we had to make the announcement in January about the reduction of 750 jobs within Strip UK, pro rata, broadly, in terms of numbers, with the steel making reduction that we had made.

Q2 Craig Williams: Given some of those factors, then, do you think that we could see further job losses both at Tata and other companies?

Stuart Wilkie: At this particular point in time, the announcement we made in January is on the basis that we are trying to restructure the business in the face of this overwhelming crisis and the perfect storm that we find ourselves in. As it stands just now, within our plan, the announcement we have made is exactly the number of job reductions we need and is that particular facet of our plan. However, clearly, I cannot give any guarantee on that because, as I say, the world is moving very quickly about us, hence the request that we have for Government help and so on.

Q3 Chair: Mr Wilkie, obviously there are factors that perhaps would have helped more; things that the Government and the EU might have done, which might have helped. I have seen figures suggesting that Tata were losing up to £1 million a week—and possibly even more than that—on steel production. Given those sorts of figures, is there anything that any Government could have done that would have saved these jobs?

Stuart Wilkie: In terms of the factors that are important to us, at this point in time, we would like to see a fair playing field with regards to imports, so we would like to see some EU action with regards to stopping Chinese and Russian imports coming in at totally uncompetitive prices. Clearly, that is important, as is relief in terms of energy.

Q4 Chair: We definitely want to come on to all of those things. They are matters of great interest. Even if, hypothetically, all of those issues could be resolved—I am no expert but these are huge losses—would you be profitable if these actions had been taken?

Stuart Wilkie: The primary problem that we have is one of price and volume. We started the year with a volume plan, but because of what has been happening in the external market, we have had to curtail that volume plan. We still retained the fixed costs of the labour until January, so removing that fixed cost clearly helped substantially with the overall finances. The overriding aspect is prices. The steel import prices into the UK are at an unsustainable level that no industry, whether it is in the UK or in Europe, can sustain, hence why we need to stop and take action on the imports at these prices.

Tim Morris: If I could add to that: as a company, we are clear that Government action is not in itself a silver bullet. It is an important contribution alongside the efforts and changes that others are making. As you mentioned, Mr Chairman, the scale of the problem is very large, and in many respects the problem is global: yesterday, you saw job losses in America. You saw job losses last week elsewhere in Europe. So Government action is not a silver bullet, but it does have an extremely important part to play in terms of creating a more level playing field, a more competitive environment and a more sustainable future for the steel industry in the UK.

Q5 Chair: Dumping is defined as selling products into a foreign market at a rate below that at which they are sold into the home market; in other words, in simple terms, the Chinese are selling steel more cheaply in the EU than in China.

Tim Morris: Correct.

Chair: With your restructuring plan, if it goes ahead and if you get the support from the EU and the Government that you are looking for, and you have removed the high fixed costs that you have at the moment, if all of that came to pass, would you be able to produce steel, in the UK and in Wales, at the same level or cheaper than that which Chinese steel is being produced at present?

Stuart Wilkie: I think we have to separate the two. With the rate and cost of Chinese steel at this point in time, we believe every Chinese steelmaker is losing money. In terms of that, there is clearly subsidy in that industry. However, our own plan—the plan that we are working on now for restructuring—we believe would give a very good and solid future for the sites in Port Talbot and Llanwern going forward, because we would be on a competitive path in Europe. That is why we need this level playing field on imports.

Q6 Chair: Lastly from me—and I hope I am not going to cut across anyone else with this—I have not been able to get to the bottom of the compensation. I think the evidence you have submitted to us, or one of the letters I have seen in the last couple of days, suggests that you have not received any compensation from the Government. Yet I am pretty certain the Government have said that compensation has been paid in the order of around £60 million. So am I missing something?

Tim Morris: Yes. The Energy Intensive Industries compensation package essentially splits into two phases. The first phase of that was announced in the autumn statement in 2011 and began to be paid towards the end of 2013. The second phase, which is the largest element, is for some costs called the Renewables Obligation and the Feed-in Tariff. That was announced in the Budget of 2014. As one of the outcomes from the steel summit in October 2015, the Government committed to accelerating its introduction and pursuing state aid, so that could happen. The state aid approval was granted I think on 14 December. We are now in an application process, such that the first cash we see will be in March. That is our best estimate of the timeline. Effectively, we have been waiting two years or slightly over.

Q7 Chair: What sort of money will you be expecting when it arrives in March after two years?

Tim Morris: We do not give out the exact numbers, because those would give our competitors some insight into our levels of electricity consumption, but we are talking in the tens of millions of pounds. We would certainly accept that these are significant amounts of money. The disappointing thing is obviously the length of time it has taken. While we have been waiting, those costs have increased over time. The subsidy levels have increased such that, even post-compensation, we will be paying around about the same amount of money we were in 2013, before this element of the compensation came in.

Q8 Antoinette Sandbach: I want to come back to the Chair's question to you about your losses. Tata has £11 billion worth of debt, so, even before the Chinese dumping, what were your interest payments on that debt and what was your global business looking like in relation to that debt?

Tim Morris: I don't have the annual report in front of me right now, but we could certainly supply that and that will disclose those numbers in terms of interest payments. It would be fair to say—and I think this was captured in our last quarterly results announcement that was published last week—that our business across the world suffers from the market conditions of tepid demand and predatory imports. That is the same in India as it is in the UK and indeed in Europe.

The situation that we face in the UK is a very difficult combination of these macro factors: over 300 million tonnes-worth of Chinese over capacity, which is more than twice the entire steel demand in Europe. Those kinds of macro factors meet some very specific factors about the UK. Stuart has quite rightly referenced foreign exchange—the pound against the euro in particular—for some of the policy cost issues that we have been talking about.

Q9 Antoinette Sandbach: You spoke about the two-year delay in receiving compensation or aid or assistance in relation to your energy intensive usage. How much of that was down to the requirement to get state aid approval from the EU? How much of that delay was due to that?

Tim Morris: I think that achieving state aid approval is not an overnight process. I don't have sufficient insight of the process that BIS has gone through to be able to give you an accurate delineation of how much was fitting in with the plan that the Government had, in terms of its spending targets, and how much of it was about any kind of process at an EU level.

Q10 Liz Saville Roberts: Could you give us more details of the impact of having waited two years for these tens of millions of pounds? What has the effect of that been on the business?

Stuart Wilkie: Clearly, from a cash point of view, the business in recent years has been loss making, but the situation we find ourselves in this year is completely exponential. While the money in previous years may have been helpful, it is not critical, but as we move forward, clearly this assistance is very valuable in terms of returning the business to long-term profitability.

Q11 Antoinette Sandbach: With that, and anticipating that you will receive it within the next month or so, what do you anticipate its impact will be?

Stuart Wilkie: Of the order of a few tens of millions of pounds.

Q12 Liz Saville Roberts: What will that enable you to do, and how will that then enable you to move forward?

Stuart Wilkie: It will basically stop us drawing more cash from the parent, simply put.

Q13 Stephen Kinnock: As I am sure you know, there are moves afoot to grant market economy status to China. My understanding is that decision will be made in December, so China's current status within the World Trade Organisation is that it is not considered to be a market economy. Would you agree that giving market economy status to China would dramatically reduce the scope for taking anti-dumping measures against China, and, if you do agree with that, can you explain a little bit why the British Government is supporting China being granted market economy status so strongly?

Tim Morris: Tata Steel, alongside the steel industry in Europe in general, is deeply concerned about Europe apparently sleepwalking into potentially an even greater steel crisis by the granting of market economy status to China. As Stuart has already said, imports into Europe directly from China, or indeed imports into Europe from the likes of Russia that are displaced by Chinese steel flowing around the world, are probably the largest factor in our current, deeply challenging situation.

The reason we are so concerned about it—besides the principal point: I would be very interested if you brought a witness in front of you who was able to demonstrate why China was in fact a market economy—are technical issues, which are the following. It substantially reduces the effectiveness of anti-dumping regimes, policies and practices that Europe already has in terms of Chinese steel. The principal reason for that is a technical issue because of the use of what is called "an analogue country" in terms of guessing prices. The key issue is it is very difficult to get reliable information about Chinese costs and prices. People estimate it, but in terms of hard facts, it is very difficult to do. What happens at the moment is the European Union has the ability to pick a parallel country and use it as a proxy for China. If China is granted market economy status that flexibility goes away and, effectively, you are trusting the data that the Chinese producers provide or you are able to find out on that basis. That data has significant questions. This is not just in the steel industry; there are examples of this in other industries as well.

It is more difficult to bring cases, and if you do bring a case it is much more difficult to get robust measures against dumped steel. In terms of the British Government's attitude to granting market economy status, I am sure that is a question for them rather than me.

Chair: They will be in front of us later.

Q14 Stephen Kinnock: The other important issue on trade defence instruments is around the way in which tariffs are applied. You have this lesser duty rule—and it is technical so some of it goes over my head—and my understanding is you have a choice, essentially, between two tariffs that you can apply. Once you have found the product has been dumped in the EU market, you can apply a high tariff, which is what the Americans do, or a much lower tariff. The current rule in the European Union is that you must apply the lesser duty. There is a move to scrap the lesser duty rule, but my understanding is that the British Government is leading the charge against scrapping the lesser duty rule, and yet the British Government does claim to be standing up for British steel. Could you say a little bit about how helpful it would be for the lesser duty rule to be scrapped for the UK and Welsh steel industry, and then if you are able to have some insight as to why, because I think it would be helpful to us and to the Committee to understand your perspective on the Government's current position.

Tim Morris: Tata Steel, once again in line very much with the rest of the European steel industry, has significant issues with the lesser duty rule framework. We believe it is only theoretical. It is a black box approach, and nine times out of 10, it produces a lower penalty rate—if I can call it that—than the alternative method, which is based on price-to-price comparisons that the Chair described earlier on. That is clearly a problem for us because it does less to discourage imports into Europe in the first place, but also steel is a global business. Unfortunately, it is relatively straightforward to load steel on to a boat and ship it around the world. If you are in a region that has systematically less robust trade defence—guess what?— guess where the extra boat load of steel is going to go. So, whatever the theoretical purity of a particular approach is, one, we have some substantial questions about its application in practice and, two, we worry about how it affects this whole concept of a level playing field on a global level between markets like us and, for example, the USA. That is where we struggle with this.

