

**BRIEFING NOTE FOR THE FIRST MINISTER**

**MEETINGS WITH TATA STEEL EUROPE, UNIONS AND THE WORKFORCE, AT DALZELL AND CLYDEBRIDGE**

**Thursday 22 October 2015**

|                            |  |
|----------------------------|--|
| <b>Key Messages</b>        | <ul style="list-style-type: none"> <li>• The Scottish Government, will leave <b>no stone unturned</b> in our efforts to <b>keep plants open</b> and <b>support the 270 staff</b> affected by the announcement on Tuesday.</li> <li>• The Task Force I have set up will <b>focus our efforts</b> on looking for <b>new owners and retaining the highly skilled staff</b> at the Dalzell and Clydebridge plants, whilst <b>considering regeneration</b> needs for the wider area.</li> </ul>               |
| <b>Who</b>                 | <ul style="list-style-type: none"> <li>• <b>Bimlendra Jha</b>, Executive Chairman of the stand-alone Long Products Europe business</li> <li>• <b>Colin Timmins</b>, Plant Manager, Dalzell and Clydebridge, Tata Steel Europe</li> <li>• <b>Paul Martin</b>, HR Director, Long Products Europe</li> <li>• <b>Damien Brook</b>, Public Affairs, Tata Steel Europe</li> <li>• <b>Des Feeron</b>, Branch Secretary, Community Union</li> <li>• <b>Ross Clark</b>, Community Union representative</li> </ul> |
| <b>What</b>                | You have requested these meetings with Tata Steel management, Unions and the workforce to highlight the Scottish Government's ongoing engagement on this issue and to emphasise the primary aim of the Task Force: to seek the continuation of steelmaking at Clydebridge and Dalzell.   |
| <b>Why</b>                 | These are important meetings to underline the Scottish Government's immediate actions on learning of the announcement and to demonstrate your support for the workforce.   |
| <b>Where</b>               | <ul style="list-style-type: none"> <li>• Clydebridge Steel Works, Glasgow, Lanarkshire G72 7TX</li> <li>• Dalzell Works, Park Street, Motherwell, Lanarkshire, ML1 1PU</li> </ul>  |
| <b>When</b>                | <p><b>09:30 – 12:30, Thursday 22 October 2015</b><br/> <i>(Additional time has been inbuilt, as it may be required at both sites when meeting the workforce.)</i></p> <p>Outline of visit times:</p> <ul style="list-style-type: none"> <li>• 09:30 – 10:30 <b>Clydebridge</b></li> <li>• 11:00 – 12:00 <b>Dalzell</b></li> </ul>  |
| <b>Supporting Official</b> | [REDACTED – NAME - EXEMPT]<br>[REDACTED – NAME - EXEMPT]   |
| <b>Attached documents</b>  | <p><b>Annex A:</b> Biographies<br/> <b>Annex B:</b> Tata Steel – Exiting Plates – Announcement Details<br/> <b>Annex C:</b> Background<br/> <b>Annex D:</b> UK Steel Summit<br/> <b>Annex E:</b> Scottish Steel Taskforce<br/> <b>Annex F:</b> State Aid Issues and Options<br/> <b>Annex G:</b> Lines to Take</p>   |

## BIOGRAPHIES

### **Bimlendra Jha, Executive Director, Group Strategy and European Supply Chain and Executive Chairman of the stand-alone Long Products Europe business**



Mr Jha, up until his present role, was Vice President Long Products Business of Tata Steel. Prior to that, he held a chief of staff role, Principal Executive Officer (PEO) serving two Managing Directors of Tata Steel (Mr Muthuraman and Mr Nerurkar). He also served as the Secretary of Group Corporate Center (GCC), the chief co-ordination forum of Tata Steel's worldwide operations.

He was the Executive-In-Charge of Tata Growth Shop, a capital equipment manufacturing business of Tata Steel before being appointed as PEO. He is acknowledged as having had a significant part in turning this business unit around using his skills in Theory of Constraints and other improvement philosophies. Bimlendra graduated in India as a Ceramic Engineer and also as a Postgraduate in Business Management.

