

**Wednesday 6<sup>th</sup> March 2024**

**CBM Response to TRA SE0041 Statement of Intended Final Determination**

**NON-CONFIDENTIAL**

### **PC12A: Alloy merchant bars and light sections**

**The CBM believes that the TRA has failed to take full account of all the factors affecting domestic production and imports of Category 12A steel products. We consequently reiterate our request that this category is excluded from any extension of UK steel safeguarding measures.**

In Section 8 of its statement the TRA publishes graphs tracking import volumes and values of alloy merchant bar and light sections, now falling under safeguarding Category 12A.

The TRA notes that imports of PC12A diminished from 2018, when EU safeguarding measures were applied, to 2020, but then climbed substantially.

### **Domestic availability of Category 12A products**

The subsequent analysis of these data, however, takes no account of the specific financial and ownership circumstances of a major UK steel producer during the period from 2020.

As industry came back from the pandemic in early 2021, and as a direct result of the financial difficulties, there were severe restrictions on the domestic supply of alloy steel grades, with requirements for large minimum production quantities from customers before orders would be produced and supplied. For many downstream alloy-steel users the minimum quantities were not viable. Even if the required grades were offered, which in many cases they were not, uncertainty over the future viability of the steel company made placing orders under these conditions an unacceptable commercial risk.

CBM reported this situation to both the TRA and Departments of Business and Trade at the time.

The TRA assessment of Category 12A appears not to take any account of factors that exercised a major skew on the balance between domestic and import supply, and which have still not recovered.

The reality, since the beginning of 2021, is that domestic availability of the grades required by the downstream engineered steel market at reasonable commercial terms has been severely limited. This has necessitated CBM members and other companies in the sector directly or indirectly importing the grades required to maintain their output and contribution to the UK economy and exports.

Consequently, CBM members and many other downstream steel users, incurred massive oncosts in the form of quota exhaustion tariffs.

Recent checks by CBM members on availability of their requirements have confirmed that the severe constraints on domestic availability of the required steel grades persist and that there is no clear expectation of improvement.

These additional costs threaten the viability of UK manufacturers, which contribute actively to the UK economy, export revenue and employment.

### **Unintended failures in segmentation of Category 12**

From 1<sup>st</sup> January 2022 agreement was eventually reached to split Category 12 into two sub-groups. The intention was to segregate engineering alloy steels from imports of high-volume non-alloy steel imports destined primarily for the construction sector. This plan recognised that the high-volume non-alloy steel imports were rapidly absorbing the available Category 12 quota, forcing importers of alloy steel grades to pay extremely damaging quota exhaustion tariffs – without realistic domestic supply alternatives.

Separation of alloy steel grades into Category 12A was intended to overcome these issues. However, following the segmentation, the 12A quota continued to exhaust at a far more rapid rate than had been projected.

Investigation into the reasons identified that HMRC was recoding imports of non-alloy steels to Category 12A based on copper content.

The CBM demonstrated to the Department of Trade and HMRC that non-alloy steels produced in electric arc furnaces would commonly contain a higher copper residue from scrap steel inputs than the threshold used by HMRC. Unfortunately, HMRC was not prepared to take this information into account, so the recoding continued, to the detriment of imports of genuine alloy steel grades. To date there has been no progress in resolving the underlying anomaly in the ISO standard that defines thresholds for differentiating alloy from non-alloy steels. Nor is this resolution likely within the recommended extension period for safeguarding measures.

Eventually, Category 12A quotas were upgraded by the Secretary of State in July 2022, for which the CBM is very grateful. By 2023, however, the global downturn had begun depressing UK and export demand for Category 12A steels, so the resilience of the revised quota levels remains untested in normal market conditions.

Category 12A quotas have not exhausted in recent quarters. However, there must be proper recognition that demand conditions have been abnormal both in the downstream metal processing sector and the construction sector. As the economy and demand recovers there, hence, remains a serious risk that British manufacturers will again suffer quota exhaustion tariffs, inflicting injury on their ability to contribute to the UK economy, export revenue and employment.

These uncertainties are highly corrosive to a manufacturing sector that contributes actively and effectively to the UK economy, export revenue and employment, to a greater extent than the UK steel making sector.

## **Summary**

For the reasons outlined above, the CBM reiterates that Category 12A should be removed from UK steel safeguarding to avoid repeated critical damage to its members and the wider downstream metal engineering industry.

Confederation of British Metalforming  
47 Birmingham Road  
West Bromwich  
West Midlands  
B70 6PY

[www.thecbm.co.uk](http://www.thecbm.co.uk)