



STRENGTH BEYOND BORDERS

11 November 2020

Trade Remedies Investigations Directorate  
Depart for International Trade  
North Gate House  
21-23 Valpy Street  
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Dear Sirs

Following the publication of 'safeguard quotas' on steel products by TRID effective from 1st January 2021 we would like to comment further as the official form had not enough space on it to set out all of the points that we wanted to make. In the case of reinforcing bars these quotas have been set in such a way as to greatly reduce imports from regular import channels and at the same time hand a single supplier in the UK a near monopolistic share of the market that may result in serious shortages of supplies of rebar going into 2021. And to cause hardship to many independent UK owned companies that rely on imported rebar for their supplies.

Below are the facts as we see them.

The total UK consumption of rebar over the last 5 years has averaged at 800,000 metric tonnes pa. Celsa UK, owned by Celsa Group in Spain have been the sole UK producer of rebar during that time. Celsa have according to BIRFA\* estimates during that period supplied approx. 350kt pa of rebar from their mill in Cardiff into the UK market. Circa 450,000mt pa over the last 5 years has been imported. Imports have been coming roughly at the levels of 50pc from EU producers and 50pc from non EU, overwhelmingly from steel mills in Belarus, Turkey and Ukraine who have supplied up to 90pc of non EU imports between them. Independently owned UK rebar fabricators bought over 100,000mt last year from Belarus alone but under these new quotas Belarus is now restricted to only 8000 tonnes of imports per quarter. A loss of two thirds of regular UK imports from that single mill source. Imports from Turkey and Ukraine have also been allocated quota for 2021 below their regular UK import market levels as these quotas have been calculated on historic and out of date import statistics from 2013-2017. We will explain why this is below, but we should point out a number of issues which will result from the quotas as they have been set by TRID for 2021.

1/ The new quota restrictions leave a single commercial company (Celsa) in an extremely dominant market position. By closing off the most economical and regular import supply channels to independent rebar fabricators it reduces competition. Companies not owned by the Celsa Group cannot replace these imports by switching purchases to Celsa who control around half of the fabrication market through their downstream companies. Celsa already supply close to 50pc of the fabricated rebar market into UK construction through their own companies, ROM, Express and BRC. They are direct competitors with the independent fabricators and are quoting for the same projects in all sectors of government and privately financed construction projects.

The other half of the rebar market is supplied by a larger number of independent fabricators who mainly base their supplies of material on imports. Reducing import supplies to their competitors through quotas will further strengthen Celsa's hold on the market in UK. So not only could these

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measures result in shortages of rebar supply as we head through 2021 but it will give one company a dominant market position in the UK which can be used to further weaken its competition and ultimately lead towards a monopoly type control over market prices and supplies. If these quotas stay as they are Celsa will inevitably increase their share of the UK market which already stands at 45pc. It will inevitably lead to multiple complaints from the independent fabricators of steel rebar to the CMA as it will surely be the case that the Competitions and Markets Authority would have to look very closely at this situation. It is one perhaps unique in the various steel products that TRID have initiated safeguard quotas against where a single UK producer holds already a near 50pc share of the downstream market to the end user for its product.

2/ The UK government has committed to building HS2 on time and on budget. HS2 is forecasted to use over 1 million tonnes of rebar over the next 4 years making it the biggest construction project in Europe. This is in addition to regular UK market usage of circa 800,000mt. By such a significant reduction of regular imports construction firms will be forced to buy at whatever price and delivery terms are offered by those companies who have control over the steel supply. By greatly reducing the quotas available to the regular imports coming from Belarus, Turkey and Ukraine there is another problem of 'sustainable' steel sourcing. Sustainability accreditations are needed these days on all Government and local authority contracts. Belarus/Ukraine/Turkish suppliers have taken some years to attain these certifications of sustainability from UK 'CARES' the recognised authority for UK rebar. There are very few if any 'other country' import sources that have this environmental certification. So by reducing the amount of sustainable steel in the supply chain it could only be replaced by imports which do not carry the required 'green' credentials.

3/ TRID have calculated these quotas based on imports between 2013 to 2017 taking average figures over that period. In the case of rebar this historical method has a fundamental flaw which will lead to supply shortages in 2021. Chinese rebar was imported into UK in huge volumes between 2013-2015. In 2015 China accounted for 400,000 tonnes of UK rebar imports (50pc of the total UK market consumption). Their steel was sold at such a low price level at that time that traditional importers could not compete so others greatly reduced their UK exports over that same period and returned only after 2016. The UK government found China guilty of dumping rebar and applied a 20pc 'anti dumping' duty to Chinese imports in late 2015. There have been zero Chinese rebar imports entering the UK since that date. However, TRID have used the average import volumes from China over that same 2013-2017 period to allocate a large share of quota to 'Other Countries' for 2021. It means that 'Other Countries' including China (but excluding Belarus/Turkey/Ukraine) now has a bigger share of quota than these regular import sources combined. And a bigger share than the EU. Despite the fact that Chinese rebar imports to UK carry a 20pc duty and remain at zero. Surely that cannot be the intended result of this historical calculation?

There is no producer in 'other countries' apart from China who is a regular or economical supplier of rebar to the UK market. There is also no 'other countries' supplier with 'sustainability' accreditation. So it seems obvious that the largest share of quota which has been allocated by TRID will go largely unused whilst independent fabricators are denied access to regular monthly supplies that the UK needs. We believe it should be of concern to a UK Government who is committed to build HS2 and will need to have a healthy and competitive construction industry to help the country out of the inevitable recession which is coming. Forcing financial hardship on many independent steel fabricators through a flawed quota system is not going to help build the things on costs and on time that the UK will need. We believe that there should be a fairer distribution of quota to the regular import sources of rebar outside of EU, namely Belarus, Turkey and Ukraine, based on the more





recent period from 2016-20 average levels when there was a level playing field for importers. Not on volume figures based on the 2013-15 period when China unfairly dumped rebar into the UK market.

There is one final observation to be made on this issue regarding quotas and their perceived use for protection of UK jobs. Celsa employ approximately 1300 people in the UK at its steelworks and in its downstream companies. That is considerably less in number than are employed by the many independent steel companies whose factories and machines rely on imported rebar. Not to mention the hundreds also employed at UK docks and in forwarding companies to handle, distribute and deliver these imports. These are companies that between them have paid millions more in tax revenues to the UK government than this single commercial ( Spanish owned ) company that the quotas seem designed to protect , a fact easily verified by checking their Companies House published accounts for the last five years as we have done. So it is not a black and white situation in our humble opinion and should deserve further review by TRID. There is no argument that there should be quotas applied and in general the total quota figures are not contentious for category 13. We believe that TRID should reconsider adapting these quotas to the period since 2016 to date after Chinese rebar was 'anti dumped' as this then shows a truer picture of the import supply volumes needed for the market from regular channels.

Yours faithfully  
For and on behalf of  
Duferco UK Ltd

*\* BIRFA for reference is the British Independent Rebar Fabricators Association who represent some of the independent fabricators in UK.*