We will be marching as a company, hopefully alongside our social partners in the trade union movement, on Monday in Brussels—and Mr Rickhuss can probably tell you more about that—to make the industry's voices clear about the dangers of things like market economy status, dumping, lesser duty rule and so on. We have had numerous dialogues with the UK Government about this. We have written to Secretaries of State about the robustness that is required in trade defence instruments in Europe. I want to make it absolutely clear that we are not asking for special treatment. We are not asking for some kind of beneficial treatment. What we want is a level playing field and fairness. We want to fight, and we want to win, but to do so requires us to be on the same free but fair trade basis as everybody else.

Q15 Antoinette Sandbach: Can I just come in on that? Do you accept that energy costs will be different in different countries?

Tim Morris: Yes.

Q16 Antoinette Sandbach: Therefore, you are never going to get a completely level playing field?

Tim Morris: Yes.

Q17 Antoinette Sandbach: Again, do you accept that your own company debt causes you issues in terms of competitiveness in the market?

Tim Morris: I would state at a quite high level—and I am pretty sure Stuart can give you some pretty specific examples about how this works in practice in Port Talbot—that we need to be in a competitive position. We do not aim to have a business model that says we want to compete solely on cost. There are some other important facts on that and the business in Port Talbot and Llanwern is making big progress on those. It needs to be within the competitive arena; otherwise we simply don't get through the door to make our case for the quality, service and the other aspects.

In terms of interest payments, I think we have been extraordinarily fortunate to be owned by Tata Steel during this period, who have put around about £1.5 billion into the UK operation, a UK operation that has been, let's face it, financially struggling during that period. For us, if you were saying, "Is Tata ownership a plus or a minus?" we would be strongly of the view that it was positive. Stuart, I don't know whether you want to make a point about—

Chair: Sorry, if I can gently move things forward a bit, because I know we have other witnesses coming in.

Q18 Mr Mark Williams: I think Mr Morris has touched on this earlier. He certainly has in terms of putting this whole sorry picture as part of a global trend, but I wonder if you can say a bit more on how the situation in Wales does compare with other European countries and the extent to which they are grappling with the same challenges.

> ***Stuart Wilkie***: It is probably best if I answer that one. If you look at Tata Steel Europe, we are basically split into two major manufacturing sites, Strip UK, which I am in charge of, and MLE. Clearly, from a commercial basis, the situation in the UK is much worse than it is in the continent and the Netherlands, judging by the price devaluation that we have seen in the last 12 to 18 months—that is not impacting anywhere near as much on the continent as it is in the UK—and clearly the fact that we find it difficult to export off the island because of the exchange rate. They are two major factors. There is 5.2 million tonnes of hot roll coil demand in the whole of the UK. We make 4.7 million tonnes, so therefore we need to export; otherwise we need levels of market penetration in the UK that no other company has ever achieved. Hence, why we have to be right sized to supply the UK market and also take material off. Every European steelmaker at this point in time undoubtedly is either in the process of losing money or losing money. Everybody is impacted by the Chinese and the Russians.

Q19 Chair: Thank you. Mr Wilkie or Mr Morris, what has been the impact of UK energy policy, particularly electricity costs, on your business?

> ***Stuart Wilkie***: We saw that as a major weakness within the structure of the business for many years. Unfortunately, Port Talbot does not have an integrated power plant, where you can use all of the waste gases that are produced on the site. We started the financial year 2016 with a plan to build a power plant to a circa £270 million investment on site in Port Talbot. By the early part of the year, the board had approved a £54 million investment to connect that power plant now to the national grid, which unfortunately, as the situation unfolded in front of us, we had to back out of. In terms of any energy that I have to buy in from the national grid, it clearly puts me at a disadvantage and we have to be able now to solve that power generation conundrum that we find ourselves in, which is much more difficult as you downsize the business.

Q20 Chair: What percentage of those fixed costs, which you mentioned earlier on, would you say go on energy?

> ***Stuart Wilkie***: For the coming year, I will spend just under £100 million on energy. If you put that in a business turnover perspective of around about £1 billion, it is fairly substantial.

Chair: Around 10%. Yes, thank you very much.

Q21 Gerald Jones: We have touched on this issue, but could you outline what extra support the Government could be giving to the steel industry; the UK Government is the major player, but also the Welsh Government?

> ***Stuart Wilkie***: Perhaps if I do them in reverse order. In terms of the dialogue we have had with the Welsh Government until now it has been exceptionally good. That is not new.

The business as it stands and the businesses in South Wales have had excellent assistance over the years on aspects, such as training, environmental CAPEX and, unfortunately, when we have had issues with laying people off in the past, ProAct, ReAct, schemes such as that. At this point in time, the areas that we are speaking to them on concern anything that can help us with the environment that is within the framework that they are allowed to do. The only thing that holds the Welsh Government back in its assistance is that they have to operate within the EU regulations. Again, where they can, they have given us assistance on the environment and energy. We are currently talking to them about the potential for some grants, as we go forward, in relation to the infrastructure that would help Port Talbot to develop and certainly with Llanwern. In terms of the Welsh Government, we are very well developed in those discussions.

With the framework, the other issues they can certainly help us on is rates, and again we are involved in a very good dialogue with them in terms of the rateable value for the site, because they have devolved powers for rates. On a UK basis, clearly we need a position on EU tariffs to prevent the dumping. On assistance, we need the cash on the energy and in terms of any other points—

Tim Morris: In terms of the Westminster Government, there has clearly been progress since the steel summit in October. We would certainly acknowledge that. We would not describe it in any way as "mission accomplished" and there is still plenty to go for in terms of the areas that were raised there. Clearly, one of the issues that was raised at that summit was around trade and anti-dumping. I think you have a flavour of how we feel that situation lies and that it needs a really strong and effective pro-steel voice from the UK Government in Brussels on that. Competitiveness conditions: we have had the energy in principle. Now we need it in practice. There are some other areas around competitiveness and then having the dialogue with the Westminster Government, so continuing the dialogue with the Westminster Government about legitimate ways it can come alongside the steel industry in a way that delivers not just for the steel industry but also in terms of public goods, like environmental and energy efficiency. There is scope there for discussion and agreement and we would like to push those forward as quickly as possible. This is a very urgent situation we find ourselves currently in.

Stuart Wilkie: I think the only other piece I would ask—and I had this from the Welsh Government—is for the assistance of the taskforce that has immediately been swung into action while we undergo the consultation with regards to the job reductions. Again, they have brought all parties to the table to make sure we get as much speed and traction on the process post the consultation.

Q22 Gerald Jones: I think it is fair to say that there is more that can be done in terms of the UK Government.

Tim Morris: But we should acknowledge that there is a step forward and that there is a dialogue going on. We are very keen to push that dialogue forward to conclusions, and make sure that we are putting in place the conditions for such a vital foundation industry for the rest of the UK manufacturing sector.

Q23 Stephen Kinnock: In terms of the transformation plan for the Port Talbot works, do you feel confident that that plan is taking the works in the right direction? Do you feel that you have the confidence and support of the workforce in the delivery of that plan, and also, in terms of those who will be made redundant, do you think it will be the right people making sure that you have a plan that will deliver? A little bit about the support that you will be providing to those who will unfortunately be losing their jobs would be useful.

Stuart Wilkie: Probably, if we divide the plan into three facets. For me, there are three facets to it. There are the parts that we have to do ourselves. We have to improve certain aspects of our own efficiency and, clearly, the fact that we have downsized the business in terms of production capacity means we have to take out fixed costs that are associated with that and improve general performance. I think our plans for that are well developed. If I look at the track record over the last 12 months, we have made major inroads and broken certain long-standing production records in terms of doing that. We still have a lot more to do but the plans are solid for that.

We also have to reduce the amount we spend on the site. That is a substantial reduction in spend and that affects the wider community within Wales. We appreciate that. That also means to do that we have to work with some of the large long-term contractors who supply Port Talbot and we have a suppliers' base that we have to work with.

Then the third part is the assistance that we get from external parties, such as the Welsh Government and the UK Government. If all three of those parts move together, we then have a very strong bankable plan that moves us through the next two years and then makes Port Talbot stand alone on a cash basis, so that we can start to make substantial investments, the investments that the plant needs—and also Llanwern—to take us forward for the years beyond. That is widely recognised.

Q24 Chair: Thank you very much, Mr Wilkie. We do have Community here, but lastly, if the Minister was in front of you, what short question would you ask her?

Stuart Wilkie: For me, I would want to see more speed. From the discussion earlier in the year, we have made movements, but I would like to see more speed.

Chair: I am sure the question may get asked. Thank you very much indeed for coming in this afternoon.

Tim Morris: We would just like to thank the Committee's continued interest in the steel industry. We are very passionate about it. I am sure Mr Rickhuss will be as well, but thank you for your interest, too.

Examination of Witnesses

Witnesses: **Roy Rickhuss**, General Secretary, Community Trade Union, and **John-Paul McHugh**, Assistant General Secretary, Community Trade Union, gave evidence.

Q25 Chair: Mr Rickhuss, thank you very much for coming before us. I see you have your colleague behind you. If you want him to sit with you then I don't think anyone on the Committee would have any objections.

Roy Rickhuss: He is normally a bit shy. He does not like to be at the forefront.

Chair: Thank you very much indeed, both of you, for coming in. I am sorry; I do not know your name.

John-Paul McHugh: John-Paul.

Q26 Stephen Kinnock: Thank you very much. You just heard Tata Steel talking about the British Government's position on the dumping of Chinese Steel. To summarise, in effect, I think they were saying they are very keen to see stronger action and, also, are very confused by the British Government's apparent support for giving market economy status to China. I would be very interested to get your thoughts on that particular issue.

