



Dear Sirs,

In 2019, the total imports of organic coated into UK were approximately 212,000mt (from both EU and non-EU). We expect that the figures for 2020 will be similar (actuals not published to date).

In considering these quantities there is within these total amounts imported a dichotomy in that the Organically coated material imported can be split into two clear divisions of product. One part is general purpose material used for multifarious applications including White goods , containers, packaging, lighting , etcetera. The other part is a product generically called " plastisol" which is the primary material used within the UK to make most Agricultural and Industrial buildings (Roofs and Walls) . Whilst the official import figures offer no split on the two distinct products, we estimate imported plastisol to account for 112,000 Tonnes per year (57 K tonnes from EU, and 55K Tonnes from South Korea) .

This use of Plastisol OCS for these building products in is almost unique to the UK where it was originally developed. This is a highly durable product that was created to meet the rigours of the UK's climatic conditions of frequent cold and wet weather. The main application of this product is the walls and roofs of Agricultural and industrial buildings. Because this Plastisol product usage is concentrated almost exclusively on the UK (with some lesser usage in Ireland) , the manufacture of it has not generally been of interest to Mills outside of Europe. To most of these Mills the consumption volumes are relatively small and they have not wished to make the considerable investment that would be required to be able to produce this plastisol product.

The Safeguard measures announced for the UK for 2021 imports of OCS from South Korea have set the quota levels for Q 1 at 3,798 tonnes and for Q2 at 3,841 tonnes. These volumes are far lower than the amount of plastisol material that has been imported each year from South Korea (approx. 50,000 tonnes each year past five years) , and this is already having a severe impact on the impending availability of Plastisol for H1 2021 in the UK, and it is driving up prices (due to the 25% quota duty) , and at the same time putting severe pressure on UK manufacturing companies facing shortages of feed material , and non competitive higher prices.

This situation has come about through a UK trade department misunderstanding of the actual imported volumes from South Korea and needs to be addressed quickly to avoid financial ruin for many small to medium sized UK manufacturing businesses.

For your further consideration here are some more details on how the UK Plastisol markets breaks down.

Manufacturers and approximate volumes supplied volumes to the UK market on annual basis.

Tata Steel UK	60,000	Tonnes	General grade plastisol.
	30,000	Tonnes	Proprietary brand plastisol **
Arcelor Europe	45,000	Tonnes	General grade plastisol
SSAB Sweden	12,000	Tonnes	General grade plastisol
Posco , S. Korea	30,000	Tonnes	General grade plastisol
Dongkuk , S Korea	25,000	Tonnes	General grade plastisol



STRENGTH BEYOND BORDERS

** Proprietary brand is only available through certain channels, not sold to whole market.

Total market size for UK plastisol usage = 202,000 MT per annum

The issue is this; The UK plastisol user market is made up of small, medium, and large customers, effectively a three tier market place with one dominant multinational, and many second / third tier manufacturers.

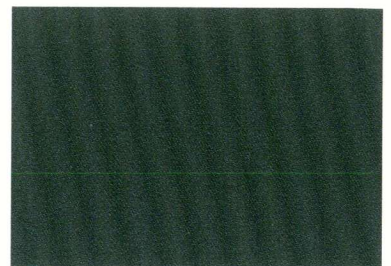
Tata steel have market dominance, but only sell to certain customers. Arcelor Europe have roughly a quarter of the market, but also limit which customers they sell to and they only sell to a small amount.

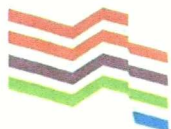
This leaves a numerically larger amount of customers (second / third tier mainly) that do not have direct access to the two main sources that have for many years monopolised the UK plastisol market. These smaller, and often independent second third tier manufacturers rely almost fully on the imported plastisol from the two Korean Steel mills that can supply (Dongkuk and Posco).

Unless the UK quota system must be adjusted quickly to acknowledge that South Korean plastisol volumes of imports into the UK have been running consistently year on year at over 50,000 tonnes. If this does not happen, then there is a serious and immediate risk that these two Korean Mills will decide that their share of the UK market under these quota levels is too low to commercially sustain. If the decision is made by these Mills to cease Plastisol production it is unlikely to be reversible because the Steel plant required to produce this product is a very large investment. Should this become the case then many UK customers will face a drastic situation with no access to the materials that have become the main stay of their sourcing, and no alternative supply available to them. Should this happen, then as a result of the severe quota restriction on South Korean product, the UK Government will have created a monopoly situation in the UK which will be detrimental to many UK manufacturing businesses.

This is the basis for our sincere request for an immediate review of the Safeguard Measures under Notice of determination: 2020/06 and in particular an increase in the allowed tonnage of Product Number 5. Organic coated sheets. This should be re set to at least 12,500 MT per Quarter to reflect historical import volumes over the past ten years and in the interests of the British economy.

