



Welsh Affairs Committee

Oral evidence: [the steel industry in Wales](#), HC 767

Tuesday 12 April 2016

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Members present: David T.C. Davies (Chair); Byron Davies; Chris Davies; Dr James Davies; Gerald Jones; Stephen Kinnock; Craig Williams; Mr Mark Williams

Questions 104 – 137

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.

Q104 Chair: Good afternoon. Thank you very much indeed, Minister, for coming before us once again. Could I start off by asking you, in the light of all of the evidence that we have been listening to in the debate today, whether in your opinion energy prices for steel manufacturers are too high?

Anna Soubry: I think the compensation package will certainly alleviate many of the problems that the steel industry has been suffering as a result, but I think the reality, Mr Davies, is that energy prices in the country are too high. We need to have more cheaper energy. That is my view. That is why I am a big supporter of shale gas, for example. The sooner we bring on fracking, if I can use that expression, the better. You cannot have, in my opinion, too much cheap energy. That is good for business and good for ordinary domestic users; ordinary folk and ordinary householders. I think that is a problem.

Q105 Chair: In that case, why is it also Government policy to support onshore and offshore wind, which generate electricity at two times and three times market rate respectively?

Anna Soubry: Well, you will forgive me, but I am not going to try to pretend that I am the Energy Minister and that I therefore know the sorts of detailed answers that I am sure you and your Committee would want. What I will say is that I think Britain should be proud of the fact that apparently we are now the world leader in offshore wind and the ability to produce energy from it.

Chair: At three times the market rate, £150 per megawatt hour.

Anna Soubry: Mr Davies, you have the figures. I have to say that I do not have those figures.

Q106 Chair: You do not have that figure?

Anna Soubry: Well, I could look through my brief, but that would take some time.

Chair: No, that is fine, but I am surprised—

Anna Soubry: No, I am not the Energy Minister.

Chair: Neither am I.

Anna Soubry: Ask me about steel and I can bore for Britain, if I may say so, because I think I know pretty much everything about steel.

Chair: If you will forgive me for saying this—

Anna Soubry: But I do not know the unit cost of offshore wind.

Q107 Chair: Right, okay. It is £150 per megawatt hour and, if you do not mind me saying, you agree that energy prices are too high, you agree that we need lots of cheap energy, so surely you agree that it would be useful to know what the respective costs of different forms of energy generation are.

Anna Soubry: I think that is a very good idea. The other thing that is really interesting, and it is a bit of work that we are doing in the Department at my insistence, is working out why it is—take off all the so-called green taxes—that Britain's energy prices are at the level they are. By way of example, we know that our transmission costs are higher than other European countries, so that is a particular piece of work that we are looking at. I do not know what it is because that is what my officials are looking at. How can we look at all aspects of it, working with the excellent Secretary of State for Energy and Climate Change, to make sure that we get our energy costs down and at the same time we increase supply and diversity of supply? I rather like all of that; I do not want us to have all our eggs in one basket.

Q108 Chair: The last you kindly appeared before the Committee, I suggested to you that it would be useful to know how much of the steel that has gone into the windfarms that you are very proud of has come from Britain, and you said you would be able to put that question—

Anna Soubry: Have I not done that?

Chair: I was about to ask if you had.

Anna Soubry: It would be much easier to ask if it is in my brief. It appears that it is not.

Chair: Well, what happened was that at the last meeting when you appeared before the Committee—

Anna Soubry: I think I said I would go away and look at it.

Chair: Yes.

Anna Soubry: Did we not write to you? Because we normally do.

Chair: I have not received a letter from you yet, but you would know if you had sent me a letter.

Anna Soubry: Well, I apologise profusely, Mr Davies. The normal form is that the answers to any questions I cannot answer are sent to each member of the Committee, including yourself and your Clerk. I do not know why that has not been done. I apologise.

Q109 Chair: That is all right, but you would agree it is an interesting question. It was raised also I think by the Member for—

Anna Soubry: Scunthorpe?

Chair: —Don Valley in the debate earlier on, the issue of how much of the steel that goes into windfarms comes from Britain. You will remember that when you appeared before us a few weeks ago you said it would be interesting to know that and that you could find out the answer to the question.

