# Business, Innovation and Skills Committee

## Oral evidence: The UK Steel Industry follow-up, HC 991

## Thursday 28 April 2016

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Watch the meeting

Members present: Iain Wright (Chair); Paul Blomfield; Richard Fuller, Peter Kyle, Amanda Milling; Jonathan Reynolds, Michelle Thomson and Chris White

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*Witnesses:* Bimlendra Jha, CEO, Tata Steel UK, and Marc Meyohas, Partner, Greybull Capital LLP, gave evidence.

**Q404 Chair:** Gentlemen, thank you very much for attending the BIS Select Committee. We are looking at UK Steel and the follow-up to our report that we carried out in October to December last year. We are very grateful for your time. We have an awful lot to get through, but for the purposes of the record, could you introduce yourself and tell us the position and the companies that you are in, starting with you, Mr Jha?

***Bimlendra Jha***: Give me a second to switch off the mobile, otherwise these things have an uncanny habit of going off at the wrong times.

**Chair:** Yes, I can imagine it is quite busy at the moment.

***Bimlendra Jha***: Thank you. I am Bimlendra Jha. I am the CEO of Tata Steel UK—only since last week—and before that I was looking after long products as executive chairman of Long Steel UK, which is soon going to be British Steel.

**Chair:** Thank you.

***Marc Meyohas***: I am Marc Meyohas from Greybull Capital. We are the acquirers of the business that Bimlendra was chairing.

**Q405 Chair:** Thank you. Mr Jha, can I come to you first? When was closure rather than sale of Port Talbot seriously and actively considered by Tata?

***Bimlendra Jha***: We have not yet discussed any closure.

**Q406 Chair:** The Secretary of State has said to the House of Commons that he was informed by Tata in confidence several weeks before the Mumbai board meeting on 28 March that the company was considering immediate closure of Port Talbot. Is that not correct?
***Bimlendra Jha***: The board meeting for Tata has only given only one decision, which is to exit the UK.

**Q407 Chair:** Did Tata steel in Europe intimate to the Government and the Secretary of State that Port Talbot was going to be closed immediately?
***Bimlendra Jha***: No. What was said is that it is very difficult to make a business case to continue with Port Talbot. Therefore, what Tata have decided is to find a buyer who can make the entire UK strip system work, which includes Port Talbot and the downstream units.

**Q408 Chair:** Can you tell me the timescale in respect of this? There is an article in the *FT* this morning: "Tata steel buyers told to table offers by next week." The timescale seems very short to allow potential buyers to be able to pull things together. Why is the timetable so short?
***Bimlendra Jha***: In fact, the advisers we have—world renowned advisers like KPMG and Standard Chartered—believe that this is quite a liberal timeframe compared with what administrators would do.

**Q409 Chair:** For the purposes of the Committee's understanding, could you tell us the precise timescale? Are there particular milestones the company has along the way? What are those deadlines that potential buyers have to fulfil?
***Bimlendra Jha***: We have indicated the timescales. I will have to look at the exact timescales for the different stages of the process. There is no dead-drop time that has been given, although you will appreciate that, with the kind of losses there, urgency is important. We cannot continue to bleed.

**Q410 Chair:** On that basis then, Mr Jha, can you pledge at all that Tata would be committed to keeping all of your steel facilities in the UK open and all jobs safeguarded within those facilities, until such time that a buyer is found and a deal formally done?
***Bimlendra Jha***: We cannot give any such commitment.

**Q411 Chair:** What would happen then? Within the internal machinations of the company, you have a particular time and date in mind when you would say, "Look, if we do not have a buyer, we will close our facilities." Is that correct?
***Bimlendra Jha***: We are a very responsible seller. You have seen the way we have acted so responsibly from almost an abyss—losing huge amounts of money in the case of long products—genuinely to try to find a buyer, even when one of the buyers walked out on the day when the business was hived out. We have revived the business and looked to find a credible buyer for it. We have always acted responsibly. We will continue to act responsibly, but we cannot prejudge the interest of the buyers, and what if no buyer emerges? We cannot continue to bleed. Those are the facts that the board will consider against the

timeline as interest starts arriving. We consider all the options, including the support given by the Government, and then we will take any decision.

**Q412 Chair:** On the matter of the support given by the Government, has that been sufficient, in your opinion?
***Bimlendra Jha***: We have been in constant and very positive dialogue with the Government. We see an emerging awareness that there is more than needs to be done and can be done than what has been done in the past.

**Q413 Chair:** Such as what?
***Bimlendra Jha***: We are very thankful about the energy rebates, for example, that have come in in the past. It has been very helpful, for example, in longs in its transformation plan. It is also helpful in Port Talbot, but it is obviously not adequate for the structural weaknesses that we suffer in the UK. We do have structural weaknesses such as business rates. We have structural weaknesses of electricity costs that are much higher. Just to give you an example, if we were at the same electricity prices as Germany, the TS UK system would be better off by £40 million. We would not have negative numbers. There is of course more that will probably have to be done from the point of view of a new buyer. There are working-capital facilities that are put in through our Singapore unit, whereas we would want something in the UK with a UK-cost structure, probably supported by the Government—something that comes up to support new buyers.

**Q414 Chair:** Is it right to say that, if we did have a level playing field in the UK on matters like business rates and energy costs, Tata would not be selling the business?
***Bimlendra Jha***: As you would be aware, Tata have been very responsible ever since their acquisition, putting in £1.5 billion in capex, trying to put in a new blast furnace and trying to get into R and D. We have worked with universities like Warwick and Cambridge etc. in new product development. All this we have tried and tried. We had practically no auto business in the UK, and now we are in a position where the likes of Nissan are giving us commendable certificates for our output from the UK. All this has been tried, but what we cannot deny is that the UK has some structural disadvantages, first in terms of demand—for example, even though we have 55% market share in the UK and only 12% market share in Germany, we have about the same volumes going into sectors like auto etc. These are structural weaknesses.

**Q415 Chair:** Sorry, Mr Jha. Can I just push you on this? This is important in terms of the structural weaknesses and the un-level playing field. Can I just ask you to answer my direct question? Would you be selling the business if it was not for the un-level playing field with regard to UK steel?
***Bimlendra Jha***: We would not be selling the business if we were not losing money. In the last nine years we have not taken any dividends, despite putting in £1.5 billion in capex and £2 billion in write-offs. We have been taking all the hits all the time. Why would we buy a business but to make money? It is certainly not to lose money, and if we were not losing money we would not be leaving the UK. But that has been after great sadness and the long

time we have worked here. We have not been able to be responsible to the 1 million shareholders who are behind us.

**Q416 Chair:** It is a good opportunity to bring you in, Mr Meyohas. Thank you for attending the Committee. We are very grateful. We can you do for the UK steel industry that Tata cannot?
***Marc Meyohas***: Thank you for the question, Chairman. Our role is to back the management and the workforce in the turnaround plan that they have put together, with the help of Tata and many consultants. The workforce and the trade unions, led by their management team, have come up with a turnaround plan to take what has been a loss-making activity and turn it into a viable business. We have reviewed that plan. We spent a lot of time up in Scunthorpe and some of the other sites in the North East. We have met the people. We have seen a genuine desire to turn the business around. It is obviously not a risk-free proposition, but there is a very strong determination from a highly skilled workforce.

**Q417 Chair:** You are confident that that management buy-out is reasonable and viable and you could back that?
***Marc Meyohas***: The management buy-out that has been talked to a lot is Port Talbot. We are buying the long products business up in Scunthorpe.

**Q418 Chair:** Yes, I understand, but you were talking about what management can do.
***Marc Meyohas***: Yes, we are confident. We have seen them design the plan but more relevantly start to implement that plan with incredible determination, making very tough decisions and moving at breakneck speed to try to turn the business round. As I say, it is not a risk-free proposition but we believe the business has an absolute right to exist and should be given an opportunity to reinvent itself and to turn itself round. We are willing to risk quite significant capital to give the business the opportunity to develop itself.

**Q419 Chair:** Could you reassure the Committee that your interest in Tata and the long products division will not go the same way as your interest in the retailer Comet?
***Marc Meyohas***: With Comet, we were a tiny minority shareholder with less than 5% of the company. We were not involved really in the running of Comet. We were not the majority shareholders. We were not the main capital providers.

**Q420 Chair:** But you were there—the main investor in OpCapita, weren't you?
***Marc Meyohas***: No, we were not. Absolutely not.

**Q421 Chair:** The news reports are incorrect.
***Marc Meyohas:*** 100% inaccurate. We were absolutely not the main investors. We were not on the board. We were not the main shareholders. We never invested a penny with OpCapita per se. We are obviously saddened by what happened to Comet but had nothing really material to do with what happened to Comet. In terms of the long products business—soon to be renamed British Steel—that is our deal: our name is on the doorplate; we will be

directors of that business; and we will do all we can to make sure it has a very successful future.

**Chair:** Thank you.

**Q422 Peter Kyle:** Mr Jha, you said that you were in constant dialogue with the Government. When did that constant dialogue start?
***Bimlendra Jha***: It is very difficult to say when the constant dialogue started. For about three or four years we have been constantly in dialogue with BIS. More recently, as the gravity of the situation became greater with the strength of the pound and all the bleeding that happened last year, we had even more dialogue before the long products divestment. It has been almost on a daily basis for the last few months now. There are people from Tata Steel's board in India who are now here on a weekly basis having dialogue with the Government. It is a very high level of engagement. We are constantly in touch to make sure that everybody understands our point of view and we understand their point of view. We are trying to produce a solution that is good for the British steel industry.

**Q423 Peter Kyle:** Thank you for the answer. In response to the Chairman's first question, there was some ambiguity about when Government first knew that the Tata Steel in Port Talbot was becoming unviable as a business. Could you just clarify exactly when the Government discovered that the company was becoming unviable? Secondly, did you inform Government or was Government proactively asking you about the situation?
***Bimlendra Jha***: When you are in a dialogue, it is very difficult to know who asked which question and who gave what answer. That is also over a long period of time. It would be completely unfair for me to even pinpoint a date when it was said, because we have been so transparent with the Government about various things that have been happening, the evolution that is taking place, the difficulties that we are facing and why it is necessary to have a level playing field in terms of business rates. The R and D tax credit was only changed last year as a rule, where the difficulty was talked about that the food industry might abuse the raw material thing. We have given several ideas to the Government all the time. More recently we have said: "Make it applicable only to non-food raw material. Make it only inorganic."

**Q424 Peter Kyle:** Thank you so much. Just to keep you focused on the core question, can I ask when you as a company became absolutely clear that the business was unsustainable or unviable?
***Bimlendra Jha***: I would say that absolute clarity that we have to exit the UK came on 29 March. That is when the board meeting took place and when finally, after reviewing all the plans and also seeing forward looking cash flows, the board saw that they could no longer support that kind of cash rate.

**Q425 Peter Kyle:** Okay, and because you were in constant dialogue with the Government, in your words, is it fair to assume that the Government knew you were heading in that direction? They would have been aware of your thinking running up to that, because it was conclusive at that moment in time.

***Bimlendra Jha***: The writing was on the wall all the time, and if there is an exact moment in time when the penny drops, it is very difficult to judge when that happens in someone's mind.

**Q426 Peter Kyle:** I have one final question to you, if I may. When SSI was going into trouble in Redcar, did the tone of the conversation between you and Government change at all? Were they more proactive in trying to understand your business and the viability of your business on the back of the failure in Redcar?
***Bimlendra Jha***: It is unfortunate but true that perhaps the Redcar closure was one of the points in time when there was indeed greater realisation and greater resolve—probably greater resolve is what we saw and realisation we cannot comment on—not to let that happen again.

**Q427 Peter Kyle:** Thank you very much. Mr Meyohas, can I just say thank you for entering this market? A lot of businesses would be put off by the—if you do not mind my using this expression—the heat of this business at this moment in time. It is great to see that there are investors out there who are willing to step into this market and invest. As far as I am aware, you are already establishing a good relationship with the workforce there. I believe they just balloted to take a temporary 3% cut in wages as a gesture towards you and your business. Could you just give us a few words about how that relationship is going in these very early stages?
***Marc Meyohas***: It was very clear to us from the first time we were invited to look at this business opportunity that the key stakeholder in turning around this company and making it successful is the workforce and trade unions. Before we spent any time looking at the numbers or the industrial footprint, we spent time with the local trade unions, with the national unions and the workforce, meeting the people. It was their hunger for success and their determination to turn the company around that motivated us to look into this a lot further. From the very outset we came to the conclusion they are the key stakeholder. Given their clear appetite to make the tough decisions and to move this business forward, we felt from that point onwards that it was worth getting more involved. That relationship has continued in a productive and co-operative manner.

**Q428 Peter Kyle:** The long products market is primarily construction, is it not?
***Marc Meyohas***: Rail and construction are the two main activities.