Your Sincerely,





Memo to Department of International Trade - Incorrect Data Used for Start Point on Safeguard Measures on Organic Coated Steel Products

Thursday 8th October 2020

For the attention of:

Department for International Trade



Highlighted Area of Concern in Notice of Determination 2020/06 – Safeguard measures on certain steel products – application of tariff rate quotas:

This memo serves as principle concerns over certain start points and calculations as to UK quotas on safeguarding against certain steel products and thereafter application of tariff rate quotas.

I draw your attention in particular to Organic Coated Sheets (which includes Organic Coated Steel Coils in their original form).

Annex 1 is Commodity Codes 7210 70 80, 7212 40 80

Annex 2 is Product Category 4 and specifically concerning the initial calculations of 3,798 tonnes in first quarter, rising to 3,798 tonnes per quarter following.

Scale and Calculation of Highlighted Discrepancy:

Please see the below table which details the following:

1. The current incorrect as declared official historic import statistics for South Korean Organic Coated Steel (otherwise known as pre-painted steel coil) used for the purposes of the Department of International Trade and used in this document.
2. Our understanding of what the correct historic import statistics should be for South Korean Organic Coated Steel (otherwise known as pre-painted steel coil).

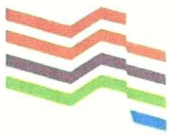
	2015	2016	2017	2018	2019
1. Current Incorrect Figures	3,848	7,681	29,959	30,232	67,112
2. Our Understanding of Approximate Correct Figures	45,588	39,920	52,699	37,265	67,834

The UK quotas which were announced by the Department for International Trade last week in their Safeguarding memo and declaration 2020/06 are based on the average imports of 2015 to 2017.

We understand that these have then been increased three times (+5%, +3%, +3%) in order to follow the same policy as the EU.

The average of these three years is 13,829 tonnes which when increased in line with EU is 15,405 tonnes total annual quota. This is then allocated quarterly, which is where the announced quarterly quota for South Korean Organic Coated Steel of approximately 3,800 tonnes comes from.





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We believe the source data for the size of this market and its requirements for the UK has been incorrectly calculated and split out of the Europe quotas from South Korea (incorrect absorption and attraction to the UK).

If the correct historic import statistics were used, the South Korean Organic Coated Steel quarterly quota would be approximately 12,800 tonnes (51,000 tonnes annually).

Please also note that even if the UK used the correct historic figures and increased the quota to approximately 51,000 tonnes annually, with the recent growth of the UK Organic Coated Steel market, there would still not be sufficient quota to satisfy the UK demand which was closer to 70,000 tonnes in 2019.

This is because in recent years, the UK has been increasing its share of imports relative to other EU countries.

Please also note that the usage of these products has increased significantly due to the needs of the building of infrastructure for Outfill and Fasttrack Data Centres and Distribution Centres, Warehouses and other such Commercial and Industrial buildings which are driven by the out of town internet model.

As you can see the difference between what the UK needs for this sector of the market and based on what has been allocated in the safeguarding measures, that some error in the calculation has occurred as 3,800 tonnes per quarter is 15,200 tonnes per year which is way short of the 51,000 tonnes which should have been the original calculation at 2015 to 2017 run rates, and indeed well short of the currently needed 70,000 tonnes which is what we believe the current run rate to be which is subsumed as part of the EU total currently being brought across.

A bit of further Explanation as to how the Error could have Occurred:

The EU imposed quotas on imports of Organic Coated Steel in 2018. In accordance with WTO guidelines, these quotas were based on the average recorded imports under certain tariff codes during the most recent three full year period, being 2015-2017.

In the UK the tariff system categorises products according to an English language description.

Different countries have their own language description.

It appears that in the UK, and alone in the UK, there was some uncertainty as to which tariff code Organic Coated Steel products should be classified at import, and a significant proportion of imports during the period 2015-2017 were classified under tariff codes which were not included when EU quotas for Organic Coated Steel were calculated and defined.

This resulted in EU quotas being calculated as a lower quantity than would have been the case if all the UK imports had been classified under a tariff code which was included in the calculations.

As aggregate EU imports were very large when compared with UK imports, this difference was not a significant percentage, and the difference was not spotted by anyone.

However, now that the UK is leaving the EU, and is applying its own quotas using the same methodology, the difference for the UK is very substantial, resulting in a quota quantity close to 70% below a corrected calculation.



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The UK quota calculation gives South Korea a quota of a little under 16,000 tonnes per year. If corrected figures were to be used the quota would be around 50,000 tonnes per year.

Added to this, the UK market grew between 2017 and today, taking an increased share of total EU imports under the EU quota, such that imports from South Korea reached 70,000 tonnes last year (2019), and there is an ongoing UK demand for this level of imports.