As a member of Tata Steel's senior management (based in London) Mr Jha was chosen to take the lead on restructuring the Long Products division into a standalone business.

### **Colin Timmins, Plant Manager, Dalzell and Clydebridge, Tata Steel Europe**



Colin started working for Tata Steel as a plant engineer for Dalzell and Clydebridge in 2008, becoming the plant manager for both sites one year later. He started working within the steel industry in 1979, beginning his career as an Electrical Engineer at Ravenscraig. He has also worked at Thyne printers, MY Plastics and for Scotbeef within the food industry looking after three factories. Prior to taking up his post with Tata Steel he was the chief engineer at RHI Refractories UK/China operations. Colin has a degree in Electrical and Mechanical engineering.

### **Damien Brook, Manager Public Affairs and Media Relations UK North, Tata Steel**



Damien has been with Tata Steel in his current post since January 2013. Prior to working with Tata Steel, he worked as a Communications/Media Consultant for the company Green Bike PR. His previous communications jobs include: Parliamentary Constituency Manager for Graham Stuart MP; Deputy News Editor at the Hull Daily Mail; News Editor at the Scunthorpe Telegraph; and East Midlands Correspondent for the Press Association.

**Paul Martin, HR Director, Long Products Europe**



Paul has worked for Tata Steel since 2010 and in his current post for over three years. He has full HR responsibility for the Long Products Business. He previously worked for Corus within its HR functions. He has over 20 years HR experience and has held Director level roles for the last 13 years. Paul is also a Board member of UK Steel Enterprise.

**UNION ATTENDEES**

*(biographies were not available)*

- [REDACTED – NAME - EXEMPT], Community Union
- [REDACTED – NAME - EXEMPT], Community Union representative

## **TATA STEEL - EXITING PLATES - ANNOUNCEMENT DETAILS**

- On Tuesday 20 October 2015, Tata Steel announced its decision to exit the plates business.
- Both Scottish plants and Scunthorpe are affected with around 1,200 employees at risk. One of the coke ovens in Scunthorpe will also be closed.
- Job numbers affected across the Dalzell and Clydebridge mills total 270.
- The plate mills will be mothballed.
- Tata confirmed its intention to work with the Scottish Government and other stakeholders to explore all options for the future of the sites and workforce.
- A 45 day consultation period started immediately.

### **Tata Steel's Reasons for Exiting Plates**

- Shift in market conditions caused by a flood of cheap imports, particularly from China
  - In the past two years, imports of steel plate into Europe have doubled and imports from China have quadrupled, causing steel prices to fall steeply.
- A strong pound
  - At the same time, a stronger pound has undermined the competitiveness of the business's Europe-bound exports, and encouraged more imports.
- High electricity costs.

### **Karl Koehler, Chief Executive of Tata Steel's European operations, proposed:**

- Need a fairer system to encourage growth.
- The European Commission needs to do much more to deal with unfairly traded imports – inaction threatens the future of the entire European steel industry.

### **Bimlendra Jha, Executive Chairman of the stand-alone Long Products Europe business, 20 October:**

"Today's proposals mark the next step in reshaping our business to give it the best chance of survival in this fiercely-competitive global marketplace. We are looking closely at the performance of all parts of Long Products Europe as part of a focus on returning to profitability."

## BACKGROUND

### TATA STEEL IN SCOTLAND

Tata's facilities in Scotland are **Dalzell** in Motherwell and **Clydebridge** in Cambuslang employ around **270 people across the two sites**.

There are also distribution sites in **Edinburgh, Dundee and Mosstodloch**. Edinburgh and Dundee are small offices with two employees in each and Mosstodloch has 30 employees involved in the distribution of a range of Tata products. These additional sites **are not affected by the plates announcement**.