**Q429 Peter Kyle:** Where do you see the value in that market? What assessment has led you to believe that that is a viable market to enter?
***Marc Meyohas***: Well the viability of the company, which is obviously related to the viability of the market, comes down to three factors in the case of the long products business. The first is, as I have explained already, the people and the quality of the people—the skill set and experience they have. They are world experts in what they do. The second is the quality of the turnaround plan to take the company from a loss-making activity to hopefully a profit-making activity. It is a very thorough plan that has been developed by Tata, by the management, and the trade unions, reviewed by a cast of thousands. They are a long way down the road of implementing that plan. It is not just PowerPoint slides. It is real actions and real decisions being made at the moment. The turnaround plan was very credible.

The third reason why we believe in the business is the industrial footprint that this company has. It has significant market share in terms of customer relationships and the supplier base. You cannot reinvent this stuff overnight. It is a business that is core to the economy and has an absolute right to exist and should be given a chance to reform and restructure itself.

**Q430 Peter Kyle:** My final question is about infrastructure, because we as a country are about to embark on a large number of very grand infrastructure projects, including high-speed rail. In these early stages, do you get the sense that the Government is willing to commit to buying steel from Britain for such infrastructure projects? Do you get the sense that Government are open to that dialogue with you?
***Marc Meyohas***: I think they are open to that dialogue and it is critical that that dialogue delivers results. For British Steel to be successful in the long run, everyone needs to pull together, and the Government clearly are an important stakeholder in making sure that happens.

**Q431 Peter Kyle:** You say you think that they are open. What makes you think that they are open?
***Marc Meyohas***: The interactions we have had with Government and the messages they have given to us and, more broadly, that they want to see the steel industry be successful in the future.

**Q432 Peter Kyle:** Is there anything in writing?
***Marc Meyohas***: To us specifically, no, but they have made it very clear that they are behind the industry. It is part of the reason we have decided to invest in this business—that there is an appetite from Government to make sure that the industry is successful. They are one of the stakeholders that are behind the plan and that helped us make our decision.

**Peter Kyle:** Thank you.

**Q433 Richard Fuller:** Thank you, Chairman. Mr Jha, welcome. Could you just clarify: do all communications from Tata Group to the UK Government about Tata Steel operations in the United Kingdom go through you?
***Bimlendra Jha***: No.

**Q434 Richard Fuller:** I ask because you said something a little earlier on that appeared to contradict a statement the Secretary of State had made to the House of Commons regarding a communication that Tata was seriously considering closure. You said that that did not happen. Can you be sure about that or do you want to clarify?
***Bimlendra Jha***: No, I cannot be sure about that if there was a discussion that took place before I became Chair, when there have been other dialogues. However, I am aware that the dialogue has always been about the threat to the business, particularly due to the headwinds in the industry—the overall global capacity and the overall environment—apart from what is structurally wrong in Britain. That has always been the dialogue. The threat of closure exists. It is always there, but I do not think there has been any specific communication that we would close Port Talbot—at least, I am not aware that that specific conversation has taken place. If it has taken place, it may be about the viability of Port Talbot, and I continue to hold

the view that there are currently serious question marks on the viability. Therefore, we have said that it is better for somebody else to give it a try.

**Q435 Richard Fuller:** Just to clarify again, there are communications that may have happened or may not have happened about that.
***Bimlendra Jha***: I am not sure.

**Q436 Richard Fuller:** You do not know, but as far as you are concerned right now, you have concerns about the viability.
***Bimlendra Jha***: That is right.

**Q437 Richard Fuller:** Prior to your assuming your responsibilities for long products Europe, you were the executive director of group strategy and European supply chain?
***Bimlendra Jha***: That is right.

**Q438 Richard Fuller:** Is there anything you can share with the Committee about the strategy of Tata's steel operations in Europe? Were there any discussions about whether closing Port Talbot would have been part of Tata's European strategy?
***Bimlendra Jha***: When I was part of group strategy and supply chain, there was no specific discussion on closure of Port Talbot, although you would always look at all the options and the best financial outcome. It was decided at that time that we would, as Tata, focus on the strip business and divest longs. That is when I moved into the role of longs, because that divestment was not working out, as you would be aware, with Klesch. We were staring at the real prospect of closure, and that is the time when we started working on that more diligently to figure out if there was a solution—if there was some surgery needed at that point in time. As Marc has mentioned to you, things have worked out well and the confidence has been restored.

**Q439 Richard Fuller:** In your time in Tata strategy you made a determination, or the group made a determination based on your work, that there were parts of Tata Steel operations that would have a good future and there were other parts, such as Port Talbot, where there is, in your own words, a viability question?
***Bimlendra Jha***: The viability question, as I said, was not there at that point in time.

**Q440 Richard Fuller:** When you were doing the strategy work, as far as you were concerned, in that role, looking at the long term, Port Talbot was a viable business.
***Bimlendra Jha***: No. It had challenges, and therefore it needed some significant investments. There was a certain level of profitability still there. While it was making losses, it was not as deep as what has happened in the last year. Under those circumstances, we were considering various alternatives and options. But in that we were in dialogue with Government, both centrally and in Wales, about supporting some of the investments such as a power plant etc. At that time, we said, "Let's focus our limited resources, both in human and capital terms,

into one business, which is the strip business, across Europe," which is both IJmuiden and Port Talbot.

What has happened subsequently is very rapid deterioration in the marketplace and very strong headwinds. You are all aware of overcapacity in this world. Somebody is exporting more than 100 million tonnes, which is more than the capacity in Europe. All this is happening and price information travels faster than the material. Sometimes a material does not have to come to your country; just the price information has to come through traders. If you do not have barriers—if you do not have protection locally—that material can potentially land. You have to match those prices.

We have to recognise that it is not always in statistics that we can discover some of these things. You would say that no material is coming here from country X or country Y. But information about that comes in. If there is a price X, there is a delta that has to be put on top of that as a barrier so that you can match that. These are the kinds of things that we have not been seeing very well. Statistics is all directed towards how much is physically happening. I would want this Committee to be aware that, in today's connected world, price information travels like anything. You have to protect yourself against information rather than physical flows.

**Q441 Richard Fuller:** Thank you for that. I think we are all aware of the delays at the European Commission level on responding to pricing information on certain products by the provision of tariffs, so that is helpful. I might draw some distinction from you on the issue that the issues in the steel industry need a response based on a very rapid deterioration, seeing as the issues of overcapacity have been there for many years. Just on the strategy, where you talked about the separation and you were looking at different businesses—you may or may not wish to comment on this—sometimes you do a strategy where it is just about your business and sometimes you work out your strategy based upon a combination of your business with another business. In the decision process that you are aware of, which of those two paths did you take?
***Bimlendra Jha***: In the decision process that I was aware of at the time of my role in strategy, we were focusing on making the strip business more robust, with a concentration of capital and human resources. That was the decision that led us to the divestment of longs.

**Q442 Richard Fuller:** From your point of view, all those decisions were as a standalone business, not a strategy based on a combination of you and another steel business in Europe.
***Bimlendra Jha***: Not at the time that I was the director.

**Q443 Richard Fuller:** Not at that time.
***Bimlendra Jha***: Yes.

**Q444 Richard Fuller:** Are you aware that that strategy has now changed?
***Bimlendra Jha***: There is always a desire to try to make a business more viable and give it a stronger platform. There are always ongoing dialogues in the industry with various players.

Nothing can be ruled out. Nothing is concrete. If you ask at any point in time, there will always be ongoing dialogues. There are ongoing dialogues today about parts of the business. You can never ever rule it out.

**Q445 Richard Fuller:** Finally, Mr Jha, this week we have heard a lot about Sir Philip Green and British Home Stores. There is a lot of public concern that there is a very large pension liability at British Homes Stores that will then be thrown over for the Pension Protection Fund to hold on to. Ultimately, the taxpayers—the people who vote us in across the country—are the backstop for that. That pension liability of British Homes Stores would be dwarfed by the pension liability of Tata Steel. As the responsible owner of a business, as you have said to us here, what consideration has Tata Steel made and is making about any potentiality liability to the taxpayer should you determine that you cannot support the business any longer?
***Bimlendra Jha***: We need to be aware that, first of all, if this pension fund liability is not taken care of, there is no buyer sitting out there to buy this business. If we do not solve that problem, we are staring at some very bad consequences for UK taxpayers, because somebody also has to take all of that into consideration. It is not just a matter of the number of people employed by Tata Steel UK; it is a matter of the entire supply chain dependent on that, and entire communities dependent on that. I do not know who has done the arithmetic around the economic and social consequences of that kind of a disaster.

**Q446 Richard Fuller:** But what arithmetic has Tata done for its responsibility? You bought the business. You knew what the pension liabilities and deficit were at the time.
***Bimlendra Jha***: We have kept it funded.

**Q447 Richard Fuller:** I assume you followed rules and regulations about that, but is there a deeper problem here about the way in which corporations can look at their pension liabilities and their pension deficits, and when times get bad just walk away?
***Bimlendra Jha***: No. Tata have constantly put money into the business and money into the pension fund. We have had active dialogue with our trade union partners. We tried to resolve it only 18 months ago in a more favourable manner. We have acted as responsibly as we can within the limits of being responsible not just to our employees and shareholders but to our customers. Everybody is under that uncertainty. We do not want to put people under uncertainty. That is the reason why we have always been in dialogue with the Government as well.

The time has come when we cannot do it anymore. There are 1 million shareholders who are also bleeding with us. It is not possible for us to carry it on any longer. However, there are solutions that we have recommended that do not "dwarf", as you would say, the BHS problem. It can still keep it in a form that does not damage the employees. There are certain things about the pension scheme about which we have been in discussion with the Government that do not require dipping into the pockets of the Exchequer but, at the same time, does not hurt the company. Those are the kinds of dialogues we are having with the Government. If we do not solve it, we are staring at a huge economic and social disaster.

**Richard Fuller:** Thank you very much.

**Q448 Jonathan Reynolds:** I wanted to come in on this point, because the discussion, as you know, in the UK, particularly in the media, about the unviability of the steel industry has focused around three things that produce an un-level playing field: energy prices, Chinese competition and overproduction, and the pensions liability from British Steel. I want to ask you a specific question, if I can, Mr Jha, which is: if it was not for the problems in the marketplace or the price of steel or the consequences of Chinese overproduction, would the pensions liability at Tata UK still be viable?
***Bimlendra Jha***: It is currently viable. We are all worried about the future. We are worried about the rate at which the liabilities keep on increasing versus the way a pension fund can be safely deployed, for example in government bonds etc. You are all aware of the simple arithmetic of the rate at which the increases are applied versus the rate at which the interest rates can come in a safe manner into a pension fund. You know what happens to the differential. It is not as if the pension fund is not funded properly. It is what the future holds for us. We need to stop that. We need to stop the pension fund being its own enemy. We need to solve those kinds of problems in a logical manner, rather than worrying about whether or not it will create a greater problem later. We can protect what is already there, and then everybody else has moved on to a defined contribution scheme.

One of the major reasons why Greybull has been able to successfully buy this business is because everybody understood in the longs business, when there is a new defined contribution scheme, what changes would be necessary in order to make sure that the business is on a more sound footing. All that we are asking is that, if there is a new owner, they need to have a sound footing. We, as a responsible seller, are negotiating with the Government to try to give a sound footing not only to the future owners but to protect the interests of the existing pensioners.

**Q449 Jonathan Reynolds:** Mr Jha, can I just clarify what you are telling the Committee? You are saying if there was a better marketplace for steel— better global market conditions—the pension situation would be manageable
***Bimlendra Jha***: I am not saying that. I am saying pensions are a historical subject that has become out of step with the market. They are out of step because the interest rate regime is much lower compared with the escalations that happen on the pension fund. This delta has nothing to do with steel industry viability. It is an independent problem and needs to be solved independently.

**Q450 Jonathan Reynolds:** Essentially I am asking, Mr Jha, whether the pensions liability at Tata UK is making the business unviable or the business conditions are making the liability of the pension fund unviable.
***Bimlendra Jha***: Okay, fine. That is correct, because this creates, as I described earlier, a deficit. As a sponsor, we have to put money into it when we should be putting money into making the plants more viable. I am further saying that, now we have this idea to exit, it could be somebody else's problem, but they would not take the problem. That means we have to solve it.

**Q451 Jonathan Reynolds:** But it is solvable in your view.

***Bimlendra Jha***: Absolutely. We have to just recognise reality and act accordingly. That is common sense.

**Q452 Chris White:** I have a very brief question following up from Richard's intervention earlier. You mentioned in passing the phrase "apart from what is structurally wrong in Britain". Apart from business rates and energy costs, do you want to expand a bit on that, please?
***Bimlendra Jha***: We have seen over a period of time that manufacturing in Britain has been on a decline. It cannot be only steel. It is the entire supply chain, and steel is a foundation industry that feeds into that supply chain. If it is uneconomic from an electricity perspective today to make steel, it is also uneconomic to process it. When we hurt ourselves, let's say with electricity rates, we are hurting not just those in the foundation industry but everybody who is dependent on it. Then when you get the headwinds of a stronger currency and you only have to go across the Channel to buy the goods and services in an open market, the open doors and open market—which are a strength of the country—start becoming a disadvantage. I have said this before: we cannot be the first ones to shut the door on the industrial revolution that began here in Britain.

