

NORTH LANARKSHIRE COUNCIL

REPORT

TO: ECONOMIC DEVELOPMENT COMMITTEE		Subject: STEEL ACTION ORDINARY GENERAL MEETING
From: DIRECTOR OF PLANNING AND DEVELOPMENT		
Date: 22 July 1996	Ref: AM/AB/E22/44(S)	

Purpose of Report

1. A Steel Action Ordinary General Meeting was held in London on 21 June 1996 at which North Lanarkshire Council was represented.

A number of items were discussed which have relevance to the continuing steel industry in the area and to the RESIDER II programme. The most important points are contained in the attached Annex. Copies of the reports are available from my Department.

One item of concern raised additionally was that a plate mill in Belgium (Forges de Clabecq), is likely to receive state aid. This is contrary to EC policy and could affect production at Scunthorpe and Dalziel.

Recommendations

It is recommend that the Council:

- 1) writes to the Competition Directorate, European Commission expressing concern that the Belgian Government is considering granting aid to one of its steel mills as this is in contravention of agreed EC procedures;
- 2) copies the letter to Ken Collins MEP;
- 3) agrees to be represented at future Steel Action meetings; and
- 4) otherwise notes the content of this report.



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STEEL ACTION MEETING, 21 JUNE 1996

ANNEX

RESIDER II PROGRAMME

The Programme for England has still not been approved. It has become apparent that the English Programme is increasingly seen as a test-bed to pilot new Commission ideas about packaging or clustering of projects and the increased involvement of the local communities directly in determining programme strategies and priorities. Equally it is clear that the Programme has been used by both DGXVI and the DTI to pursue wider EC policy differences. Even at this stage, a year after the Scottish and Welsh programmes were approved three key issues remain to be resolved:

- Job creation/outputs. The EC want a major shift from hard measures (environment, infrastructure) to soft measures (business support and regeneration).
- Programme Monitoring Committee. The EC are looking for representation from elected members. The DTI restated the official UK Government line that elected members, trade union representatives and CBI/Chamber representatives were not acceptable.
- Targeting of Community Support. The EC want further information on this aspect.

The Programme is currently being redrafted to attempt to gain EC approval in July.

Although the Lanarkshire RESIDER programme is substantially different from the English Programme there are points to be wary of for the future. A number of people at the meeting suggested that elected members should be involved in the Programme Monitoring Committee and it was recommended that this be pursued after the Programme was approved.

ADDITIONAL FUNDING FOR RESIDER II

Lobbying is continuing to secure additional funding for the RESIDER II programme extension, to 1999. The European Parliament has agreed on the financial package to be allocated to the four industrial initiatives - Resider (Steel), Rechar (Coal), Retex (Textiles) and Konver (Defence) - but has also expressed concern at the inadequacy of the budget for the four initiatives. This may provide an opportunity to seek extra funding for RESIDER. The UK will get approx. 65m ecu (about £54m) for the four initiatives. It is up to the UK Government to divide this up, although the EC has suggested a split. The DTI is conferring with the Scottish and Welsh Offices and will announce its decision.

SteelAction has worked hard to increase the allocation to RESIDER through

- *regular liaison with member authorities to obtain feedback and information to help press our case and secure a co-ordinated approach;*
- *regular discussions with DTI officials;*
- *correspondence with the Minister, Tim Eggar MP;*
- *liaison with the Steel Group of Labour MPs who have been active in raising Parliamentary questions and meeting the Minister.*

EUROPEAN COAL AND STEEL COMMUNITY BUDGET (ECSC)

The European Commission proposed to set the Operating Budget for the ECSC at 265.5m ecu for 1997 and suggested crediting the ECSC with 93.5m ecu left over from the previous year. This will compensate for the reduction in the levy paid by the steel producers. The Budget represents a further reduction in the ECSC's activities which have been scaled down since 1991. On the one hand this reflects a reduction in the scale of job losses in coal and steel, following

the UK colliery closures and the steel mini-crisis of 1993/94, but on the other hand it reflects the transfer of measures into the main EC budgets or their discontinuation.

The ECSC is due to be abandoned by 2002, with a gradual reduction of the levy on steel producers. The ECSC budget would be phased into the general EC budget. Many questions remain to be answered and will be raised by an EC Committee on 23/24 July by Sr. Joan Colom I Naval, a Spanish MEP. He asks:

- how can ECSC measures be funded by the general budget?
- what will happen to the specific coal and steel research?
- should intervention via the PHARE programme be envisaged for Central and Eastern European countries without distorting competition?
- how can ECSC financial activities continue once the levy has been discontinued from 1998?
- what will happen to the ECSC reserves?