Roy Rickhuss: Strangely enough, we absolutely concur with the comments that both Stuart and Tim made in their evidence. It is clearly one of the biggest issues facing the steel industry, not just in South Wales and not just Tata but across the country. In fairness, the Government have talked a good fight but then we are confused. We are certainly confused at these announcements that have been coming out over today in terms of not wishing to support, as you say, the scrapping of this lesser duty tariff. Clearly, that has to happen, and if you look at most of the evidence across Europe, I think most EU countries would support that. It is mixed messages. I think that is always a danger, when a Government starts to give mixed messages to say on one hand, "We are completely supportive," and quite rightly so. We have heard the PM and the Secretary of State say from the Dispatch Box that they are fully supportive of the industry and that they will do everything they can to safeguard and protect the industry. I was at the BIS Select Committee where the Minister quite rightly said, "We support it completely," but it is unthinkable that any advanced economy cannot have a steel industry. The talk is there, but we need to see some action. We need to see Europe and our Government playing its role within that to do something about this dumping.

There is an event on Monday that has been organised by the employers. Eurofer, which is the European employers' organisation, have organised a march and rally in Brussels on Monday that we will also take part in. That is to bring to the attention of the Commission the fact that this is a major issue for the whole of Europe, not just for the UK.

Q27 Stephen Kinnock: Closer to home on the changes that are happening in Port Talbot, do you feel that the workforce is on board? Of course nobody is happy with what is happening, but are you satisfied with the dialogue? I know you are in consultation at the moment, so you probably cannot share too much, but on the broad direction of the strategy— where the job cuts are going to come; how they are going to come—do you feel those decisions have been clearly explained and that people are on board, and do you agree with the proposals as they stand?

Roy Rickhuss: The problem you have I suppose, in any major restructure—which is what has been announced—is immediately that creates a level of fear, concern and worry among the workforce. Clearly, that comes out in different ways. One of the ways that comes out is an uncertainty about whether management do have this right this time.

We work very well with Tata Steel management and we have good industrial relations on the whole, but that does not mean to say that we don't have our disagreements, and that is healthy in some ways. That is part of a normal process. Within that process, we expect and we know that our local officials will challenge the company at every level, and so they should. That is right and proper, because they are representing the workforce. It will be a case of the process, which I know they are going through at the moment, of sitting down with each of the different departments and their different areas and explaining to each department how the restructuring is going to impact on their area, so how many jobs are impacted in each particular area. It will be the role model of the local trade unions to challenge, quite rightly, to discuss and hopefully then to agree that that can be achieved.

What we will not do—and the company knows this—is put the plant at risk in any way, whether that is health and safety or efficiency and so on. I am not saying there isn't a challenge for the company to convince the unions, at a local level, that their plan is sustainable and that they are going to move the plan forward.

Personally, I do have a concern—and I have shared this concern—because, if you look at the proposal, it is about reducing the volumes and the tonnages and it is about the immediate impact and the immediate challenges. It is reducing the tonnage that is going to come out of Port Talbot from 4.5 million/4.7 million down to 3.5 million/3.6 million. It remains to be seen whether that is sustainable for the long term. I personally think it isn't, because I am not an expert on blast furnaces but I know that they are best and most efficient when they are running at their capacity levels. I remember the days when I first went to work in Wales—I worked there for 12 years—that the plan for Port Talbot was 5 million tonnes. I think Stuart will correct me if I am wrong, but I do not think they ever quite reached those levels of production, but certainly they have been hitting 4.5 million/4.7 million tonnes, and I think that is where they need to be. That is where the plant has to be for it to be sustainable in the long term. This plan now is probably a short-term plan to get us through an immediate crisis. I don't think that Port Talbot can survive long-term on 3.6 million tonnes, but that is just my personal opinion.

Q28 Liz Saville Roberts: I would like to bring up the question of business rates and whether the Welsh Government, by means of business rates, could improve the competitiveness of the sites. Could you tell us more about that, please?

Roy Rickhuss: It is a similar response to what Stuart and Tim said, in terms of not one of the issues is a silver bullet. You have to look at this as an overall package of support. We worked closely with UK Steel to develop the plan or the asks. We then put that forward to the Government. That overall package was about energy costs. It was about business rates. It was about Chinese dumping. It was about procurement, which is a major challenge. I don't think you can look at each one in isolation and say, "That is the one that is going to make the difference." It is when you look at the overall package and say, "If we can deliver this package and deliver on all parts of the package, then we will have a fighting chance and a more level playing field." In that context, business rates are massively important and we should be focusing on the fact that we pay a lot higher business rates in the UK and in Wales than our European competitors. One of the things that seems a little bit perverse is the fact that the company can invest substantially in plant and machinery as they did: £185 million for a new blast furnace. As a consequence of that investment, they get clobbered with £400,000 worth of business rates. How is that an incentive to invest? It is a disincentive. Everybody in the steel industry knows you have to invest. We are suffering now. I think the main reason why the British steel industry is in the mess that it is in has been the fact that for many, many years there was a lack of investment; there was an underinvestment. We were not even investing depreciation. That is the spiral that we have to get out of. In fairness to Tata, when Tata first took over the company, they did put in significant investment, such as the new furnace in Port Talbot, and other projects, but to then get clobbered with additional business rates just seems unfair and wrong.

Q29 Antoinette Sandbach: Clearly, you have had engagement with the Welsh Government and the UK Government. One of the problems that you identified was the regulatory regime and that that causes you problems in the UK. Have you met with the UK Government Minister or the Welsh Government Minister responsible for that regime to try to press for change?

> ***Roy Rickhuss***: That is a good question. We have had regular meetings with BIS and with the Welsh Assembly and Government. Generally speaking, yes, we press those issues and we highlight the areas of support that—

Q30 Antoinette Sandbach: What are the particular regulations that cause you real problems?

> ***Roy Rickhuss***: We have an issue—and I am not sure whether it is a regulation or not, or maybe a lack of—certainly around procurement. There is a major issue around procurement, about how that joins up and how we get all that working to best benefit the industry. We have lots of work being done in that area but, at the moment, there does not seem to be a way that that fits together. We still have issues, for example, where we hear that orders are placed—

Chair: Yes, we were coming on to procurement.

> ***Roy Rickhuss***: No, that is fine. I don't know whether that has answered your question or not in terms of what specific—

Antoinette Sandbach: It is your evidence that regulation is causing the issues, and I want to know what regulation was causing problems, so if it is around procurement, I can perhaps—

Chair: Perhaps we could go on to asking about procurement.

Q31 Byron Davies: Yes, on procurement, what action do you think that the British and Welsh Governments could take through procurement to help the steel industry?

> ***Roy Rickhuss***: What I said earlier: we need a joined up approach and we need a structure where it is possible that, where there are infrastructure contracts, and we have seen recently—and, again, it was a Scottish example, but it was Welsh steel in a sense—where contracts have been awarded to companies outside of the UK. It just seems that we need a structure where people are talking to each other and they are aware of what contracts are coming up and what contracts can be placed. Then the fact that, obviously, it gives our producers the opportunity to bid for those contracts and to be successful, so I think we need a joined up approach and we need a lot more emphasis on using British steel where possible. One of the issues as well, which we saw with some MOD contracts, is where they will say, "We could not place that contract because we don't make that steel anymore," and that is a problem. There has to be an approach where we have a long-term view and we identify the type of steel that is required for those contracts, and we then look at the investment that might be required to ensure that we can make those grades of steel and that level of steel, so that we can bid for successfully and win those contracts.

Byron Davies: I think there is an issue around the type of steel for MOD contracts.

> ***Roy Rickhuss***: Yes.

Q32 Byron Davies: The aircraft carriers have had a huge amount of British steel, 90% I think, put into them. Have you had any discussions around procurement with Governments, and have you taken any sort of action yourself to try and get them to—

> ***Roy Rickhuss***: We have taken action ourselves, in so far as, yes, we have been talking to the Welsh Assembly. We know the Welsh Assembly Government are doing a lot and are trying to do a lot. We have raised the issue obviously at Westminster, and we met with BIS in particular. We have had conversations with the Minister, and we know it is obviously part of one of the three specific working groups that was set up as a consequence for the steel committee to look at the issue of procurement. That work is being done through that vehicle.

Stephen Kinnock: Chaired by Matt Hancock.

Byron Davies: As he would do in his position.

Chair: Liz, if you want to hang fire for a moment, it might be logical, as we have been talking about some of the issues. We have mentioned procurement and business rates, and I believe Gerald is going to ask about the Chinese imports, so if you don't mind me chopping and changing the order slightly.

Liz Saville Roberts: Okay.

Q33 Gerald Jones: It was raised earlier about the alleged Chinese dumping. What action do you think the EU should be taking to address that?

> ***Roy Rickhuss***: Again, it has been pretty well documented. It has been pretty well discussed about the actions that can be taken. Speeding up the process would certainly help, because one of the frustrations most steel producers would have is the length of time it can take for a complaint from within Europe to reach to a point where there may be some action taken, whether that is by way of a tariff or not. It is such a lengthy process that I think it needs to be—

Byron Davies: It is around nine months?

> ***Roy Rickhuss***: It can be nine months to 12 months from start to finish, and that is so frustrating, in so far as when you look at countries outside Europe—and America is the one that is usually quoted—they can do it in weeks from start to finish, so the way and the speed that complaints are investigated and then obviously actioned or sanctioned. The level of the sanction also needs to be appropriate. We saw an action recently, which I think had been supported by the UK Government, on reinforcing bar that was affecting Celsa, which is obviously the plant in Cardiff. The tariff, I understand, was quite poor. It was nowhere near high enough. It was about 9%, which in reality is not going to make that much difference to the imports coming in. That industry is probably one that you can look at as a good example, where Chinese imports have gone from literally 0% to 60% within the space of a couple of years.

Q34 Chair: You have mentioned now business rates, procurement and Chinese imports, so may I ask you also whether you agree with what Tata were saying about energy prices and UK energy policy, and that this needs looking at as well, and the price of electricity?

Roy Rickhuss: Yes, clearly, we supported the initiative of UK Steel with regards to the four or five asks. As I said earlier, not one on its own is going to provide a silver bullet, but together and seen as a package then it gives us an opportunity to at least try and compete on that level playing field. Energy prices were a key issue; energy prices in the UK for industry are a lot higher than in France and in Germany. We supported the Energy Intensive Industries compensation scheme. We appreciated the fact that the Government had moved on that and the Government have sought to introduce that. Again, I suppose the frustration is just one of time and the fact that it has taken so long for it to come to fruition, in terms of providing any real support or comfort to our steel producers, so, yes, we would support the industry's view on that.

