

Steel Sector Round Table – Fourth Meeting

The Scottish Parliament, Edinburgh
31 October 2018

MINUTES

Attendees

Jamie	Hepburn	JH	Minister for Business, Fair Work & Skills
Chris	Hagg	CH	Commercial Director, CELSA Steel UK
Jon	Bolton	JB	CEO, Liberty House UK and Chairman, UK Steel
Iain	Sinclair	IS	Chief Business Development Officer, Liberty Steel
Colin	Clews	CC	Business Development Manager, Midland Steel Reinforcement UK
James	Graaf	JG	SIMEC
Steve	McCool	SMc	National Officer, Community Union
Tony	Brady	TB	National Officer for Steel, Unite the Union
Kenny	Jordan	KJ	Regional Officer, Unite the Union
Ross	Murdoch	RM	National Officer, GMB Manufacturing Section
Nick	Leake	NL	Deputy Director, Policy Delivery & Relationship Management, Scotland Office
Lynn	Lavery	LL	Scotland Office
Jerome	Finlayson	JF	Lead Practitioner, Scottish Manufacturing Advisory Service (SMAS)
Steven	Hutcheon	SH	Highlands & Islands Enterprise
Gordon	McGuinness	GmG	Head of Industry & Enterprise Networks, SDS
Gail	Duff	GD	Account Manager, Company Growth - Global, Scottish Enterprise
Elisabeth	Stark	ES	Head of Manufacturing & Construction
Greg	Walker		Policy Manager, Construction
Mary	Maxwell		Executive Officer, Manufacturing & Construction

Apologies have been received from:

Gordon	Reid	General Manager, Vallourec Oil & Gas
Christophe	Huot	Managing Director, Vallourec Oil & Gas UK Ltd
Stuart	Sharp	Director, Alexander (Scotland) & Co Ltd
*Simon	Armstrong	Sales Director – Conductor & Domestic, Edgen Murray
Ronnie	Blake	Managing Director, the Blake Group
Nick	Mackie	Metals and Advanced Materials, BEIS
Keith	Ridgeway	Executive Chairman, AFRC
Gordon	MacRae	MD, Liberty Steel Dalzell
Gareth	Stace	Director General, UK Steel
Nick	Shields	Managing Director, Scottish Manufacturing Advisory Service (SMAS)
*Tony	Stumpf	Managing Director, CELSA Steel Service UK
*Gary	Cook	Regional Officer, GMB Scotland
*Paul	Warren	Regional Organiser, Community Union
*Gerry	Tralongo	Director, Midland Steel Reinforcement UK Ltd
Geoff	Crowley	Development Director, Highland Galvanizers & Colour Coaters
Dale	Young	Senior Business Development Manager, Edgen Murray
Richard	Warren	Head of Policy & Representation, UK Steel
Sean	Parsons	Head of External Affairs, SIMEC

1. Welcome & Introductions

The Minister introduced himself and explained that he now had responsibility for the steel sector. He welcomed everyone to the meeting.

2. Steel Sector Deal

Mr Hepburn indicated that Mr Wheelhouse, the previous Minister with responsibility for steel, had attended the UK Joint Steel Council in June where the Steel Sector Deal had been the main topic of discussion. Mr Bolton had attended that meeting and had agreed at the meeting to further discussions with Richard Harrington MP, the Under Secretary of State for Industry & Energy. The Minister then invited Mr Bolton to provide an update on the Steel Sector Deal.

- Jon Bolton (JB) provided a summary of the history of the deal. After a study into the industry, carried out by Grant Thornton, the UKG encouraged the steel industry, as part of the planned Industrial Strategy, to come forward with a proposal for a sector deal.
- The steel industry did so and made serious commitments on their side and asked for a list of commitments from the UK Government. The UKG has refused to sign up to these commitments, in particular to decreasing the energy costs for the steel industry, which is seen by the industry as vital if they are to compete with steel producers on the Continent.
- JB proceeded to give a presentation on the sector deal. The £50 million per annum electricity price disparity, which the sector requested the UKG eliminate in Autumn 2017, is now about a £70 million per annum gap.
- The UKG has asked, if they could find a substitute to the energy gap which offset the additional cost of energy, if the sector would commit to the deal; and the answer is the industry would sign up to such a deal.
- The Energy Transformation Fund of £315 million was announced in the budget but it is not clear how it will be applied. UK Steel would want a good percentage ring-fenced for steel. The CEOs of steel companies are clear that this is not a sector deal. They will drive the agenda harder with support of unions re energy costs.
- Steve McCool (SMc) indicated that the unions see a difference in attitude across governments in the UK. The Scottish Government and the Welsh Assembly are very supportive. Steel companies are keen to expand businesses.

