



## DEBATE PACK

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# Future of the former steelworks site in Redcar constituency

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## Summary

A debate on the future of the former steelworks site in Redcar will take place in Westminster Hall on Wednesday 14<sup>th</sup> November at 9:30am. The subject for the debate has been chosen by Anna Turley MP

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

# 1. Background

## 1.1 Steel industry statistics

The UK steel industry's economic contribution is summarised in the following table:

| Manufacture of iron and steel in the UK, 2017 |                |         |
|---|----------------|---------|
|   | Total          | % of UK |
| Economic output                               | £1,884 million | 0.1%    |
| Businesses                                    | 655            | 0.04%   |
| Employees                                     | 32,000         | 0.1%    |

ONS, *GDP Quarterly National Accounts*, Q2 2018, Low Level Aggregates Table

BIS, *Business population estimates*, 2017 (employers)

ONS, *Business Register and Employment Survey*, 2018

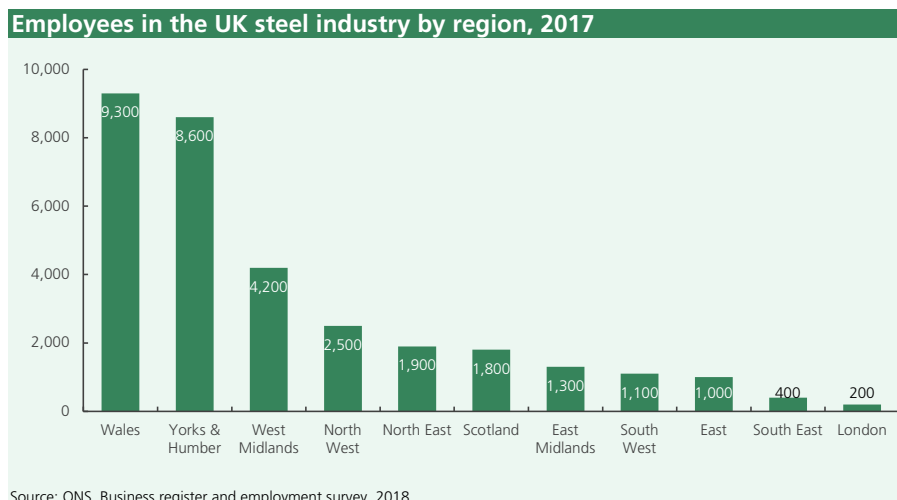
Employment refers to in Great Britain

Economic output is Gross Value Added (GVA)

Steel industry is SIC codes 241, 242, 243

There were 655 steel producing businesses in the UK with a combined economic contribution of £1.8 billion. Employment in the industry was 32,000.

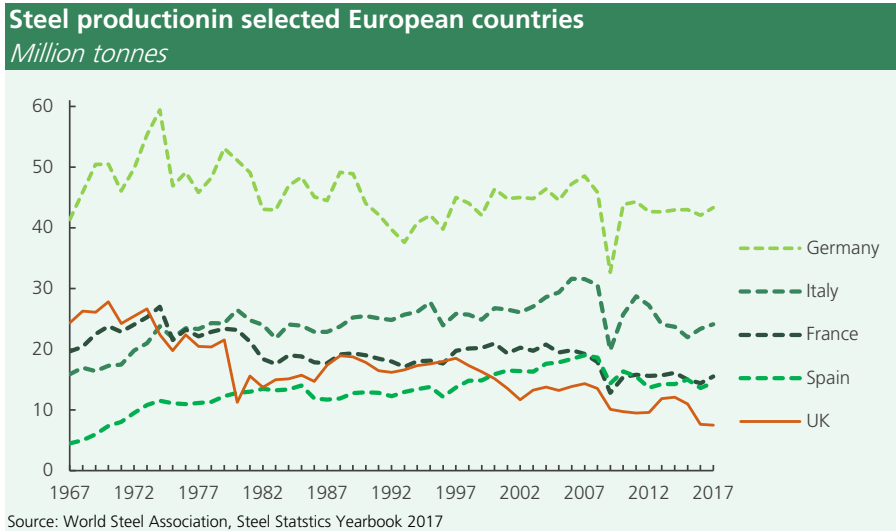
Employment is highly concentrated in Wales and Yorkshire and the Humber. These regions combined account for 56% of steel industry employment.