Anna Soubry: Yes, and I have apologised for not doing that. I do know, because I have made enquiries, that we do not make the steel for the towers. There are some sorts of steel that we just do not make, and there are some forgings that we do not make in the right size, the ultra-large forgings. I believe that I am right in saying—I am getting some noise indicating that I am right—that we do not make the steel for the towers in this country, but the components should be made in this country, and then of course there are the blades themselves. Sorry, I think Mr Hobley knows the answer to this.

Chris Hobley: No, I was just going to say that one thing you also said at the last meeting was that it would be difficult for the Government to know some of the quantities of steel with respect to private sector procurement as well. We would not necessarily hold that kind of information.

Anna Soubry: No, we do not ask. If I may say, I thought that Nic Dakin's speech in the debate we have just had was excellent. I don't agree with everything he said, but he made a really good point about future contracts. Let us park where we were and let us learn from the past. The argument he was making was in terms of future contracts, which are paid for by the taxpayer, is there more we can do on the procurement rules to make sure that they are using British steel? I think he made a good point on the sorts of commitments we can now get from the private sector. I do know that in terms of the defence sector—there is a group of the top defence suppliers, which is chaired by the Secretary of State for Defence—at our very last meeting, which was about three or four weeks ago, we specifically presented a paper to all of them. These are the biggest players: Rolls-Royce, BA and all the defence suppliers you would imagine. We effectively told them about not only our procurement rules, but the importance of using British steel throughout the whole supply chain. I have to say that they were hugely supportive.

Q110 Chair: We are going to come on to that in a minute, but I put the same question to the House of Commons Library and, interestingly, they have been able to get me an answer.

They say that if we look at turbine supply in particular, the average UK content was 3%. Now, this is what has come from the House of Commons Library when I asked them.

Anna Soubry: Did they say which part of the wind turbine that was and did they address this point about whether or not we actually make that type of steel?

Q111 Chair: We were making that kind of steel, because it was made in my constituency by Mabey at Chepstow. It has gone out of business, partly because nobody was buying the steel it produced because, as the director put it to me, cheap steel was being floated up the Severn from other countries around the world. The Library has said, “Looking at turbine supply in particular, the average UK content was 3% excluding UK spend by turbine manufacturers on the installation and commissioning activity”. I have been able to get some figures and I am surprised that the Department has not been able to supply you with something, but perhaps we will come back to that in a minute.

Could I ask you very quickly about procurement before handing over to my colleague here? What is the Government doing now, which it was not doing previously, to encourage companies to buy British-made steel?

Anna Soubry: When it is taxpayers’ money, first of all, it was direct Government procurement. Now we have extended that to anybody who is using taxpayers’ money, so we have broadened it. They are allowed to take into consideration in that procurement process the social and the economic benefits of buying British steel. The introduction of those two factors, frankly, means that there is not much wriggle room when it comes now to buying British steel.

Q112 Chair: When was that change made?

Anna Soubry: The first set of changes came out of the working group that was set up after the steel summit. My colleague Matt Hancock has led on this work—very successfully, in my view—out of the Cabinet Office. Then, only a week this Sunday, or the Sunday before, we announced the extension of it.

Q113 Chair: Given that the steel industry has been warning for some years now that they face this problem, would it not have been more sensible to have brought these changes in much earlier, rather than waiting until just two weeks or so ago?

Anna Soubry: No, two weeks ago was the further extension. The work on the first extension began in October. Now, I think that you will find—I will be corrected by my official if I am wrong—that it was a change in the EU rules that enabled member states to change their procurement rules. We are the first country in the EU to take advantage of these changes. Rather than us waiting—when were they introduced in the EU? Do we know when the EU made this change?

Chris Hobley: I would need to check, but you are absolutely right that we are the first EU country to—

Anna Soubry: Yes, I know that, but I just wondered if anybody knew when it was. Forgive me, Mr Davies, but I feel slightly agitated on these matters because this is work that we have done. We have listened long and hard to the requests from the industry and from the workers, and on all but one of the requests they have made we have delivered; and not just delivered, but delivered very quickly—in this instance more than any other EU country.

Q114 Chair: Lastly, when you last appeared before us, I put it to you that the idea of levying all sorts of taxes and then handing back compensation was not very sensible. I think you described the policy as “barmy”, which I thought was an entirely accurate comment and one I completely agree with.

Anna Soubry: I agree.

Chair: What are you doing to change the policy that you and I both agree is barmy?

