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The future of UK steel

At the steel crisis summit, 16th October, 2015, UK Steel presented five immediate actions required from Government to avoid further significant job losses in the steel industry. Despite some good progress, **we still face the real prospect of a significant reduction in steel jobs and steel production in the UK. This is devastating for the communities, for steel-making in Britain and for industry as a whole – but it could still be largely avoided.**

This is a matter of national importance and it still requires urgent and decisive ministerial action. We are not asking for handouts, but for Government to ensure a level playing field to allow the steel industry to survive.

UK Steel urgently calls on the Government to take the following short-term steps to keep this crucial industry alive.

1. **EU-level action on anti-dumping measures:** recent actions by the EU Commission go directly against the conclusions reached after the Emergency Competiveness Council last year. The UK Government must now push the Commission to take quick and effective anti-dumping action given the critical situation of the sector.

2. **EU-level action on Market Economy Status (MES) for China:** the EU is currently considering whether to formally recognise China as a market economy. If China receives MES the anti-dumping measures that safeguard hundreds of thousands of EU jobs against China's unfair competition across a range of strategic EU industries would become ineffective. The EU's other trade defence measures are simply insufficient to defend against the rising tide of dumped Chinese products, particularly steel. The UK Government must ensure that China demonstrates that its economy meets the five EU technical criteria (it currently only meets one).

3. **Bring Business Rates for capital intensive firms in line with their competitors in France and Germany, by removing plant and machinery from business rate calculations:** this decision has been put on hold, but job losses here in the UK show that it can no longer wait. This action is entirely in the hands of the UK Government and needs to be taken now. Business rates in the UK are up to ten times higher than those paid by competitors in France and Germany.

4. **Support local content in major construction projects:** the Government cannot afford to let up on ensuring that all major procurement projects, from rail to tidal barrages and airports, all use British steel to give this vital UK industry confidence for the long-term. We are deeply concerned that EDF Energy will not have to use any UK steel to build Hinkley Point – a national disgrace.

5. **Direct funding assistance for the sector on R&D and environmental improvements:** if the Government recognises the strategic importance of the steel industry and manufacturing in the UK, then it needs to invest in industry to keep vital skills that will otherwise be lost.

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Anti-dumping:
- China's steelmakers, some 70% of which are state owned, are not profitable and it is believed that they lose close to $34 per tonne on all crude steel produced.
- In 2015 China produced 441 million tonnes more steel than it consumes. With prices slumping, China's 101 biggest steel firms lost some $11 billion during the first ten months of 2015, roughly twice what they made in profits in 2014.[1]
- In 2003 China exported only 7.2 million tonnes of steel which represented 5% of steel trade between main global regions. These exports were mainly confined to other Asian markets. By 2014, Chinese exports totalled 88.6 million tonnes and total export levels in 2015 have exceeded 107 million tonnes.

Market Economy Status for China:
- The Chinese economy is still predominantly governed by state intervention and planning, at national as well as sector level, including the steel sector. China's local and export economy is still run by Five Year Plans impacting practically every significant cost factor of production, distribution and trading. Market forces applicable in OECD economies do not prevail in China.
- China must demonstrate that its economy meets the five EU technical criteria (it currently only meets one).
- The prospective change in dumping calculation methodologies away from the analogue method to local Chinese prices and costs could result in the direct loss of 300,000 jobs in EU industries already hit hard by dumped Chinese imports. Hundreds of thousands of indirect jobs would be at stake.

Business Rates:
- At present the inclusion of plant and machinery represents a tax on investment.
- Capital intensive firms in the UK have large additional business rate costs from buying plant and machinery compared to their European counterparts such as France and Germany.
- Removing both existing and future plant and machinery from the calculations of rateable values would:
  a. Reduce costs for capital intensive firms helping to anchor investment in the UK
  b. Create an investment-friendly environment for those looking to invest
  c. Bring UK property tax in line with international practice, making it internationally competitive
  d. Modernise the system of business rates.

Local Content in major construction projects:
- With increased imports into the UK, it is imperative that steel manufactured in the UK has every opportunity to be at the heart of Government and Government-influenced procurement.
- Central Government spends £40 billion a year on goods and services and it is essential that the steel industry is supported and encouraged to grow through projects such as new nuclear, which is predicted to need 1.5 million tonnes of steel to the mid-2020s.

Funding assistance for the sector on R&D and environmental improvements:
- Innovation is critical for staying ahead of the competition and, for a sector suffering significant losses, funding these operations can prove difficult to impossible.
- Government has an important role to play in doing all it can to help British steel companies investing for the very future of the sector and working together with government to improve productivity and achieve a march of the makers.

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[1] http://www.economist.com/news/business-and-finance/21679747-losses-mount-chinese-steelmakers-try-export-their-way-out-trouble-chinas-soaring