**Q453 Chris White:** I would dispute your remark that manufacturing is in decline in Britain. There is a certain renaissance in manufacturing in Britain. The automotive sector is having a rebirth in partnership with the universities you have worked with, Warwick and Cambridge. We are exporting more cars, as you know, than we have exported in our history. At the same time you talk about going across the channel—and we are a part of a free market. We are part of that market, so how can you justify those comments?
***Bimlendra Jha***: I am only saying, "Let's compare." Let's compare electricity prices in Germany and here. Let us compare the business rates. Somebody might say, "Look at the overall tax." I agree that maybe they are very good for profit-making companies, but you would recognise that, with business rates, which are compulsory, poor people will get poorer. By poor people, I mean the industry. Those who are not making money are hurt even more. Where should this balance sit? It is for the Government to decide in a more comprehensive manner. Maybe on an overall tax basis we are no different from people across the Channel. But we have to see how much it is hurting those who are already in trouble, and are we accelerating a debt spiral?

**Chair:** I have a number of questions to ask both of you gentlemen, but I want to bring Michelle in before we finish.

**Q454 Michelle Thomson:** Mr Meyohas, from your perspective—and I want to be completely clear on this pensions consideration—in the forecasting that you are doing as a business what exactly is the position with the current pension scheme? Is the future cash-flow projection predicated on a paid-up pension scheme that exists at the moment with a new defined contribution scheme? To what extent will it include current liabilities?
***Marc Meyohas***: We are acquiring the business without the pension scheme. The British Steel pension scheme remains with the broader Tata Group. As part of the discussions with the trade unions and the workforce, a new pension scheme has been created that will be entered into on completion of our transaction, which will be a defined contribution scheme.

The historical problems that are causing significant headaches for the Tata Group will not be replicated.

**Q455 Michelle Thomson:** Thank you for that clarity. Mr Jha, what is your anticipation from a Tata perspective of what will happen to those existing pension liabilities in the light of what Mr Meyohas has described, in the event of a sale?
***Bimlendra Jha***: 4,700 fewer employees will pay into the pension fund. Everybody becomes a deferred pensioner, so they are protected. All the employees going to Greybull are protected. But if you look at the pension fund, it becomes weaker, in terms of its ability to fund itself.

**Q456 Michelle Thomson:** You will have set aside provision for those protected benefits of the current employees.
***Bimlendra Jha***: Or a new owner.

**Q457 Michelle Thomson:** They will have to take on those liabilities, despite what Mr Meyohas says.
***Bimlendra Jha***: Yes, if we do not solve the pension problem.

**Q458 Chair:** I am going to have to move on, I am afraid, but I just want very quick-fire questions and then quick-fire answers, if I may. This is to you, Mr Meyohas. As a business, do you anticipate making redundancies?
***Marc Meyohas***: The business plan calls for no significant redundancies, no.

**Q459 Chair:** Do you think that is realistic?
***Marc Meyohas***: Yes. If the company is able to perform as per the business plan, we expect no redundancies.

**Q460 Chair:** No redundancies whatsoever.
***Marc Meyohas***: In a business that employs 5,000 people, there is always a natural churn but outside of the natural churn of people movement, no significant redundancies.

**Q461 Chair:** "Significant"? You have changed from "no" to "no significant".
***Marc Meyohas***: A business that employs 5,000 people will always have some natural churn.

**Chair:** Churn—yes I understand that.
***Marc Meyohas***: Outside of that, we have no restructuring programme that involves redundancies.

**Q462 Chair:** Okay. Mr Jha, I have two quick questions. If a buyer was interested in downstream—the plants at, say, Hartlepool, my constituency, and Corby—but did not want any other part of the business, would you be able to allow that through a sort of segmented selling rather than making sure that Tata as a whole was sold?

***Bimlendra Jha***: We have to find a solution for the whole. In finding that solution for the whole, if there are some very small parts and independent parts, we can deal with it. But we would not deal with it if somebody says, "Leave Port Talbot alone and give us the rest." That is not an acceptable solution.

**Q463 Chair:** Okay. Mr Jha, the *FT* says, "Potential buyers of Tata Steel's…UK operations are facing a deadline of next week…They must send a 'non-binding letter of intent'…within days." If a potential buyer has a slightly slower timescale, would you still accept that, or is that binding? Is that not correct?
***Bimlendra Jha***: It is very difficult to comment on what newspapers write, with a very smart mix of fact and fiction. A part of the line may be fact. A part of the line may be fiction.

**Q464 Chair:** Just tell us the facts. What is the timescale?
***Bimlendra Jha***: We have given a timescale for different stage gates, and that is public. I can pick it out and give it to you or the Committee; it is a document that has been shared with the Government, and we can share it with you. There are stage gate timelines. What is not there is the ultimate timeline. However, I have expressed a sense of urgency and we need to do something about it. Otherwise, there is only one set of people in this room who pay the bill, which is us.

**Q465 Chair:** My final question is to both of you gentlemen. When I have been speaking to steel operations around the country, especially in my constituency, they are concerned about reputational perception, which is having an impact on suppliers supplying to the business and customers going elsewhere because they do not think there will be a steel operation. What can both the current and the future owners of parts of Tata Steel in Europe give in terms of confidence and reassurance that it is still worth supplying to this business and it is still worth buying from this business? Can you give any reassurances at all?
***Bimlendra Jha***: First of all this question is the precise reason why we need to be on an accelerated timeframe. We have to remove uncertainty for our customers, for our employees, for our suppliers and for our shareholders. Therefore, being accused of accelerating the timeframe is misplaced, because, being a responsible seller, we want to reduce that uncertainty by doing it in a very short time. Secondly, the Government have given us letters that we are using to reassure the suppliers.

**Chair:** Okay. Mr Meyohas?
***Marc Meyohas***: The broader community should understand that this industry has brilliant people in it. It makes brilliant, world-class products. This industry belongs in the UK; it was invented here and it has an absolute future here. It will remain here. We hope that the suppliers and the customers, along with the Government and other stakeholders, will continue supporting the industry and being part of it.

**Chair:** Gentlemen, thank you very much for your time. We appreciate it.
***Bimlendra Jha***: Thank you.

***Marc Meyohas***: Thank you.

## Examination of Witnesses

*Witnesses:* **Fergus Ewing MSP**, Minister for Business, Energy and Tourism, **Edwina Hart AM**, Minister for Economy, Science and Transport, **Tom Blenkinsop MP**, Chair, All-Party Parliamentary Group on Steel and Metal Related Industries, **Gareth Stace**, Director, UK Steel, and **Roy Rickhuss**, General Secretary of Community and Chair of the National Trade Union Steel Co-ordinating Committee, gave evidence.

**Q466 Chair:** Thank you for attending the Select Committee. We are very grateful. In the interest of time, I am going to skip the formalities and pleasantries and get straight on, because we have an awful lot to cover. If I may start with Roy, Gareth and Tom, welcome back to the Select Committee. I wish, frankly, you did not have to come back but unfortunately you do. When you came before us last winter, you all said consistently that the steel industry in Britain was facing an existential threat. Is the industry in a better position now than it was then? Roy.

***Roy Rickhuss***: It is slightly. We have seen some signs that the steel industry is not the basket case that everybody was trying to portray it to be. We have seen, let's not forget, what happened with the Caparo businesses across the country. We have seen through Liberty House that some of the Caparo businesses were rescued, taken out of receivership and production maintained. We then saw what we think is a significant move in terms of the two Scottish plants, Clydebridge and Dalzell. I have gone on record thanking the Scottish Government for all the help and assistance they gave in making that successful sale happen. Hopefully the two Scottish plants will come back into production later on this year. The plan is for that to happen around August/September time.

Then obviously you have heard already this morning the evidence from Marc Meyohas at Greybull, and that is a significant step in the right direction. I have been impressed with the way Marc has given his evidence this morning in terms of the passion that he already starts to feel for the industry and the relationship he is building with the local workforce, which stands that business in good testament. Those signs are there, indicating the industry is not a basket case and that we can find successful investors.

The big challenge of course is right here and now. It is about the rest of the UK steel industry. It is not just Port Talbot. It is about Corby and Hartlepool, Chairman, as you say. It is about Stocksbridge, Rotherham and all the other plants in between that are now impacted by Tata's decision to exit the UK. I think we are in a better position. There is still a lot more work to be done and a lot more support that the Government need to give on the asks that we and UK Steel put forward.

**Q467 Chair:** I will come on to that, if I may. Gareth, is it in a better position?

***Gareth Stace***: I would agree with what Roy has just said, so I am not going to repeat that. The sector is still in intensive care and needs to come out of it. The one point I want to reiterate that Roy made is this is not just about Port Talbot and not just about Tata; this is still a sector crisis that we are in and we need sector solutions for that crisis. Government have taken action, and I am sure we will come on to that, but there is still a lot more that Government can do to take those opportunities to improve the competitiveness of the UK steel sector so it can compete in a free and fair global marketplace. That is what we are trying to achieve and we are not out of those woods yet, but we still have the attention of Government; that is what we need, and we need to provide those solutions to Government in the short and medium term to get us where we need to be.

**Q468 Chair:** I will come on to that. Tom, I should imagine the SSI former workers in Redcar do not think that the steel industry is in a particularly strong position, but what is your view, as chair of the All-Party Parliamentary Group on Steel?

***Tom Blenkinsop:*** The response this time round, since Tata's announcement to sell all its remaining UK sites, has been profoundly different. The Government's position, as of a fortnight ago, saying that they were looking to potentially put down a 25% equity stake is far better and a far stronger indicator to the market, and also says that the Government are prepared to not allow the industry to go to rack and ruin, which is a far better response than we had at Redcar.

**Q469 Chair:** Gareth, you started to talk about the asks in the medium and long term, which Roy mentioned as well. When you have come before us previously, you have mentioned the five asks. Anna Soubry, in particular, says the Government have delivered on four of those five asks, with the exception being business rates. Is that correct?

***Gareth Stace***: No. They have made progress on four of the five asks, and on some of those they have made full progress, but it would be foolish for us to think that they are all done. If I take, for example, energy costs, we were reported saying that we were paying double for our electricity than Germany. The Government have taken significant action on the energy intensive compensation package to address that, and that is very welcome. We pushed them to do that and that has happened. However, even after that package is fully implemented we are still paying 25% more than Germany for our electricity.

There is a positive here, though, in that the Secretary of State has said to us, "Go away and come up with how we can bridge that gap between us and Germany and have parity." We are doing that at the moment. We will present to Government all the solutions that they can further take to get parity with Germany and other European competitors. I hope that when we present however many actions there are, 10 or fewer, Government takes them with an open mind and says, "We are going to do it." I hope they are going to implement what we are asking them to do, whether that is in the short, medium or longer term. That is what we need and we do have the willingness of Government to take that action.

In the past, in the last six months or since I was sitting here before you, Mr Chairman, I feel we have had the inertia of the government wheels or the progress of government—it takes too long. We have seen Ministers very keen to take action but sometimes being dragged back by how slow government departments are. We need to learn those lessons, understand where we are today, move forward and try to cut that away and get the action taken.

***Roy Rickhuss***: Briefly, I want to support what Tom said. It is an absolute tragedy; we described it at the time as an act of industrial vandalism. A lot of what Mr Jha said was interesting, but one point he made that we picked up on was that it took the disaster—and that is what it was—of Redcar to spur the Government into action, and I believe he made a valid point.

The tragedy is that we were warning that Redcar was happening for some time, and I and our members in Redcar still believe, even more so when they have seen what the Government have done since Redcar, that that plant should not have been allowed to go under. They could have stepped in; the Government could have secured the furnace, they could have secured the coke ovens and they could have secured the plant. It is just an absolute tragedy that it took that to happen for the Government then to wake up and suddenly start to work, as they have been doing, on these issues that we have been raising for some time.

***Tom Blenkinsop:*** I would echo both Gareth and Roy's points in terms of the other industrial asks. It was quite galling to watch the Prime Minister, at the time, repeat that they had delivered on this and delivered on that when the Government clearly had not. The leverage point came when Tata said they were going to up sticks and go. I think the Prime Minister, at a political level, looking at his own legacy, wanted to make sure that the UK steel industry did not close on his watch. That was, for me, the real leverage point for getting action out of the Government, because they knew exactly what the industry had been calling for, for some time.

**Q470 Chair:** Gareth, I just want to focus on what you said on the five asks. Are you neglecting to appreciate the massive global forces at work here in terms of overcapacity and the huge surplus that China is producing? Even if all of those asks were delivered in full, the British steel industry would still face a massive challenge, wouldn't it?

***Gareth Stace***: That was one of the five asks as well: for Government to address the challenge of overcapacity globally and particularly in China.

**Q471 Chair:** Is Government doing enough at the European level to try to deal with that?

***Gareth Stace***: Again, Government have taken some action. I would obviously like to see them go further. In the regulations that we have now—the trade defence instruments available to the European Commission—I would like to see the UK Government working with and helping the European Commission speed up the investigation process to become more like the US and to make the tariffs that we get more robust. I do not believe what we are getting is robust enough.