Q35 Chair: I have been doing a bit of research, and the net price for producing electricity from coal is about £12 per megawatt hour. Obviously, with all the tax, it comes up to about £35. The net price that has to be paid to produce electricity from an offshore windfarm is around £150 per megawatt hour and it is about £95 for an onshore windfarm or nuclear power station. Given this, is it not fairly obvious to us all that the more we use renewable energy at costs of £95 to £150 per megawatt hour, as opposed to coal, the more energy prices will go up and the more industries will have to pay. That is a fairly reasonable statement to make, isn't it?

Roy Rickhuss: Yes, but if I am honest I am not an expert on renewable energy so—

Q36 Chair: No, but as a union you would support cheap energy?

Roy Rickhuss: Of course, yes. My union was recently at a conference supporting fracking; not many unions have, or some unions have not, but we see that as an opportunity for industry and it is an opportunity to help in some of these high energy prices so, yes, we believe that is a key issue for industry going forward.

Q37 Chair: Do you feed that view into the TUC? Because I was looking again through the TUC website, and they obviously have a slightly different take on things and are fairly supportive of renewable energy schemes. As I see it—and it is a personal view, I am certainly not speaking for any party here at all—personally, I feel that we need to ensure that industry has access to cheap electricity and that if we don't then it is not just steel it is other manufacturing businesses that will be affected.

Roy Rickhuss: I understand that. I don't disagree but what I also think is we need to have a balanced approach as well. We cannot just dismiss either one or the other in favour of one or the other. There is no reason whatsoever why we cannot pursue a renewable energy initiative to make sure that we have renewable energy and we are supporting that, but not at the detriment of ensuring that industry has access to cheaper energy as well. I would not dismiss one for the other. I would say we have to have a balanced approach. We have to look at the whole issue of energy and how we provide energy, not just for industry but for consumers, for households. It is easy to say, "Well, the Germans pay less for their industry costs." They may well do, but add the fact that their cost to households is slightly higher, so they offset one against the other. There are not many Governments that are going to have a policy to increase people's household bills; I don't think that would be particularly popular with the public. So we have to have a balanced approach.

Q38 Chair: The money that Tata will hopefully be compensated with is for a tax that is used to pay for the subsidy on, for example, a windfarm. It was well publicised that the windfarm in Port Talbot is being built with imported steel. I understand what you are saying about the need to have a good energy mix and I go along with you, but would you share my concern that we are effectively charging industries, like yours, high amounts of money for electricity in order to subsidise expensive electricity that is generated from plant, which is in itself using imported steel? I don't know about you but I find that an extraordinary state of affairs. I would say that if an industry is going to be in receipt of a subsidy then it should not be importing cheap steel. If we are using taxpayers' money or British industry money to subsidise an industry, the very least we can do is expect them to buy their product from our country. Am I—

Roy Rickhuss: No, no, I agree in respect to Mr Davis's original question about procurement: what can we do? That is a very good example. Why aren't we providing the steel for the windfarms from the UK? Those are the sorts of questions that we should be asking and saying, "If not, why not? What do we need to change, and what do we need to do differently to make sure that steel does at least have the opportunity to come from the UK?" The first thing we have to make sure of is that we make that steel. This is one of my frustrations because employers have a role to play in this. It is the fifth of the five asks that, in my opinion, was one of the most important. It was that because it is a long-term view. The four key asks were about immediate relief; things that we have to do straight away. But there has to be a long-term strategy that says, "What type of steel are we going to be using in the future, and how do we make sure that the investments that need to be made, so that we can produce that grade of steel, can be done in the UK?" It is having that long-term strategy.

On the side of that, we need a monitoring system in some way—and I think the Government has a role to play in that, whether it is BIS or whether it is the Welsh Assembly Government—to monitor the industry and monitor developments and what is happening, so that we can see these things coming and they don't come as a surprise to us. If you look at what happened in Teesside, the reality of it was the signs had been there for some time. The warning signs were flashing, and I don't think we took heed of them. Then, of course, the disaster hits and everybody is talking about it and everybody is trying to help and everybody is trying to do something. But the warning signs had been for some time, and that is the point: we need to monitor and be aware, so that when the warning signs come, we act fast to stop the inevitable disaster.

Q39 Antoinette Sandbach: The Welsh Government changed the procurement rules in Wales a couple of years ago. Have you seen any uptake in demand as a result of that?

Roy Rickhuss: We believe—and we have some evidence—that 55% of procurement now is coming from within Wales. But there is still a lot more that can be done. It is about joining up the supply chains and making sure supply chains are linked.

Q40 Antoinette Sandbach: Has that worked in your sector? Because that may be fine if you are providing school meals and your beef or lamb comes from Wales or your milk comes from Wales, but do you have that traceability in Wales in terms of the product that is coming out?

Roy Rickhuss: I don't have that evidence to hand, but we can send you a written answer to that.

John-Paul McHugh: There has been an infrastructure project in Wales where they have directly sourced that steel from within the Welsh steelworks, and again we can get that evidence over to you.

Q41 Antoinette Sandbach: What is the position in Scotland? Because there has been that new bridge that has been built. Has any British steel gone into that?

Roy Rickhuss: You may want to answer it, John-Paul. If you are talking about the Forth Road bridge, that was extremely disappointing to us that there was not British steel. The steel came from Spain, Poland and China.

John-Paul McHugh: Yes. There was then a situation where the Spanish steel that was being sourced, that company had a credit issue and then the Scottish Government had to take a decision where they then reverted the contract back to Cleveland Bridge in Darlington and then the steel was sourced from Tata. Eventually, it did come but the initial decision was to take that steel from China and from Spain. The other point that I would put to you in terms of Scotland is that Scotland has obviously been through a process of where they have looked at the procurement and they have put through a new procurement Bill. Unfortunately, we are still to see the real benefits of that coming through in terms of the steel industry within Scotland.

Antoinette Sandbach: You are?

John-Paul McHugh: No, we have not.

Antoinette Sandbach: You have not, sorry.

Q42 Stephen Kinnock: Just turning to the restructuring and regeneration plans, there is a fund in the European Union, the European globalisation adjustment fund, which you are familiar with. My understanding is that makes available between €5,000 and €20,000 per worker that has been made redundant and that is 60%, then the host Government can match fund the remaining 40%. It is potentially quite a big sum of money that you could use for every worker that has been made redundant. You have up to €50,000, €60,000 per worker depending on the kind of scheme that you are presenting to the EU. My understanding is that the British Government has never applied for funding from the European globalisation adjustment facility. Given what we are facing now in the steel industry, do you have a view on that? If, for example, Minister Soubry were sitting here now what would you be saying to her about that?

Roy Rickhuss: We have raised it. We raised it through BIS and we had a meeting with Nick Boles, and we raised that as a specific issue as to why they are not tapping into what clearly is funds that are available. The response we had from the Minister was that it was specifically that issue around the match funding element that the Government were not prepared to support or they certainly were not keen on. That was the response that we had to that specific question, but, yes, we asked the same question, "Why aren't you tapping into this fund? It is there and it can be used to support people." It may be that you do ask the Minister that question and she might be better placed to answer why the Government will not tap into that.

Chair: We may well have the opportunity shortly.

Q43 Liz Saville Roberts: I have a particular question about rebar steel because Celsa in Cardiff, if I understand correctly, is the only manufacturer of rebar steel, and yet there has been the provisional duty set by the EU of between 9.2% and 13% and that there are concerns about that. But in relation to the construction industry, is there anything particularly about the use of rebar steel and perhaps procurement in that area as well that we should be aware of?

> ***Roy Rickhuss***: Clearly, it is a reinforcing bar and it is critical in construction contracts. I don't have all of the technical data on this, but there has been an issue raised about the standard and the quality of the rebar that has been coming in from China. Celsa have made a number of representations to the body that gives that standard—I think it is CARES—that have approved that metal coming in. As you know, Celsa is a Spanish company and what they have said to us is that in Spain that particular product had been stopped from being used, but clearly in the UK there is a different view and that material is coming in and it is being used. But they raised that as an issue through those channels. We have not been involved with that. UK Steel have raised it as an issue and that is the quality of the material coming in from China with regards to rebar. As I said earlier, it is specifically rebar that has gone from 0% to 60% within a relatively short period of time and they did recently, as you mentioned, have that tariff of 9% that generally is seen to be too low and will not make a difference and will not deter that material from coming in.

Q44 Mr Mark Williams: I am sorry that, being absent, I might have missed the answer that I am about to question you on, but in case not I will ask the question anyway. Community have said that they believe that the UK should learn from Austria, Germany, France and the Netherlands, as to the actions that can be taken to protect the steel industry. What do you have in mind?

> ***Roy Rickhuss***: What we called for in particular at that time—and it was not necessarily specific to Wales; it was generally across the industry where European Governments have been more supportive—was back to things like energy costs and so on but also positive Government action. If you look at what happened at Teesside, very, very clearly our view was that, for a relatively modest sum of money—it was probably about £20 million—the Teesside plant could have been mothballed. There was nothing preventing the UK Government from doing that. We did not believe it cut across any areas of state aid. There were arguments that it could have been done around health, safety, environment and that plant could have been mothballed safely. We believe if the Government had been more proactive, the coke ovens could have been saved.

Q45 Mr Mark Williams: That can be taken without breaching EU—

> ***Roy Rickhuss***: Yes, we believe so, I am not sure whether the Minister had a different view, but we believe that could have been done. We definitely saw that happen in Italy, where the Ilva Plant specifically on that issue had some environmental issues. The Italian Government stepped in and took over running the plant on a temporary basis. We are not advocating wholesale nationalisation of the industry here, but we are talking about a temporary measure with the Government taking some real proactive action and saying, "This is an industry that is absolutely vital to our economy. It is a key industry and we are not going to let it go to the wall." The Italian Government in particular stepped in, took over the running of the plant with a view then to doing the environmental improvements

that were needed and to then put it back into private ownership. We believe there is a lot more the Government could have done in that area.

Chair: I think I can hear the Minister through the door, so let me just see if Liz has a quick last question.