### Production

The UK steel industry produced 7.5 million tonnes of steel in 2017, roughly the same as in 2016. UK steel output is below that of other major European economies, notably Germany which produced 43 million tonnes of steel in 2017.<sup>1</sup>

<sup>1</sup> Historic data: World Steel Association, [World Steel Statistics Yearbook](#), 2017; Current data: UK Steel, [Key statistics](#), 2018



## 1.2 Background to SSI site closure

2015 was a year of “dramatic upheaval and anxiety for the UK steel industry.”<sup>2</sup> The combination of fierce international competition and high domestic costs made many UK steel plants uncompetitive. The industry responded with a series of plant closes, company mergers and staff lay-offs.

One of the earliest and most notable casualties of the steel industry crisis was the Sahaviriya Steel Industries (SSI) owned blast furnace and plant in Redcar, Teeside.

SSI had been struggling with increasing losses at the plant and had accumulated debts worth \$1.4 billion. The Redcar plant had been loss making since it was bought by SSI in 2010 from Tata Steel.<sup>3</sup>

On September 28th 2015, Sahaviriya Steel Industries (SSI) announced that they would be “mothballing” the Redcar plant, including the blast furnace, which was the second largest in Europe at the time. This threatened 1,700 jobs at the plant.

The Redcar steel plant had been mothballed before. In 2010, Tata steel mothballed production whilst seeking a buyer for the plant. SSI eventually bought the plant and restarted production in 2011.<sup>4</sup>

### Liquidation of SSI UK

On the 2 October 2015, SSI UK went into liquidation.<sup>5</sup> As a consequence of this, all employees at the Redcar site were made redundant, apart from a skeleton staff to man the blast furnace in case a buyer could be found.<sup>6</sup>

<sup>2</sup> UK Steel, *Annual review 2015*, February 2016, p1

<sup>3</sup> Guardian, *Corus agrees to sell Teesside plant to SSI of Thailand*, 27 August 2010

<sup>4</sup> BBC, *SSI Redcar steel production ‘paused’*, 18 September 2015

<sup>5</sup> BBC, *Redcar steelworks: Owners SSI go into liquidation*, 2 October 2015

<sup>6</sup> Insolvency Service, *SSI steelworks: information for employees and creditors*, 2 October 2015

However, on 12<sup>th</sup> October 2015, the Official Receiver stated that<sup>7</sup>

...the coke ovens and blast furnace at the SSI Redcar steel mill are to be closed after no viable offers were received from potential buyers.

This announcement confirmed that all employees at the Redcar steel works would be made redundant.

The Government announced a package of support for people who have lost their jobs in Redcar and the Tees Valley. The package will be worth £80 million and will include:<sup>8</sup>

- funding for affected workers to train at local further education colleges and tailored support for them via Jobcentre Plus
- finance to assist workers if they want to start up their own business and for local small businesses to grow and create jobs

The Government stated that SSI had requested financial support from the Government, but that it

...has no confidence that this is a realistic proposal for taxpayers to support.

The Government also stated that financial support for SSI UK would be illegal under EU State Aid rules and therefore, none could be provided.

### 1.3 South Tees Development Corporation

In February 2016, it was announced that a Mayoral Development Corporation covering the South Tees area would be established “to drive growth, create jobs and secure the economic future of Tees Valley” following the closure of the SSI steel plant in October 2015.<sup>9</sup> This had initially been agreed in the [Tees Valley Devolution Agreement](#), reached in October 2015.

The Tees Valley Combined Authority (covering Darlington, Hartlepool, Middlesbrough, Stockton-on-Tees, and Redcar & Cleveland) was established in April 2016; Ben Houchen was elected Mayor of the Tees Valley in May 2017.

The South Tees Development Corporation (STDC) was launched in August 2017, covering an area of around 4,500 acres land to the south of the River Tees including the former SSI steelworks site and well as other industrial assets.

In October 2017, the STDC published the [South Tees Regeneration Master Plan](#). This aims to create 20,000 skilled jobs, focused on “manufacturing innovation and advanced technologies within a high value, low carbon, diverse and circular economy”, through the creation of an industrial park, increasing the economic contribution of the region to the overall UK economy to £1 billion a year.<sup>10</sup>

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<sup>7</sup> Insolvency Service, [Press release: SSI steel works](#), 12 October 2015

<sup>8</sup> BIS, [£80 million support package for SSI workers and local economy](#), 2 October 2015

<sup>9</sup> Ministry of Housing, Communities and Local Government, [New body to secure investment for Tees Valley](#), 19 February 2016