Separately to that, we need to modernise trade defence instruments. We live in a different world today from previously, obviously, in terms of steel traded globally. Therefore, I would like to see the Government take a fresh look, for example, at the lesser duty rule, which we believe should be scrapped. I would like to see Government take action there. There may be a steel sector solution to scrapping the lesser duty rule. If Government, at the moment, are saying, "No way, we are not going to do that," perhaps there is a different way of tackling our issue, in the steel sector, of the lesser duty rule.

**Q472 Michelle Thomson:** Good morning, Mr Ewing. I would like to bring you into the conversation. Thank you very much for your attendance. Given that we now have a success on the table in terms of the saviour of Dalzell and Clydebridge, what do you think was the overarching strategy that led to that success? Was it about speed of response, about the determination to save jobs, about industrial strategy or was it about the skills approach, the deal structure and so on?

***Fergus Ewing:*** Thank you, Mr Chairman, for the invitation. In response to Michelle Thomson's question, I would say it was a variety of things. First and most basic of all, when the decision was made by Tata to mothball the plate sites in the UK, including Scotland, the First Minister, on the same day, announced that a task force be convened and I chair it. The First Minister of Scotland is not known for appreciating inertia on the part of her Ministers and expected prompt action. The task force met eight times and we focused on a number of issues and outcome points arising therefrom, including rates, energy, skills, environment and procurement. We worked very closely with both Tata and Liberty and, indeed, enjoyed total constructive support from Tata, which had very recently invested £60 million in the Scottish plants, so we respect their commitment, which has been exemplary.

I would say that one of the key factors, which could conceivably be of relevance to the really desperate situation facing Edwina Hart's people in Port Talbot, is the skills retention programme. It became apparent to us when the mothballing decision was announced that, in order to reopen a plate mill and a quenching and finishing mill, you need to have the skills; you cannot pluck them from the air. If they are lost, they are lost forever, and even if you have a willing operator, without the skills of Mr Rickhuss' members you are nowhere. Therefore, we kept the key skills—a small number, 23 out of 260—on a very highly skilled programme. It was not a Mickey Mouse programme, to put it colloquially, but a very detailed programme. I have spoken to some of the individuals involved, and I know they value that and they are there now for the reopening of the plant.

The last thing I would say is I am absolutely delighted to announce this morning that the deal that was agreed in principle in March was implemented last night, and Liberty House are now the legal owners of both Dalzell and Clydebridge. We are satisfied with that result, but of course we are not complacent, because although, as Roy has said, we expect operations to recommence in the autumn, there is much work to be done and, in doing that, I work very closely with the UK Government.

**Q473 Chair:** I was going to ask about that, Mr Ewing. You mentioned how there was very close co-ordination between you in the Scottish Government, Tata and Liberty House. Was there effective co-ordination between you and the UK Government? Were you satisfied with the speed of response coming out of Whitehall in relation to Tata's announcement and the crisis, or can lessons be learned and applied to what is happening in Port Talbot and around the country?

***Fergus Ewing:*** I am obviously bound by the rules of purdah and therefore I felt I should take a self-denying ordinance not to venture into political territory, so it would be wrong for me to make judgments about the wider issues beyond Scotland. However, as far as the co-operation of the UK Government and, indeed, the participation of BIS officials and Scotland Office officials in the task force is concerned, we were satisfied that co-operation was reasonable. As Gareth has mentioned, we pressed for early implementation of the energy intensive industries compensation package, and we welcome that coming forward as a step in the right direction.

However, it is fair to say the reason that in Scotland we have now Liberty House as owners, as from last night, of the two Scottish plants was substantially the work that was done in Scotland at the instigation of the First Minister. It was the proactive way in which we pursued it, with all the public agencies responding between the eight task force meetings to deliver, for example, a package of rates relief in February and to bring forward guidance on procurement, working very closely with Steve McCool of the Community union, who has been an inspirational force, I have to say. Above all, as was mentioned by Marc earlier, it was the huge skills, grit and determination of the workforce to stay with us, because many of these highly qualified electrical engineers could find other jobs just like that, but they are staying with us, and that means there is now a chance for the Scottish industry to restart in the autumn.

However, our thoughts really are with the workers at Port Talbot, and the scale of the problem there is much larger, with 11,000 workers. We had 260, with 23 key workers at a cost, we estimate, at the moment of £260,000. To do something comparable where it is appropriate for Port Talbot, and that is not for me to judge, would be of a much higher order financially.

**Q474 Chair:** Edwina, may I bring you in on what you are doing in Wales as a response to this? Obviously, Port Talbot is crucial to the wider UK steel industry, but it is not only Port Talbot; there are other plants elsewhere. What response are you undertaking, and what else do you need in respect of industry, Tata and the UK Government?

***Edwina Hart:*** We are already dealing with 1,000 job losses from Tata anyway in the context of Welsh steel and we had already established a task force to deal with the issues around training, retention and job-matching into other areas. That work had already started with the task force, which had all the interested parties, including the trade unions and the company, involved in it. When Tata's announcement was made that they were going to sell, our aim was to ensure that the Welsh steel industry as a whole would be sold and the UK steel industry as a whole would be sold. Our priority, with the UK Government, has always been not to be breaking up any parts of it and having somebody coming along and cherry-picking. We did not want any of that, because they are all absolutely linked to each other. There is a very profitable business in North Wales in coated steel, but that does not exist without what comes out of Port Talbot.

We have worked with the UK Government in a very constructive manner, looking at what they are able to do and what we are able to do. We already had a state-aid compliant package to offer Tata of some £60 million, which we were prepared to put on the table, so we have been working well at all levels. I have also had the opportunity to attend the OECD meeting in Brussels and have been to the steel meeting out there as well, to see what the mood is about steel across Europe. For us in Wales it is very important to maintain steel in the UK, because if we want to maintain aerospace, automotive, defence, nuclear and produce our own, we have to have an industry that can support manufacturing, and that is the key for us.

**Q475 Michelle Thomson:** Mr Ewing, I respect the sympathy you extend, as do I, to the workers in Wales, but what concerns do you have about a wider industrial strategy, or lack of, in the light of potential further losses to the wider industry across the UK? Did you factor that into your plans when you were working with Liberty?

***Fergus Ewing:*** Yes, we did. We have a manufacturing strategy, and our approach in Scotland is to work very closely with businesses and also workforce representatives. We value our relationship with the likes of the Community union and we can learn because, after all, they represent the people who are doing the job, so we did factor these matters in. I would not say that that general policy was of immediate relevance, if you like, to securing the agreement to the deal. That arose from the components I have mentioned, plus a great enthusiasm to get on with it, to get a result and to understand that the interests of Tata, of Greybull, which has the larger deal to buy the plate business, and of Sanjeev Gupta and Liberty House all need to be understood.

When you are trying to bring about a deal, you have to understand the perspective of all the parties to the deal and approach it in the light of getting a solution that is realistic and desirable. It was that factor that, particularly in the months of February and March, occupied a great deal of time in order to bring things to a conclusion at that point.

**Q476 Paul Blomfield:** I want to push at another aspect of government support, which is around the issue of procurement. Has there been real impact from the procurement guidelines that have been introduced?

***Gareth Stace***: We very much welcome the change in the guidelines that we saw Government undertake earlier in the year, and that was through the working group that both unions and we, representing the sector, sat on.

**Q477 Chair:** Sorry to interrupt, Gareth. On that point, are the working groups still operational? Are they still meeting?

***Gareth Stace***: The working groups that came out of the steel crisis event on 16 October have ceased to operate, but the Steel Council, which has already met once, now has some subgroups looking at procurement, energy, trade and the future capability of the sector.

**Chair:** Thank you. Sorry to interrupt.

***Gareth Stace***: We very much welcome that. If you were to ask me whether steel companies in the UK have seen a change today in terms of filtering through that guidance into orders taking place and where those orders are placed, I would say no. Therefore, we now need, in summary, to hold Government's and tier one, two and three contractors' feet to the fire to adhere to the new guidelines.

In addition, we really need, because we have a change in Government personnel, a change in Ministers etc. and potentially a change in Government, a mechanism that ensures we understand the pilot programmes coming down the line, we understand where the opportunities are and the sector knows when to push the button in bidding for those projects, and that then monitors the levels of British steel used in those projects. That is almost more crucial than the change in the guidelines. That is what we need to see, and one of those subgroups from the Steel Council is working on the actions that Government need to take to ensure that happens at the moment.

**Q478 Paul Blomfield:** In saying that you feel the Government's feet need to be held to the fire, it suggests that there might have been a change in the framework in which you are operating but not in the thinking behind it. Is there a real commitment to a change of culture on procurement?

***Gareth Stace***: Perhaps I am an optimist, but I felt in the working groups that there was, but it is about carrying that through to each and every project. An example to show how bad things were is when the Minister asked one department about a particular project and said, "When can British steel companies bid for that?" and the person did not really know when, but thought about it and realised that the opportunity had already passed. It is that situation that we need to move away from and that, for me, is what holding the feet to the fire means.

***Roy Rickhuss***: Gareth is absolutely spot on. It is going to have to be monitored to see how it develops over the coming period. Something I have banged on about, and I might as well take this opportunity to mention it again—I tend to discuss it at every meeting—is about having this as part of a wider industrial strategy, so we look at what steel requirements are going to be in the future. There is nothing more frustrating than when you pick up a paper or see a story on the news that a major contract has gone to somebody outside of the UK because we no longer make that steel. That is really frustrating. We need to be taking that forward more to say what types of steel, what grades of steel—what the requirements are going to be—so that our steel producers can start making the decisions on investment to ensure that, when those contracts do come up, we make the steel. If we do not make it, they are going to say, "Oh well, we tried. We have a fantastic procurement policy, but we just do not make that steel in this country anymore." That has to be part of the overall strategy.

**Q479 Chair:** Edwina, when Roy was talking about the need for an industrial strategy, you were nodding vigorously. In respect of the need for an industrial strategy, what would that look like and what are the devolved Administrations doing in order to make sure that can happen in Scotland and Wales respectively?

***Edwina Hart:*** It is interesting that you raise procurement. We and the Scots had already looked at our procurement rules with regard to what we could do in respect of steel and, as a department, we have the necessary mechanisms in place and are all building bridges and everything to look at that in the context of steel. We are keen to look at what is produced in the UK. We also want to be part of and have looked at, in conjunction with the industry, horizon-scanning: what other steel could be produced in the UK and what investment would be required for those plants, because other countries across the globe have made different decisions on the specialist end of steel.

We are particularly concerned that steel from the UK should be used in nuclear, because we have the large Wylfa project and we have Hinckley across our border. We think it is absolutely essential that steel from our nation is used. Other nations would not consider importing steel for something as important as nuclear. There has been a lot of talk about the quality of steel, and people would be very happy to know that it was good quality UK steel that was used in some of these developments. That is a key message for us.

Like the Scots, we have looked at all these aspects, because we think it is very important that we source as close as we can to home, within the UK, and then, as sometimes happens, you have to go outside for specialist steel. Ultimately, where are the markets for specialist steel in the future? We have to make sure that, if investment is going in with any new buyer, the Government encourage them to look at those new markets, so that we are prepared well for the future.

***Fergus Ewing:*** As was said earlier, the steel industry is extremely important to the whole of the UK. It is a strategic industry and, therefore, across the UK it makes sense that the kind of approach that has been set out by other panellists is pursued so that we maximise the possible benefit to the UK. In Scotland, the two plants I mentioned do not do fabrication; they provide plates and quenching and finishing to thin the plate and strengthen it. They are a small part of a big jigsaw. We want the whole industry to succeed.

As far as our actions in Scotland are concerned, the Procurement Reform Scotland Act places sustainable and socially responsible purchasing at the heart of public procurement. That requires all public bodies to consider how to improve the social, economic and environmental well-being of the communities. That hook, that criteria, is one that we hope will allow us to focus more on the domestic opportunities without being in breach of the European procurement framework, assuming it continues to apply, for the sake of this discussion.

**Q480 Chris White:** I would like to thank Fergus for that remark. The Act that he was talking about and the Public Services (Social Value) Act was my Act, and we have written to the Government to try to expand the Act to include goods as well as services. I know that some local authorities have already taken this on board through their own desire, but it is just a question of getting the Government to move on this in more general terms.

***Fergus Ewing:*** The important point here, as Gareth said earlier, is that even in Scotland government is big. There are lots of different directorates and public bodies, and we need to get them to speak together, to work together as one, so that opportunities are not avoided. It is not an easy task, so let's not pretend otherwise, but it can be achieved if there is a will. There is a will in Scotland. We have produced the guidance, but that is only the start—and we can share the guidance that we brought in earlier this year, Chair, if that would be of any use. We would like to see it being effective across the UK, so that all the steelworkers have a future in this industry.

**Q481 Richard Fuller:** To put it in perspective, the number of jobs at risk at British Home Stores is greater than the number of jobs at risk in the entire UK steel industry at this time. I think that is fair to say. Roy, you disagree. I am taking my information from the BBC, so you and I may agree they might be off on this one, but would you like to explain what the difference is?