Q46 Liz Saville Roberts: We have touched on procurement already, but is there anything else particularly that you would like to tell us about procurement.

Chair: Or would like us to put to the Minister perhaps.

Roy Rickhuss: No, you have heard the evidence from Tata. You have probably seen or will be aware of the evidence from UK Steel. Clearly, we are very supportive of that approach. The thing with procurement for me is—again, I am repeating myself—we need to have a joined-up approach where there is a method or a structure, so that our steel companies can be tendering for these contracts, and tendering on a level playing field. If that happened, and we were more proactive around procurement, we would see British steel start to thrive.

Chair: Thank you very much indeed, Mr Rickhuss, for coming in and giving evidence, and to your colleague as well. We wish you all the best.

Roy Rickhuss: Thank you.

Chair: That is helpful. Thank you.

Examination of Witnesses

Witnesses: **Rt Hon Anna Soubry MP**, Minister for Small Business, Industry and Enterprise, Department for Business, Innovation and Skills, and **Chris Hobley**, Deputy Director, Steel Policy, Department for Business, Innovation and Skills, gave evidence.

Q47 Chair: Thank you very much indeed, Ms Soubry, for coming along at relatively short notice to talk to us about this.

Anna Soubry: No problem.

Chair: Are you all ready to begin? Do feel free to have some water or something first, you look a bit rushed at the moment.

Anna Soubry: No, I am all right.

Q48 Chair: Can I start off by asking whether or not the announcement of these job losses came as a surprise to you?

Anna Soubry: No. That does not mean to say I was not obviously extremely upset about the whole thing because obviously when you have hundreds of people, often long-serving very highly skilled people, looking at being made redundant, that is obviously extremely concerning. But there has been no doubt since I was appointed back in May that the British steel industry was in a very difficult situation—you could call it a crisis, but in a difficult situation. One of the first groups of people I met was Gareth Stace from UK Steel and he did not hold back in telling me the difficulties as the sector saw it.

Q49 Chair: Those difficulties we have been discussing today, but they hinge around procurement, energy prices, dumping.

Anna Soubry: There then came five asks. I need to say that, of course, one of the first places I went to visit—I think it was early July; I will be reminded—I went down to Port Talbot. I also went to Celsa Steel as well in Cardiff. I learned an awful lot and I spoke to people. I say this very freely, I have always been struck by the level of not just ability of the people that work in the steel industry but their reasonableness and their sense of reality. I always pay tribute to their trade union leaders—both nationally and locally—who have shared those real abilities.

Q50 Chair: One of the issues that they raised, for example, was energy prices. One of the questions it was suggested we put to you was: why is it taking so long for the phase 2 compensation payments to be made and whether or not they will get them by March?

Anna Soubry: Thank you. I do not know why that is taking so long. It shouldn't do. The forms went out before Christmas, I think. They should have been filled in. If there is any delay, people throughout the whole of this rather sad story, in terms of the loss of jobs, know that they can come and bang on my door. They don't need to; it is an open door. Gareth Stace, for example, has my mobile phone number, and we exchanged texts only this weekend. That is the way that I operate. If people have problems with the compensation not being paid, I would expect them to come and speak to me directly, and I will do everything I can to speed it up. No debate about that.

Q51 Chair: Another issue that they raised was energy prices—the fact that they are paying more in Britain than anywhere else in the EU.

Anna Soubry: They probably are.

Q52 Chair: Obviously, the compensation is there to try to offset that. Wouldn't it be more sensible not to levy the tax in the first place if you are simply going to compensate people for a tax that you have levied?

Anna Soubry: Yes, but you see we have to sort ourselves out, haven't we?

Chair: Minister, you have to do the sorting. I am merely a Select Committee member.

Anna Soubry: No, Mr Davies, you are in the position whereby I think you have always been an opponent of green taxes. It is difficult, isn't it, to get—

Q53 Chair: But you support them, Minister.

Anna Soubry: I believe in doing everything that we can to make—

Chair: You support the green tax and then you support giving somebody a compensation to offset the green tax.

Anna Soubry: I would rather not do it in the first place. You are absolutely right, Mr Davies. You are absolutely right. It seems a bit barmy to do it, so somebody bears that burden, and then you pay it back. I agree with you. But we are where we are. I remember when I was talking to you last week I specifically asked about the situation in Germany. In fact it was in relation to another energy intensive industry, I am reminding myself now. In

Germany, the burden is on the consumer. Households in Germany typically pay an extra £10 a year, I think, rather than the burden being placed on German industry. The argument goes, “In this country, we don’t think it is right to put it on domestic consumers.”

Then there are two things to say. First, this is an historic thing in Germany; they may find themselves in difficulty; and they may have to shift the burden. But I am of the view—and not everybody agrees with me, I accept—that British people would be prepared to pay an extra £10 per year if they felt that it was not being put on British industries. That is my view, but that is my rather controversial view, and not everybody agrees with me, sorry.

Q54 Chair: At the moment, people are having a tax levied on them and then being given the money back at some point.

Anna Soubry: Yes, I know. I agree with you. It is not the way that I would do it, but on the other hand, I am also a great believer that we have to do the right thing in relation to making sure that the planet that our children inhabit is better than the planet that I will inherit from my parents.

Q55 Chair: Can I take up another point then? As you have alluded to, the green taxes that are being levied, although paid back at some point, are used to subsidise renewable energy. What percentage of the windfarms being built in the UK at the moment that are in receipt of subsidies are built with UK-produced steel?

Anna Soubry: Sorry, what percentage of the windfarms are built with UK steel? I don’t know the percentage, but I do know it is not where I would like it to be, and I do know that Andrea Leadsom and I have specifically met on a number of occasions now specifically to tackle this problem.

Q56 Chair: What would be your estimate?

Anna Soubry: Do forgive me, Mr Davies, if I don’t know the answer I will tell you. I can find out, but I am not going to speculate.

Q57 Chair: Would you think that it might be quite useful for us to know what percentage of windfarms that are in receipt of Government subsidies are using British steel?

Anna Soubry: Quite. No, exactly. I specifically asked this question, because obviously I have—

Q58 Chair: What was the answer you got when you asked that?

Anna Soubry: No, the question was: why it is that not enough are built with British steel? In some instances, it is because we don’t make the size of steel that is required. I am not even referring to my notes, because I am just going on off the top of my head. In some instances, there is that. The other problem that we have—and we have looked into this, and this is the piece of work that Andrea Leadsom and I are doing—is looking at the supply chain through into wind turbines. There was an all-party group that got together last week specifically to look at procurement, and supply chains, and so on and so forth. One of the things that we have been told is that fabricators unfortunately don’t always buy British steel. Fabricators also don’t supply and are not part of the supply chain through into the wind turbines. It is a complicated area, and she and I are doing this big piece of work to improve it, because Britain is becoming the world leader in offshore wind. I think that is wonderful. Now we want to make sure it is made with British steel.

Q59 Chair: We are certainly a world leader in putting it up, but not made from steel produced by us, it seems.

Anna Soubry: There are reasons for that, and those are the things that we need to find out.

Q60 Chair: Mr Rickhuss from Community made a point that I fully concur with on a personal basis: why on earth are we paying subsidies to companies that are not using products that are manufactured in our country? Why does a company like Tata have to pay extra amounts of money to support industries that are not buying their goods from Tata?

Anna Soubry: Because, Mr Davies, my understanding is that they are part of the private sector. They are not within the public procurement rules and, therefore—because I had always thought that you were a free-market Conservative—we believe in a free market, and you cannot—

Q61 Chair: No. Maybe I asked the question incorrectly. Why is it that Tata are paying extra for their energy in order to subsidise renewable energy schemes and companies that produce renewable energy?

Anna Soubry: I am sorry; I don't think it is as simple as that.

Q62 Chair: Let me put it very simply: why do we give Government subsidies to companies that are not willing to support British products?

Anna Soubry: Because you cannot force them to buy British. We are a free-market economy.

Q63 Chair: We hand over the money. If we were a free-market economy we would not have to give them any subsidy at all. This is not a free market; this is a subsidised market. We are subsidising these companies, paying them up to £150 an hour per megawatt, and they are not even buying our steel.

Anna Soubry: Can I just say that I think, as the Business Minister, you perhaps ought not to be asking me those questions but speaking to somebody from DECC who is much better versed on these matters. We are a free-market economy, but we also accept the responsibilities that we undoubtedly have to make sure that we do the right thing in investing in renewable energy, because we all want to reduce the amount of carbon that is produced. We want to live in a world that has cleaner skies and is greener all round. I don't have a problem with that.

Q64 Chair: Would you write to the Committee and let us know what percentage of the windfarms that have been erected across the UK are using British steel?

Anna Soubry: If we have those figures, I am more—

Chair: It is a question you are asking yourself, you said just now.

Anna Soubry: No, no, because we absolutely are looking at how we can improve the supply chains. We had yet another meeting; I think it was just the end of last week—

Chair: Okay, but just to be clear—

> ***Anna Soubry:*** We may not have those figures. I will say, Mr Davies, if we have them—

Q65 Chair: Would we ask for those figures? Would they not be interesting to have?

> ***Anna Soubry:*** They might be. But then on that basis why aren't we writing to every single company in the whole of the United Kingdom and asking them, not just about steel, ceramics, and asking them about glass, and aluminium—

Chair: Because they are not getting Government subsidies, although it might be useful to do it. All right, I see I am not going to get far on this, so Mr Kinnock.

Q66 Stephen Kinnock: Thank you, Chairman. A very quick question to start off. Do you agree that giving market economy status to China would reduce the scope for taking anti-dumping actions against China?

> ***Anna Soubry:*** No. Russia has market economy status; it does not prevent us from putting tariffs and indeed sanctions on them. I think it is really difficult that we don't see market economy status for China and treat it as a red herring. It is a red herring.

Q67 Stephen Kinnock: It is interesting, because that is diametrically opposed to what Tata Steel has just said to us. They are absolutely convinced.

