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Innovation & Skills**

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Mr Mike Robinson
Chief Executive
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Dear Mike

Thank you for your letters of 16 October to the Prime Minister and myself.

The closure of the Redcar plant is of course hugely regrettable news, both for SSI workers, their families and the local economy more broadly. The government has committed to ensure no worker is left behind and is why we set-up a local taskforce and announced an up to £80million package to help affected workers and the wider local economy. We have been working closely with the taskforce on how best to target support locally and recently agreed a number of packages worth over £40million with the taskforce. I am pleased that Lord Heseltine has also agreed to lead a Tees Valley Inward Investment Initiative to attract foreign investment to the region to boost growth and create jobs.

In terms of SSI UK itself, it is the unfortunate case that it was loss-making ever since re-starting steel production at the plant in 2012. In a little over three years, it lost over £600million. And in the past year alone, the price of the steel slab that it produced for export had close to halved. These conditions and the huge burden of these accumulated debts forced the parent company to file for bankruptcy in Thailand, and, in these circumstances, there was nothing the Government could do to prevent SSI UK going into liquidation.

However, in the run up to this liquidation, the Government did all it could within the bounds of the law to help SSI UK and without this action, it is highly likely the Redcar plant would have closed sooner than it did. I personally intervened at 9pm on a Friday to get the Employers Liability Insurance cover for SSI workers extended so workers could turn up to work. It was also only through government action that SSI workers were able to be paid their monthly salaries at the end of September. I again personally intervened to gain assurances that this money would be paid to Redcar workers and not be subsumed by Thai banks. The government could not, however, fix the price of steel or wipe away the huge losses and debts accumulated by SSI UK.

The Government received confirmation on 2 October that the company had gone into liquidation. At this point, the Official Receiver became responsible for the site and assets. Many of the questions you ask in your letter concern the actions of the Official Receiver, and therefore should be directed at him. As he said in his announcement, on 12 October, the Official Receiver, after discussions with a number of interested parties, received no viable offers to buy the Coke Ovens or Blast Furnace. HMG has no powers to direct the Liquidator of a company and cannot interfere with his commercial judgements. We have stated that we will provide the necessary funding/support to the Official Receiver to manage the liquidation in a safe and orderly manner. The Official Receiver as liquidator will also look into all aspects leading to the company's failure including the conduct of directors.

With regard to your question regarding state intervention, due to large overcapacity in the market, the state aid rules governing the steel sector are very strict; rescue and restructuring aid to a steel company is prohibited as is any aid to a steel company in distress. It is worth noting that the UK steel industry itself has signed up to these rules as it creates a level playing field for its products in Europe. There are other types of aid available – for R&D and training for example. In 2012, SSI was awarded £1.4m from the Regional Growth Fund to support training for 1,170 new jobs. We did not receive any other requests from the company for legitimate aid.

It is too early to say what the costs of preparing the site for redevelopment will be. This will depend on the future use of the site and any private sector interest in it, which could generate value to offset redevelopment costs.

With regards to the Steel Summit, this was called to address the issues facing the whole UK steel industry and not solely focussed on SSI. The Summit focused on how the challenges facing the wider sector can be addressed and how a long term sustainable future for the industry can be secured.

I would like to reiterate both mine and the government's commitment to help all those affected by the closure of SSI's Redcar plant and to continue working closely with the taskforce and other local partners to best target help and support to the area.

With all yours wishes,

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THE RT HON ANNA SOUBRY MP