***Roy Rickhuss***: The figures quoted in the steel industry are 40,000 to 60,000.

**Richard Fuller:** I thought that was the total number of employees in the steel industry.

***Roy Rickhuss***: Yes, but do not forget that with the steel industry there is a massive number of suppliers and contractors. Normally, you can multiply direct employees by three or four for every direct job.

**Richard Fuller:** You cannot do that in retail, obviously.

***Roy Rickhuss***: I do not know. I am not a retail expert.

**Richard Fuller:** The numbers that are directly at risk, for perspective, are 11,000 at British Home Stores and 3,000 or 4,000 in the steel industry. That is correct, isn't it?

***Roy Rickhuss***: No, that is not right.

**Richard Fuller:** Okay, maybe we will agree to disagree. I do not mean to demean steelworkers by doing that, but we have responsibilities to employees whatever their employment is and there is honour in every type of employment people have. Mr Stace has been very active in this Committee and other sides argue, as you have, Mr Rickhuss for the industry.

I would like to focus on one point in terms of the asks, Mr Stace, where you were very clear that you were not looking for a handout, so I want to clarify your comments earlier on the lesser duty rule. What is the value of a tariff beyond eliminating the imports upon which that tariff is placed, assuming they have been dumped?

***Gareth Stace***: That is not what we are calling for. We are calling for tariffs that are set at a level that level the playing field and stop the dumping, as a technical term, of steel onto the European market.

**Q482 Richard Fuller:** The Secretary of State said in the House of Commons, and the statistics show, that the application of tariffs under the lesser duty rule has achieved reductions in those sectors in which it is applied of 97%, 99%, 100%. Is that wrong?

***Gareth Stace***: I think the Secretary of State was badly advised there.

**Q483 Richard Fuller:** Let's get away from the Sir Humphrey words. You represent the industry; surely you do know this. This is very important, because you are asking to change something very substantial and I do not agree with you on this. Let us know. You know the industry; you know the statistics. In those sectors where the lesser duty rule has been applied on tariffs, has import penetration of those products reduced to virtually nil, yes or no?

***Gareth Stace***: I am very pleased to be able to explain this. If we take the example of reinforcing bar, imports from China into the UK of reinforcing bar in January and February of this year were zero. Why was that? It was because the market knew that the European Commission would impose provisional tariffs on rebar from January, so we saw a massive surge of imports of rebar into the UK from China in November and December.

The market knew that registration was going to be applied to those provisional measures, i.e. there would be retrospective claims on importers importing rebar. They had no idea what the tariffs would be. They came out at 9%, but the market did not know that, so it chucked loads of rebar into the market. It is sitting at the docks now; there is nine months' worth of rebar sitting on the docks as we speak today. This is what always happens when you have provisional measures, provisional tariffs coming in; you see a surge and then a stop and then the market settles itself. Therefore, we cannot say today that 9% is the tariff level needed.

**Q484 Richard Fuller:** I may not be following your logic, because I think what you just said was people did not know what was going to be applied, therefore they dumped a whole bunch of stuff to make sure it was here before the tariff was applied. That implies it does not matter whether you apply a 9% tariff or a 900% tariff, because no one knows and they are going to take that action anyway.

***Gareth Stace***: Yes, so what happens? Do we just keep our fingers crossed? Once the market knows that the tariffs are 9% and once those docks have space for more rebar to sit on them—they are full at the moment—then we, potentially, will see more rebar coming into the country. We also must remember that in January and February we stopped rebar from China, but now Belarus is importing significant quantities of rebar into the country, because they do not apply anti-dumping tariffs.

**Q485 Richard Fuller:** Correct me if I am wrong, but it is fairer for you to put your pressure on the speed of action of imposing a tariff than on scrapping the lesser duty rule, which is a fundamental part of free markets around the world.

***Gareth Stace***: Put simply, if we apply lower tariffs than the rest of the world, we will just be putting up a sign saying, "Dump here because we have lesser tariffs than other nations." There may be a steel solution to the lesser duty rule, and we need to find that and work through it.

**Q486 Jonathan Reynolds:** A quick final question for you, Fergus, because there is no doubt what you have described and what we have seen at Clydebridge and Dalzell is a job well done. What discussions were had with regard to the state aid rules and any concerns there?

***Fergus Ewing:*** State aid is an enormous constraint on the ability of Government to provide financial assistance. My understanding is that the limit of state aid that can be provided is €200,000 over three years, which is the de minimis level, and that was, in effect, provided through our business rates relief. That was a huge constraint on our ability to act and, presumably, on the UK Government's as well.

We provided the maximum state aid that we could. The skills programme to which I alluded earlier was provided separately by a college, so it is not classified as state aid and care was taken that it not be so treated. However, that has meant that the Scottish Government have contributed around 260,000 through Skills Development Scotland and the de minimis level will be contributed in due course, which we believe is a sound investment for, we hope, saving the steel industry in Scotland.

***Tom Blenkinsop:*** It is just worth saying that the Scottish example is good but it is not new: in 2010, when the Redcar plant was mothballed, we had £60 million put aside by the then Labour Government alongside One North East Regional Development Agency. We used that to retain staff, and over 22 months we did not have one single hard redundancy among a core of staff. It is not new; there are examples there historically that we can go back to.

***Edwina Hart:*** There are a lot of issues around state aid, but last year we secured agreement with the Commission to look at investment in environmental protection projects. You are allowed to put money into those, so that is a way of the state aiding within these businesses. You have to be innovative and you cannot always listen to what the lawyers tell you about state aid.

**Chair:** That is a very good point to finish on. Indeed, it is a very good point to finish any discussion on. Thank you very much for coming. We could have had three or four times the time for discussion on this, but we are very grateful for your time. Thank you again.

**Examination of Witnesses**

*Witnesses:* **Rt Hon Sajid Javid MP**, Secretary of State, Department for Business, Innovation and Skills, **Niall Mackenzie**, Director, Infrastructure and Materials, Department for Business, Innovation and Skills, and **Anthony Odgers**, Deputy Chief Executive and Director, Corporate Finance, UK Government Investments, gave evidence.

**Q487 Chair:** Secretary of State, thank you very much for attending what I think we both agree is a very important meeting. We have seen you before; I do not think you need an introduction, but do you perhaps want to introduce your officials?

***Sajid Javid:*** Yes, thank you, Mr Chairman. Two of the key officials helping to deal with this situation have joined me today. Niall Mackenzie is the Director of Infrastructure and Materials at BIS. Anthony Odgers is the Deputy Chief Executive of UKGI.

**Q488 Chair:** Again, thank you for attending. I think we have a shared endeavour to make sure that we can safeguard the UK steel industry. I want to focus on the future, but I do not think you know where you are going unless you know where you have come from. Therefore, I would like to focus initially on the circumstances leading up to the Mumbai board meeting on 29 March. On 11 April, you said to the House that Tata had told you in confidence several weeks earlier that they were seriously considering an immediate closure of Port Talbot. The Chief Executive of Tata Steel in Europe questioned that this morning. Could you give us the circumstances of who told you that and when?

***Sajid Javid:*** Yes, I can. Before I do, Mr Chairman, first of all I welcome the work of the Committee today and the work you have done in the past and your recent report. Some things that may come up today that you or other Committee members ask me about that I feel may be very commercially sensitive. If that happens, I will say so and explain why, if necessary, because ultimately what we are trying to achieve at the moment is a transaction involving all commercial parties. Of course, the Government have a significant role, but there may be some things around that.

**Chair:** We understand that, yes.

***Sajid Javid:*** Regarding your question, it was around mid-February that Tata in India—so the headquarters rather than UK management—informed us that they were seriously considering closing Port Talbot, or, in other words, their remaining steelmaking operations in the UK. They said that management had come to the conclusion that would probably be the best way forward. They were looking at the rest of their non-steelmaking business, the so-called downstream and some of their speciality business. Either they would look to retain that or find some other way forward, but their view was that they had been losing money for many years, the losses were increasing through the Port Talbot side of their business, and they thought the best way forward may be to close that portion and focus on the rest of the business.

**Q489 Chair:** You also said to the House that in the days that followed your conversation you worked relentlessly to convince Tata it was in everybody's interest to keep the plant open. What was the specific nature of that relentless work?

***Sajid Javid:*** For a start, it was not just me. To be very clear, we have a team working on this, which of course I lead. At this point, I also would mention the hard work that continues from the Minister of State, Anna Soubry, on all of this. Anna and I were the two Ministers engaged in this, but also Neil, Anthony and other members of the team were engaged with Tata, face-to-face in Mumbai and over the phone, through a number of discussions from mid-February onwards, on the best way that we could help, having been given that news.

Of course, at that point, first of all, my focus was to see if there was any way that Tata could be persuaded not to recommend that decision to their board. My fear was that, if that was the decision that went to the board meeting in March, it was reasonable to assume that was the decision that the board would have made: to carry out the closure. Of course, we wanted to stop that, and when I realised that we were unable to convince Tata to keep funding these operations and work on a turnaround plan, my focus became to accept that we cannot force them to do anything, but we might be able to get agreement to let someone else have a go. If they cannot make it a viable business, perhaps, if the business is put up for sale and an alternative owner is found, someone else can do that. That is when we also started thinking much more about what we could possibly do if it was announced that that was the final board decision—how we could facilitate that sale.

**Q490 Chair:** Let me push you. In the five or six weeks between your being told by Tata from India that they were thinking of closing and the Mumbai board meeting, what work was carried out? What promises were given to the company in terms of, "We can do this," on specific policy aspects or whatever? What was provided by you and your department?

***Sajid Javid:*** We asked the company at the time if there was anything we could do that would prevent them from closing Port Talbot, and the answer, in short, was no. There were other things that the company would have liked us to do and look at for the rest of the business. Of course, I care about the whole business and everyone who works in it, but my focus at that point became around Port Talbot itself, because that is where the serious concern was.

When it became clear that there was nothing that we could do regarding Port Talbot itself as far as the company was concerned, my focus became to see if there were other potential new owners that we could work with and offer support—and maybe later we will go into what kind of support that could be—and see if it could be made to work for somebody else.

What made me think about that in particular was recognition of the fact on the ground that Tata is not just a major steel producer in the UK but a global producer, including in other parts of Europe. From their perspective, you can see that if they feel there is global overcapacity, which clearly, as a matter of fact, there is, and they need to cut their own capacity, it does not necessarily mean that someone else cannot take over their excess capacity, so to speak, and make something of it. That is why that became my focus.

**Q491** **Chair:** As we approached the 28 March Mumbai board meeting, were you convinced that Tata had rejected the option of outright closure and were seriously considering selling it to somebody else?

***Sajid Javid:*** Yes.

**Q492** **Chair:** Had Tata misled you?

***Sajid Javid:*** No. In what way?

**Q493** **Chair:** On 3 April, on *The Andrew Marr Show*, you said you did not anticipate that Tata would go that far with the news. You seemed shocked and on the back foot when it came to this.

***Sajid Javid:*** No. That was a reference to the timeline. When Tata's board made the announcement in March, what I thought went further was the discussions around timeline or the speculation that began about not so much that they had decided they wanted to sell their business but the speed at which they might do that.

**Q494** **Chair:** You did not think this was going to be on the agenda for that board meeting. Frankly, Secretary of State, I do not understand why you were not at Mumbai.

***Sajid Javid:*** It is a perfectly fair question, so let me be clear. In the run up to the board meeting, mid-February was the first time Tata India told us that they were considering the closure of Port Talbot. Of course that was a shock, because up until then they had kept that news to themselves. Then my focus became, over a number of discussions I and the rest of the team had with them, convincing them that if it was not going to work for them, the next best option would be to try to get it to work for someone else. By the time they got to their board decision, we did expect that there would be a board decision that would talk about the future of Port Talbot. However, we did not expect that the news surrounding that decision would talk about a timeline that was reported in the papers at the time as a matter of weeks in which it would be sold. Clearly, that would not have been feasible. That was not what we agreed with Tata and, thankfully, that is not what they planned to do.

It was that aspect of the news that then prompted me, because by then I had landed on a trade mission in Australia, to call, first of all, the Chairman of Tata Steel, Cyrus Mistry. I wanted reassurance that the timeline issue was not as was being reported, because it was not what we had understood was agreed the board would fully announce. I got that assurance privately from him on that day. At that point, I decided to come back, because whenever you go on any business trip abroad you have to be ready to turn around if a situation changes, and that is when I returned. As soon as I got back to the UK, my first visit was to Port Talbot, because I thought it was important to speak to the local management, since I was not sure and I am still not sure how much local management had been kept in the loop of the decisions of the Tata main board in India. It was also important to speak to union representatives and others and to reassure them that we were aware of this and had been working on it for weeks.

**Q495 Chair:** In our Select Committee Report in December, we said that the department did not have effective early warning systems in place when it comes to the likes of SSI. What you have just described seems to confirm that. You were really blindsided by this. Tata had not told you the truth in terms of the severity and the scale of the timeline, and you had no one in your department able to pick this up, did you?