SteelAction is strongly in favour of a continuation of the successful ECSC activities particularly those relating to industrial research and re-adaptation aid for redundant steel workers. Previous action by the EC has resulted in the ending of the ECSC low cost housing scheme, the ending of its low interest business development loans schemes and the transfer of its training activities to ESF with a substantial reduction in the benefits available for individual workers, a loss of focus and without any transfer of funding. SteelAction has drawn up a framework of proposals designed to secure the continuation of research and re-adaptation aid measures beyond 2002 by allocating ensuing reserves into two separate foundations which would generate 25m ecu per year of revenue each. While somewhat less than the draft 1997 budget of 82m ecu and 78m ecu respectively it could be used to support very meaningful levels of activity e.g. 8,000 re-adaptation aid grants.

The BISPA representative favoured the foundation approach, but agreed that the funds were small. He also suggested earmarking ESF funds specifically for coal and steel areas.

RESTRUCTURING THE STEEL INDUSTRY IN THE COMMUNITY

The European Parliament's Economic and Monetary Affairs and Industrial Policy Committee held a public meeting on this subject last year and further adopted a resolution in June 1996. The document notes:

- the importance of social measures in lessening the social consequences of restructuring
- continued need for research into new steel products and encouraging the use of steel in other sectors
- need for tighter controls on State Aid, up to and beyond the expiry date of the ECSC Treaty
- assistance needed for Central and Eastern European Countries and CIS republics for restructuring prevention of dumping, environmental measures, etc.
- the definition of steel should be broadened too include first or direct transformation products
- many ECSC activities, both financial and social, have proven their worth and should continue
- lack of appropriate means to incorporate ECSC activities into mainstream EC activities and budget
- some sort of structure is needed to handle ECSC reserves and continue research
- steel is more environmentally friendly than numerous other materials due to the extent and ease with which it can be recycled and therefore scrap should no longer be classed as waste.

SteelAction welcomed the report as a positive framework for the future development of the EU's steel industry.

STEEL AID CODE

The current Steel Aid Code (SAC), the mechanism which defines the EC's approach to state aid for steel producers, expires at the end of 1996 and discussions are now underway about a format for its replacement.

The EC has announced proposals to relax the conditions of the SAC in several important areas to bring it more into line with procedures that apply for competing materials such as plastics and aluminium. These have been opposed in the UK and other countries which feel the changes could re-open the door to subsidised steel making, resulting in unfair competition between subsidised and non-subsidised plants. BISPA is arguing for 'tougher' procedures to remove market distortions and promote intra-sectoral competition.

Two areas of particular concern for the UK are:

- environmental subsidies for which at present, state aid is only permitted where an existing plant has to be brought into compliance with new anti-pollution rules. Under the new proposal, aid would be payable to a new plant as well
- closure aid, where the present aid code says that subsidies may only be paid if an entire company is closing down and dismantling its plant or selling it outside Europe. Under the proposed changes, aid would be payable for partial closures and there would be no stipulation that the plant must be destroyed. The danger with partial closure aid is that it may be diverted into that part of the business remaining in operation, thus providing an operating subsidy.

SteelAction has campaigned strongly in favour of 'A Fair Deal for UK Steel' and against unfair competition. It strongly supports the provision of a replacement Steel Aid Code containing a clear and unambiguous series of measures to assist the development and growth of the European steel industry against the background of level competition. SteelAction suggests that the replacement SAC addresses the following issues:

- *Research & Development Aid*
- *Environmental Aid*
- *Social Aid*
- *Closure Aid*
- *Regional Aid*

MEETING WITH THE STEEL GROUP OF LABOUR MPs

During May the SteelAction Secretariat arranged a small meeting with several Labour MPs to discuss a number of important issues, in particular:

- the recent spate of steel plant closures and redundancy announcements, including the Cable Street Mill in Wolverhampton, Panteg in Gwent and Bridon across its UK plants. Although the number of jobs is modest (about 400) the underlying trend is of great concern at a time of generally high profitability and output
- the latest EC sectoral economic aid allocations, which are due to be finalised and announced to the House of Commons
- the Labour Party's approach to steel and industrial policy

The meeting was well attended with a good geographical spread of MPs including Dr Jeremy Bray.