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Tata Steel restructures to improve competitiveness of UK operations through market cycles

– Port Talbot blast furnace to restart in first quarter of 2013 –

Tata Steel has today announced restructuring proposals to improve the competitiveness of its UK operations so they can successfully perform in changing markets.

The news coincides with a decision that the company is to restart Blast Furnace 4 – one of two blast furnaces in Port Talbot, South Wales, which is being rebuilt as part of a £250 million investment programme – in the first quarter of 2013. It will also lead to the restarting of the hot strip mill at the company's Llanwern site in Newport, South Wales.

Today's proposals include the restructuring of management and administrative functions which would lead to the loss of 500 jobs at Tata Steel's Port Talbot-based production hub in South Wales. Similar restructuring programmes were initiated last year at the company's other two production hubs.

The company is proposing to make changes at a number of steel finishing and processing sites in the UK that would improve its product and service offering for customers. These changes would concentrate services at six distribution and processing hubs which would benefit from £22 million of new investment and new employment, but would also lead to the closure of 12 sites, including Tafarnaubach and Cross Keys in South Wales.

In addition, shift levels at the company's Rotherham and Hartlepool operations will be reduced to match production to lower demand for bar products and pipelines.

The proposed changes are expected to lead to a net loss of 900 jobs in the UK, including 580 in South Wales, 155 in Yorkshire, 120 in the West Midlands and 30 in Teesside.

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Karl Köhler, CEO of Tata Steel's European operations, said: "Today's proposals are part of a strategy to transform ourselves into an 'all-weather' steel producer, capable of succeeding in difficult economic conditions.

"These restructuring proposals will help make our business more successful and sustainable, but the job losses are regrettable and I know this will be a difficult and unsettling time for the employees and their families affected. We will be working with our trade unions and government at a national and local level to ensure we provide them with as much assistance and support as possible.

"In addition, our subsidiary UK Steel Enterprise will be looking at how it can provide more support to local steel communities and stimulate new jobs following today's announcement. We will strengthen this work with a further £650,000 to help them create new jobs in affected areas. UK Steel Enterprise has teams in all the affected locations who, for almost four decades, have helped to regenerate local economies and create 70,000 new jobs in the UK.

"We will do everything we can to reduce the impact of the proposals on employees and, where possible, we will look to achieve job losses through voluntary redundancies."

Michael Leahy, General Secretary of the Community trade union and Chair of the trade unions Steel Committee, said: "This news will be of great concern to many of our members and their families. We will be seeking an urgent meeting with the company to ensure our principle of no compulsory redundancies is upheld, although we are pleased to see the company has already committed to offering a package of training and support for those affected by these changes.

"Sadly, these potential job losses are symptomatic of the continuing failure of the Government's economic policy and yet another reason why we are calling on the British government to take urgent action to stimulate economic growth and help revive the manufacturing sector. This announcement comes after a four-year long downturn in the UK

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and European steel industry, where the fall in UK steel demand has been steeper than in any other major European economy. This is why we need faster investment in infrastructure programmes and community benefit clauses in UK procurement just as France and Germany do to support their own manufacturing industry.

“We welcome the continued commitment from Tata Steel to invest in its UK and European business and the announcement that Blast Furnace 4 will be restarted in the coming months, together with the job creation in Llanwern. However, our focus in the coming weeks will of course be on those most affected by today’s announcement.”

Last year, Tata Steel launched a five-year improvement programme backed by significant investment, including almost £250 million to rebuild a blast furnace and install energy-efficient gas recycling at Port Talbot. Today’s proposals follow restructuring at the company’s other production hubs in Scunthorpe, North Lincolnshire, and IJmuiden, Netherlands.

Dr Köhler said: “The restarting of the Port Talbot furnace will improve our competitiveness and allow us to enjoy the benefits of a modern, state-of-the-art furnace, which, combined with the planned downstream investments, will also enable us to improve customer service. Although slightly delayed because of the current market conditions, restarting the furnace will allow us to return to sustainable production levels.”

Appropriate consultation processes with employees and their representatives will begin at each location affected by today’s announcement.

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About Tata Steel in Europe

The European operations of Tata Steel comprise Europe's second largest steel producer. With the main steelmaking operations in the UK and Netherlands, they supply steel and related services to the construction, automotive, packaging, lifting & excavating, energy & power, aerospace and other demanding markets worldwide. The combined Tata Steel Group is one of the world's largest steel producers, with an aggregate crude steel capacity of more than 28 million tonnes and approximately 81,000 employees across five continents.

About UK Steel Enterprise (UKSE)

UK Steel Enterprise is a subsidiary of Tata Steel. It encourages job creation and regeneration in steel areas through support to new and growing businesses with tailored finance packages, independent advice and high quality managed business premises. Additionally it assists with community support funding. Since it was set up nearly four decades ago, UKSE has invested more than £80m in around 5,600 companies and more than £30m in providing business premises. Additionally, £8m has been allocated in community support funding. More than 73,000 new job commitments have resulted from this expenditure.

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