***Sajid Javid:*** I do not accept what you say at all, Mr Chairman. What we all have to accept is that, first, Tata is a private enterprise, and there will be some information they will share with other stakeholders, and clearly the Government is one, and there will be some information they will not. Also, as a large, global organisation with many parts to the group, it is always not necessarily the case that everyone in the group, every layer of management, knows what decisions are being looked at. On your suggestion that if we had somehow a better early warning system we could have prised sensitive commercial information from someone who was not forthcoming with it, clearly that would not have happened no matter what kind of early warning system we had.

**Q496 Chair:** I am suggesting that you looked like you were really on the back foot after the Mumbai meeting and announcement. You looked like you were in crisis mode, scrambling around looking to try to gain the initiative rather than saying, "We were aware of this. We have been working with Tata as a company and this is a smooth transition to try to get a responsible seller." We saw none of that in the aftermath of the Mumbai board meeting.

***Sajid Javid:*** If people are interested in how things look, that is a different issue.

**Q497 Chair:** Business confidence is important in terms of perception as well.

***Sajid Javid:*** Of course perception is important, but frankly if I or another Minister had turned up on the day of or the day before the board meeting and that is all we had done, it would have been far too late. What was crucial was the work done in the run-up to the board meeting. If I want to turn up for a photo opportunity the day before the board meeting, it might look great in the papers, but it would not have helped the workers or helped the situation. What is helping the situation is all the work that we have done, which we could not talk about as it is commercially sensitive. Tata itself, for example, has obligations to the Mumbai Stock Exchange; there would have been legal implications, so of course we could not have talked about that work.

I do accept your point about perceptions, and of course that it important. That is why, when we can share information and when we can talk about it—for example today—we do. When I got back to London and went straight to Port Talbot and spoke to workers, union representatives and local management. That is important engagement, but there are, frankly, some things that, even when we know, we cannot share publicly, because to do so might have made this situation even worse.

**Q498 Chair:** If you could turn the clock back a month, would you have attended that meeting rather than go to Australia?

***Sajid Javid:*** With the benefit of hindsight, knowing what they said and how it was reported, of course I would have. But the reality was I did not know exactly what they were going to say and how it was going to be reported, most importantly, especially around the timeline. We knew about the underlying decision, but not exactly how it was going to be reported and what the briefing might be around it. I do have to travel in my job. Part of my role is to drum up business around the world for British industry. When I did this, I was very far from home; I turned around and came back as quickly as I could.

**Q499 Jonathan Reynolds:** Secretary of State, when you first took this job on, when I observed you in the Chamber, in your rhetoric—how you outlined the job as you saw it—you seemed to be making a clear break, a distinction, from your predecessor, Vince Cable. You seemed to be saying that the embryonic industrial policy that had been followed since the financial crisis under the Labour Government and then under the Coalition was something that you disagreed with. You wanted a more fundamentalist market approach. Fast forward to today and there is talk of a strategic stake in steel, there are the five asks, and there is talk about preferential procurement for British steel. Has this crisis changed the policy at BIS and your outlook on these issues?

***Sajid Javid:*** No, because we have had the right policy in place and it remains in place. Of course, we always look at what needs to be done in light of developments, particularly in specific industries, and let me be clear why it has not changed it. First, a policy should be judged by its results, by the evidence. If you look at the evidence, ever since the Government changed in 2010, in terms of industrial output—manufacturing output, manufacturing exports, manufacturing employment—it is all up. That has a lot to do with the Government's strategy. In fact, if we had stuck to the industrial strategy of the previous Government, where we saw manufacturing decline from 18% of GDP to around 10% of GDP, that would clearly have been the wrong strategy.

What is the strategy? The first leg is a strong economy overall: making sure we have strong demand in the economy, and that means cutting taxes, cutting regulation and making sure we are open to all types of industry. The second part of the strategy has been working with industries in an organised way. We have 11 sector councils that my predecessor set up, something that I fully supported at the time and continue to support. We have continued dialogue with those councils and we listen to what they have to say.

**Q500 Jonathan Reynolds:** You think that has been a continuation of policy from the Coalition.

***Sajid Javid:*** That is continuation from the Coalition; that is correct.

**Q501 Jonathan Reynolds:** I am wrong to assume then that you saw yourself as breaking with the Coalition's policy in terms of the policies followed by BIS.

***Sajid Javid:*** On the sector councils there has been no break. What I have changed is more sending out a message that we are open to all industries, including new industries, including new disruptive industries, for example. I just felt that under the Coalition there may have been some industries that thought, if they were not one of the 11, somehow they were excluded from working with Government. Of course that is not the case, so there has been a change in that regard. I have only set up one other council since then, and that is the Steel Council.

**Q502 Jonathan Reynolds:** That is genuinely very interesting. I have to say no one has ever approached me, as an MP interested in business, and said, "I previously felt locked out of the UK, as an economy," under the Coalition or under any other Government.

Let me just give you one example of my frustration in terms of your department's approach. If you go to any meeting about any industry in the UK, they will complain about the lack of a level playing field on electricity prices, and that is a reasonable point. We heard in the earlier session this morning about the disparity in electricity prices.

A country like Germany effectively subsidises industry through higher consumer domestic bills. They have higher domestic prices even than we do. We cannot do that, because the reason they can support that in Germany is they consume so many fewer units of electricity in the household; they are much more efficient in their use of energy. If you look at this Government's position in terms of DECC and their policy on energy efficiency, it is non-existent. That is not available to you as an industrial option to support industry, because this Government is so poor on energy efficiency and how it impacts on domestic consumers.

I would put it to you that there are comparative European countries that are thinking much more about how they can produce a competitive edge for their own industries and how they can ensure a better level playing field with the East. We are just simply not in the game on that, are we?

***Sajid Javid:*** On your first point, just before you asked that question, you said that no one had ever come to you from industry and said they feel locked out. They have come to me. When I was Secretary of State in DCMS, two huge industries came to me—two of the fastest growing in Britain. One was the creative industries, one of our largest and our fastest growing industry right now. The second was the tourism industry. Both of them did not have one of these formal strategies, and they came to me, which they were right to do. I take your point that they did not come to you.

**Q503 Jonathan Reynolds:** Are you saying the digital economy was a weakness under the Coalition? The creative industries are a huge part of the UK. I find it silly to say that they felt they were not part of the UK economy under the Coalition.

***Sajid Javid:*** They were not saying that.

**Chair**: It would be helpful to get back to the steel industry.

***Sajid Javid:*** Okay. That is a separate issue, but I hope you heard my point there.

On energy costs, first, you are absolutely right to highlight the importance of energy to an industry like steel. That is why action has been taken, and I also believe more needs to be done. Regarding what has been done, we do have a compensation scheme that began in 2013 and has been increased since then. The last increase was in December last year and that compensation has already begun. Over £130 million has been paid out to the steel sector since 2013, £50 million to Tata alone. I want it to go further. When I became Secretary of State, I managed to get cross-government agreement for not having compensation but moving to exemption, which is a lot cleaner and more straightforward for businesses, and we are in the process of putting that in place.

You raised the issue about other countries and their approach. In particular, you picked Germany as an example, and that is a perfectly valid one to pick. Germany has made a public policy decision where they have decided that, broadly speaking, in order to give industry even more compensation they will pass the cost on to consumers in their bills. That is a perfectly valid decision to them, but you can see for any Government there is a challenge in that. That does not mean to say Government does not keep these things in review, but it is not as straightforward as just saying, "Let us make it cheaper for industry and let us pass it on to consumers." A lot of people would have a concern about the impact on consumers particularly.

**Q504 Jonathan Reynolds:** I agree with you. I am just making the point that there is a co-ordinated approach there. Their bills are less even though their prices are higher, because they have put government policy into a situation where that is a viable option for them. I am simply saying if we leave it without any kind of government policy and direction, we will get a crisis in not just the steel industry but other industries too, and it does not feel to me that you have totally grasped that point.

***Sajid Javid:*** With respect, I disagree with that, because the action that we have taken shows that we are alive to this and we have done things that are helping; just ask any intensive energy users, not just steel, about the help that has come their way. Having said that, with steel in particular, I do want to see what more can be done, and it is not just Government deciding this on its own; we need listen to industry and other stakeholders. When I set up the Steel Council, one of the specific work streams that the council agreed on together—so it is not just government-led but working with industry, trade unions and others—is specifically on energy and what more we can do, particularly with steel, because I want to listen to them about some other possible solutions as well.

**Q505 Jonathan Reynolds:** Do you agree—and surely we should all agree on this—we do not want your department to kick into action with activity and policies only when there is a crisis? We want a framework that prevents you having to come here to our Committee or, indeed, to any other forum and explain about what we are going to do to solve a problem in an industry. We want to be able to get to the position where we do not have those crises occur.

***Sajid Javid:*** Absolutely. That is why, taking your example of energy, the compensation schemes that helped steel, among other industries, began in 2013, before anyone was really talking about a steel crisis. We know that things have become much worse since 2013, because of the oversupply in the market and the fall in demand at the same time and the collapse in global steel prices.

**Q506 Peter Kyle:** Secretary of State, thank you for coming today; it is great to have you here again. You gave the impression of someone who was in very close touch with Tata in the run-up to the board meeting. You quite clearly said that the build-up and the relationship you had at that time was more important than the meeting itself. However, the fallout from that meeting was quite profound, and we had different parts of Government, and different parts of your own department, giving out very different messages: firstly, that there would be no government intervention, with Number 10 saying there would be no intervention; then the hints that there could be an intervention; then you were open to anything that it would take.

There were lots of different messages coming out simultaneously, and the actions that you personally took and your department took were the definition of a department on the back foot. Could you please tell us again: do you really feel that you were in control of this situation as it was unfolding and that it was a partnership between you and industry, or were you just on two separate sides and you were impotent as this industrial catastrophe was unfolding?

***Sajid Javid:*** I am afraid I do not accept the premise of your question. You said that there were different messages coming from both within the department and from other parts of the Government; you referred to Number 10 and others. I do not recognise that at all. Since this news became public, and I explained earlier why we could not have said anything prior to that board decision, the Government's messaging has been absolutely consistent. Obviously, the first set of questions that we would be asked by your colleagues and others was what the Government could do.

We have said all along, right from the moment the news came out, the Government will do everything it can to facilitate this process to have a successful outcome. We were asked about specifics. I was asked, and so was my colleague Anna Soubry, about things like nationalisation: if you do not find a buyer, would you nationalise? The answer has been consistent since then, which is that we never rule anything out, but we have been very clear from day one that rarely is nationalisation a solution in these situations. The best steel companies in the world are all in private hands, and everything we have announced since then has been consistent with that.

**Q507 Peter Kyle:** You are doing it here now in terms of "rarely" and "perhaps" and "we are open to". This is not decisive. You did not come out on day one, after the meeting. If you had been prepared for it, there would have been clarity on what government action was. We saw you being filmed talking to workers and, again, saying things like you were open to the Government taking a stake or some kind of part-nationalisation. You were filmed saying things that were new to the media and to the public at large, which just gave the impression that you were not in control or certainly aware of all the facts in advance and had a very clear-cut approach to what was unfolding.

***Sajid Javid:*** In terms of the messaging from my department, the Ministers in my department and other Ministers, it has been entirely consistent. We need to recognise that once the sale process has begun, more information comes out. We do not have all the information on day one; much of that clearly would have to come from Tata, from its advisers. For example, after the board's decision, it took time for Tata to set out, in what they call their initial information memorandum, which was roughly a 20-page document, what they were looking for.

We then have to respond to that, because it is the first time we are being given that detail, and then of course we can put out a bit more detail ourselves about how we might respond. Then we have been working with Tata on what is now the full information memorandum, over 200 pages long, available to the potential buyers that have been identified. Obviously this has a lot more detail from Tata itself and is an opportunity for us to add detail and, as we have added detail, I have been making sure that whatever we can share of that, both through Parliament and otherwise, we are doing so. That is why, last week, for example, I was able to say a lot more about the kind of help that we could provide. Just because I did not say that three or four weeks previously does not mean to say it is inconsistent in any way.

**Q508 Peter Kyle:** We can judge you by actions. Anna Soubry, when she gave evidence previously, said that she found out that SSI had gone into administration by reading about it on Twitter. You were on a different continent when it was announced that Tata was going to go similarly. This is not a Government that seems to be in close touch, offering proactive support—that has its finger on the pulse.

***Sajid Javid:*** I would refer to something I said earlier. There is a lot of work that goes on in the department that is commercially sensitive and we cannot talk about, because if we did, first, in future no one else would trust us with that kind of information, and often we need to know that to be able to put together a package and support and responses. Secondly, it could jeopardise the entire outcome we want.

We all want to see a successful outcome to this process. We want to see a commercial buyer and a viable business that is going to be sustainable for the long term. If my department just set out on day one saying, “Right, this is what we will do; this is what we will not do. We will not look at this. We will work with this person; we will not work with that person,” how is that going to help the situation?

**Q509 Peter Kyle:** I certainly accept the need for consistency, but when SSI went into administration you said quite clearly that state aid rules prohibited you from intervening. What has changed?