- SMC felt the scope of the Steel Sector Round Table (SSRT) should be widened to tackle the tangible things that need to be done to support the steel sector in Scotland.
- Tony Brady (TB) was disappointed by the loss of the sector deal in June. He feels that the time is right for the unions and the heads of industry to start another steel campaign.
- JH: Asked what everyone thought would be the best way forward to develop the sector.
- JB: Believed we need to address the energy gap. If we can't deal with the cost can we close the gap in some other way?
- CH felt that in Scotland we have Procurement Guidance and it would be good to have periodic review of the compliance data. The UKG has been poor in issuing compliance data.
- JH: Asked what the Scottish Government could do to help – he indicated that the SG is happy to commit to inter-meeting dialogue.
- SMC: The OECD are predicting a growth in demand for steel until 2030. There is an opportunity for steel manufacturing in Scotland. In the UK there are too many satellites, whereas on the Continent there is centralisation. Dalzell and Coatbridge, being so close together and so close to transport links, are well placed to seize these opportunities. He felt that investment is needed for Dalzell and Clydebridge as there is an opportunity to get into the wind tower market.
- Ross Murdoch (RM): pointed out that steel is connected to many industries and that government commitment gives employers confidence to invest. Fleet Solid Support (FSS) ships use a great deal of steel tonnage, the UKG goes out to tender for two FSS ships in December 2018.
- TB: made the point that Brexit may provide opportunities for the steel industry and that the geographical proximity and connection between the platemill at Dalzell and the shipyard at Rosyth means we are well-placed to take advantage of such an opportunity.
- JH: Uplift in infrastructure investment by SG may help.
- SMC: For every 1 job in steel there are 3 in the chain and all are well-paid.
- JH: SG to reflect back what can be done to help and to look at purpose of SSRT.

3. US 232 Tariffs on Steel & Aluminium

- JB: The tariffs are being paid and the US customers are paying the new price as the steel that we export to the US is mainly specialist steel that they can't manufacture themselves. The ultimate impact on the US may be recessionary.
- The estimate is that 20-25 million tonnes of steel is likely to be deflected.
- CH: The EU has 200 days to impose the sanctions they announced. This takes us to February 2019. The EU is likely to enforce them. If we have a hard Brexit in March 2019 there are 2 potential problems:
 - (i) we may be subject to safeguard measures ourselves as we would then be outside the EU.
 - (ii) We would have no measures in place to protect ourselves as we would not be covered by the EU measures. Even a gap of 4 weeks could be difficult.
- JH: The SG is happy to help by conveying a message to the UKG. We are happy to keep pressure on the UKG to make sure safeguards are in place.

4. Concerns Around Security Of Steel Supply Post Withdrawal From EU

- JH: Invited JB to share the discussions which took place on this topic at UK Joint Steel Council.
- JB: UKG have asked UK Steel to issue a guidance document. Frictionless border is vital. Automotive sector is already issuing letters to suppliers asking them to hold extra inventory. There are big cash-flow implications.
- JB: A positive is we have to become more self-sufficient and this is good as we are already doing some cushioning.
- Nick Leake (NL): It would be helpful if the sector were to list the top mitigations and tell us when you need to switch. The more sectors and SG can feed into the UKG and the sooner the better. He acknowledged that UKG needs to keep SG in the loop. JB will feed that back to UK Steel.

5. AOB

- CH: Procurement. UK Steel is relaunching the Steel Charter on all steel products. Launch date is early part of next year. Would be very useful if SG could be first signatory.
- JH: Happy to receive Charter and look at it.
- Elisabeth Stark (ES): SG Procurement is actively involved in the UK Steel Forum; SG Procurement publishes Steel pipeline, guidance in relation to public sector contracts. Monitoring of compliance is key.
- Iain Sinclair (IS): Huge enthusiasm to take things forward. Would welcome support with connectivity.
- SMc: Pointed out that investment is needed in the steel sector. There had been massive under-investment in British Steel. Steel needs about £30 of investment per tonne. Other countries are investing about £60 per tonne.
- JH: Reminded the meeting that the SG has is developing the National Manufacturing Institute for Scotland (NMIS) for specific business projects and the Scottish National Investment Bank (SNIB) in order to help business and innovation.
- JH: Look at role of SSRT and then look at specific points that have been made.
- JH: Made the point that the SG is committed to transparent government as much as possible and would therefore like to publish the minutes of the Steel Sector Round Table on its website. All in attendance agreed.

ACTION: UK Steel to send SG copy of The Steel Charter.

ACTION: SG to convene a short working group to look at the terms and conditions of the SSRT and the way forward.

ACTION: SG to publish minutes of meeting when they have been agreed by all.