



HOUSE OF COMMONS  
LIBRARY

## BRIEFING PAPER

Number 07317, 31 December 2015

# UK steel industry: statistics and policy

By Chris Rhodes

### Inside:

1. Economic contribution of the steel industry
2. International comparisons of steel manufacturing
3. Trade
4. Issues in the steel industry
5. Government policy
6. Response to Government policy



## 3. Trade

### Volume

In 2014, the UK exported 7.6 million tonnes of steel. In the same year it imported 6.4 million tonnes of steel.<sup>7</sup>

### Value

The following chart illustrates the value of the UK steel trade in £billions.<sup>8</sup>

**UK steel trade: value, £ billions**



In 2014, the UK steel exports were worth £6.0 billion and imports were worth £5.9 billion. The UK therefore ran a small trade surplus in steel.

This has been the situation in each year since 1997, except for 2010-2012 and 2001-2002 when small trade deficits were recorded.

### Origin and destination of traded UK steel

Slightly over half of UK steel exports are to the EU, whilst almost two thirds of steel imports are from the EU:

- 52% of UK steel exports are to the EU.
- 69% of UK steel imports are from the EU.

<sup>7</sup> UK Steel/EEF, [Trade: UK](#)

<sup>8</sup> HMRC, [UK Trade info database](#)

## 4. Issues in the steel industry

The Financial Times has described the challenges facing the UK steel industry as a “perfect storm”.<sup>9</sup> These challenges include:

- Massive growth in the volume of steel produced international, especially in China, since the early 2000s.
- Slowing growth in China and other emerging economies means steel consumption has ceased to keep pace with the growth in production.<sup>10</sup>
- This has produced a surplus in steel in China, much of which has been exported. Since 2009, there has been a 300% growth in Chinese steel exports, and the EU has seen a 50% increase in Chinese steel imports over this period.<sup>11</sup>
- The glut of steel on the international market has pushed prices down.
- At the same time, the cost of overheads in the UK is high by international standards. Industrial electricity prices in the UK are more than 50% above other major EU economies.<sup>12</sup> Business rates are also high in the UK, and the strong pound has made UK exports less attractive.

All this has made international investors question how cost effective and sustainable the UK steel industry is in the long run.

One specific impact of this has been on the UK market in ‘rebar’, the concrete reinforcing bars used in construction projects.

At the beginning of 2013, Chinese products had “zero presence” in the UK rebar market. By Q4 2014, Chinese products accounted for 37% of this market. UK Steel warns that this “unprecedented surge” in imports “threatens the very existence of rebar production in the UK.”<sup>13</sup>

UK Steel has lodged a formal “anti-dumping” complaint with the European Commission in response to this pressure.

---

<sup>9</sup> Financial Times, [\*UK steel hit by perfect storm of falling prices and high costs\*](#), 29 September 2014

<sup>10</sup> EEF/UK Steel, [\*Annual review 2014\*](#), 2015, p6

<sup>11</sup> *Ibid*, p7

<sup>12</sup> UK Steel/EEF, [\*Steel making and input costs\*](#)

<sup>13</sup> *Ibid*, p7

## 4.1 SSI and Teesside

On September 28th 2015, Sahaviriya Steel Industries (SSI) announced that they would be “mothballing” their major steel making plant in Redcar on Teesside in the North East of England.<sup>14</sup>

This plant includes the second largest blast furnace in Europe and the decision could result in the loss of 1,700 jobs directly employed at the plant.

SSI had been struggling with increasing losses at the plant and had accumulated debts worth \$1.4 billion. The Redcar plant had been loss making since it was bought by SSI in 2010 from Tata Steel, the largest steel manufacturer in the UK.<sup>15</sup>

The Government stated that compensation for energy intensive industries has already been provided, but that State Aid rules “prevented it from offering financial support to secure the facilities.”<sup>16</sup>

The Redcar steel plant has been mothballed before. In 2010, Tata steel mothballed production whilst seeking a buyer for the plant. SSI eventually bought the plant and restarted production in 2011.<sup>17</sup>

### Liquidation of SSI UK

On the 2 October 2015, SSI UK went into liquidation.<sup>18</sup> As a consequence of this, all employees at the Redcar site were made redundant, apart from a skeleton staff to man the blast furnace in case a buyer could be found.<sup>19</sup>

However, on 12<sup>th</sup> October 2015, the Official Receiver stated that<sup>20</sup>

...the coke ovens and blast furnace at the SSI Redcar steel mill are to be closed after no viable offers were received from potential buyers.

This announcement confirmed that all employees at the Redcar steel works would be made redundant.