<sup>10</sup> South Tees Development Corporation, [Master Plan](#)

The 2018 Budget stated that the government would support development of a “Special Economic Area” covering the STDC, allowing for local retention of additional growth in business rates. Up to £14 million in funding will be available, subject to “approval of a satisfactory business case”.<sup>11</sup>

## Government policy to support the steel industry

The Government’s initial response to the crisis was outlined in a [Written Statement](#) to Parliament by Savid Javid, Secretary of State for Business, Innovation and Skills on 12<sup>th</sup> October 2015.<sup>12</sup>

In a recent [debate in Westminster Hall](#), Claire Perry, the Minister for Energy and Clean Growth, outlined the government’s approach to supporting the steel industry:<sup>13</sup>

- Compensation for industrial energy costs
- Support for EU trade defence mechanisms against Chinese dumping, and continued lobbying for exemption from US trade defence mechanisms.
- Support for UK steel through Government procurement
- Publication of the [Steel industry future capability and capacity review](#) which outlined the strategic advantages and opportunities for the UK steel industry

Many of these policies were recommended by the All Party Parliamentary Group on Steel in its 2017 report, [Forging a future for the UK steel industry](#).

Recent figures from UK Steel showed that there were 420 steel related jobs in Teesside.<sup>14</sup>

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<sup>11</sup> HM Treasury, [Budget 2018](#), HC 1629, October 2018, pg. 68

<sup>12</sup> HCWS215 [[On Liquidation of Sahaviriya Steel Industries UK Limited](#)] 12 October 2015

<sup>13</sup> [HC Deb 10 July 2018, c281WH](#)

<sup>14</sup> UK Steel, [UK steel sites and statistics](#), 2018.

## 2. Press Articles

[Budget: £14m for two 'major' projects at SSI site, earmarked as UK's first 'special economic area'](#)

Mike Brown

Teesside Gazette, 29 October 2018

[SSI Task Force to stop offering training after 'demand dried up': The task force, set up three years ago, has created more than 2,000 jobs and safeguarded 422 more - as well as training and helping new businesses](#)

James Cain

Teesside Gazette, 27 September 2018

[UK Steel: why a 'no-deal' Brexit leaves us vulnerable](#)

Brian Meechan

BBC, 17 September 2018

[British Steel to cut 400 jobs worldwide](#)

BBC, 14 September 2018

[Jeremy Corbyn says Redcar steelworks should have been saved as he unveils new policy: The Labour leader announced plans to use state aid to support manufacturing](#)

Ian McNeal

Teesside Gazette, 25 July 2018

[Trump steel tariffs threaten more than 1,300 Teesside jobs, report warns: GMB highlights Tees Valley as area at risk from potential trade war over steel and aluminium tariffs](#)

Graeme Whitfield

Teesside Gazette, 5 June 2018

[UK steel industry recovery at risk from Trump trade tariffs: Britain to work with EU partners to consider scope for exemptions](#)

Michael Pooler and George Parker

Financial Times, 9 March 2018

[Steelmaking shows its mettle after years of decline: Industry buoyed by rising prices and global growth but recovery remains fragile](#)

Michael Pooler

Financial Times, 19 February 2018

[Resentful in Redcar: 'We made the finest steel in the world – now we make lattes'](#)

Toby Helm and James Tapper

The Observer, 3 February 2018

[Redcar SSI site regeneration plan 'may create 20,000 jobs'](#)

BBC, 18 October 2017

['Steel runs through the veins': Teesside suffering profound loss of identity: Tales of fruitless job searches and pared-down salaries are commonplace in Redcar, where ex-steelworkers are struggling with a new reality](#)

Dominic Smith

The Guardian, 19 April 2016

## 3. Parliamentary material

### 3.1 Oral questions

#### Topical Questions

##### [HC Deb 17 July 2018 c 224](#)

**Anna Turley:** Will the Secretary of State update my constituents on the ongoing discussions with his Department to transfer full responsibility for the former SSI steelworks site to the South Tees Development Corporation? Will he also pledge to commit the £200 million needed to regenerate the site, which would bring in 20,000 jobs and enable the Tees Valley to embark on its industrial renaissance? [906519]

**Greg Clark:** I pay tribute to the hon. Lady and other Members who have worked closely with the development corporation. The discussions have been very positive. They have not concluded yet, but I think everyone recognises that there has been great progress and that there is a very good future for that site.

