

# MIDDLESBROUGH COUNCIL

## COUNCIL

14 OCTOBER 2015

### **BRIEFING NOTE**

#### **SSI UK – THE FUTURE OF STEEL MAKING ON TEESSIDE**

##### **PURPOSE OF BRIEFING**

The purpose of this briefing is to give Middlesbrough Council an update on the issues associated with the mothballing of the SSI UK plant and propose Middlesbrough Council's response to this crisis.

##### **CONTEXT**

In recent weeks there has been a fast moving set of circumstances in respect of the steel plant at Redcar, this cumulated in the announcement on the 2 October 2015 that SSI UK had been liquidated as a company. Almost daily significant events have happened up to and subsequent to this announcement. However, amongst all of this information has often been difficult to obtain, which has been a great frustration for the workforce and the trade unions.

Steel production is at the heart of the Teesside economy and its historical development. The plant is a lynch pin of the Teesside economy and makes a major contribution towards the total UK production. The area is already experiencing above average unemployment levels and the potential of the plant's closure will have devastating impacts on the economy of the area, its residents and business confidence.

Price Waterhouse Cooper has been called in as the Official Receiver and is now handling all the affairs of the company.

SSI UKs financial situation has been worsening for a number of months and this has been directly related in the world wide reduction for steel, closely linked to the slowdown of the Chinese economy. As a consequence the price of steel has collapsed particularly as Chinese steel producers have flooded the market with cheap steel. Steel plants in Italy and France have also been mothballed.

The Official Receiver has retained some 650 staff on site to maintain the operation of the coke works and manage the mothballing of the site. Ensuring that the coke works and the blast furnace do not close down is critical to the long term prospect of the plant becoming operational again.

It has been reported that there are 1700 SSI jobs, although recent information suggests that this may be nearer 2000. The majority of SSI employees at the plant are from Redcar and Cleveland with over 1000. However, there are over 430 employees from Middlesbrough.

There are also substantial secondary impacts. There were significant numbers of contractors working on the site, figures are being established but when the Tata plant was mothballed in 2009, there were over 1000 contractors undertaking a variety of tasks. Furthermore, the plant had an extensive supply chain both in Teesside and further afield. Again data is being established on suppliers but when Tata was mothballed there were 74 companies in Middlesbrough alone who were directly involved in the supply chain. One particular challenge facing many of these companies is that they are already owed money by SSI. These companies will be of varying sizes and the proportion of their total business which was with SSI will also vary. For some the mothballing will be a catastrophe.

Amongst all this the workforce and their families face real challenges. The prospect for staff is losing their job, but matters are exacerbated by the lack of information of redundancies and the fact that workers have not been paid for a few weeks.

## **RESPONSE**

A Task Force was established on 25 September 2015, in response to SSI announcement of their intention to pause production at the Redcar steelworks. The Task Force is meeting weekly.

The Response Group is being chaired by the Chief Executive of Redcar and Cleveland Borough Council, and brings together key partners including SSI UK representatives, local agencies, businesses, trade unions, MPs, Council leaders and other stakeholders. The Mayor, David Budd and the Chief Executive, Mike Robinson are Members of the Task Force.

The aim of the group is to ensure that following any announcements about the future of SSI UK, the impact on the workers, local businesses and the wider community is reduced as far as possible by delivering a programme of tailored support.

There are four main sub groups supporting the Task Force addressing:

- i. workforce matters;
- ii. support package;
- iii. the site; and,
- iv. supply chain.

Middlesbrough Council is actively involved at a senior level in all these groups.

It is anticipated that the Task Force will agree its first funded intervention package in the next week or so. An initial focus will need to be on ensuring that safety nets are put in place to prevent the workforce and their families from experiencing financial hardship.

The Official Receiver (OR) is responsible for the management of the site and ensuring that all security and health and safety duties are discharged. The OR is also responsible for all aspects of managing the workforce and any human resource responsibilities, including redundancies.

The OR informed those employees who are to be made redundant last week. Staff who were employed by SSI UK will be able to make a claim for redundancy and other entitlements from the Redundancy Payments Service (RPS). There is a Redundancy payments enquiry line.