> ***Anna Soubry:*** With great respect to Tata then, I hear them. No, no, I hear them, and I have that conversation with Gareth Stace. In fact, we had a very good debate about it. But we know what the evidence is. The evidence is that countries like Russia who have market economy status have tariffs and sanctions put against them. My views, the views of the Government, are that in any event this will be a decision that will be made by the European Union. They will look at all the evidence before agreeing or disagreeing. It is not a bar to tariffs and, indeed, sanctions to have market economy status. I have made it very clear—I have said on the Floor of the House of Commons—China, if it wants to be in the game, has to play by the rules and it has to be seen to be playing by the rules.

Q68 Stephen Kinnock: Given that 70% of the Chinese steel industry is owned by the Chinese Government, do you believe that China is a market economy?

> ***Anna Soubry:*** Honestly, I don't know. I don't know. I am sorry; I am not going to come out with answers where I don't have a basis to make that answer. Maybe there is something in my pack, but I am not flicking through this pack, Mr Davies, and just reading out answers. I don't think the Committee would want that. But it is a good argument for it.

Q69 Stephen Kinnock: If the British Government don't know whether or not China is a market economy, why are the British Government supporting—

> ***Anna Soubry:*** No, sorry. You asked me. Sorry, do forgive me, you asked me. The Government probably are moving—the Chancellor of the Exchequer has said that there is a good case for China to have market economy status. He said that. Frankly, he knows more about these things than I do, and I am not going to sit here and try to answer questions that I don't know proper answer to. There you go. I am sorry.

Q70 Stephen Kinnock: So the lead on who defines what the British Government think about China's application for the market economy status is the Chancellor of the Exchequer?

Anna Soubry: No, I did not say that. You know I did not. You are being naughty.

Q71 Stephen Kinnock: Who is defining that Government position?

Anna Soubry: No, no, it does not work like that. I know there are people, like the Chancellor of the Exchequer, and I take the view that the Chancellor of the Exchequer is extremely well versed in economic matters. He and other people think there is a very good case for China to have market economy status. Do I listen to the Chancellor of the Exchequer? Yes. Do I trust his advice? Yes. If he says it is worthy of market economy status then he probably is absolutely right.

Q72 Stephen Kinnock: Despite the fact that China only complies with two out of the five criteria of what it means to be a market economy, according to the WTO, the British Government, in the form of the Chancellor of the Exchequer, still feel that China should be a market economy?

Anna Soubry: I don't know. I have come to talk about the steel industry. I appreciate that MES is important, but, as I said at the outset, I think this is a red herring, Mr Davies. I think it is a red herring.

Q73 Chair: But all of the other witnesses have said it is important.

Anna Soubry: They are entitled to their opinion, but I think it is a red herring. Because, as I said from the outset, if China has market economy status, it does not preclude it from having tariffs and sanctions taken against it, and that is why it is a red herring. I think that turning all the gun power onto China and market economy status is a misplacing of the gunfire. Looking at whether or not it dumps its steel, and what you probably don't want to talk about, Mr Kinnock, is the fact that for the first time this Government has already voted on two occasions in favour of anti-dumping measures to protect our steel industry. That has never happened before, and it was on this Government's watch, and I am proud to have been the Minister to make that decision.

Q74 Stephen Kinnock: Thank you. No, that is very good. I did want to come on directly to the issue of the European Commission's position on dumping and trade defence instruments, and to welcome the letter that the Secretary of State for Business Innovation and Skills has sent, along with a number of his counterparts. I think this is a massive step in the right direction. I would like to thank you, Minister, and the Secretary of State, for taking that very important step. But there is one issue within there that I would like to probe a little further, and that is on the lesser duty rule.

We know that there are two types of tariff that can be applied when it has clearly been established that a product has been dumped, and the European Union's default position is to apply the lesser of those two duties. We also know that there is a move to scrap the lesser duty rule and to move to a system that looks more like the American one, where they go for the higher tariff, which I think would be absolutely a huge step in the right direction for the British steel industry. But we also understand the British Government—along with a couple of other Governments in the EU—are strongly opposed to scrapping the lesser duty rule. Could you explain how it is possible to reconcile those two positions? On the one hand you are standing up for British steel, but on the other you are not campaigning to scrap the lesser duty rule.

Anna Soubry: No, I think it is important that we judge each case on its own merit. In relation to rebar, for example, we are absolutely with our European Union colleagues; in fact, I think we are leading the charge that that should have the higher tariff. If you look at dumping, there are two instances that I have referred to where we voted in favour of tariffs, and then there was another instance where we did not and we abstained. I have the details somewhere here of what the nature of the steel was—the most important point. It was a really difficult call, because on the one hand you have my determination to do everything possible to defend the British steel industry, then on the other hand we had extremely strong representations—and I mean seriously strong, and I checked them out—from people who basically use that particular type of steel who said, "If you vote in favour and there are tariffs, we will go out of business, end of conversation. It will take us out of business."

So that was a very difficult call, and that is why each case has to be judged on its own merits. In that instance, I said, "Frankly, because of this pull between the two, with respect to businesses employing people who said, 'If you do this, and we have the tax put on, that means we cannot buy it. We will make hundreds of people redundant.'" Therefore, we decided to abstain.

Chair: I have to suspend the meeting for, let's say, 10 minutes. Do you think that will be enough? Okay. Thank you very much. Obviously, that is out of my hands, so apologies.

Sitting suspended for a Division

On resuming—

Q75 Chair: I am going to restart now, so that we can carry on where we left off.

Stephen Kinnock: Thank you very much, Chair. Yes, I think we were just in the middle of talking about the lesser duty rule, in particular. There is a quote from the letter that the Secretary of State for Business, Innovation and Skills has sent along with his counterpart in which he voices his support for, "Modernising trade defence instruments in a manner which recognises the importance of free but fair trade to the European economy". I think that is absolutely right. I wonder how that can be reconciled with the British Government opposing the scrapping of the lesser duty rule.

Anna Soubry: No, I do not think it is as simple as that at all, Mr Kinnock. I was explaining earlier, Mr Davies, that—and I now have it in front of me and I am very grateful to my officials—we abstained on grain-oriented electrical steels. They are produced in Newport and that was a difficult one. We had the UK transformer producers saying to us, "If you vote, this will have severe and profound consequences on our industry and it will mean hundreds of British jobs go." How do you square that one? In the event, we abstained and that is quite a brave thing to do, because I am very obviously aware of the political storm that has been whipped up, probably understandably, about the future of the British steel industry and obviously the Welsh steel industry. But it would have been dishonest of us not to have taken that approach, trying to get the balance right, and that is what we are trying to do.

On rebar, we are absolutely going for the higher tariff. I have been to Celsa. I know the difficulties under which they struggle. I know the product that they make and I have no difficulty, neither does my Secretary of State, and he has led the charge on this. I think this does need to be recognised and I hope this Committee will. My Secretary of State has absolutely led the charge. He called the emergency meeting. I am going back for the EII meeting on Monday in Brussels and leading the charge in the European Union to make sure that, working together, we do the right thing by our steel industries across all our nations.

Q76 Liz Saville Roberts: Thank you very much and apologies that I will need to go after this question. I apologise beforehand. We have been told by the witnesses previously that there is no silver bullet, but there are a number of measures that might alleviate. I understand that you told my colleague Jonathan Edwards, on 18 January, that you would be happy to discuss the issue of a national insurance holiday further. What progress has been made on that?

Anna Soubry: On a national insurance holiday?

Liz Saville Roberts: Yes.

Anna Soubry: I think somebody else might have to answer that. Sorry, I think you said that people said there is no silver bullet. Is that the five asks that were made of the steel industry? Because that was not one of the asks that was made of them.

Q77 Liz Saville Roberts: Could I return to national insurance because this was raised—

Anna Soubry: Yes, of course you can, but I just think we need to make it clear that the national insurance holiday was not one of the five asks of the steel industry. I hope we will discuss the five asks that were made by them.

Liz Saville Roberts: Yes, but this was raised and it would be worth—on my back of an envelope estimation—several tens of millions.

Anna Soubry: Yes. My brilliant official will be able to answer that for you.

Chris Hobley: Sorry, this is with respect to Tata itself?

Liz Saville Roberts: Tata itself, and it is a question for the wider steel industry, I am sure.

Chris Hobley: Certainly, with respect to the requests that we have had from Tata, we are in discussions with them across a number of issues. Those are ongoing, so they have yet to conclude. They have put forward some issues that they would like us to look further at and this is one of those, but those are yet to conclude.

Q78 Liz Saville Roberts: Given that this would be worth millions per annum to the industry, what progress and when will you be making progress on this, do you think?

Anna Soubry: I was going to say that obviously I am constrained, and it is as annoying for me—as I am sure it is for your good self—that, because things are commercially very sensitive, we are hugely constrained as to what we can say and what we cannot say, Mr Davies. It is frustrating, but we all know the difficulty that Tata is in at Port Talbot. We know that McKinseys have gone in, the consultants have gone in, and they have gone through things with a fine-toothed comb. When they and Tata come to us with their asks—and this is all I can say—you can be absolutely assured that we will do everything that we can do to make sure that they continue to produce steel at the works in Port Talbot. I am sorry I cannot say more than that, but that is all I can say.

Q79 Liz Saville Roberts: Can I just ask one question? Given that you have indicated an interest in this in the past, to my colleague Jonathan Edwards, could we ask for further information about that via the means of this Committee?

Anna Soubry: I do not know if you will get anything more than I can say until Tata come to us and we are in a position whereby we know exactly what the asks are of them. We obviously have a good idea of some of the things. We know a power plant has been something that is a long-standing issue there. I have already met with the chief executive of the port authority at Port Talbot. One of the things I learnt when I went to Port Talbot was they had difficulties with the port. I have had those sorts of discussions, but until we are in a position whereby that piece of work has properly been completed and we know what the asks are, we cannot then advance everything in the way that we absolutely want to. We are aware of it, and all we can say is that we continue to do everything we can to make sure that steel continues to be made at Port Talbot. I am sorry I cannot be more helpful. If there is anything further we can say, Mr Davies, we will write, I promise that.

Chair: Thank you.

Q80 Mr Mark Williams: The impact of job losses of the magnitude that are facing Port Talbot are immense for any community in the surrounding area. How will the UK Government support those who have lost their jobs and, indeed, the wider community? Obviously, in part that is also the relationship between the Department and the Assembly Government. What is being done?

