

Future of the UK steel industry brief July 2019

Industrial Strategy and Cogent Power

Last week Jaguar Land Rover announced plans to invest £1bn to make electric vehicles (EV) in the Midlands. At the same time the CEO Ralph Speth called on government to support building a gigfactory to produce the high volume of batteries required to support EV production in Britain, and to avoid the risks of importing from abroad. While demand for EV is currently less than 1% of sales this will rocket from 2022 as this is the point that EV are forecast to cost the same as their internal-combustion counterparts. The UK has an excellent opportunity to get on the cutting edge of this new industry and to develop a new supply chain for the manufacture of EV.

The Orb Works at Newport, which employs 350 workers and is part of Tata Steel's Cogent Power business, has the potential to produce the high quality non-oriented electrical steels required to build EV motors. Orb Works is the only UK plant capable of making these steels and is therefore a strategically important business that can support the government's industrial strategy priorities around the electrification of mobility. Orb Works can further the Clean Growth and Future Mobility themes of the industrial strategy, and through supporting a new UK EV supply chain contribute to greening our economy for the future. Failure to take advantage of opportunities to develop an EV supply chain for motors will be extremely damaging to our manufacturing footprint and balance of trade as inevitably demand for combustion engines will plummet as demand for EV motors increases. As the EV industry takes off UK and European automotive demand for non-oriented electrical steels is set to increase tenfold by 2030.

Government must look in detail at how they can support Cogent Power to invest and take advantage of these huge opportunities to build a UK supply chain for an industry of the future and in doing so contribute to the UK's climate objectives. The workforce at Orb Works would welcome a Ministerial visit and the chance to showcase the enormous potential of this strategically important business.

British Steel

The deadline for interested parties to submit bids was 30th June and the Official Receiver is reviewing the proposals. Community strongly believes the business must be kept together and that government has a key role in prioritising support to bidders for the whole business. To support a successful sale government should take on the historical environmental liabilities, i.e. clean up costs, for Scunthorpe and the satellite sites, which could amount to £1bn. Currently those costs would sit with government in any event.

Tata Steel

In response to the collapse of the joint venture with ThyssenKrupp, Tata Steel has launched a new transformation programme for the European operations which will be supported by the restructuring consultants Alvarez & Marsal. Community is concerned that Tata is pursuing a short-term cost-cutting strategy and believes the workforce should not pay the price for Tata's failure to deliver the joint venture. We recognise that Tata Steel UK and Tata Steel Europe face significant challenges and we are prepared to work constructively with European management and our Indian owners subject to conditions including:

- No compulsory redundancies or site closures
- Support for an independent expert assessment on the impact of the transformation programme and the measures required to secure the long-term future of the UK businesses

Policy Priorities

To be sustainable long-term we need to compete on a level playing field, which means action on the following:

- Energy prices – UK producers can pay twice as much as our French competitors
- Business rates – UK producers can pay ten times more than our European competition
- Procurement – Recent figures showed that government procures just 43% of its steel from the UK
- Brexit – we must avoid no-deal but whatever happens we must not become subject to EU safeguards
- Sector Deal – we've had enough jumping through hoops it's high time government delivered