***Sajid Javid:*** There is a big difference between SSI and this situation. The key difference is that SSI is a company that, from when it was taken over and re-established in 2012, has not made a single pound of profit. It racked up huge debts and it produced essentially one product that was available on the global market as a commodity and it relied on the export of that one product. That is why when it got into trouble it did not have a turnaround plan at all. There was no indication whatsoever of anyone willing to come in and keep that going as an ongoing business. That is the difference.

**Q510 Peter Kyle:** A group of companies did come to you and offer to mothball the blast furnace but keep open the coke ovens for Redcar, but you said no. Why did you refuse to work with that consortium and yet you are working with Greybull now?

***Sajid Javid:*** There was no viable plan. No one came forward to us with a viable plan.

**Q511 Peter Kyle:** Certainly the local MPs for the area dispute that.

***Sajid Javid:*** I understand that and, again, we have to deal with the facts—what people approach us with, what they bring to the table—and then we have to deal with that. Despite other people's best efforts, they do not necessarily have all the facts in front of them. You also asked why this is different from the Tata situation. The reason is any help that we provide, as we have been clear, has to be compatible with state aid rules—that is a given—and it will be on commercial terms. In the SSI situation, that would have been the same: any help would have been on commercial terms. No one was coming forward with a viable plan—and remember it went to the liquidator, who was not able to find a single buyer for that business. If, as you say, there was a viable plan from somewhere else, the liquidator would have had some role in that as well.

**Q512 Peter Kyle:** You certainly shut the door very rapidly on your availability to carry on negotiating into the future.

***Sajid Javid:*** It is clear it was an entirely different situation, but there is very important government action in that case. We have talked so far, rightly, about the importance of this industry, the economics of it and the jobs, but there is a very human side to this. In Redcar, you had thousands of people who were clearly anxious about their jobs. They were worried about what was going to happen, and given that there seemed to be no viable way forward as a commercial enterprise, our focus rapidly became what we could do to make sure no worker was left behind. We put together a package of up to £80 million, one of the largest ever put together across Government, to help as many of those workers who were affected.

**Chair:** I am going to move on, but as a North East and Teesside MP, Secretary of State, the fact that mothballing for a future potential owner was not even considered and you went with hard closure is an absolute tragedy. We have lost those skills in the steel industry forever. We have lost those efficient assets for the British manufacturing supply chain, and it is an absolute disgrace that that was allowed to happen on your watch. I really think that. We have lost a valuable asset in British manufacturing with the closure of Redcar SSI.

**Q513 Paul Blomfield:** I want to move on to other areas in which Government can support the industry in terms of generating demand. You changed the procurement guidelines last October and we talked earlier with industry about the impact of that. Their view was that although that change was welcome, there has not been any impact yet in additional contracts. Is that your view?

***Sajid Javid:*** We have made a number of changes so far in this Parliament. That was the first, which is a significant change. Obviously, across central government purchasing, we have extended that now to all aspects of the public sector. The change you are referring to—and please correct me if I have misunderstood you—is the flexibility that we now have to include economic and social factors in procurement. We became the first of 28 EU countries to take advantage of that flexibility. I hope, Mr Blomfield, you will appreciate that it takes time then for that to work through.

The guidelines have changed and that is looking forward, so it is very welcome, but obviously any procurement decisions that had been made before that change were subject to the old rules. Since then, we made an announcement a few weeks back to try to take that further. In terms of infrastructure, any construction company that wins a contract from the public sector that has requirements for steel will now have to advertise that in the UK, to make sure that producers in the UK get a shot at that.

**Q514 Paul Blomfield:** Why did you not incorporate that measure last October?

***Sajid Javid:*** We had to make sure that it was consistent and would not be legally challenged. It took time to make sure that we were going to be in a position to put that into place without being challenged or having not followed due process.

**Q515 Paul Blomfield:** Were you getting advice that might be a significant challenge? It would seem to have been possible to introduce the measures that you announced earlier this month also in October.

***Sajid Javid:*** With any change that we make, we want to ensure it has been properly thought through. Other sectors, for example, might come forward and say, "How about us? You have done this here," and we just need to make sure that it is consistent. The change has been made now and all these things taken together will make a difference. Already with major infrastructure, whether it is Crossrail, Network Rail or the aircraft carriers, British steel is dominant. It is almost exclusively British steel, for example, in those two rail infrastructure projects, but obviously we want to see more of that.

We also have a big pipeline of infrastructure over the next five years of over £300 billion, which is one of the largest any Government has ever had. We are now working through the Steel Council, as one of the working groups we have, on how we make sure that the whole supply chain has the best line of sight of that and what more we can do to make sure that manufacturers know, when these opportunities come up, they can take full advantage of that.

**Q516 Paul Blomfield:** Can I ask you to develop that point a little? You agreed with the comments we heard earlier that the change in procurement guidelines has had no impact yet. I accept your point that there is a time lag on these things, but how can you more effectively ensure that we think ahead and anticipate demand such that we ensure we retain capacity for when demand down the line comes on stream?

***Sajid Javid:*** One of the best ways to do that—and this is what the Steel Council is working on as well—is to take all these individual projects that are planned and think much further ahead about what the requirements are going to be over the number of years that these projects will take, what the steel requirements are along that timeframe, and engage with suppliers early. What you cannot always do is say to a supplier, "You will definitely get this order." There has to be a proper procurement process and, clearly, value for money is important for the taxpayer. However, if you can give them line of sight much earlier on in the process, they can prepare for that bid, they can be ready for that and that will dramatically increase their chances of being successful.

**Q517 Paul Blomfield:** How are you doing that across Government?

***Sajid Javid:*** The best way I have found is to do it through the Cabinet Office. Many departments will be involved in infrastructure in one way or another, but the one department that it all would run through is the Cabinet Office. That is why the

Cabinet Office Minister has been absolutely key to this. In fact, before I set up the Steel Council I set up three ministerial working groups, and this was in light of what happened in Redcar and the lessons learned on what more we can do. One of the ministerial groups was led by the Cabinet Office Minister and the purpose was to start setting up this process.

That has happened and some of these changes in procurement have come around as a result of that. However, in terms of infrastructure and much more longer term planning, that is work that is still being done by the Steel Council, because we also want to hear advice from the industry about how we can make it even more proactive.

**Q518 Chair:** But it is not working, is it? On Monday, there was an urgent question in the House about shipbuilding on the Clyde, and I asked the Minister for Defence Procurement about contracts about steel. The Minister for Defence Procurement is an excellent Minister on top of his brief, and I thoroughly commend what he does, but he replied to me by saying, "I have made it very clear previously in the House that UK steel mills will have the opportunity to bid for steel tenders that are put out by the prime contractor over the course of this programme. It will be up to the British steel industry to see whether it is in a position to match those orders for the specification and the timelines required." That does not exactly give us a lot of confidence that the message on procurement is getting out across Whitehall. Why is it not?

***Sajid Javid:*** I was not there at that moment in the Commons, but from what you have read out, Mr Chairman, the Minister is accurate. Clearly, his focus is British steel, and there is a lot that Government, government agencies and stuff can do, but it means working together with industry and industry responding to that as well.

**Q519 Chair:** That is not what the Minister said. The Minister does not make it sound like there is co-ordination and collaboration between Government and industry on steel requirements. That reply from the Minister could have been said in the House well before October rather than now. The changes to the procurement rules are not having one jot of impact for a major contractor such as the Ministry of Defence.

***Sajid Javid:*** I do not accept that at all. The Minister may have also referred to the Queen Elizabeth Class aircraft carriers, which are 88% British steel. That is 90,000 tonnes, I believe, of British steel. That is British steel being used in a big strategic defence requirement. We will all accept that, when it comes to procurement, it cannot just be the case that you will take British steel no matter what the price. British steel has to be competitive, and we have some fantastic companies that are very competitive; there are others that will be the first to accept that the only way they can have that long-term viable business is if they are also competitive in these tenders.

We cannot always assume that the bid that comes in from a British steel producer for procurement is always going to be the most competitive. British steel, the industry, UK Steel and others would be the first to agree with that, because ultimately you can only be viable in the long term if you can produce a quality product, which is exactly what British steel is, but at competitive prices.

**Q520 Michelle Thomson:** Good morning. We heard earlier from a Minister from the Scottish Government, and I wanted to ask you what you take as the top three lessons from the actions they have taken to definitively save Dalzell and Clydebridge. Was it around their speed of response? Was it about the fact that they already had the social and economic considerations written into their public procurement process? Was it their approach to saving skills?

***Sajid Javid:*** We have been working with the Scottish Government on a number of issues. When I called the first steel summit, the Scottish Government was invited and they were an important participant in that. Also, I commend the work that they have done with the two steel mills that previously belonged to Tata. Your question was what I take away from that.

**Michelle Thomson**: What are your top three lessons?

***Sajid Javid***: I am not sure that I would put it as the top three lessons, and the reason is as follows. It is very difficult to make a comparison between that and what we are facing in the rest of the UK. First, they are mills; they did not produce steel. The biggest challenge in the UK steel industry—which is not to say there are not challenges throughout the industry, because of course there are—is for steel producers rather than mills, which clearly is why Port Talbot has been a particular challenge for Tata.

Secondly, they were important in terms of the number of jobs, which was around 300, if I am not mistaken. It is very important to save those jobs and that is a great result that has been achieved, but again the scale in terms of jobs, 300 versus what we are looking at—in the thousands for one company—makes it very different. It is hard to draw lessons from that and say how we can apply it to this.

**Q521 Michelle Thomson:** Given what you are describing though, if you do not mind my interrupting, if the scale was smaller and the speed of the response was such that the very same day the First Minister put in place the working group that Mr Ewing chaired, surely then, given the much greater scale, we could have expected and anticipated a much faster response from the UK Government to the wider issue.

***Sajid Javid:*** First of all, are you referring to Tata specifically or more generally for the steel industry?

**Michelle Thomson:** Both.

***Sajid Javid:*** Okay. The UK Government's response began way before Tata's most recent news, and we have talked about some of the measures that have been taken, some of them dating back, for example on energy, to 2013. We have just talked about procurement changes and that was way before Tata's decision.

In terms of Tata itself and its decision to sell its business, again it is hard to draw lessons. Maybe a better comparison for me would be a much bigger scale business that was also part of the Tata Group, which is the Tata long products business. Here you have almost 5,000 workers, again not focused so much on steel production, although that is part of it, and a number of mills and speciality businesses included in that—a much bigger scale. There, you will have seen yourself, Ms Thomson, the recent news, which is very encouraging, of the agreement with Greybull on a sale. There are still some conditions to meet on financing, but again that brings confidence, as does the Scottish experience, although I do think it is hard to take the Scottish experience of two relatively small mills and apply that to a much bigger business.

**Q522 Michelle Thomson:** I suppose I am specifically probing around the Government's response and speed, but I am also interested in your view on the approach they took to the protection of important skills, a point that the Chair alluded to earlier, and the loss of those skills with Redcar. What was your impression of the approach they took to protecting the skills and what lessons will you take from that?

***Sajid Javid:*** The lesson for all of us is that these skills are hugely important. If they cannot be used, let us look at Redcar. When I talk about our response package and how we can help those workers who have, sadly, lost their jobs get back into full-time employment as quickly as possible, one of our responses was to make sure that, where they have skills, they are kept fresh and are given help for that. In some cases, you can help by re-skilling and changing focus slightly to maybe a different industry, but using some of those existing skills, and we should provide funding and training for that. That is exactly what we did through the local task force that was set up, where they had a pool of funds that was devolved to them to make these decisions.

I can give you one example from my own department. One thing I was approached about with the SSI situation was that there were a number of apprentices who had started at the plant, and they all would have lost their jobs if we did not provide extra funding and support with skills. They were obviously building their skills, as apprentices, but that made them still very valuable, and we managed to place almost all of them with local businesses within a matter of weeks, with some extra funding and support. Maybe that is a sense of our approach to skills and the importance of them.

**Q523 Michelle Thomson:** On a slightly different matter, we heard earlier from the representative from Tata and we chatted about the pensions liability. What is your working assumption about what will happen to the existing pensions liability in the event of a successful sale? Do you hold any concern that ultimately the public purse might be left holding the baby? If you do not have any concerns, why not? If you do, what steps specifically now are you taking to take account of that possibility?

***Sajid Javid:*** I cannot be specific because it is commercially sensitive, but I can give you a sense of the issue. A number of the potential buyers, right off the bat, have said that they would not have much interest if they have to take over the current pension plan as it is. I think that is a reflection of the fact that the plan has some 130,000 members, so it is a very big plan, and it is expensive compared with today's plans. It is not unreasonable for many buyers when they are coming forward to day, "I am interested in the business, the assets, but this would be an issue."

**Q524 Michelle Thomson:** I understand that, so do you agree that there is a potential risk the public purse is left holding the baby in terms of the pensions liability, ultimately?

***Sajid Javid:*** No. That is not my focus. I do not think that is the big risk. What I do know is that there are already discussions taking place between the trustees of the pension plan and the company, and I know they have talked to the Pensions Regulator and are working on a solution. I am keen, and we are involved in this, to try to facilitate a solution in any way that we can.