Anna Soubry: We have already. We are now compensating people—

Chair: But we agreed that it was barmy to compensate people for taxes levied.

Anna Soubry: Hang on, Mr Davies. I’m so sorry, but can I just finish my sentence? It was silly, in my view—“barmy” is probably another word; well, it is the word I used—to make people pay something that you then give back, so we have changed that. From 2017, our energy-intensive industries will be exempt from those two particular taxes, so they will not have to pay them.

Q115 Stephen Kinnock: Thank you very much, Minister, for taking the time to come and meet us today. I want to focus on the particular situation we are in with the strip products division, and how we can ensure that an orderly and timely sales process is taken through to the best possible conclusion. I think that relates, in particular, to the question of the Government’s role in providing the whole process with the resilience and stability it needs. A new term has come to the fore, which I think the Secretary of State has floated, which is this idea of co-investment. Could you please give a little more detail on what that term means in your view and in the view of the Government?

Anna Soubry: I am not being rude and I am certainly not being difficult, but the sort of work that we have—we actually started in October and then, of course, events at Scunthorpe unfortunately concentrated our minds even more, and now again with renewed vigour in relation to the situation following the announcement by Tata. We are, to use the expression, which is the correct expression, looking at all options. You will forgive me, Mr Davies. As I said, I do not intend to be difficult, but these things are so commercially sensitive that it would be wrong of me to go into the detail. What we have said is that we are looking at all options.

The most important thing—and there is a reason why I say this, and I think all responsible Members should agree and adopt it—is to find a buyer. We want a genuine buyer to come forward who will buy the whole the business, and that includes Rotherham and Stocksbridge, although I accept that the situation there is different. We want a responsible

buyer who is prepared to invest their own money with a view to a long-term, sustainable steel industry in this country. That is the overriding principle: we are looking for a buyer and we will continue to do everything we can to secure a sale and long-term sustainability for our steel industry.

Q116 Stephen Kinnock: My understanding is that the sales process will be a total of 16 weeks: eight weeks for an expression of interest period, and then eight weeks for due diligence. The sale of long products to Greybull took at least nine months. Other colleagues I have spoken with said the real end-to-end process was closer to 11 or 12 months. Do you share my concern that a 16-week sales period is simply not long enough to secure the very objectives you just outlined?

Anna Soubry: My belief is that Tata will be true to everything that they have said to you—I have no doubt about that—to the leader of the Community union, Mr Roy Rickhuss, to myself and, of course, to my Secretary of State. They have said that they will carry out and conduct a proper sales process.

Q117 Stephen Kinnock: If the scenario arises where we have got very near to the end of that 16-week process and a solution has not been found, what action do you envisage the Government could take in that scenario?

Anna Soubry: Well, as I say, we are looking at all options. I am not going to debate or discuss and disclose what those options are. I just hope that people would take the word of the Government, and I know sometimes that is a bit difficult for people to accept as a concept. The Prime Minister has made it very clear that it is a vital industry, that no stone should be left unturned and that we will do everything we can to secure the future of the steel industry in this country. We have focused that very much on the blast furnaces at Port Talbot because that is the part of the business that is losing a great deal of money, but of course we all know and understand that, as a result of that, it is going to be the most difficult part to secure a future for.

Q118 Stephen Kinnock: I absolutely understand the concerns around commercial sensitivity, but when the Secretary of State introduces a new word like “co-investment” into the discourse, it does raise questions. I just wonder whether it might be preferable to send a message to potential buyers, to the customer base and to the supply chain that gives a little more clarity on what those words mean in order to stabilise the situation.

Anna Soubry: Mr Kinnock, can I just say that, on the efforts being made by my officials, I receive e-mails, can you believe it, and indeed a text today—I am not saying from whom—from people who are making very serious expressions of interest in buying Tata. You can be absolutely assured that in private we are doing everything we can to find a buyer. I am a little bit disappointed that people have not given us the credit for actively going out and looking for someone to buy Scunthorpe. Now, they have not sealed a deal yet. The process of sale has begun and obviously I wish it huge success. I put some caution in because it has not been completed yet and we need to see the money coming together and so on, but we should not—I hope nobody ever would—underestimate the very real work that is going in, especially from officials. The hours that my officials have

put into this has been astonishing. I think we sometimes forget, Mr Davies, these are the people who are sending out e-mails on a Sunday when they would no doubt rather be spending time with their families, breaking their holidays and working literally around the clock to assist in making sure that our steel industry has a sustainable future in our country. I just want to put that on the record and to thank them.