Impact on UK Market from a Holistic Perspective:

As you can imagine, this will have a massive impact on us and other consumers of imported Organic Coated Steel. We believe that the UK does not have the inherent capacity to replace this shortfall in available supply, added to which all other potential sources, including those from the EU, will have their own tariff quotas applied, so that they too will be prevented from increasing sales to the UK and replacing the shortfall.

We understand that there are already representations being made to HMRC and the DIT (Department of International Trade) to rectify the historical import figures, and adjust the quota quantities.

However we are concerned that bureaucratic processes may prevent or delay this adjustment, and result in us not being able to procure the steel we need to maintain our production. Added to which we urge the UK government to use the import figures from 2019, reflecting current rather than historical market conditions.

Failure to adhere to our requests will result in our production being slashed, and likely that of many others in our market place. And ultimately this will result in new construction being impaired or even ceasing.

Impact on UK Market from a Specific Perspective:

There needs to be an immediate correction of the quantities from circa 3,800 tonnes per quarter to 17,000 tonnes per quarter, otherwise there will be an immediate impact on the UK building envelope industry.

The nature of this industry is that a lot of these Organic Coated Steel products are used for building envelope purposes – that means warehouses, distribution centres, manufacturing units, data centres. From these products perspective, they are usually thin (as they do not need to be too thick from a structural perspective) and therefore the quotas in tonnes (and therefore their shortfalls) are very big in terms of final use product.

If the Organic Coated Steel quota is not corrected within the next week or two, then manufacturers will have no idea at this current time what their supply is likely to be next year. This will cause further bottlenecks and delays at the building envelope stage, which means that clients will not be able to get their developments off the ground and watertight.

Some people with good stock may be able to carry on quoting the existing specification, but not without price spikes as supply problems will occur part way through the project, and supply and demand states that throttling supply will have an impact on price.

Other manufacturers in UK and Europe do make similar products, but there is not enough capacity in their production facilities to make up the shortfall left by the South Korea error. Also there are quality concerns with substitute products – the UK uses in particular leather-grain plastisol (constitutes a very high %age of the Organic Coated Steel mix) which offers good grip in UK weather



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climate and the South Korean products offer good UV, RC and fire ratings. Inferior products than this when substituted can cause unwanted quality problems to the building envelope. Before I even mention aesthetics, that means fire ratings and other quality issues.

Building envelopes can be redesigned to different specifications, but not without the problem of the delay in the projects of doing this – and also would run the risk as the market supply re-adjusts that European manufacturers of the end product (building envelope) may invade as the UK supply struggles to adjust to different products.

Another risk is that the projects lie there waiting for the quota to be corrected, without any building envelope on the steelwork, and the projects go back 6 months.

Supply may be corrected 3 months later by adjusting supply to more local based products, but these are not the same and will carry significant price increases and cause inflation in the UK and profit in the hands of foreign bodies, as well as the unwanted delay.

The other aspect is that if the quota is not corrected, end users in the UK continue buying into Q1, expecting the quota mistake to be corrected and it is in fact not. If this happens, the tariff of 25% would apply very quickly (as items are based on a first come first served basis) – in fact any delays of shipments from December (Q4) into January (Q1) would probably use this allowance up in the first 2 weeks of the calendar year. This would result in catastrophic project disputes, causing further delays.

Conclusion:

The UK Economy is struggling to return to normality after the current Covid-19 pandemic, and any impact of further throttling of any sector of the economy in terms of supply is particularly unwanted at this time.

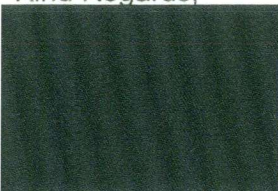
In order for the UK economy, and its various sectors (regardless of whether it is steel or not) to stand some chance of continuing or surviving whichever way you put it, there needs to be some status quo from a regulation and import perspective.

The Organic Coated Steel South Korean quota figure in the Annex 2 may not be the only incorrect figure, but as an end user reliant on and responsible for this sector of the UK construction market it is one highlighted of major concern simply because it is that far out.

It is so far out, that if not corrected quickly there will be a detrimental impact on the building envelope sector, causing a choke and slowdown on construction projects of this type which invariably almost always use this product. This will cause construction projects to stop dead in their tracks, when this could easily have been avoided by exposing the anomaly and correcting before it is too late.

This impact will happen as quickly as mid-January 2021 when the quotas apply and the quotas will be used up very quickly indeed. Please take action now and avoid this scenario.

Kind Regards,



13th October 2020

To: **Secretary of State for International Trade**

Re: **UK Trade Measures – Organic Coated Steels from South Korea**

Dear Mrs Truss,

We write on behalf of Kingspan, the UK's largest manufacturer of sandwich panels and associated products for the roofing and cladding industry. We employ approximately 1,300 people across five locations within the United Kingdom, with an annual turnover in the region of £550 million.