The Dalzell plant in Motherwell has been involved in the iron and steel industry since 1872. Dalzell has been part of British Steel, then Corus and now Tata Steel Europe (since 2007). Dalzell is currently the **only heavy plant rolling mill in Scotland**.

Clydebridge is a tempering and quenching facility for further processing of plate. Together the sites produce **specialist high strength steel** for the **offshore oil and gas markets** in particular. The Dalzell and Clydebridge **plants** have a single Scottish management structure under the Long Products Division of Tata Steel.

### FINANCIAL POSITION

[REDACTED – ONE PARAGRAPH - EXEMPT]

### TATA STEEL AND KLESCH MEMORANDUM OF UNDERSTANDING (MOU)

- On **15 October 2014**, Tata Steel announced it had signed an **MoU** with the aim of **selling its Long Products European business** to Klesch Group.
- The MoU covered several UK-based assets including Tata Steel's Scunthorpe steelworks, mills in Teesside, **Dalzell and Clydebridge**, an engineering workshop in Workington and a rail consultancy in York, as well as other operations in France and Germany. Around **6,500 staff** are employed at Tata's Long Products Europe division and its distribution facilities.
- [REDACTED – ONE PARAGRAPH - EXEMPT]
- [REDACTED – ONE PARAGRAPH - EXEMPT]  
[REDACTED – ONE PARAGRAPH - EXEMPT]
- At the beginning of **August 2015**, Klesch Group announced it had **ended its discussion under the MoU** with Tata Steel and would **not be pursuing the acquisition** of the Long Products European business.

### LONG PRODUCTS SUBSIDIARY ESTABLISHED

- In April, **Tata Steel** undertook a **consultation exercise via the Unions** to **separate the Long Products business into a subsidiary**.
  - The **full separation** process **completed on 2 August** and it is now operational as a standalone business that is a wholly owned subsidiary of Tata Steel UK Ltd.

## OFFICIAL - SENSITIVE

- Tata has stated it will sell Long Products in the UK and is considering undertaking these actions to make Long Products UK an investable proposition and attractive to potential buyers.

### PREVIOUS SCOTTISH JOB LOSSES

- **15 May** – announcement of **47 potential job losses at Tata Steel's Dalzell and Clydebridge plants**. The Scottish sites were the only ones affected by Tata Steel's announcement due to the issues around volume reduction continuing.
- The reduction was caused by **ongoing challenging market conditions** (e.g. over-capacity in Europe and falling prices), **particularly for the large plates** which the Scottish plants manufacture.
  - The company was **keen to maintain its position on no compulsory redundancies**.
  - Negotiations with Unions concluded with the **47 staff reduction achieved through voluntary means**.
  - Tata **appointed a small sales team to concentrate on securing more work for the plates business**.

### RECENT SE SUPPORT

- **SE has worked with Tata Steel** across a number of areas to assist the Scottish sites including:
  - The **energy review** of the Scottish sites to identify savings and options for energy generation on-site.
  - **Training** – a potential project relating to an ICT system upgrade.
  - **SMAS** – continued support with an efficiency review.

### EY Analysis

- SE has engaged **Ernst & Young** to conduct an **expedient review to explore alternative strategies**.
- The **analysis will include a range of operational scenarios and funding requirements**. It will also highlight the risks and opportunities for the site and the extent to which financial viability could be secured and sustained.
- The EY report is subject to a **Non Disclosure Agreement (NDA)**. The NDA allows the necessary transfer of information from Tata to EY in confidence. We have been supplied this information on the understanding it will **not be shared with external parties**.
- It is expected that information will be ready from EY them prior to attending the Taskforce.