Q119 Mr Mark Williams: Following on from that question, I do not want to be negative—I appreciate what you said about the energies going into finding a buyer and the commercial sensitivity—but given the timeframe of the sales process, what preparations are being made to support workers who potentially could lose their jobs? We are talking about a very narrow timeframe. What is happening in that area?

Anna Soubry: Well, again, we are looking at all options. That is all I can say. It was quite interesting—

Mr Mark Williams: I just want to take you—

Anna Soubry: No, I cannot tell you what all the options are.

Q120 Mr Mark Williams: I just want to take you back to when you gave evidence to us in February. You were then of the view that access to the European globalisation adjustment fund would not be necessary and that support through potentially—hopefully it is potentially—Jobcentre Plus and DWP would be sufficient. Are you still of that view?

Anna Soubry: I am going to be positive about it all.

Mr Mark Williams: I want to be, too, but I am just mindful of what Stephen Kinnock's constituents are thinking.

Anna Soubry: Of course, and obviously we are not just blindly sitting there. As I say, because I know so much about the huge work that is going on, and the various levels at which that work goes on, all I can say is that we take this very seriously and we are doing everything we can. I use this expression because it is the PM's expression: no stone has been left or will be left unturned.

Q121 Mr Mark Williams: Like you, I am going to ignore the script, because the script question was to talk about a plan B and the contingency plans that the Government might have. I appreciate that you are looking and exploring all possibilities, but particularly the issue relating to the potential support that workers and their families can expect is a valid one that does need addressing now.

Anna Soubry: Of course, but we already have that taskforce in place in Wales. They are there because unfortunately they are having to cope with up to 1,000 redundancies already. They are in place and, of course, as this awful demise in the steel industry across the world takes place, we learn from Redcar, which is one of the reasons I went back to Redcar after six months. We learned the lessons and that is one of the things that we are now doing with the work at Rotherham. People forget that hundreds have been laid off in Rotherham

as well. Again, that is why I went to Rotherham to meet the taskforce, so that, again, lessons are learned that we can then put into place in south Wales.

I just want to make one thing clear, which I think just needs to be put into the mix here. Of course we congratulate the Scottish Government—I cannot be bothered with all the party politics on this—on finding a buyer for the works up there at Dalzell and Clydebridge, but there was a suggestion that the Scottish Government had bought it and held on to it. It was a back-to-back deal, and I think they probably owned it for about an hour. That is the reality. All the people were made redundant bar 23, and what the Scottish Government did was they found training places for them so that they were training with new skills at the same time as they were keeping the works open. Obviously they have not broken any state aid rules or anything else, but I thought that was a very interesting device they used. I think we have to look at the scale. That was 23, but thousands of people work at Port Talbot and, indeed, the other works.

Q122 Mr Mark Williams: Lastly, again notwithstanding what you said about keeping all options open, are you accessing assistance from the European globalisation adjustment fund? Is that an open option as well?

Anna Soubry: Mr Williams, let me make it clear: we will look at all options.

Chair: Thank you very much. We will have a supplementary question from Byron Davies.

Q123 Byron Davies: Could I ask you something that I also asked the other day? Given the situation with world steel at the moment, what is your take on the sincerity of Tata wanting to sell Port Talbot, given that it will be competition for their Indian operation?

Anna Soubry: I think you look at who they are, look at their history and listen to the workers. If we do that, we see that everybody speaks in very glowing and warm terms about Tata. We know that they are a responsible business. We know that they care deeply about their reputation and we know that they care with a passion about communities. They have given their word that this is going to be a sale process. They want to sell it, so we have to take them at their word, and I do. I base that on their past and the way that they act at the moment. If you look at JLR, for example, there is a good reason why they were made employer of the year. This is a great, wonderful business, a global business with a fine reputation, which I believe they are keen to secure.

Q124 Craig Williams: Thank you, Minister. I wonder whether I could ask you more about the timetable of all this, about when the UK Government found out that Tata wanted to close or sell it off, and then how prepared the Government was for that process.

