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Y Pwyllgor Menter a Busnes	Enterprise and Business Committee
Ymchwiliad i'r Blaenoriaethau ar gyfer dyfodol Seilwaith y Rheilffyrdd yng Nghymru	Inquiry into the Priorities for the future of Welsh Rail Infrastructure
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Tata steel	Tata steel

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Introduction

One of the largest steel companies in the world, Tata Steel has major operations in Wales and is, by far, the largest user of the rail network. We have global activities and a global vision, but what keeps us in Wales is not our heritage here, but our vision for a sustainable steel industry in Wales. Part of that outlook is accessibility for materials, services and people using the transport infrastructure. An efficient and low-cost freight infrastructure is vital to us; it is one of those factors which influence key business decisions.

The international crisis affecting the steel industry is well-known and on 18th January Tata Steel announced manpower-reductions to mitigate the impact of the commercial challenge. It is vital to state that the technical capacity of the industry in Wales has not been reduced. In the Strip Products Hub (Port Talbot and Llanwern steelworks), we have not changed our planned output for the foreseeable future. However every opportunity is being taken to identify areas for improved competitiveness. We sense that no area is excluded for development under the

aegis of the Welsh Government – Steel Industry Taskforce, and this may include attention to the transport infrastructure and how it serves the industry.

Our commitment to Wales is clear and substantial. Our GVA to the Welsh economy is estimated to be over £3bn/a. We are one of the country's largest private sector investors. Some £500m has been invested into operations in Wales over the last 5 years alone, in the teeth of the recent economic downturn. Directly we employ over 7,000 people – the annual wage-bill for whom is over £180m. A recent independent academic study has shown that as many as 18,000 jobs “depend” on Tata Steel's presence here. Our four main manufacturing locations: Port Talbot, Llanwern, Shotton and Trostre are responsible for managing a large proportion of Wales's raw material movements. By volume, we are Wales's largest user of the transport network: using rail, road and ports.

In the heat of a crisis in the global steel industry, Tata Steel in Europe has recently announced its strategic intent increasingly to focus on developing its Strip Product's business. This includes the bulk of its operations based in Wales but also in Mainland Europe. How Wales develops as a business environment will therefore play a vital part in influencing the balance of Tata Steel's operations in the UK (largely Wales) and Europe more broadly.

1. Rail and Steel are Critical Partners in Wales

Tata Steel is the largest freight-user of the Welsh rail infrastructure. When manufacturing is at normal/full capacity, some 6 million tonnes of material is moved by rail. Within Wales this may take place between the four main sites of Port Talbot, Llanwern, Shotton and Trostre – sites up to 100 miles apart. The Welsh operations dispatch material within our supply chain to the English Midlands, North East England, to our operations in mainland Europe and to customers in the UK, to ports for export and into Europe. This traffic is vital business for Wales' rail infrastructure.

Some material can only be safely transported using rail. As far as possible we “hot-link” our operations to minimize energy cost in re-heating material in consecutive processes. This is easier on the Port Talbot site owing to the proximity of different operations. However, in-process steel slab (or “bar”) is safely transported in a hot state from Port Talbot to Llanwern. At full-capacity, this could total 1.5 million tonnes a year, the cost of reheating it from “cold” may exceed £10 per tonne.

Access to efficient, low-cost rail is vital to Tata Steel too. It was a railway entrepreneur – not an “ironmaster” – who enabled the steel industry to grow here in the 19th Century – when Sir Christopher Rice Mansel Talbot linked the GWR to the South Wales rail network. He commissioned Port Talbot's the deep water harbour. When it opened in 1837, it allowed the (then) iron industry to supply an imperial worldwide market, and, moreover, it brought better quality metallurgical raw materials for innovative steel development, inland. The “Iron Horse” has been inseparable to the steel industry. It will be no surprise that Tata Steel's own sites bear the highest concentration of rail-track (about 30 km of it at Port Talbot alone) – and we have the largest private fleet of heavy railway locomotives, wagons and specialized conveyors – moving steel in molten, hot-slab and semi-finished form. This has increased in recent years. The volume of material movement in primary production operations that has been borne by rail has increased from about 40% to over 85% since the 1990s. This has been the fruit of a positive strategy by the company.

If rail could not be used for steel, we estimate that some 300,000 road movements would be required per year. Rail keeps HGVs bearing steel off the roads, without it, we estimate that as many as 1,000 would be required to carry out the work. This makes the highways safer and less-congested. The environmental benefit is equally considerable. The use of road transport would increase carbon dioxide emissions eight times that of by rail.