We urge you to reconsider the recent announcement by the UK Government to impose quotas on steel from 1st January 2021 upon Britain leaving the EU, in light of the need for organic coated steel from South Korea for the production of sandwich panels and associated products as well as the adverse effects that quotas on steel will have on the UK construction industry.

Steel accounts for approximately 40% of the production cost of sandwich panels. As a result, Kingspan is heavily dependent on steel (suppliers). We have historically purchased a substantial share of our organic coated steel volumes from Tata Steel, the UK's sole producer of this type of steel. We also import some material from both mainland Europe and further afield so that we can achieve a fair market price with all our suppliers. Also, and crucially, we do not believe that Tata Steel currently has enough capacity to satisfy the UK total market consumption. Currently, we have certain steel specifications that they cannot produce for us, so we must import from other manufacturers to keep our production lines running.

In particular, we refer to the current Government figures on the amount of imports of organic coated steel from South Korea. These figures severely underestimate the actual level of imports over the last ten years. If the quotas for organic coated steel from South Korea are set at the levels currently envisaged, we will have no option other than to buy the shortfall locally from Tata Steel. Tata Steel are therefore highly likely to inflate their prices in response. Furthermore, we believe that Tata Steel cannot replace all imports affected by these measures, there is a real risk that the UK construction industry will face insufficient and more expensive locally-supplied material.

In addition, a considerable amount of the product we produce in the UK is currently being exported to mainland Europe and indeed to other parts of the world. The lack of pre-painted imports from South Korea will immediately result in an uneven increase in the UK price versus the price in mainland Europe. This will put Kingspan at a distinct disadvantage against our competitors in these regions. Alongside extra customs declaration costs post-Brexit, this will have a knock-on effect of reduced volumes, diminished exports and reduced man hours.

The proposed quota is therefore damaging to the UK construction industry and a genuine threat to Kingspan's current successful export business.

We are at your disposal should you require any further information. We respectfully request that our concerns as a local UK manufacturer and significant employer are given due consideration.

Yours sincerely and with thanks.



Elizabeth Truss MP, Secretary of State for International Trade
House of Commons
London
SW1A 0AA

14 October 2020

Dear Elizabeth Truss,

Korean quota for Product Number 5 Product Category; Organic Coated Steel

I write to you regarding to a raw material shortage which is starting to have a significant impact on our business.

Thomas Panels & Profiles Ltd has been established for over 30 years and has become a market leading entity in the steel roofing and cladding industry. We employ over 120 people across a variety of roles and as a growing business, this is set to increase. Our customer base across the UK includes agricultural markets, the industrial sector, static caravans and, more recently, a selection of healthcare related customers.

The raw material for our business is pre-painted steel coil, sourced from two locations overseas. Almost 70% of this supply comes from Korea, which brings me to the purpose of this letter. We use approximately 3000 metric tonnes each quarter, which has to be forward purchased, 6 months in advance.

Our supply agents, Duferco UK Limited, have informed us that the Korean quota for Q1 2021 has been significantly cut from in excess of 13,000 metric tonnes to only 3,798mt.

We understand that this figure is calculated based on the average customs import statistics for 2015, 2016 and 2017, but this is aged data. It does not accurately capture the increased metric tonnes in recent years, with the average 2019 Korean import of over 16,000mt per quarter. The new quota of 3,798 leaves a huge deficit of material to our industry. The imposed tariffs on our pre-purchased raw materials and will cripple our ability to remain competitive in the market, forcing us not to be able to support the customer base that we have established over the last three decades.

We are advised that errors have been identified in the customs statistics, and that these have been duly highlighted along with requests for amendments to the quota accordingly. If corrected, the quota would increase to around 12,500mt – to put this into context for Thomas Panels and Profiles, this would be a revenue decrease of £8.5m annually, being almost 30% of our total revenue. The margin lost monthly would equate to almost half our payroll costs. We will not be able to maintain the present headcount if our operations and income are impacted in this way.

We have looked at other sources and the only potential supplier in the UK for this product is TATA Group, but at capacity of around 20,000mt and their own customers to service already,

they do not have the capacity to fulfil our deficit. And in any case, would this not create a cartel with one main player in control of the whole of the raw material market for pre-coated steel coil?

The feedback that Duferco from is that the process to rectify this quota anomaly could be slow. This is a critical time for Thomas Panels; we want to avoid the severe consequences which are looming for our company, and our employees I am writing to you, asking for your support to expediate this rectification to the quota anomaly in every and any way you are able. What irony - to have continued since March to manufacture and trade during the pandemic, now to be forced out of the market by an error in the customs statistics.

Yours sincerely,

