

Tata Steel sale of Long Products Division means attacks on wages, pensions and conditions

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Tata Steel UK have entered into “advanced negotiations” to sell its Long Products Europe division to private equity company Greybull Capital. The Long Products business in Europe manufactures plates, sections, wire rod and semi-finished steel for various markets including construction, ship-building, engineering and energy at plants in Teesside and Scunthorpe in the UK and at Hayange north-eastern France.

Two plants at Motherwell and Clydebridge Scotland may be excluded from the Greybull Capital takeover.

Tata Steel is desperate to offload the Long Products department, which is the main loss-making section of its operations in Europe. In November 2015 a *Times of India* article posted that when Tata Long Products Europe Chief Executive Karl Koecher was asked about the future of the division he answered, “Long products will not have a future within Tata Steel... And that means we will come to one of the possible options which I don’t need to spell out and decisions about that have to happen within the timeframe of this fiscal year, to say the very least.”

The sale of the Long Division has been a major problem for Tata Steel for some time, and this latest agreement comes after a failed attempt last year. In August 2015 it announced that long term discussions with Switzerland-based Klesch Group for the sale of the European Long Products business had been discontinued. Both had signed a Memorandum of Understanding in October 2014, but Klesch pulled out of the deal.

Prior to Klesch’s retreat from the deal, Community, the main steel union, took the initiative to hire Syndex, a French industrial consultancy firm, to save the deal.

Its assignment from Community was to investigate how to improve productivity in the Long products section and aid the sell off to the Klesch Group.

Greybull Capital was founded in 2010 by brothers Nathaniel and Marc Meyohas. It backed electrical retailers Comet, only for the chain to collapse months later with the loss of 7,000 jobs. Greybull was fortunate that its financing of the deal meant that it recouped the majority of its money after the collapse.

Later in 2014 it bought Monarch Airlines from the Mantegazza family. It cut jobs and slashed wages and benefits. The acquisition saw Greybull hold 90 percent of the company, while the remaining 10 percent went to the pension protection fund.

In October 2015, Tata announced 1,200 job cuts at the long products unit—the majority at its Scunthorpe plant and at two plants in Scotland. The proposed cuts formed part of a massive jobs cull throughout the steel industry in Britain. Tata Steel at the time employed 30,000 people in Europe, which included 17,000 in Britain.

After the news broke of the deal, a Greybull spokesman told the *Daily Telegraph*, “The long products business has been significantly loss-making. To ensure a viable future, there will by default need to be some changes implemented. The trade unions involved are aware of the difficult situation and have to date been most constructive. Their strong support is paramount for the transaction to succeed.”

Unite, Britain’s biggest union, welcomed the pre-Christmas announcement, before adding, “We will need to consider whether jobs are safe with this potential sale. Ministers also need to realise that the industry is still in crisis.”

Several earlier press reports stated that Greybull Capital would invest £400million into the business, but it is now clear that this is the price of the buyout from Tata Steel UK. They will not be talking on any present debts belonging to Tata Steel.

The present company pension scheme, known as the British Steel Defined Benefit Pensions Scheme, which Tata inherited when it bought out the previous owners Corus in 2006, is under threat. Tata have had to comply with the rules of the scheme and inject funds reported at £2 billion to keep it stable. The latest public figures show that in 2014 the fund was worth £13.6billion. Although Greybull as an employee is legally bound to provide a pension plan, they do not have to continue with the present scheme.

The *Scunthorpe Telegraph* reported that the unions are “resigned to losing final salary pensions.” Paul McBean, the chairman of Tata’s multi-union committee, stated, “By law Greybull will have to offer us a new pension scheme. But we cannot expect them to contribute to the British Steel Pension Scheme as Tata Steel have done.”

An earlier report stated that Community, the biggest union in the committee, had held meetings with the administrators of the British Steel Pensions Fund in Glasgow about moving it elsewhere. In response to the news, a Greybull spokesman was reported as saying, “The trade unions involved are aware of the difficult situation and have, to date, been most constructive. Their strong support is paramount for the transaction to succeed.”

Pensions are not to be the only cuts Greybull will make. The *Daily Mirror* has reported plans to cut bonus and overtime payments to all staff.

In the summer of 2015, workers were outraged after Tata Steel announced that the final pension scheme handed over to Tata by Corus would be replaced with an inferior scheme. The unions had earlier given away the final salary rights for newcomers. The determination of workers to fight to keep their pensions was overwhelming and forced the unions to hold ballots for strike action.

Community recorded an 88 percent vote for strike action. The average plant turnout was over 76 percent and as high as 84 percent at Port Talbot plant in South Wales where 96 percent of Community members voted to strike. The combined vote in favour of other forms of

industrial action was 96 percent.

In what is still an undisclosed deal the unions responded by pushing through major changes that would see workers having to work up to another 10 years before receiving their pension.

The steel trade unions have overseen the slashing of jobs, wages pension rights and conditions in the steel industry for decades. They are gearing up to become the tool of Greybull in the super exploitation of the few steel workers that will remain at the Long products division.



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