



International Steel Trade Association

3rd Floor, Ironmongers' Hall,
Shaftesbury Place
London EC2Y 8AA
Tel 07534 790485

Email Simone.draper@ista-steel.com

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To the Trade Remedies Authority

To whom it may concern

Ref Suspension Review of the safeguard measure applying to Category 1 Steel Products, Case number SS0051

The Secretary of State for Business and Trade has recently suggested that the Suspension Review of safeguard measures for Category 1 Steel Products (SS0051) be reassessed, particularly in light of the final determination of Tariff Rate Quotas (TRQs) on Category 1 Steel Products (TQ0052). We, however, strongly advocate for the continued suspension of TRQs on Category 1 products, as this measure is still absolutely necessary for the following reasons.

As of 1st October, the final determination on TRQs came into effect. At least two members of our association customs-cleared hot-rolled coil (HRC) under Category 1 on the same day. One of these members, a trading company, had traditionally expected to clear goods under Category 1A, while the other, a UK manufacturer, expected to clear goods under the new Category 1B, given that the imported HRC was intended for downstream processing. However, the customs entry system did not provide an option for either company to clear goods under Category 1A or 1B, and as a result, both companies were forced to clear their goods under the existing Category 1. We understand the quantity involved is approximately 25% of the total quota for this quarter October to December 24.

This is highly problematic, as it highlights an operational gap in the implementation of the new TRQ categories. While Category 1A is intended for traditional importers and Category 1B for UK manufacturers involved in downstream processing, the lack of an option to distinguish between these categories at the customs entry level undermines the purpose of the categorization itself.

Although Categories 1A and 1B came into effect on 1st October, UK manufacturers seeking to clear goods under Category 1B are still in the process of becoming 'authorised users' under the HMRC's authorised user scheme. This scheme is designed to allow manufacturers access to Category 1B, which reflects the intended use of the product for further processing.

We were assured by the Department for Business and Trade (DBT) that UK manufacturers would not have access to Category 1A, reserved for traditional importers, yet the current situation contradicts these assurances. Furthermore, while we were initially informed that the process of becoming an authorised user would take 30 days (from 30th September), HMRC has since communicated that this process could extend to 60 days.

This delay in authorisation has significant implications. UK manufacturers are unable to access Category 1B during this period, forcing them to clear goods under the general Category 1 and potentially incurring additional safeguard duties. This process gap alone suggests that the current final determination is not fit for purpose and warrants immediate reassessment.

Another significant flaw in the current system is that HMRC and Customs and Excise do not have adequate tools to determine whether each customs entry for HRC should be cleared under Category 1A or 1B and neither of these two categories are currently shown on the custom entry form.

For example, UK manufacturers often purchase HRC from trading companies for downstream processing. This provides manufacturers with commercial advantages such as better sourcing, financing, and shipping options. However, under the current system, there is no provision for a trading company to clear goods under Category 1B, even if those goods are destined for downstream processing by a UK manufacturer.

This operational disconnect creates an additional burden on trading companies and manufacturers alike, as it forces goods that should qualify for Category 1B into the general Category 1, further exacerbating the issue of incorrect categorization and leading to the inappropriate application of safeguard measures.

We also reaffirm our position that just as UK manufacturers have been provided with a global TRQ to “allow for the establishment of new trade flows in this unprecedented situation” (as stated in item 25 of the final determination dated 30th September), traditional importers of hot-rolled coil for general use also require a global TRQ. This would allow them to establish new trade flows in a situation where the domestic producer is no longer manufacturing HRC, and traditional trade routes are disrupted due to factors such as Brexit, the war in Ukraine, and instability in the Middle East.

Without such a provision, traditional importers are left vulnerable to market volatility, while UK manufacturers are granted preferential treatment. This unequal approach fails to reflect the broader changes in market conditions and restricts the ability of importers to secure high-quality HRC for general use.

Given the issues outlined above, we strongly recommend the suspension of TRQs on Category 1 products. This suspension would allow for a more thorough review and refinement of the final determination, ensuring a fairer and more workable solution for both UK manufacturers and traditional importers.

Suspending the TRQs would also facilitate more accurate monitoring and enforcement of the new categories, allowing for better differentiation between Categories 1A and 1B. It would also provide traditional importers and manufacturers the opportunity to source HRC without the risk of incurring safeguard duties, which are currently applied inappropriately due to the flaws in the final determination.

TSUK, one of the two entities to originally request a suspension of on Category 1 products, has consistently raised concerns about the exhaustion each quarter. The final determination in its current form is disproportionately affecting traditional importers, as they face the risk of exceeding their TRQ allowances and incurring safeguard duties, which damages their ability to source materials competitively.

Furthermore, the changing market conditions necessitate flexibility in sourcing high-quality HRC. A suspension of TRQs would provide the necessary breathing space for both traditional importers and UK manufacturers to establish new trade flows.

In light of the above, we submit that the suspension of TRQs on Category 1 products is essential. It would address the implementation flaws in the current final determination, alleviate the burden on both UK manufacturers and traditional importers, and reflect the significant changes in market conditions. A suspension would not harm UK manufacturers but would instead provide a more equitable framework for all parties involved in the sourcing and processing of hot-rolled coil.

We respectfully urge a reconsideration of the current determination and strongly advocate for the immediate suspension agreement to be granted and put in place.

Yours faithfully

Simone Draper
Director
International Steel Trade Association