### 3.2 Written questions

#### [Department for Business, Energy and Industrial Strategy: INEOS: Tees Valley: Written question - 187064](#)

**Asked by Anna Turley**

**Asked on 01 November 2018**

To ask the Secretary of State for Business, Energy and Industrial Strategy, what discussions he has with Ineos on that company choosing the South Tees Development Corporation site as the manufacturing location for its Projekt Grenadier 4x4 vehicles.

**Answered by Richard Harrington**

**Answered on 06 November 2018**

Government has a long-standing programme of support to maintain the competitiveness of the UK automotive sector. This includes the Automotive Sector Deal. This is a joint strategic vision for how government and industry will work together to respond to the Grand Challenges of the Industrial Strategy, such as Clean Growth and the Future of Mobility.

I am delighted that Sir Jim Ratcliffe is considering the UK as a place for large-scale investment into the automotive sector. The Department has maintained close engagement with INEOS throughout their process and has met with the company and members of the South Tees Development Corporation on several occasions. We continue to promote UK options with INEOS, and stand ready to support in any way we can.



**[Ministry of Housing, Communities and Local Government: Special Economic Areas: Tees Valley: Written question - 187063](#)**

**Asked by Anna Turley**

**Asked on 01 November 2018**

To ask the Secretary of State for Housing, Communities and Local Government, what assessment has he made of the effect of the business rates retention by the proposed South Tees special economic area on the financial sustainability of Redcar and Cleveland Borough Council?

**Answered by Rishi Sunak**

**Answered on 06 November 2018**

The South Tees site will be designated as a Special Economic Area which will enable the local retention of additional business rates growth. Redcar and Cleveland Borough Council will continue to collect 50 per cent of all business rates in respect of those properties currently situated within the proposed boundary of the Special Economic Area, in line with the current operation of the Business Rates retention System.

In addition, once the Special Economic Area is established in statute, Redcar and Cleveland Borough Council will retain 100 per cent of all business rates growth obtained within that same area. This additional funding can then be used by the South Tees Development Corporation and Redcar and Cleveland Borough Council to reinvest in local economic growth.

**[Department for Business, Energy and Industrial Strategy](#)**

**[Iron and Steel: Manufacturing Industries: HL4731](#)**

**Asked by Lord West of Spithead**

**Asked on 17 January 2017**

To ask Her Majesty's Government, in the light of the fall in the value of the pound sterling since the EU referendum, what assessment they have made of the extent to which the closure of the Redcar plant was caused by the value of the pound at that time; and whether, when making decisions concerning other UK steel plants, they will take into consideration possible future fluctuations in the value of the pound.

**Answered by Lord Prior of Brampton**

**Answered on 01 February 2017**

The closure of SSI Redcar in October 2015 reflected the difficulties facing the steel industry at the time. The main causes were (a) the price of slab steel produced by SSI Redcar, which had almost halved over the previous year (b) 30% overproduction of steel in the global market, and (c) depressed demand which had not returned to pre-recession levels. Since it re-started steel production at the plant in 2012, SSI UK's losses amounted to £275 million in 2012, £193.5 million in 2013, £81 million in 2014 and £92.5 million up until the end of June 2015. The huge

burden of these accumulated debts forced the parent company to file for bankruptcy in Thailand and on 12<sup>th</sup> October 2015, having received no viable offers from potential buyers, the Official Receiver announced that the coke ovens and blast furnace at Redcar steel would be closed.

The Government remains in close contact with steel producers about all the factors that have an impact on the sector, including exchange rates.

The Government has launched an Industrial Strategy Green Paper to build an economy which creates the conditions for competitive, world leading businesses right across the UK.

### 3.3 Debates

#### [2015 Steel Summit Commitments](#)

HC Deb 10 July 2018, c 277WH – 285WH

#### [United States Tariffs: Steel and Aluminium](#)

HC Deb 12 Mar 2018, c 655 - 668

#### [Sector Deal for Steel](#)

HC Deb 19 Dec 2017, c 286WH – 310WH

#### [Steel Industry](#)

HC Deb 3 Nov 2016, c 446WH – 492WH

### 3.4 Library briefings

#### [UK steel industry: statistics and policy](#)

January 2018

#### [UK Steel: Decades of decline](#)

December 2017

#### [Devolution to local government in England](#)

May 2018

#### [City Deals](#)

October 2018

#### [Local Growth Deals](#)

October 2018

## 4. Further reading

[Master Plan](#)

South Tees Development Corporation

October 2018

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