



All Assembly Members

20 October 2016

Dear Assembly Member,

I am writing to keep Members updated on activities relating to Tata Steel and its operations in Wales since my last letter to you on 12 September, and following my meeting with the Cross-Party Group on Steel on 28 September.

Over the last month, our efforts to secure a long-term and sustainable future for the whole Tata Steel operation in Wales, as well as the wider steel industry, have not wavered. We continue to engage with the company on several potential elements of support, all within State Aid guidelines applicable to the steel sector and the conditions we will require as evidence of commitment. Of course, as Tata Steel considers its strategy for the European operations, no absolute assurance can be given on the success or otherwise of this support and I reiterated these points, as well as reaffirming our commitment to the steel industry, during my meeting with the Chief Executive of Tata Steel on 29 September. We had a positive meeting in which Tata expressed gratitude for our positive working arrangements. Mr Jha raised with me the energy price differential between mainland Europe and the UK and the impact this is having on their business, which we know is also impacting on other energy intensive industries. The importance of finding a solution to the pension scheme difficulties was also raised with me.

We have yet to see the scale of response necessary from the UK Government to support a positive outcome to the preservation of the steel industry. We have consistently stated it needs to take urgent action to reduce and eliminate the energy price differential between the UK and Europe and to see an equitable and fair solution for the British Steel Pension Scheme. Since my meeting with Mr Jha, the First Minister has again sought assurance from the Prime Minister on these points and also highlighted the clear demand for UK wide interventions on large scale energy efficiency and research and development, which could be fundamental in supporting the long term competitiveness of the steel industry as well as energy intensive industries more generally.

On 16 September, the Cabinet Secretary for Finance and Local Government published "[A Report into the Future Welsh Public Sector Steel Requirements and the Capacity and Capability of the Steel Sector](#)", which considers how procurement may be used to support the steel sector. This was a key objective of the Procurement Work Stream of the Tata Steel Task Force. We have also taken action to reduce energy costs through our energy efficiency Environmental Protection Scheme.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

On business rates, following the recent revaluation of properties carried out by the Valuation Office Agency, rateable value across the steel sector has reduced significantly. This will have a material impact on the rates bills at steel sites in Wales. Our transitional rate relief scheme that will be operational in Wales from April 2017 will be fully funded by the Welsh Government and will mean that, in contrast to ratepayers in England, ratepayers who see significant reductions to their bill as a result of revaluation will feel the benefit of these reductions immediately.

Looking at the wider steel industry, we are working closely with Celsa UK and Liberty Steel, both of whom are key anchor companies, as well as the supply chain and sector related companies more broadly. I was saddened to hear the news about AIC last week. Since my Ministerial Questions on 5 October, my Officials have spoken to the Administrators to urge them to liaise with the Trades Unions. They are also working with the Administrators to try and sell the business as a going concern.

I note the UK Government's intention to develop a UK Industrial Strategy and in taking that work forward it is important for the UK Government to constructively engage with us. Given the steel industry is a key foundation sector, it is important for steel to be an integral element of the new Strategy and I have written to the Secretary of State for Business, Energy and Industrial Strategy to emphasise this point. I will be pushing for a greater recognition of foundation industries in underpinning the wider economy and manufacturing sector, as well as recognising the importance of innovation and R&D.

I strongly believe the steel industry has a sustainable future in Wales and although a number of key challenges remain, notably global over capacity and the need for greater trade protection, we must be careful not to 'talk down' the future of the steel industry.

I will continue to keep Members updated as matters progress.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ken Skates', written in a cursive style.

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith
Cabinet Secretary for Economy and Infrastructure