Anna Soubry: Some of this is confidential, but there is no doubt in my mind that they wanted to close it. That was my view. I cannot speak for others sitting next door to you, perhaps, as to the view that they took, but I will be blunt: I think Mr Kinnock might have taken the same view that they wanted to close it. I was told by somebody; I will not forget that conversation and I am very grateful to that person. I do not think that it would be right for me to name that person, but maybe one day that will come out. My view was that they

wanted to close it, although it was not the view of everybody in the Department. There were others who said, “No, they are considering closing it”. That was my view. I took the view they wanted to close it, so I urged everyone to work on the basis that they were going to close it.

There is no doubt that under the leadership of my Secretary of State—this is my view—I believe he and someone else persuaded them not to close it. That is my very, very firm view. That is not in any way to cast any form of criticism—how could you—of what Mr Kinnock and the other guys, notably the Community union, did by going over to Mumbai, but I think that the decision truthfully had been made that they were not going to close by the time that they went. They went, and of course they should go. If I may be very blunt, I think that what happened was that the presence of the Community union, and Stephen certainly took the publicity to a certain place, which I thought was a good thing because it really concentrated everybody’s minds in Mumbai to make sure that they were going to sell it and not close it. This is my opinion: the decision not to close had been made by the time that the board met.

What then concerned the Secretary of State and I—and I spoke to Roy Rickhuss—was the timeframe. When I spoke to Roy on his mobile—I think it was 3 o’clock in the morning in Mumbai, so he was obviously very tired because he had been working so hard—that was the message I got from him, that he was very worried about the timescale. He said, “Anna, we’re talking weeks.” It was at that point that I went back and spoke to my people and said, “I’m really worried about this.” That is why the Secretary of State, no messing about, came straight back, because he would not have gone to Australia if he thought they were going to close the works. Let’s get this right. We thought that everything was sorted out, but the mistake we made, I think, was when we got this message that perhaps there was not going to be the period of time we wanted. We wanted to absolutely firm that up with Tata. To be fair, it took very little time for us to achieve that and to go into the process that we have now gone into.

Q125 Craig Williams: I think that is worth airing, if I may, Chairman, about that process. This dialogue has been ongoing throughout the last couple of months?

Anna Soubry: What, about Port Talbot?

Craig Williams: Yes.

Anna Soubry: The whole of this work started way back in October, actually before the steel summit, the real work. Oliver Letwin leads a group of us and that work began before the steel summit looking at all these matters, all options, as it turned out what then became the asks from the industry and from the trade unions. Yes, we have long been concerned—you would have to be an idiot not to have been concerned about the steel industry in my job and the Secretary of State’s. As I think I have said before, when I was appointed by the Prime Minister he said, “Anna, we have real problems in our steel industry.” That is why the first trade group I met was the steel trade group. The first trip I made was to Port Talbot and then to Celsa. I have some good news on Celsa.

Craig Williams: Can I ask for it, as a Cardiff MP?

Anna Soubry: This is where things go horribly wrong. It has been asserted, understandably, and it is right that Celsa has not had any of the compensation that they have applied for in relation to their energy costs. They use about 40% of Cardiff's electricity when they turn on the electric arc. They did not actually complete their application until last Wednesday. So it is true they have not had their compensation, but that is because they did not finalise the application until last week. It went in on Wednesday, at which point my officials needed some further confirmation. We got that today and they will get their money next week. Of course, the headline is, "Useless Government blah-blah", but in fact it is just because for whatever reason they were unable to submit it until last week. They submitted it last week and they will be paid out in two weeks. In fact, it is really a week.

Craig Williams: Mr Chairman, can I on behalf of Cardiff say thank you to the Minister for that?

Chair: Please do. I would be asking why the tax is levied in the first place, but I have already done that.

Anna Soubry: You have done that one and done it very well.

Craig Williams: We will take the refund.

Q126 Gerald Jones: Minister, I would like to ask a question on pension protection for steelworkers. Clearly, you would appreciate the concern among current and past workers in terms of protecting pension rights. Could you outline what the Government will do to protect the pensions of the steelworkers and look specifically at ensuring that the pension liability does not become a barrier to any sale?