### Initial Draft Conclusions

- [REDACTED – NINE PARAGRAPHS - EXEMPT]

**ANNEX D**

**UK STEEL SUMMIT**

- 1. The UK Steel Summit was Chaired by Business Secretary Sajid Javid on 16 October. 74 people attended from across **government** ([REDACTED – NAME - EXEMPT]

for SG), **industry bodies, major companies, MPs and Trade Unions**. The agenda focused on **3 main areas**:

- **Global Market Trends and Future Prospects;**
- **UK Steel Industry – Current Issues;**
- **Working together to secure a sustainable future.**

- 2. The **Steel industry's 5 key asks of Government** were as follows:

- Help with **high energy prices**
- Back **EU action on anti-dumping/unfair imports**
- **Reform business rates** for capital intensive firms in line with competitors
- **Fair implementation of regulations** (such as industrial emissions directive)
- Support **local content in major construction projects** (buy British)

- 3. The Steel **Summit did not identify any new initiatives** or support measures to be taken forward. The **5 key asks above were accepted** as key areas to be explored. It was agreed that **working groups (chaired by ministers) would be set up**. These will gather evidence, including from industry, and work through 3 themes:

**(i) Public procurement**

- the ambition is to **drive up the number of contracts won by UK steel manufacturers** in fair and open competition

**(ii) International comparisons**

- consider what **lessons can be learned from other countries in the EU** and beyond (in terms of models and options to support the sector within EU rules).

**(iii) Competitiveness and productivity**

- to look at **energy and environmental costs, business rates, regulation** and what action industry can take to drive up their competitiveness including skills, training and maximising their assets. On the issue of regulation UK Government was specifically asked to **deliver immediate support around the industry emissions directorate** (due to be implemented in 2016).

- **SG will have places on all working groups** ([REDACTED – NAME - EXEMPT]

will allocate a senior official to each). Groups are expected to report key findings no later than Christmas

4.. BIS Ministers also agreed to continue to engage with industry on the long-term vision and future for the steel industry; for the **PM to raise the issue of Chinese steel imports during the visit of the Chinese President**; and agreed to **raise with the Chancellor the need to fully implement immediately the Energy Industry Compensation Package.**

## SCOTTISH STEEL TASK FORCE

### REMIT

The Scottish Steel Task Force will bring together key partners to co-ordinate the development of a joint, multi-agency Economic Recovery Plan to mitigate the economic impacts to the area resulting from Tata Steel's announcement. The plan will:

- **Work with Tata Steel to secure a future for the Scottish sites**, continuing the work that has already started to evaluate the business and identify potential efficiency savings, training support and market opportunities;
- **Provide support and advice for the individuals employed** at the site, and working in the supply chain, to maximise each individual's opportunity to secure alternative employment, should this be required;
- **Provide support to the communities impacted** by the current uncertainty and potential future job losses;
- **Assess the economic infrastructure of the local area**, to identify whether any improvements can be made to support economic development; and
- **Consider additional area regeneration activity**, alongside the existing Ravenscraig Masterplan to support local economic regeneration and recovery.

### MEMBERSHIP

#### Taskforce Chair

- Fergus Ewing MSP, Minister for Business, Energy and Tourism

#### Scottish Government

- Head of Economic Development Directorate
- Chief Economist
- Relevant policy officials and secretariat support

#### North Lanarkshire Council

- Councillor Jim McCabe, Leader North Lanarkshire Council - tbc
- Paul Jukes, Chief Executive, North Lanarkshire Council – tbc\*  
[\*The new Chief Executive of North Lanarkshire Council will be in post by 29 October]
- Relevant policy officials

#### South Lanarkshire Council

- Councillor Eddie McAvoy, Leader, South Lanarkshire Council - accepted
- Lindsay Freeland, Chief Executive, South Lanarkshire Council – accepted
- Relevant policy officials

**Public sector**

- Scottish Enterprise/Scottish Development International
- Skills Development Scotland/PACE
- DWP

**Private Sector**

- Representative from Tata Steel - tbc

**Trade Unions**

- Community Union - accepted
- Unite - tbc
- GMB - tbc
- Syndex - tbc
- STUC - tbc

**Local politicians**

Scottish Parliament

- John Pentland (Lab) - Motherwell and Wishaw (North Lanarkshire - Dalzell) - tbc
- James Kelly (Lab) - Rutherglen (South Lanarkshire - Clydebridge) - accepted
- Clare Adamson (SNP nominee) – Regional Member for Central (Dalzell)- accepted
- Margaret Mitchell (Con nominee) - Regional Member for Central (Dalzell) - accepted
- Lab regional list nominee to be confirmed