Anna Soubry: I know that obviously Edwina Hart and her colleagues have set up a taskforce, just as we have seen in other areas that have been affected by large redundancies relating to steel. Officials of mine obviously attend those meetings. I think there have been two meetings that have taken place. I know that, unfortunately, DWP know now how to do these things—I wish in a way they did not have to know, but they do—so DWP goes in. I think there is a good relationship between my Department, and obviously the Secretary of State for Wales and the Welsh Government, to make sure that we can do whatever we can do to help. Unfortunately, perhaps, for the Welsh Assembly, the bulk of it, because it is devolved, rests on their shoulders.

Q81 Mr Mark Williams: Are there good precedents, though? I know you alluded to what the taskforce was undertaking in Scunthorpe when you spoke to the BIS Committee, and you are right: there are going to be Welsh solutions to the problems. Are there good examples of practice from the taskforce in Scunthorpe that those officials can impart and share with our Assembly colleagues and the taskforce that has been established?

Anna Soubry: There may be. I think MPs are a brilliant way of getting this together, if I may say, because I know that MPs will be involved in the taskforce. Certainly, they have been up in Redcar with the taskforce, I know in very different circumstances that were set up there.

One of the things that I think should happen is that we should—I am being a bit controversial—strip the party politics out of this. It upsets me slightly when people do take political advantage of things and use it as an opportunity to attack Conservatives and the Government and say things that are not true. That really annoys me—but, never mind, I suppose that is political life. We do care. It is a vital industry and we are doing everything we can to support it. I can absolutely see that you might want to meet with some of those Members of Parliament that I have met not just in Scunthorpe but in Rotherham. The Rotherham guys all came to see me, which was a good meeting, and we are doing quite a lot of work to help them, advancing budgets, for example, in skills. That was one of the first things that we did and we have tried to help them with a £3.5 million package they want, which needed tweaking around. That is another thing we are still working on. Of course, Nic Dakin comes and regularly bangs on my door—I have no problem with this—and he and Martin Vickers from Cleethorpes and then, of course, Andrew Percy from Brigg and Goole pretty much work as a very good trio. They work hand in glove with the excellent council of North Lincolnshire, a unitary authority, to make sure that they are doing and achieving. You do not want people having to travel to Scunthorpe or to Port Talbot. I think you can do it in this place and it may be among MPs to learn from each other tricks and things.

I think also we did have a debate about what had happened in Redcar, and I shall go up there in March. I have always promised I would go up at six months just to make sure the money, which is considerably more, has delivered in the way that we all wanted it to deliver. It is hugely important.

Q82 Byron Davies: I have lots of questions, but I know we are time short, so I will try to condense them. The issues around the Welsh steel industry have been known for some time now. What is the long-term Government plan for British steel? Can I perhaps ask you to include in your answer a strategy for procurement? You alluded earlier to the five asks of Government. Could I perhaps ask you if you could bring us up to date on that?

Anna Soubry: I think the Prime Minister again used the word "vital". It is absolutely recognised that the steel industry is a vital part of the British economy. We have made it very clear that we want a sustainable future for the production, and that means basically the blast furnaces, at both Scunthorpe and at Port Talbot. That is the aim and I put it in the emotional way of saying I want to make sure that all the rails for HS2 are made in Britain. I put it in that way, but that is talking about the longevity, the sustainability and the long-term future.

All the steel industry has ever asked is for a level playing field, which is perfectly reasonable in my view. They made five asks of us. We have delivered on four. We have sorted out the national procurement rules. I hope your Welsh Government will copy and mirror what we have already said that we will do as Government. We have delivered on compensation, and I should have said earlier, Mr Davies, that, of course, we have said that we will scrap for EII-intensive industries the difficulties. We will make that part of the exemptions from 2017. So there is that. We have already taken the action on dumping and we continue to take that action.

The fourth one—remind me, my brain is going to porridge, I am sorry. I will get there. The fifth one—while my brilliant official reminds me what the fourth one is—is on rates. Now, that obviously is a devolved power for the Welsh Assembly. The Welsh Assembly have the power to do whatever they want to do with rates in Wales, all of which have to comply with the EU state aid rules. In England, we are having a full review and the ask that the industry has made is about business rates. I think they make a very powerful case that, when you invest in new plant and machinery, you should not find your rateable value going up when you are doing the right thing, and I think that is right. The other one, of course, was the flexibility for EU regulation. How could I forget that, Mr Davies, in your company? Again, we have delivered on that as well with the various directives. We have delivered the five asks. The Welsh Government can deliver on rates. We will do our best in England and I hope the Chancellor will do that on plant and machinery.

Q83 Byron Davies: Community, when they were here earlier, were very keen to stress that we needed a long-term strategy for procurement and they seemed to think that we did not have one at the moment. It seemed quite confusing to them.

Anna Soubry: No, I would disagree with them on that one. I think of the way that we have changed the procurement rules; we are the first European Union country to do this, to take advantage of the new powers available to us. I think it is only in England, isn't it? It is up now to the Scottish. It is devolved. In England, we have made it very clear. In crude terms there are now no excuses, no way out of any English or Government contract using British steel. No excuses. I very much hope the Welsh Government will follow that up and introduce exactly the same procurement rules and the Scottish Government as well, because that can make a big difference. We know there are huge infrastructure projects and huge builds, whether it is a new hospital, whether it is in schools, wherever it may be. There are no excuses for them not using British steel. There is no debate about the quality of British steel, so, as I say, there are no excuses. I think the procurement rules are a real achievement and I am very proud of it.

Chair: Okay, thank you.

Q84 Gerald Jones: I understand from one recent report that trade unions were not invited to join the working group set up after the steel summit, so I wonder if I could ask what involvement you had with trade unions and local representatives?

Anna Soubry: It was not that were not invited. We invited people when we thought they were relevant to whatever we were debating. I chaired the one that was looking at all the international stuff, and of course Roy knows that he can contact me at any time. To be fair, what we did, we went to the industry itself and we said to them, "Right, give us your examples of where you say we are not doing what other European Union countries are doing." We could not find any examples, I have to say. Then on things like dumping, again, if we needed to, we would ask them in to give us any particular advice and guidance.

I don't know whether people appreciate this, but on all these dumping cases the complaint has to be raised by the steel industry themselves. The unions cannot even do it, much as they would like to, no doubt. We do rely on the industry itself to do it and then we will do everything that we can to support them but they have to raise it, so I can assure you there was no snub at all for the trade unions. As I said in my opening remarks, my experience of their national and local leadership is that they are exceedingly good. I will not say where, but certainly on one visit I learnt far more from the trade unions than I may have learnt from—I will get into trouble for saying that, so I apologise. They were absolutely brilliant because they knew what they were talking about. They knew that plant inside out and they talked with great authority. I don’t think you went to that one, but everybody was really impressed, not just by their reasonableness but their realism as well. These are good people and I wish we were not in the position that we are in.

Q85 Gerald Jones: Could you elaborate on what actual engagement you have had specifically with trade unions in relation to this?

Anna Soubry**:** I have a list of all the times that we have met, so I could give you all of these. Nick Boles met Roy Rickhuss on 9 December. Len McCluskey met Savid Javid on 15 December. Savid Javid met Roy on 17 December, and I met Roy on 4 February. I spoke to him early last week on the telephone and we had a really good conversation. He has gone, hasn’t he? I thought he had my mobile phone number. It seems that most people have. But he knows my door is always open to him. He wrote me a letter and I have no complaint about it. It was a good, strong letter. He did an excellent job in representing his members. I replied to him in a warm and friendly way. I have a lot of time for him. I think he is very good and he does not hold back. I have no problem with that.

Q86 Gerald Jones: Moving on to the engagement with Welsh Government and what form that has taken.

Anna Soubry**:** It was very good because Edwina Hart came along to the steel summit that we had and she spoke. She did not just sit there; she played a part in it, and I thought that was excellent. I cannot remember the last time I spoke to Edwina. Actually, I think it was just before the announcement of the job losses at Port Talbot. Again, she can speak to me at any time, but I think that was the last time that I spoke to her.

My officials attend the taskforce. I wanted to attend one, but I could not go. In fact, I have not been able to go to two of them. I don’t have a problem going, as long as I have something that somebody says to me, “Right, this is something you can do. Take it away. Go and do it.” I cannot abide talking shops. I am not saying the taskforce is, I quickly say, but I know my very senior officials attend, and if there is anything that needs to be done they report straight back to me.

Chris Hobley: Lord Bourne attended the second taskforce.

Anna Soubry**:** He went to the last one.

Chris Hobley: He is the Minister for Wales on this.

Q87 Gerald Jones: Could I pick up on an issue regarding the Energy Intensive Industries compensation scheme. Are you aware how much money has gone in to the industry in relation to that particular compensation scheme?

Anna Soubry**:** I think so far we have paid out £60 million, isn’t it?

Chris Hobley**:** For the 2011 compensatory pension.

Anna Soubry**:** Yes.

Chris Hobley**:** As you know, we received the state aid clearance very late, just before Christmas. The guidance and the forms were published—I believe I am right in saying—

early to mid-January and, since then, we have been working with the companies waiting for them to put in their applications for us to turn round as quickly as we can.

Anna Soubry**:** Just to say I should have made it very clear, EII, energy intensive industries like steel, will be exempt from all green taxes from 2017. It is a huge achievement. So that will please you, Mr Davies.

Chair: It does, yes.

Anna Soubry**:** It certainly pleases me because nothing is more stupid than doing something then taking it—

Chair: That is only a point I have been making for a year or two.

Anna Soubry**:** That was an astonishing achievement. I never thought that we would get that. Savid Javid made that case directly to the Chancellor and he won the argument. He should be given credit for that.

Q88 Chair: It is not a discussion with us, Minister, but you made the point just now that it was barking mad to take the tax and then pay it all back. I have been saying that for a couple of years now but at least, by 2017, we will finally realise it.

Anna Soubry**:** Exactly. I am very sorry, Mr Jones, I interrupted you in your last question.

Chair: Could you finish off, Mr Jones because I really want a couple of more questions?