Anna Soubry: We do not want any barriers to any sale and we will do everything we can to make sure that the pension fund is secured for existing pensioners and for those already members of the scheme. Again, we are looking at all options on that because we know, if we are being honest about it, that the liabilities are huge. We know that there is a shortfall. We want a successful sale but, of course, we do not want to let down any of the pensioners, which is why, looking back on what happened in Redcar and SSI, one of the things that SSI did not do was continue to pay contributions for some time. It may have come out. The workforce, including the unions and many others, were quiet about that, not because they are bad people, but because such was the determination to try to keep SSI going. They defaulted on that. They defaulted on many things at SSI, but one of the things I did—I am grateful as ever to my officials—was that we made sure that the men were paid, because I can tell you there was a time when the men were not going to get paid. We moved heaven and earth in order to make sure that the men were paid, so we are more than aware of the duties to this workforce and we will do everything we can to do the right thing by them.

Q127 Chris Davies: Apologies for being late; I have been in another Select Committee. I was too late to stop the Minister and I did not want to be rude, but I need to declare an interest here. My father has a former British Steel pension, which is now with Tata Steel. I am probably not only the only Conservative Member of Parliament but, from what I have

heard in various times over the last week or so, probably the only Member of Parliament whose father actually worked for British Steel at Port Talbot, in the old Abbey works, the old Abbey foundry as it was in those days. That was back in the 1950s, when he completed his apprenticeship before going on to be apprentice master for the whole of Wales with BSC, as it was then, which is fondly thought of in our house. Rather than asking a question, may I, as somebody who has fond memories of that place and whose family has worked there, thank the Minister and her team and the Secretary of State for doing all they are doing to ensure that steel continues to be made in our particular part of the world? It is appreciated. I know that we are getting a lot of criticism because of what has happened and the process, a process beyond your fault, but please carry on doing the good work. I am sure you are doing everything possible to make sure we have steel production in Wales, certainly in the Abbey foundry as well, as I like to call it. We have been very grateful to you. Thank you very much, Minister.

Anna Soubry: For the record, my grandmother was from South Wales. We do not know much about her background, but we believe that her father worked in the steelworks. On my mother's side, her grandfather, my great-grandfather, definitely worked in Sheffield as a steelworker. He was a cutler. So, there we go.

Q128 Chair: Well, I worked in the steelworks as well, but unfortunately I was a filing clerk. I wish I could say I was doing something a bit more macho than that. I draw reference to the previous declaration about the pension in the register of interests. Minister, we all agree that the fundamental problem is the glut of steel that has forced down prices. Would you agree with that and would you agree that prices for steel are too low at the moment?

Anna Soubry: I would agree with you about the overproduction and the under-consumption, and as a result of that prices are low. That makes it very difficult for a number of works that are in competition with those particular dumped products to make them at the price. I was struck when I went to Redcar, as I always am, by the quality of the workforce and their trade union representatives, who believe that it is possible to blast steel, to make steel from the raw, at a competitive price if we sort out this problem of dumping.

Q129 Chair: Right. That brings me to the issue of tariffs. Would you agree that the level of tariff set on the Chinese dumped steel is too low at the moment?

Anna Soubry: Which ones?

Chair: The lesser duty tariff. Would you say that we need to move away from that and to introduce higher tariffs?

Anna Soubry: Sorry, when you say—

Chair: Let us take rebar, for example.

Anna Soubry: For rebar, I think the industry wanted higher. Can I just pull that out? There is a very, very good chart here in front of me. Unfortunately, I only saw this about a week ago.

Chair: I would not mind seeing that.

Anna Soubry: It shows that on rebar the average duty is 11%. It is not Government that applies to the EU for tariffs. It is not the Government. We will support the industry when they make their complaint and then they provide the evidence, because you have to provide the evidence. In fact, we agreed with them that 11% was probably too low. Forgive me, but I do not know if everybody understands what the lesser duty rule is. I have to say that I think the lesser duty rule is good. I think it makes a huge amount of sense. You look at the actual figure, the percentage extra you would put on to create the level playing field between the costs of the steel that would be sold in the country where it came from and how much they are undercutting or dumping it in whatever EU state it is. Then you look at the actual injury it is causing. You might have a particular type of steel and you could say the percentage difference and the tariff, therefore, to put on could be 60%, 70%, but actually diddly-squat. Maybe one business buys about four of those widgets, so the actual injury is much, much less and you can work it out and calculate it. There is a bit of an argument that we can get into with the EU when they calculate that, but you look at the actual injury to your industry and that is where you set the tariff. I really do believe that the lesser duty rule is the right way to go about it.

Q130 Chair: Are you happy at the speed with which it has been applied?