UK Parliament

- Rutherglen and Hamilton West (Clydebridge) – Margaret Ferrier MP (SNP) - tentative
- Motherwell and Wishaw (Dalzell) – Marion Fellows (SNP) - accepted

Scotland Office representative

- Nominee to be confirmed

## STATE AID ISSUES AND OPTIONS

### European/Global picture

- Steel industry is ineligible for state aid in EU/EEA because of structural overcapacity – that is, the aid would be supporting an inefficient industry to remain so
- According to the OECD, the current production capacity within the EU exceeds demand by more than a third
- ArcelorMittal, the world's largest steel producer, has already closed plants in Belgium, France and Spain. Further plants in Liege (BE) and Taranto (IT) also threatened.
- Germany's two largest steel companies, ThyssenKrupp (up to 3,000 redundancies in Europe) and Salzgitter (1,500 jobs), have also announced plans for mass redundancies.

### First 45 days: Support the individual

In 2014, Tata closed plant in Port Talbot. The Welsh Government set up the ReAct programme, **supported by the European Social Fund**. A similar approach was taken in 2015 for the Llanwern steelworks in the Valleys in 2015.

For individuals, ReAct provides:

- a vocational training grant of up to £1500.00 for people who need to update their skills to return to work; and
- an extra support grant of up to £200.00 to help remove any barriers to training. This award covers expenses related to training such as travel and accommodation.

Amounts could be varied, and could take the form of a flat rate grant to individuals, to run in parallel with reduced working hours.

Training individuals for higher-level skills or skills likely to keep them in work with new buyer compatible with EU aims; however may be safer to do without EU funding as no ready vehicle exists.

### After 45 days:

Employment recruitment incentive: for other business in area and possibly for new buyer

For business, ReAct in Wales provides:

- a wage subsidy of £1500 for a new recruit working between 16 and 24 hours per week;
- a wage subsidy of £3000 for a new recruit working for 25 hours or more per week; **and**

## OFFICIAL - SENSITIVE

- a training grant of up to 50% (up to a maximum of £1,000) of the cost of external, job-related training for the new recruit.

R&D support, particularly to diversify steel production into low carbon technology and pilot use of steel in combination with other materials, likely to be seen as positive by Europe.. Similar to STRIP programme in Wales, but faster. There would be potential to support similar initiatives using ERDF, particularly under the low carbon theme which is approved and could use this as a pilot project (from the Low Carbon Infrastructure Transition Fund being run by Energy Directorate).

Market Economic Investor Principle: Public money can be invested in a company without it being deemed State aid if the state acts in a way that a private company would in a market economy, by providing loans or capital on similar terms to a private investor. In such a case it is considered that the state intervention does not confer an advantage on the third party company over and above an alternative that could have been obtained through the market.

Public authorities may give loans, guarantees, inject capital and otherwise be involved in commercial ventures, but at the same time they must behave in the same way as a private investor would behave in similar circumstances.

Only compliant if working with new investor, with appropriate due diligence, and state or investor not paying over the odds for unwanted or worthless assets.

Commercial loan: Loan could be provided at market rates if commercial finance not available to buyer. This would not constitute aid, but may be seen by Audit Scotland as inappropriate use of public funds depending on acquisition time and price.

**Option B:** Sites and assets could be eligible for support for a new owner, **provided that new owner was not acting in a restricted sector** (steel, ships building, some forms of textile and carbon fibre production etc). There are two possible forms of aid which might be possible:

- Remediation of site: Based on the polluter pays principle, funds should be sought from Tata, however at the risk of no funds being provided. State aid cover could be considered for a new owner within the land remediation scheme. There is a Scottish Scheme, as well as discussions on a UK Scheme focussed on house building in areas where costs of build is higher than sales values (note this gives temporary construction jobs but not longer-term economic development for the site or wider area).
- Regional Aid: Clydebridge and Dalzell Steelwork sites are both in an assisted area, so sites could be incentivised for other business to establish themselves, either with or without remediation as above (depending on levels of hazardous materials). Large companies would be eligible for 10%, with 20% for medium and 30% available for small sized companies.

