FINANCIAL TIMES
WEDNESDAY 3 AUGUST 2015
FT SPECIAL REPORT

Connected Business

Industrialist walks away from buying Tata's Scunthorpe steel plant

PEGGY HOLLINGER, INDUSTRY EDITOR

An Anglo-American industrialist has walked away from buying a UK steel plant, saying its 6,000 workers were "being led to the slaughterhouse" by ministers' failure to tackle energy costs and Chinese imports.

Gary Klesch has been in talks with Tata Steel for more than a year over the purchase of its Scunthorpe-based steel business making rails and plates. The head of Geneva-based Klesch Group, which generates €4.5bn in sales from producing and trading chemicals, metals and oil, insisted that he was not pulling out of talks because of a lack of government subsidies.

Mr Klesch told the Financial Times that he was withdrawing in frustration at the government's apparent lack of interest in old-economy industries.

"What is the industrial policy when it comes to energy or when it comes to the massive dumping of cheap Chinese steel?" Mr Klesch said.

"No one seems to care . . . The industrial side is hurting. If it was important to them to ensure those jobs were saved they would figure it out."

It is the second time in a year that Mr Klesch has walked away from buying a struggling industrial business in the UK. He abandoned the purchase of the Milford Haven refinery in Wales in November after financing fell through.

The business department rejected Mr Klesch's criticisms. It said the department was alert to the problems posed by energy costs and cheap imports.

"The steel industry is an important part of the UK economy. It is facing challenging economic conditions at the moment and we are working closely with the sector," the department said.

"We have paid £35m in compensation to steel companies to help offset electricity costs and are looking at what further help could be provided."

No one seems to care . . . The industrial side is hurting. If it was important to them to ensure those jobs were saved they would figure it out

However Mr Klesch's comments will refocus attention on George Osborne's much vaunted "march of the makers", raising questions over the government's commitment to boosting industry as a means to wean the economy off a dependency on financial services.

Mr Klesch's comments also reflect concerns over energy costs in the UK which, combined with a strong pound, is making it difficult for the steel industry to compete. This has been compounded by cheap imports, as Chinese producers seek new outlets to offset declining domestic demand as economic growth slows.

In the first five months of 2015, UK imports of Chinese steel rose 22 per cent. Although they account for less than 10 per cent of the market, prices have been pushed down as a result. The cost of hot rolled coil in northern Europe has fallen more than 20 per cent since 2013.

Mr Klesch said the UK government needed to address imports and energy costs issues urgently, in tandem with other European countries, if it wanted to retain a steel industry.

"Whoever gets the cheapest input costs wins the roses." he said. "You have Middle Eastern countries giving free gas to aluminium smelters and the Chinese government supporting their steel industry. We don't have a level playing field."

Gareth Stace, director of the UK Steel Association, said the government had shown encouraging signs of support.

Anna Soubry, minister for small business, had backed an extension of European anti-dumping measures on certain Chinese steel products, he said. However the new government had yet to commit to the implementation of a package designed to reimburse, or exempt, energy intensive industries from certain environmental and business charges.

"What we need is a clear signal of support to say we will bring that package in fully from next year," he said.