Anna Soubry: I was particularly unhappy about it. It took far too long. I think the Americans would take half the time. You have to assemble all the evidence. Sajid Javid, the Secretary of State, led the charge in Europe and one of his main concerns was to reduce it.

Q131 Chair: The written evidence I had says that the States did it in three weeks and that it took the EU nearly a year.

Anna Soubry: No, that is not right.

Chris Hobley: Nine months.

Anna Soubry: No, nine months. I do not think the States have ever done it in three weeks.

Chair: How long did it take them?

Anna Soubry: That was not my understanding. I think it was half. They were more like four and a half months, but we have reduced it. I have to say, Mr Davies, it can be very annoying but you want these things done properly. There was a particular sort of steel—it might be down here, the galvanised one—which we do not make in this country but there was evidence that it was being dumped in other parts of Europe. That procedure went through and the advice I got from my officials was very robust that while we did not make it, there were people in our country who buy it, who buy that cheap steel.

Chair: That cheap dumped steel.

Anna Soubry: Yes, cheap steel, arguably dumped, and that if tariffs went on it, then it would mean that they would have to make people redundant because they simply could

not make whatever it is they make with the cost-effectiveness that they do. It is all about case by case and getting the balance right, because if we are being very honest about it—and I am not sure that we have been as a collective, as politicians, journalists and everybody else—there are many people manufacturing in this country and in other parts of the EU who have enjoyed being able to buy cheap steel.

Q132 Chair: The reality of what you are saying is that it is the EU that applies this tariff and EU countries that do not make the particular sort of dumped steel that is coming in will want to have it as cheaply as possible, so it is always going to be quite hard to get agreements. Presumably, as long as we remain in the European Union we are going to have to put up with tariff arrangements that do not always suit us?

Anna Soubry: No, I do not agree at all. I think that one of the joys of the EU is that you work together and you work your way through it. By way of example, when it comes to rebar, yes, the industry said, “We think the tariff should be higher.” Gareth Stace from the steel federation came in and we had a bit of a discussion on all this only last week. The point that I make is: does it work? What is the effect of it? That is what matters most of all. We have seen with rebar this huge reduction, and this excellent chart that I have shows the huge effect that tariffs have had on doing the job. As long as they do the job, that is what matters.

Chair: Okay. I had better bring in Mr Kinnock and then Craig Williams. He is desperate to come back on that, but Mr Kinnock first.

Q133 Stephen Kinnock: On the lesser duty rule, I think the piece that I struggle to understand is that the Confederation of European Steel Industries, Eurofer, and UK Steel, the British member of Eurofer, and the European Commission, which I have never seen as a great flag waver for protectionism—I think the European Commission has always been an advocate of free trade—all three of them are four-square behind the view that the lesser duty rule has to be scrapped. The Commission has been putting forward proposals for three years now trying to get that through, but it is continuously blocked in the Council of Ministers. The industry could not have made it clearer that they believe that the lesser duty rule should be lifted. We can only conclude from the Government’s position on this that they feel they know better than the steel industry.

Anna Soubry: But hang on a moment, when your party was in power, why did you not change it? You have had two commissioners. Why did they not argue in favour of it? Forgive me, but this is a complete and total red herring. The truth is when we had our steel summit—

Stephen Kinnock: You are saying that to the steel industry, not to me. It is to the steel industry.

Anna Soubry: Yes, and I have told Gareth Stace that to his face as well. Then when I saw the document about the lesser duty rule and he said even Germany is now supporting the abolition of the lesser duty rule, I said, “Really? Where is your evidence for that?” He said, “I am not sure. I will go away and find out about it.” We cannot find that evidence.

Stephen Kinnock: Well, he has put it in his press release.

Anna Soubry: In fact, what we have done is gone through the embassy and said, “Has Germany changed its mind on the lesser duty rule?”, and I have been told that they have not changed their mind.

I think it is a red herring, and I will tell you why: because every time we achieve what we are asked to achieve—I said this to Gareth to his face—you guys go and move the goalposts. You say, “Take action on tariffs and dumping.” We take action. You say, “Oh, that is not good enough. Let’s find something else that we can make an ask of. Look at energy costs.” We take action on energy costs. You say, “Let’s find something else”. Every time. The only thing that we have not delivered on of the asks that were made of us in September at the steel summit was on rates. We have not delivered on plant and machinery. That is because it will have cost £2 billion to deliver £40 million of benefit for the steel industry. We will continue to make the case, but I am sorry, Stephen, you do your job very well, you stick up and all the rest of it, but I just feel it would be really great if somebody said, “You know what, we asked you to do this and you delivered” instead of always moving the goalposts and saying that we do not do stuff when we do.

