

UK steel industry jobs threatened following Brexit vote

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In an attempt to avert meltdown in the UK steel industry ahead of last month's referendum vote to leave the European Union (EU), then Prime Minister David Cameron's government offered to buy up to a quarter stake in Tata Steels' UK operations or any successful buyers of the firm.

The government said it would also provide debt financing for hundreds of millions of pounds. Other concessions included a substantial reform of the British Steel Pension Scheme, which has a membership of 130,000, a deficit of £700 million, and overall liabilities of £15 billion. Tata has waged a battle to shed responsibility for the pension scheme since it bought the Corus Steel business in 2007.

The expected sell-off of Tata Steel's remaining British operations took a new turn after a board meeting in Mumbai, India on July 8. Instead of an updated progress report on the ongoing sale of Tata UK, Koushik Chatterjee, the executive director of Tata Steel Europe, announced a proposal that would involve Tata UK becoming part of a joint venture project with European conglomerate ThyssenKrupp. Tata said it was also talking to other unnamed industry players.

Chatterjee was careful not to commit to anything concrete, stating that the discussions could lead to the creation of a "premium, world-class strip steel business" before warning, "It is too early to give any assurances about the success of these talks."

The same day Business Secretary Sajid Javid met Cyrus Misty the global chairman of Tata and responded to the news of the joint venture saying it was encouraging. The UK government "will continue to work closely with Tata to find a long-term solution for sustainable blast furnace steel manufacturing in Port Talbot," Javid said.

The Port Talbot plant in south Wales, employing

more than 4,000 workers, is the largest of Tata's UK steel plants.

The *Financial Times* wrote, "The proposal offers a glimmer of hope to the 11,000 workers at the collection of British factories, which was put up for sale in March following years of losses that had ballooned to as much as £1m a day."

However it struck a note of caution, adding, "But the announcement does not dispel the cloud of uncertainty that has been hanging over the business for the last three months. Tata... had been expected to either sell the business or close it down by the summer: instead, its talks with ThyssenKrupp signal the start of another period of uncertainty for steelworkers."

This was borne out with the July 21 announcement by Fairwood Fabrications, one of the metal engineering firms supplying the Port Talbot plant, that it was entering liquidation. The remaining 66 workers were laid off, taking the total to 250 since January. In January, Mark Coia, chief executive of Fairwood Fabrications, told the *Financial Times*, "We are part of the family with Tata—when they bleed, we bleed."

The Wales Online news site reported that the uncertainty over the fate of Port Talbot could lead to many more plant closures and job losses locally as, "There are around 50 companies in Wales whose primary business involves steel, and which are affected by the fate of Port Talbot."

It did not take long for the fleeting talk of a bright future for the UK steel industry, with thousands of jobs saved, to come apart at the seams. Three days after the Mumbai meeting, Chatterjee warned that the global steel industry faced immense challenges and the outcome of talks with the British government regarding the British Steel Pension scheme was paramount to any deal.

The *Guardian* reported that the UK government drew up a plan with pension trustees and the trade unions for the present scheme to be “spun off” into a new shell company. The inflation-linked annual increase would be benchmarked against the consumer price index rather than the retail price index, potentially saving billions of pounds in future liabilities. For such changes to take place in the British Steel Pension scheme, the government would need to change pension laws.

Quantum Advisory, a firm of pension expert contacted by BBC Wales, found that current British Steel pensioners will lose an average of 25 percent entitlement whichever option is offered to them. Members who are at present employed and paying into the scheme will fair even worse, losing on average 40 percent of their expected benefits under the proposals offered by the government.

The scheme could reach £4.9 billion (around 10 times its current deficit) in the worse-case scenario given in the BBC report.

The steel trade unions were in direct contact with senior Tata executives during the Mumbai board meeting and with UK government ministers the day before. Roy Rickhuss, the leader of the main union, Community, responded to the new proposals saying, “The current status of the sales process is unclear and this will be frustrating for our members and perhaps even for the bidders.”

After admitting he was aware that there had been talks between Tata and ThyssenKrupp for some time, Rickhuss offered the services of the union in finalising any deal. He stressed, “Tata must recognise the level of frustration, even anger amongst the workforce over these delays and uncertainties... It’s vital that they work with Community to reassure and protect the greatest assets to the business, its people.”

The main issue for the unions is how to sell further cuts in wages and conditions to steel workers and push through further attacks on their pension rights. The record of the steel unions indicates they will be on hand to ensure a rapid transition in any merger.

The media responded to the Tata board meeting by reporting its possible impact on Port Talbot, but the other Tata UK plants would also be affected.

The *Guardian* stated on July 8 that Tata UK’s “speciality steel division faces a Serious Fraud Office

investigation. Ten staff including two executives have been suspended after an internal audit uncovered allegedly falsified quality certificates, prompting criminal inquiry.”

The vote for Brexit is central to Tata’s calculations. Its board statement declared it looked at the business in the light of the uncertainties caused by the UK referendum. It also stated the outcome of talks with the UK government regarding the pension scheme had a bearing on its decisions. “Taking the above issues into account, the Board of Tata Steel has decided to also look at alternative and more sustainable portfolio solutions for the European business,” it stated.

The possible Tata/ThyssenKrupp merger is just one of several being put together across Europe. The most recent concerns the June announcement that Luxembourg-based steel company ArcelorMittal SA was teaming up with Italy’s privately owned Marcegaglia SpA to take over the ailing Ilva steel plant in Taranto, Italy. Marcegaglia SpA also has a UK production facility located in Dudley in England, where it manufactures electro-welded carbon steel tubes and employs 100 people.



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