In purely commercial terms, the distance from Wales to many key markets, the efficiency of rail for high volumes of heavy material, and the dispersal of steel product-chain sites – all point to the contribution the rail infrastructure makes for the competitiveness of the steel industry in Wales, (amongst other factors).

Use of rail by the Welsh steel operations is also important for the distribution of other goods into Wales. We “back-haul” from the Rhur or from Italy: anecdotally incoming goods have been beer and fridges – but in fact we facilitate the flow of a very wide range of goods into the UK and to Wales.

2. Welsh Devolution and Trans-Boundary Issues

Our corporate experience in devolved Wales has been broadly positive. The Welsh Government distinguishes Tata Steel as a key “Anchor Company”. In turn we can play our part in helping the Welsh government meet its objectives in areas in our ambit, such as economic development, environmental regulation, education and skills and occupational health.

In developing our relationship with a devolved authority, we look to create a favourable environment for our industry to thrive – for the benefit of all. We have pursued this in recent consultation processes in devolved tax, for example.

Consistent with similar points we have made about other devolved solutions, it is important for us that devolution delivers ease, efficiency and competitiveness – and does not deliver unnecessary complexity, practical obstacles and further bureaucracy. Our operations are not confined to Wales and the high volumes of material that travel from the South Wales operations to Shotton – travel via England. For this reason – and also to reduce administration, we would not support a high-level of differentiation between Welsh and English rail infrastructure and management. The “join” needs to be seamless.

3. Essentials to be Considered by the Committee

1. Access and availability of track

An efficient rail infrastructure will be accessible at consistently low cost at all times. Port Talbot, Trostre and Llanwern are well-connected, but excess other traffic on the east-west mainline often prevents us from accessing the track for vital movements. In the case of hot-linking material at Llanwern, this generates an increased production energy cost.

The “Shotton Chord”

Critically for us, a vital connection does not exist to serve our North Wales Shotton site, the largest customer for steel made in South Wales. The North-South Bidstone line from the Wirral to Wrexham does not connect with the East-West North Wales line which runs from Holyhead to Crewe. The result is a lengthy and costly detour via Wrexham. The Deeside Industrial Park lies within a Welsh Government Enterprise Zone, a site which includes other possible key rail freight users such as UPM Paper. It is an area in which some 9,000 men and women are employed. We understand that Flintshire County Council commissioned a

feasibility study to assess demand for a project known as the Shotton Chord. A setback for the concept has been that demand has, apparently, been confined to freight traffic and the viability of this does depend on the transfer of freight from road to rail – and the balance of cost/benefit for all parties. A review of the Welsh Government’s strategy to encourage freight from road to rail may be helpful here.

In South Wales, the Welsh Government must make a study and consult affected parties on the subject of the impact of **electrification** and also the **South Wales Metro** – on freight traffic.

The extent to which we use the rail infrastructure is obviously limited by the accessibility of our customers via rail. Choice of a suitable site is a business decision to be managed by those companies in question. Equally, the rail companies themselves should be acting on their market research. But there is a helpful role to be played by government strategically to encourage development of the network to support the economy.

2. Track Access Charges

Freight traffic is an important customer for the rail sector, but culturally can be seen to be a lesser priority by that sector. Passenger transport by rail is subsidized, but not such incentive exists for freight – which delivers a benefit to the general public by reducing road traffic.

3. Axle Loading Weights

The capacity of the rail infrastructure to carry high volumes of freight has an important bearing for our costs. Currently we are able to load 60 tonnes of material per typical rail wagon. A normal train may consist of about 25 wagons. In mainland Europe and elsewhere, the rail infrastructure has a greater capacity – improving efficiency, reducing costs and delivering environmental benefits. An additional cost is borne when freight needs to be transferred into the greater-capacity European regime. We believe a study should be commissioned to assess the cost/benefit of increasing the capacity of the UK/Welsh rail infrastructure for high volume freight.