Q134 Stephen Kinnock: My only reaction to that would be that it is not just me saying this; it is the industry. Also, if the limited anti-dumping measures are working, then why not do more? Otherwise we are talking about 40,000 jobs going down the tubes.

Anna Soubry: Okay, I will throw it back to you and say that if LDR was such a huge issue, why did nobody raise it at the steel summit?

Stephen Kinnock: Well, the steel summit was back in October.

Anna Soubry: It was never raised until we did the job on dumping.

Stephen Kinnock: But it was already in the five asks.

Anna Soubry: No, it was not.

Q135 Craig Williams: Mr Chairman, you opened the whole book about Europe, but I will not respond in kind. Working with our European partners, you have done some stuff on anti-dumping and the Secretary of State says that is starting to show significant effect. Obviously, we are better organising that, in my opinion, on a European basis—I will leave that as my retort, Mr Chairman—but I want to ask you about the procurement and the European environmental standards in particular. Can you do anything clever with procurement to tackle the Chinese steel in terms of European standards?

Anna Soubry: We looked at all that because, as you obviously know, Celsa in particular were pretty much cheesed off. They felt that the steel that was being dumped was also substandard. We looked at that but—I will be corrected by Chris if I am wrong on this—it is not for Government to raise the bar on it, because we have a completely independent body that looks at it, so we have no influence over it. I am sorry to say, because I have a lot of time for Celsa in Cardiff—I think it is a great business—that we could not find any evidence that there was anything that we could do to change things.

I think the real thing to do now is to encourage every single business that buys steel to buy British steel and sign up in some way to backing British steel. That is what we want. That is why I thought Angela Smith's contribution to the debate was really good, and I knew this when I went to Rotherham. It was said, "We reckon every single aeroplane in the world has a component that is made in Stocksbridge, and for one in three aeroplanes in the world, the major parts of its components and its landing gear are made in south Yorkshire".

Q136 Gerald Jones: Just briefly, I want to touch on what the Welsh Government has been doing in recent weeks and invite a comment on the work that has been done there and obviously from your point of view what the UK Government is doing to co-ordinate and link in with that.

Anna Soubry: I pay full tribute—again, I just cannot be bothered with all this party political stuff—to the Welsh Government for what they have done. They have set up this taskforce. I enjoy talking to Edwina Hart. She never messes about. She always gives it straight to me and I love all of that. I think the First Minister has been—is he called the First Minister of Wales?

Gerald Jones: Yes, he is.

Anna Soubry: He is, yes. Sorry. I think his whole attitude has been absolutely first rate and what you would expect from somebody who has put aside political differences. It is a difficult time, of course; it is the run-up to the Welsh Assembly elections. He has just got on with it and I think that the taskforce has done an excellent job in all of that and full credit. Officials attend all the taskforces. I know the Secretary of State for Wales has been, obviously, and Sajid tried to go to one of the taskforces, but I think it was impossible in the end. I would go, but getting out of this place is quite difficult. To be truthful, I do not think they need me there, because they have my officials, who are more than competent and capable of doing, and continuing to do, an excellent job.

Chair: A very quick last question.

Q137 Stephen Kinnock: One very quick one: do you believe that China is a market economy?

Anna Soubry: Do I? You have asked me that before. Look, I am not going to answer. I am just going to defer to whatever I said last time. I am not being rude, but again it is another red herring. This is a complete red herring. Russia has market economy status.

Stephen Kinnock: It is a very large red herring if it is a red herring.

Anna Soubry: No, but it may be; it is certainly red. Actually, it is not, but anyway, in any event, most importantly, Russia has market economy status. It does not stop us from being able to put tariffs on anything that is dumped by Russia, by way of example. I am very keen to look at Turkish pipes to make sure that they are not being dumped, which is a problem for Corby. That is another matter.



HOUSE OF COMMONS

Chair: Thank you very much, Minister. We did agree 45 minutes, so we are very grateful. I will call the meeting to a close now. Thank you.