Q89 Gerald Jones: Yes. You said that time is of the essence in terms of turning these applications around once a year. I am pleased to hear that every effort is being made to turn those applications around and work with the companies to get their compensation to them.

Anna Soubry**:** And if there are problems, we honestly want to know about it.

Q90 Chair: Just picking up a bit further on Mr Jones's point. Are you satisfied with the speed at which the European Union has cleared this under state aid rules?

Anna Soubry**:** No.

Q91 Chair: Would you it is fair to say, as others have, that there have been lengthy delays and a lot of bureaucracy around it?

Anna Soubry: Yes. Mr Kinnock would know more about these things than I do and no doubt has been deeply frustrated for many years at the slow way that the EU does things.

Q92 Stephen Kinnock: Do we think it is also about how hard you knock on the door? Do you think that over the last four or five years the British Government has knocked hard enough?

Anna Soubry**:** I would not know, to be honest.

Stephen Kinnock: It is a judgment call, yes.

*Anna Soubry***:** In any event, would never say anything against any of my brilliant predecessors. Everybody knows my views about the European Union. I want us to stay in it. I cannot imagine circumstances that I would vote for us to come out of it. I think the Prime Minister has done an astonishing job delivering the reforms that are needed.

Chair: Yes, a lot of people think it is astonishing.

*Anna Soubry***:** I honestly do think—I don't know whether others agree or not—that there is a breeze that is turning into a wind of change blowing through the whole of the European Union, because people are realising that, if it is to succeed in the way that we want it to, it cannot strangle itself up in delay.

Chair: Okay. You are taking us at a slight tangent.

*Anna Soubry***:** Sorry.

Q93 Chair: You have just said to me—as I wrote down here—you are very frustrated with the slow way in which the EU does things.

*Anna Soubry***:** Yes, but I am also frustrated at the slow way that Government sometimes does things.

Q94 Chair: We heard earlier on I think from the union that the American Government were able to levy a surcharge, an import tariff, within a matter of weeks, as opposed to a matter of a year or so with the EU, so a Government can do it within a matter of weeks if it wants to.

*Anna Soubry***:** Yes, but I am not sure if that is always right because are they not confined then by the World Trade Organisation? Are we saying that the American steel industry is in a better position than the British steel industry?

Q95 Chair: Nobody was saying that. I think it was the union. What Mr Rickhuss said was that the Americans put that tariff on within a matter of weeks, whereas the EU, as you have just said, have been going about it in a very slow way.

Stephen Kinnock: To remind the Chair, the EU is a single market consisting of 28 member states whereas the USA is one single market, one nation.

*Anna Soubry***:** Of course, and I think I know the train of thought that Mr Davies might be going down. I would say that if we did one by ourselves then we would not have all this nonsense. I think the other thing that perhaps is not appreciated is that there is a device that, when a complaint is raised, you can drop down; you will tell me what the proper terminology is. It is provisional measures. So, once the complaint is raised, you can introduce all those. You almost stop everything. This is a provisional measure while the Commission then goes on—quite properly goes through the process of making sure that they consult with everybody. That is not just the firing shot across whichever country it may be that you are accusing of dumping in this way, but it does the job immediately and that is very powerful. But you have always got to be careful; you have to get the balance right.

Q96 Chair: Do you not think that some people get frustrated when Ministers say that they are strong supporters of the European Union and then turn round and blame it for all the things that go wrong?

*Anna Soubry***:** Blame the EU?

Chair: Yes. You used the phrase just now that you were deeply frustrated at the slow way the European Union does things. Those are your words.

*Anna Soubry***:** Yes, but they are not responsible for the decline in the British steel industry.

Chair: No, but you are frustrated with it. You put the blame on them for the long delays when you were dealing with state aid.

*Anna Soubry***:** I put blame on until my Secretary of State absolutely stepped in, called the emergency meeting and ratcheted things up, and full credit again to the Secretary of State for doing all of that.

Chair: Right. Antoinette Sandbach had some more questions but she seems to have gone now, so it is back you again, Stephen.

Stephen Kinnock: Thank you very much. Do I have time for two, Chair?

Chair: Two, yes.

*Anna Soubry***:** I don't have a problem. I don't think I have anywhere else to go, Mr Kinnock.

Stephen Kinnock: Thank you very much, Minister. You are very generous with your time.

Chair: You will regret saying that.

Q97 Stephen Kinnock: We do appreciate that. There were two questions I would like to ask. The first one is on this lesser duty rule issue; I am going back to that briefly if I may. The second is on the European globalisation adjustment fund.

Just on the lesser duty rule, I have a press release here that was issued by UK Steel, so representing the British steel industry, Tata Steel and others. It says, "The EU must follow the example of the United States by lifting the 'lesser duty' rule, which would increase anti-dumping duty levels and actually make them effective. It is, therefore, galling that the UK Government has not taken action itself and has continued to block these changes in the EU, leaving the UK steel industry on its knees. Government must support the lifting"—scrapping, I think they mean by that—"of the 'lesser duty' rule otherwise steel manufacturing will be lost in the UK and Europe". Do you agree with their position on the lesser duty rule?

*Anna Soubry***:** I have a rule that I don't comment on things I have not seen. I have not seen that. When was that issued?

Stephen Kinnock: 10 February.

*Anna Soubry***:** Right. I have not seen it, Mr Davies, so I don't comment. What I would reiterate, as they know, is that, on rebar, we are absolutely leading the charge to say that should be on the higher tariff.

Stephen Kinnock: I accept that, but this is—

***Anna Soubry*:** I am not going to comment on stuff I have not read. I know it was issued today, that is why I asked what date it was. I have not seen it, so I am not commenting on things I have not seen.

Q98 Stephen Kinnock: The UK steel industry is clearly of the view that the UK Government should support the scrapping of the lesser duty rule. What is the position of the UK Government on the lesser duty rule?

Anna Soubry: I have said that is your interpretation of what they say. Secondly, I have not seen it, so I don't know whether you are quoting in context or out of context, and thirdly, I have made it very clear I know that we take quite properly the view that each case must turn on its own merit. I gave the example in relation to a particular type of steel, grain-oriented electrical steels, where we decided that we would abstain; but on rebar, we are backing for the higher one to be set between 9.2% and 13%. That is all I know, and I am not commenting on things I have not seen.

Q99 Stephen Kinnock: My second question is on a different topic, which is the European globalisation adjustment facility. As you will know, Minister, that exists to help with redundancies. Where there are large-scale redundancies in a particular industry, a fund exists within the EU of I think it is between €5,000 and €20,000 per worker is the EU contribution accounting for 60%, to be matched by the member state's contribution of the remaining 40%. Obviously, we have had waves of de-industrialisation and of course the most striking of those is now what we are seeing in the steel industry and yet, as I understand it, the fund has existed for three or four years. As I understand it, the British Government has never submitted a single application for support from the European globalisation adjustment fund. Do you not think that there is an opportunity going begging there, particularly in terms of the 750 job losses in my constituency, as though those workers would not appreciate it if the British Government were to be looking for this extra support?

***Anna Soubry*:** We have taken the view that the support that we already offer, through Jobcentre Plus and through the work of the DWP in these emergencies, is sufficient. Somewhere I have read—and it is not here, and again if you can help us—that it takes years for applications to be granted, and this Government, quite properly, does not have to apply for funding. We just get on and do it, and in fact we actually put the people in before the redundancies have unfortunately been made.

Stephen Kinnock: But the pain of these redundancies will be felt for years.

***Anna Soubry*:** If we are doing the job through Jobcentre Plus—

Q100 Stephen Kinnock: Why not access more support?

***Anna Soubry*:** Because what we are doing meets the need. Jobcentre Plus meets the need, and, in fact, there are some excellent stories coming out of the experience in Redcar of where Jobcentre Plus were onto it and there it was immediately. Scunthorpe, again, they started the work to pre-empt it. We pre-empt, because of course there have been no redundancies as yet that go through that horrible process. So we pre-empt it. We don't have to go and apply for something, and if it does not add value to what we are already doing then there is no point in us going to it. Again, if I dare to say it, I think this is a huge red herring.

Q101 Stephen Kinnock: You are 100% confident that everything that is being done will meet all of the needs that you can possibly foresee?

Anna Soubry**:** I cannot talk about what the Welsh Assembly will do by way of support, obviously, because that is not within my remit. I do know that in Redcar we have put in about £60 million of support for all the people that had been made immediately redundant there and to work through the supply chains. In other places, recently at Rotherham, I think we put in about £3 million so far, and I know there is another bid in for another £3 million and £6 million has already gone into Scunthorpe.

This is where we are doing a terrific job. We don't mess about. We absolutely get the money there, and I don't know if that has ever been done before. We say, and sometimes it drives our poor officials to frustration, "Look, sorry, give them the money." A very good example was to support 50 apprentices in Redcar who literally found themselves redundant on that dreadful Friday. They found the replacement positions for them and we funded it, like that. It has never been done before.

Q102 Chair: Thank you, Minister. Did anyone have any last questions? I have one very brief one. You have talked about everything that you are doing to support more procurement of British steel over the next few years, which I am sure we are all delighted to hear about. Would we be entitled to judge this and measure this in 12 or 24 months' time and see how successful we as Conservatives have been, do you think?

Anna Soubry**:** Absolutely.

Q103 Chair: Can I be confident and tell my constituents that we will be procuring far more British steel in 12 or 24 months as a percentage of major procurement projects—Government-led ones—than we are at the moment?

Anna Soubry**:** That is certainly the aim. If you look at Crossrail, where 98% is from Britain, we know that Network Rail buy at least 80% of their steel from Scunthorpe. For the new procurement rules, the aim is to make sure, so there are no excuses.

I want to put this caution in, Mr Davies. We know that we have to do the work in the supply chain, and that is why Andrea Leadsom and I are very keen to look at how we can improve the supply chain. It would be wrong to say, "You have no excuse," and then people say, "Well, our fabricators don't have the right materials or they don't have the right skill set." That is exactly the sort of work that we are looking at to make sure there are no excuses, so hopefully in two years' time, you will be able to say exactly that to your constituents.

Chair: We look forward to that. Thank you very much indeed, Minister. Thank you for staying so long and apologies for the Division, which I have no control over.