Self-employed people and any contractors staff providing services to SSI UK and who lose their jobs as a consequence of the mothballing of the site are not entitled to a redundancy payment and will be a creditor in the liquidation.

Suppliers of goods or services to SSI UK which have not been paid will be a creditor in the liquidation and will need to contact the OR to make a claim for the money owed.

In these difficult times public sector and voluntary organisations in the area are working, through the direction of the Task Force, to support the workforce. An advice hub was established last week at Steel House and this has now transferred to Redcar and Cleveland College. Staff are available to support workers with their enquiries which include matters such as: job search; preparing CVs; money advice; claiming benefits etc. Middlesbrough Council has seconded staff to assist in the operation of the hub.

A jobs fair for SSI staff and contractors has been held in Redcar on the 14 October 2015 and it is anticipated that a similar fair will be held in Middlesbrough at the beginning of November.

The Government announced a stimulus package worth up to £80 million to support people who have lost their jobs as a result of the mothballing of SSI's Redcar plant and invest in the future of the Tees Valley economy. This money will only be available over forthcoming months and is seen as an immediate response. The package includes:

- 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.

Full details of the package are being worked through and the Task Force is consulting with staff and unions.

A dedicated helpline number has been set up for SSI UK staff to find out information about job opportunities, training support and welfare advice.

It has been reported over the weekend that statutory redundancies will need to be covered by the £80m stimulus package. This could make a significant inroad into this amount leaving insufficient resource to address the much needed support and investment that is required.

In respect of site operations, the main issues have focused around the maintenance of the coke ovens and ensuring that there is sufficient coal for them to remain operational. The OR has to raise sufficient cash to buy further supplies of coal. It is understood that coal supplies are available in the area but these are owned by private companies.

There have been reports of a potential purchaser, Hargreaves, being interested in acquiring the coke ovens. Such matters are dealt with by the OR.

In Middlesbrough, in addition to matters raised above, the Council is looking at measures by which it can support SSI staff (and directly impacted contactor workers) with matters such as Council Tax payments, housing benefit advice etc. Support is being offered to Council employees whose partners or direct relatives work at the plant. A package of support services is being jointly put together by the Public Health Services in Middlesbrough and Redcar to address the welfare of workers and their families.

## **COMMENT**

A principal objective for the OR and Government must be to retain the plant as a whole, maintain its operational effectiveness and seek to dispose of it as a going concern. This plant is critical to the future economic well-being of Teesside. Whilst it is appreciated that the price of steel is extremely low at the moment, like many international durable commodities there are cyclical fluctuations in the price of steel and it is inevitable that prices will recover and therefore so will be fortunes of the site. It's vital that the UK retains a steel-making capacity for the long term success of the nation as a whole.

The Government is co-ordinating a Steel Summit on 16 October 2015 and members of the SSI Task Force and Local MPs will be present. It is vital that the Government puts a package of measures in place to support the plant remaining operational and develops a clear strategy for the future of UK steel production.

The Government also needs to properly consider the gross impacts of closure, such as additional welfare payments for redundant workers and their families and the remediation of the site etc., against the costs of maintaining the plant as a going concern

A second issue is in respect of the £80m stimulus package. This may seem a significant amount, but when you look at the numbers who may potentially lose their jobs, the impacts on contractors and suppliers, then look at the costs associated with potential support measures, it will be soon eroded very quickly. It is therefore critical that all statutory redundancy payments are covered separately to the stimulus package.

If the plant were to close it is going to create a series of much longer term implications over and above what the stimulus package is intended to cater for. The area already has significant problems of unemployment. Additionally the site will require a long term and very expensive reclamation and remediation. It is therefore vital that the Government works with the local councils, the Tees Valley Combined Authority and Local Enterprise

Partnership to develop a programme for the economic restructuring of the area, which should be an over a minimum of a 10 year period.

## **FINANCIAL AND LEGAL IMPLICATIONS**

The commitments to support the Task Force and its activities are being supported by the Council's existing resources. If the Council provides support services over and above its normal provisions to families impacted as a consequence of the mothballing of SSI then it may be able to seek recompense from the SSI stimulus package.

Report Author: Kevin Parkes - 01642 729301