**LINES TO TAKE****WITH TATA STEEL**

- I understand Tata's position and am **fully aware of the significant financial and global market pressures** impacting the business.
- I am establishing a **Scottish Steel Taskforce** to focus all efforts on finding a **viable future for the sites and for highly skilled workforce here**.
- I ask for Tata Steel's **commitment to playing a full part in the taskforce process and to working closely with us** throughout the consultation period.
- **A large number of individuals and families will be affected by this announcement** and it is important we leave no stone unturned in our efforts.
- I would **ask that Tata Steel enables us to fully explore any viable options**.
- I would also ask for **Tata Steel's full commitment to maintaining the staff at both sites throughout the consultation period** – it is hugely important to keep the work of the plants going as we seek alternative operators.
- I would also **ask for your support in providing contact details for customers**, it is crucial to maintain the customer base for any future sustainable business.
- **I know you are already working with SE and EY** to support options appraisal. **I would ask that this activity is prioritised** to enable information to be **fast tracked to EY**, as we need that analysis to be concluded as soon as possible.
- The Scottish Government and Scottish Enterprise will be using **all means at our disposal to find a commercial buyer for the business as our first priority**.
- Can you confirm that **Tata Steel will provide as much information as necessary should any party come forward to declare an interest**.
- There are a **significant number of jobs at risk** here, both direct and in wider the supply chain, **we must always keep that in mind as we move forward**.

**WITH UNIONS**

- We are **keen to continue our close relationship** with the Trade Unions.
- Our **aims are the same** as the Trade Unions, we seek a **secure and sustainable future for the steel industry and its workforce in Scotland**.
- We will **work tirelessly to explore every possible option leaving no stone unturned**.
- We have explicitly **asked for Tata Steel's full commitment to maintaining the staff at both sites throughout the consultation period**.
  - As we know, it is hugely important to keep the work of the plants going and to retain key skills as we seek alternative operators.
- We have also sought Tata Steel's support to contact **key customers**, as we know it will be crucial to maintain that customer base for any future business.
  - My direct involvement and those of my officials will **make them fully aware of the Scottish Government's endeavours to find a new operator**.
- We seek **continuing trade union support** for the actions underway including your **participation in the Scottish Steel Taskforce**.

- The **primary aim** of the **Scottish Steel Taskforce** is to find a viable **a future for the Clydebridge and Dalzell sites and for the highly skilled workforce here.**
- We will continue to work with UK Government seeking assurances on wider support for the industry. **Scotland Office will be represented on the Taskforce.**

**FOR BOTH MEETINGS – SG ASKS OF THE UK GOVERNMENT**

*(Mr Ewing wrote to the Minister for Small Business, Industry and Enterprise, Anna Soubry MP on Tuesday outlining key asks of the UK Government.)*

- We have urged the **UK Government to take decisive action to support the steel sector.**
- The Scottish Government attended the **Steel Summit** on 16 October and will **be a member of the 3 working groups** intended to urgently review further support for the sector – we will remain fully engaged as this work moves forward.
- As noted at the summit is the challenge of high energy costs, we have sought assurances from the UK Government that it will **bring forward the implementation of all provisions** of the **Energy Intensive Industries Compensation Package** from April 2016 to **October 2015.**
- We **support the case made by the steel companies and unions** for the **UK Government to make every effort to ease financial pressures** on the steel sector and counter the huge rise in Chinese steel imports which is devastating the viability of UK steel companies.
- We have **asked the UK Government** to put as **much pressure as possible on the EU** to complete as quickly as possible an **investigation into Chinese steel imports** into Europe issue and whether it constitutes illegal dumping.