**Michelle Thomson:** I am sure we will watch this space.

**Q525 Chair:** You do not think it is a risk.

***Sajid Javid:*** I do not think that is the major risk, talking specifically about pensions. Again, I cannot be too detailed about the discussions that are going on, but given my knowledge of the discussions and how this is being looked at, my focus is on how we can facilitate that, but I do not sit here today thinking it is a big risk for the public purse.

**Q526 Richard Fuller:** Secretary of State, you have had a lot of questions about your itinerary and about photo opportunities and have, quite fairly, said, "Judge me by what I do and the actions we achieve." Let me just run through things regarding steel since you became Secretary of State and maybe you can tell me if I have got them right. Since you became Secretary of State, the EU emissions regulations on steel have been relaxed; procurement rules have been changed to give a boost to British suppliers; £200 million has been repaid to the steel industry in terms of electricity rebates; tariffs have been imposed on a number of steel products; a deal has been signed on the Scottish plants, as we heard earlier today; and regarding Scunthorpe, an investor has been found. Those are actions; have I missed any?

***Sajid Javid:*** Thank you for reminding the Committee of that; all that you have said is accurate. I have talked about some others: the Steel Council that we have now, the steel summit, and the working groups we set up to get to this point. A new one that the Committee has not mentioned, so far, is the work that the UK has led on unfair trade. One of the first things I did as Secretary of State, when UK Steel and others first brought to my attention some of the challenges they were facing from trade, was to call an emergency meeting of the EU Competitiveness Council, where we were able to set forward a better, continent-wide strategy.

Those are accurate, but there is work still going on as well. That is work done, but there is still much more to do.

**Q527 Richard Fuller:** To me, that sounds like a lot of work and certainly better than any photo opportunity you could take anywhere in the world. Your department covers the whole of the British economy, and we have important issues regarding British Home Stores and the retail sector; they have concerns about what is going on there. We have the car industry, and of course they need competitively priced steel, but they are booming and doing very well. Do you feel that sometimes you are being asked by the Government to do more than is reasonable and to do things that the companies themselves should have sorted out?

***Sajid Javid:*** I would not say, Mr Fuller, I am being asked by the Government to do that. Sometimes there are expectations outside of Government from other stakeholders, and sometimes it may come through Parliament in debate or the media and elsewhere about, "Why have you not saved this industry versus that?" We heard from the Chair earlier, if I quote you correctly, Mr Chairman, where he said it was a disgrace in reference to SSI.

**Chair:** Yes, absolutely.

***Sajid Javid:*** You said it was a disgrace that the coking ovens were not kept open and that mothballing was not done. It is easy to make these statements, but we have to deal with reality and with the facts, and there are rules, which may be state aid rules, that apply in many situations. There are taxpayers' funds that we need to make sure are always being spent properly, and we have to deal with the facts that are presented to us. Whilst it is easy for others to make these statements, it does not make them a reality. As I said earlier, you should always be judged by the evidence and do the best you can. One thing I have made absolutely clear, and will take the opportunity to say again today, with regard to Tata and Port Talbot in particular is I will do everything that is within my power to help, but that is all I can do: what is in my power and what is in the Government's power. I cannot change, for example, the price of steel globally, which sometimes people bring up.

**Q528 Richard Fuller:** Just to clarify one thing, in the earlier session, Mr Stace, who is the trade lobbyist for the steel industry, said that we ought to abandon the lesser duty rule. Scaling back his interest in unfurling a fundamental part of what makes the global economy work, which is not having tariff wars again, he was saying we ought to do that just in the steel industry. I asked him what the merit was of putting higher tariffs on products where you have already stopped import penetration, and he made a very interesting point. He said that what was happening was that people were pre-empting the fact that there would be tariffs imposed by, essentially, putting the steel on the docks here, so the tariff would not apply because it had already landed here.

Is the issue on tariffs not that we ought to abandon the lesser duty rule but that we need the EU to move more quickly in identifying, from price information and other information, where tariffs need to be imposed and then taking that action quickly, but not changing the rulebook on how they are applied?

***Sajid Javid:*** Speed of action is an issue, and I called that emergency meeting last year to focus on that. You always want to be driven by the evidence: is someone dumping; are they not dumping; which product is the priority? That requires the right level of resources and speedier action, and the Commission has accepted that and they have shown that in their reaction since I called that meeting.

When it comes to tariffs themselves, I am interested in what works. There is a lot of debate around this and we should all be interested in what works. When you look at the action that the EU has taken regarding steel, and in particular Chinese imports of steel, the facts speak for themselves. Action has been taken on wire rod: 67,000 tonnes a year was being imported; now it is virtually zero. We led the way on rebar; the industry came to me and said there was a particular problem.

**Q529 Richard Fuller:** That was the particular example Mr Stace mentioned where they had that problem. It had come; it was already here.

If I may move to Mr Odgers, are you able to explain to the Committee the role of your group within the department with regard to the ongoing negotiations and what sort of frameworks you are working within in terms of the relationship with the steel industry?

***Anthony Odgers***: We need to act on commercial terms. We are looking to offer tailored support to particular buyers, but entirely on commercial terms.

**Q530 Chair:** What does "commercial terms" mean in this context? It is an equity stake, isn't it?

***Anthony Odgers***: "Commercial terms" just means those terms that a commercial player would accept.

**Q531 Chair:** What is the nature of the co-investment? Is it equity, which is what I understood, 25%, or is it some sort of bank loan?

***Anthony Odgers***: It could be either. It depends on what the buyer needs.

**Q532 Richard Fuller:** In the way you look at the investment that you might make—obviously it may be in equity or debt or another instrument—do you look at it differently for something that might be termed a bridging loan to a deal occurring as opposed to a long-term stake? We heard earlier that Tata Steel said, "We are not going to hang around forever while you find a buyer," so there might be a period where Tata say, "We are no longer prepared to fund it," but a buyer has not been found. From the point of view of your framework of reference, do you look at those two things separately?

***Anthony Odgers***: The framework of reference is the same. It is a question of what a commercial party would do in either case.

**Q533 Chair:** Secretary of State, I am very conscious of your time and I know you have overrun. I just want to get on the record several very quick-fire questions and answers, if I may. Richard mentioned the lesser duty rule and tariffs. Gareth Stace, before your evidence, said that he would be in favour of scrapping the lesser duty rule in terms of having a steel sector-specific solution. Are you working, through the Steel Council, to make sure that that sort of steel sector solution could apply? In the past, you have said that you do not agree with the lesser duty rule, because it might have an adverse impact upon other parts of British manufacturing.

***Sajid Javid:*** It is important to be clear with the language. I think you just said that I do not agree with the lesser duty rule. I do agree with the lesser duty rule.

**Chair:** Sorry—yes, that is what I meant.

***Sajid Javid:*** Yes, just to be clear for the record, I do not think we should change the lesser duty rule, because it works. Its intention is to either stop dumping or to correct for the injury caused to British steel manufacturers or British business, whatever sector it is. It works. In fact, if we did scrap it, just to give you an example, if you look at the solar sector, we would have spent an extra £500 million on solar last year, and that would have had a massive impact on an industry that employs some 35,000 people. There are numerous examples of that. It is about getting the right balance.

**Q534 Chair:** My particular question was about trying to find a steel sector-specific solution, which is what UK Steel are trying to advocate. Are you working closely with them to do that?

***Sajid Javid:*** That is slightly different. I thought you were asking about the rule itself. With regard to steel, there are many people outside the steel industry—I am not talking about Gareth or any others in particular—who want to take the crisis around steel and try to rewrite the whole trade rules for the EU. I think that would be wrong. With regard to steel in particular, through the Steel Council we have asked the industry, working with us, with unions and others, to come forward, and if they think there are measures particularly around steel that can help, we are listening.

**Q535** **Chair:** Thank you. Are you confident that Tata is a responsible seller, given that you were not told the full extent and severity of their announcement that they wanted to sell the UK business?

***Sajid Javid:*** Based on the conversations that I and my officials have had with them, I believe they are responsible. How they have approached this thus far in terms of the information memorandum, the data room and the access to management and stuff certainly suggests that.

**Q536** **Chair:** Do you think their timeline is appropriate, given what we are talking about? This is a massive enterprise that will need significant due diligence. This will take months. Tata are talking about weeks, and I do not know if you have seen the *FT*, but it is saying that buyers have been told to table offers by next week. Do you think the timeline is appropriate?

***Sajid Javid:*** They have, rightly, shown flexibility in their timeline. From their perspective, given that on their enterprise they are losing money every day, one can understand they do not have an unlimited amount of time. Equally, I do think it is important to them and to their values that they do everything they can to get a successful outcome. Certainly in my engagement with them on this, they have been sensible and proactive and have listened, so at this point I have every reason to believe that, when they say they will be responsible, it will be reflected in the timeline.

**Q537** **Chair:** If a potential buyer says, "We just need six to nine months more to make sure that we get everything right," but Tata wants to exit at a particular point and you need that six months' additional space, will Government step in with bridging loans or whatever in order to make sure that we can safeguard those capabilities and capacity in UK steel?

***Sajid Javid:*** I am not going to rule anything out, but clearly the focus is to find a new commercial operator as quickly as possible to bring back confidence to the workforce and others—to customers, the supply chain; that is important too. That means what I really want to see is a resolution to this as quickly and reasonably as possible. It is not in anyone's interest that it drags on for eight, nine, 10 months or anything like that. That is where my focus is.

**Q538** **Chair:** Is 25% co-investment a set limit or is that subject to negotiation? Is that 25% of the entire business or could it focus on particular aspects of Tata's operations?

***Sajid Javid:*** Just on that, to be clear, we have said that we are willing to offer a huge level of financial support on commercial terms, if necessary, for a buyer. We do not know who the final buyer will be, so a lot will be dependent on them, as Anthony referred to. One of the things I wanted to also put out there, just to show potential buyers how far we are willing to go, was the 25% co-investment in terms of equity.

The reason I picked 25% in particular—it is 25% or less—is because when you go beyond 25%, according to ONS rules, you take control and it becomes consolidated in government accounts. That would, to me, suggest a level of involvement of Government that would not make the business viable for the future and could hurt the business. It is not in the interests of the business, so 25% was the limit that I thought was necessary to show, on the one hand, that you are serious about helping and you will go really the extra mile, which we should, but not put off potential investors by saying this is something the Government seek to control, because we do not. We just want to facilitate a commercial operator that makes it viable.

**Q539 Chair:** Do you have an idea in your head of the time in respect of your exit from that co-investment, or is that dependent on the facts?

***Sajid Javid:*** Not at this stage. Clearly, at some point one would look at that, but not at this stage.

**Q540 Chair:** Finally, you mentioned earlier perception and how important that can be to confidence. This is really important in making sure that we can safeguard the viability of operations. What comfort can you give to customers and to suppliers that it is still worth buying and supplying to Tata's steel operations in order to ensure that that capability continues? What can you do? Is there anything further that you can add?

***Sajid Javid:*** Mr Chairman, I have already written to all the suppliers and customers. We have contacted directly the largest suppliers and customers. I have spoken to Tata about this on a number of occasions, directly to the company and its heads, about them also giving reassurance, which they have assured me of and how they understand that is an important part of having an ongoing business that is for sale.

Probably, ultimately, the biggest comfort I can give—and this is what I have been doing with the suppliers and customers—is the action that we are willing to take, as Government, to facilitate a sale: how far we are willing to go; the information we have already put out there; and the information I have put in the information memorandum. I think that gives them confidence that, from their point of view, this business will be around. There may be a new operator for it, but this business has as long-term future. That is how I can give the most confidence, and I do think it is helping, but we need to keep doing it. It is not a one-off thing where I just write to them and that is the end of that. There is constant dialogue, particularly with the larger customers and suppliers.

**Q541 Chair:** Secretary of State, we have kept you far longer than we anticipated.

***Sajid Javid:*** Can I just say one more thing, if I may, just very quickly? First, I genuinely welcome this opportunity to appear in front of the Select Committee, and of course this is a big economic challenge for the country. Steel is vitally important for our future. I do not, and I do not think anyone would, want to live in a country where we have to import all of our steel. There is also a human side of this, where thousands of people are involved, not just the steelworkers themselves but down the supply chain, their families, their friends. They are going to be very anxious, and the message really is, and I have said it before but I cannot say it enough, we are genuinely, as Government, doing everything we can.

We have some great partners, including the Welsh Government, the unions—the Community union in particular could not be more constructive even if it tried—and other members of the industry. That is hugely important for all this to come together, and we will work with all those partners to do everything we can to get a successful outcome.

**Q542 Chair:** I hope that you will include the Select Committee in terms of the partners you will work with. This is really important to us in making sure that we can safeguard and have a prosperous British steel industry in the future. That is what we want to do. I think that is a shared endeavour.

***Sajid Javid:*** Yes. That is exactly what we are doing right now. That is what I meant by referring to your previous report as well; it was very helpful.

**Chair:** Okay. Secretary of State, thank you for your time.