



Stephen Kinnock
Member of Parliament for Aberavon
House of Commons, London SW1A 0AA
Tel: 020 7219 8801

Mr Oliver Griffiths,
Chief Executive
Trade Remedies Investigations Directorate
Department for International Trade
North Gate House
21-23 Valpy Street
Reading RG1 1AF

25 May 2021

Dear Mr Griffiths,

RE: UK's steel safeguards

I am writing with regard to the ongoing transition/extension review of the UK's steel safeguards and in particular the recent recommendation that almost half the safeguards not be extended. These safeguards are vital to providing a stable environment for the sector and protecting against unprecedented import surges.

I wish to register my views, and those of the steel workers in my constituency, that all of these measures should remain in place beyond the expiry date of 30 June. Retaining and extending the UK's steel safeguards is critical to supporting the steel sector at this time, and in recovering from the hugely damaging impacts COVID-19 have had upon the sector and the global economy. The steel sector is a highly interconnected one, and removing the safeguards on some products will ultimately damage the entire sector.

I am concerned TRID's approach to the review does not appear to fully consider the realities and economic of steel production. The high interconnectivity of steel products means that the assessment of product categories independently from each other does not provide a fully accurate or complete picture of the threat of an increase in imports and the injury that would be caused to the UK sector. Steel companies do not make products in one individual product category but several. They start with the production of crude steel, in which is transformed into 'semi-finished products' and then ultimately into a wide array of 'finished products'.

The products are highly interrelated, with the dynamics of the market for one product having a notable impact on others. The production economics of the steel making process means that economies of scale are key. Companies produce multiple products and rely on multiple product lines running at certain rates to ensure high-capacity utilisation of the crude steel production facilities. An integrated steel plant will typically need to run at around a 70-75% capacity utilisation rate before it will break even and begin to operate profitably.

As an example, removing the measures on steel sections is likely to lead to an increase in imports of that product. This reduces sales of the domestic producer of sections which in turn reduces the volumes of crude steel required from the blast furnaces, increasing the cost of each bloom/billet the company makes. This ultimately makes the furnace operation unprofitable, which feeds through into the other product lines such as wire rod, merchant bar or rail. It should therefore be clear that TRID's analysis must be done at broader level to best capture the true realities of steel production and supply. Assessed on this basis, it is clear that an increase in imports is seen across the board and therefore the grounds for an extension on all products exists.

Constituency Office:

Unit 2 Water Street Business Centre, Water Street, Port Talbot, SA12 6LF
Telephone: 01639 697660 Email: stephen.kinnock.mp@parliament.uk
Website: www.stephenkinnock.co.uk



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Regarding the consideration of whether maintaining UK safeguards would be in the wider economic and public interests of the UK, I would like to highlight the following:

- In my constituency, Aberavon, the steel sector employs 4,000 people, and is estimated to additionally support **many thousands more** in its supply chains.
- Looking at the national picture, the UK steel industry employs 32,600 people directly across the UK and a supports a further 41,100 jobs in high-value supply chains; jobs that would be at risk if the measures were removed
- The average steel sector salary is £36,000, 18% higher than the UK national average and 36% higher than the regional average in Wales, and Yorkshire & Humberside where its jobs are concentrated – regions of the country the Government is seeking to level-up
- The UK Steel Industry makes a £2.8 billion direct contribution to UK GDP and supports a further £3.6 billion in its supply chains
- The steel sector is a vital foundation sector sitting at the base of a myriad of manufacturing construction and infrastructure supply chains – damage to this sector has major knock on impacts for those supply chains
- It is increasingly evident we need a strong and sustainable steel industry to meet our net zero carbon target. A weakening of domestic steel production only increases our reliance on imports, effectively ceding control of our environmental responsibilities to other countries' steel industries.
- It is clear there would be no or a negligible impact on steel consuming sectors if the measures were extended. The safeguards allow tariff free imports to continue at levels considerably higher than their historic levels. Coupled with significant additional capacity in the UK, this will mean there would be no negative supply or price impacts.

It is clear to me and many other MPs in steel constituencies around the country that the extension of these measures in their entirety is of vital importance to the health of the steel sector at this particularly challenging time. The value to the steel sector, the jobs it provides and the communities it supports, of such an extension vastly outweigh any possible negative impacts to other areas of the economy. I urge TRID to take into account holistic factors in their final recommendation to the Secretary of State for International Trade.

Kind regards,

Stephen Kinnock
Member of Parliament for Aberavon
Chair, APPG for Steel and Metal Related Industries

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