The Government announced a package of support for people who have lost their jobs in Redcar and the Tees Valley. The package will be worth £80 million and will include:<sup>21</sup>

- funding for affected workers to train at local further education colleges and tailored support for them via Jobcentre Plus

---

<sup>14</sup> Financial Times, [SSI mothballs Redcar steel plant with loss of 1,700 jobs](#), 29 September 2015

<sup>15</sup> Guardian, [Corus agrees to sell Teesside plant to SSI of Thailand](#), 27 August 2010

<sup>16</sup> Financial Times, [SSI mothballs Redcar steel plant with loss of 1,700 jobs](#), 29 September 2015

<sup>17</sup> BBC, [SSI Redcar steel production 'paused'](#), 18 September 2015

<sup>18</sup> BBC, [Redcar steelworks: Owners SSI go into liquidation](#), 2 October 2015

<sup>19</sup> Insolvency Service, [SSI steelworks: information for employees and creditors](#), 2 October 2015

<sup>20</sup> Insolvency Service, [Press release: SSI steel works](#), 12 October 2015

<sup>21</sup> BIS, [£80 million support package for SSI workers and local economy](#), 2 October 2015

- finance to assist workers if they want to start up their own business and for local small businesses to grow and create jobs

The Government stated that SSI had requested financial support from the Government, but that it

...has no confidence that this is a realistic proposal for taxpayers to support.

The Government also stated that financial support for SSI UK would be illegal under EU State Aid rules and therefore, none could be provided.

The Government announced that it will hold a 'Steel Summit' on the 16 October 2015, involving steel companies, MPs, trade unions, and Welsh and Scottish government representatives. The summit would examine how to respond to the industry's current problem and "start mapping out a path to a sustainable future for the industry."<sup>22</sup>

This package of support was confirmed in a [Written Statement](#) to Parliament by Savid Javid, Secretary of State for Business, Innovation and Skills on 12<sup>th</sup> October 2015.<sup>23</sup>

## 4.2 Tata steel

Tata Steel, India's largest private steel manufacturer and the owner of several plants in the UK suffered losses of \$615 million in 2014

This prompted the company to announce 720 job losses at its plants in South Yorkshire and the West Midlands in July 2015.<sup>24</sup>

The company also announced that it would "scale down production" at its plant at Llanwern in South Wales which employs 250 people, adding that none of the permanent jobs there would be under threat.

In October 2015 (in the same week as the closure of the SSI plant in Teesside) Tata announced that it "expected to significantly reduce the workforce" mainly at its Scunthorpe plant, which employs 4,000 people.<sup>25</sup>

Media reports have suggested that up to 1,200 jobs could be lost from the Scunthorpe plant, and plants at Dalzell in Motherwell and Clydebridge in Cambuslang.<sup>26</sup> According to UK Steel, the Dazell plant is the only plant in UK capable of rolling and processing the steel used in Trident submarines and the MoD special Armour plate, along with certain requirements of the offshore oil and gas industry for drilling platforms and oil and gas pipelines.<sup>27</sup>

---

<sup>22</sup> BIS, [£80 million support package for SSI workers and local economy](#), 2 October 2015

<sup>23</sup> HCWS215 [\[On Liquidation of Sahaviriya Steel Industries UK Limited\]](#) 12 October 2015

<sup>24</sup> Financial Times, [Tata targets 720 job cuts at English steel plants](#), 16 July 2015

<sup>25</sup> BBC, [Tata Steel set to cut 1,200 jobs](#), 16 October 2015

<sup>26</sup> The National, [Action plan on Tata steel closures is welcomed by unions](#), 19 October 2015

<sup>27</sup> EEF, [UK Steel comment on Tata announcement](#), 20 October 2015

This follows the loss of 400 jobs at the Tata plant in Port Talbot, South Wales, in 2014.<sup>28</sup>

On 23 October 2015, the Government and Tata steel announced an initial support package of up to £9 million in response to the proposed restructuring and job losses at the Scunthorpe steelworks:

Tata Steel's regeneration arm UK Steel Enterprise has pledged £3 million to support job creation in Scunthorpe, on top of £10 million it has already earmarked to help regenerate UK steel communities over the next 5 years.

The new £3 million funding is being matched by the UK government. It will provide support for more start-up businesses and companies that are looking to expand and create jobs.

In addition, the government is separately providing up to £3 million specifically for training of affected employees through local further education colleges.

The government has asked Baroness Liz Redfern, leader of North Lincolnshire Council, to lead a taskforce which will identify local needs, co-ordinate with UK Steel Enterprise and consider whether additional support may be necessary.<sup>29</sup>

Tata Steel is also providing an £1.5 million for job creation in steel communities around the Dalzell and Clydebridge sites. Economic development and regeneration is devolved in Scotland, and the UK government has said that it is continuing discussions with the Scottish government about further support.<sup>30</sup>

## 4.3 Caparo industries

Certain businesses within the Caparo industries group went into administration on 19 October 2015. This includes Caparo Steel Products Ltd, but not include Caparo Merchant Bar. The affected businesses have about 1,700 employees, who are attending work and being paid as normal while the administrators' review gets underway.<sup>31</sup>

---

<sup>28</sup> Guardian, [Tata Steel to cut as many as 250 jobs in south Wales](#), 26 August 2015

<sup>29</sup> Department for Business, [Innovation and Skills, Government and Tata steel to provide support to Scunthorpe steel workers and local economy](#), 23 October 2015.

<sup>30</sup> As above. For more on the Scottish Government response see Scottish Government, [A future for Scottish steel](#), 22 October 2015

<sup>31</sup> PWC, [Caparo Industries plc and its subsidiaries – collectively the "Caparo Industries group" or "CIP" – in administration](#), 19 October 2015. This contains a list of the Caparo industries businesses that are affected.