4. Engineering works

Just as road-blockages and diversions are costly on travel-time and fuel, railway engineering works also add to our costs. The capacity of the rail infrastructure can be reduced further when diversion routes are introduced. A common example is the Tondu diversion in the Vale of Glamorgan, deployed when issues arise on the South Wales, East-West main line. The infarction forces us to reduce the amount of steel carried per wagon – and more trains (and locomotives) are required. Consignments are split, potentially causing us logistical issues

5. Your Themes for Comment

- a) High level priorities for the development of rail infrastructure to provide the capacity and connectivity necessary to support the social and economic well-being of Wales

Rail infrastructure development must take account of our current and future needs, aware that the efficiency and cost of rail transport are major competitive issues for us. Creating and sustaining a strong rail freight transport solution alongside the passenger agenda is a priority.

- b) How far Welsh Government's rail infrastructure priorities, including those in the National Transport Finance Plan, and the Ministerial Task Force on North Wales Transport report, meet the needs of Wales

The finance plan must take into account the priority of sustaining and constant improvement for the rail freight infrastructure. It should take account of the cost to business – and to the alternative transport sectors – of failing to do so. The North Wales plan must take into account the priority of connectivity with the South and its efficiency for large-scale freight movement.

- c) How the development and exploitation of rail infrastructure in England affects Wales, and vice versa

Our experience of devolution to date has been positive, however it is important that a "seamless join" exist for freight users – and that trans-boundary issues and administration – does not add to cost.

- d) The impact on Wales of key planned developments in England including High Speed Rail, electrification, Northern Power House / Transport for the North, and wider devolution of responsibility for rail within England

We have noted the activity concerned with compensation to Wales which has become a partisan issue into which we will not engage. It is our contention that whatever development is taking place elsewhere, the Welsh freight infrastructure must be up-to-date and technically improved to become more efficient, competitive and sustainable.

- e) How Welsh Government can best engage with and influence infrastructure developments in England and the development of passenger and freight services using the network

The Welsh Government must make clear the important role played by freight transport for the whole UK economy, and, in particular, stress the vital role it plays for one of Wales' largest economic contributors. Plans for the English network must take account of the geographical fact that the rail route from Wales to mainland Europe does pass through the south of England, and English customers of Welsh steel do rely on the existence of efficient, low-cost railway infrastructure between the two countries. It would be a tragedy if English steel users chose foreign material owing to the frailties of the railway infrastructure.

- f) Whether the periodic review process meets the needs of Wales and takes account of the needs of Welsh passenger and freight users, and how this should be developed

The Period Review Process should include the direct interests of the rail infrastructure's key customers as a normal customer-engagement discipline. The process should include a benchmark assessment of comparative cost and efficiency of rail infrastructure in similar Western European countries in the context of commercial competitiveness. It should also be identified where other governments may influence the balance of transport modes.

- g) The effectiveness of the Network Rail Wales Route and whether the approach to delivery of network management, maintenance, renewal and enhancement functions are effective in delivering value for money, capacity, frequency, speed, reliability and handling disruption for passengers and freight users in Wales

Above we have drawn attention to the difficulties and additional costs created by engineering works, and the need to enhance capacity of wagons, trains and accessibility of track – notably to the mainlines.

- h) The fact that funding for Welsh rail infrastructure is not devolved. The advantages, disadvantages, opportunities and risks potentially associated with devolution.

Our focus is on the environment in Wales to carry out our business with maximum efficiency and competitiveness. The right investment, at the right time, in the right places for the right practical reasons are priorities for us. It is for the UK and Welsh Governments to determine where the devolved arrangements should be made.

Conclusion

The steel industry is well-established in Wales. Working with government here, we hope to be able to sustain a highly-skilled workforce, work within a strong energy and transport infrastructure, and a sound regulatory structure. Above all, a potentially supportive fiscal environment can work together with a pro-growth economic development policy to make Wales the country of choice for future investment in our business.

We understand the appetite in Wales for self-determinism and local, tailor-made solutions, to solve local problems. New approaches to government, new ways to manage communities, new philosophies and new technology can be highly beneficial in every sector. But simultaneously we are an international business with global interests and partners. While we focus positively on important matters at a local level these must be consistent with the much broader UK and global view to continue to drive economic benefit. To be effective for us, the instruments of Welsh devolution, be they policy, lawmaking, tax or infrastructure - must work in this context.

Some important questions must be answered to inform our proposals with respect to the rail infrastructure in Wales. The future of the UK-wide infrastructure – including key ports, its funding, strategic processes, and how it fits with EU partners' - will be critical for Wales' viability as an economy – however passionate we are about Wales' self-determinism.

Tata Steel welcomes the opportunity to contribute its views and look forward to making further contributions where appropriate.

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