

## **CBM Supplementary Submission to TRID re Steel Safeguarding Measures, Case TF0006 - 13 April 2021**

### **Product 12 and 27 – Tariff Code Ranges**

CBM is continuing to monitor the concerns of its members in relation to Steel Safeguarding Measures, particularly in the light of concerns over the security of supply from Liberty Steel mills in UK, and also the continued turmoil in the global steel industry.

It has become clear that the mix of tariff codes included in Product 12 and 27 creates a significant risk of metalworking companies incurring tariffs because of import volume growth in products consumed by completely different sectors. Both of these product groups contain a mix of the engineering steel used by CBM members and merchant bar, rebar and sections consumed by the construction sector.

Tariff codes of particular concern to CBM members are:

7228 3061

7228 3069

7228 5061

7228 5069

These are all engineering steel products used in manufacturing.

There are specific issues here in relation to the continued viability of Liberty Steel. As an example, one CBM member currently sources around 75% of its requirements within these tariff codes within the UK. However, larger diameters are simply not produced in the UK, which necessitates their import from EU mills.

This reflects a recognised problem in the use of tariff code grouping to apply trade remedy measures. That is the unintentional penalisation of importers that have no choice as there is no supply source within the UK.

That problem is now seriously magnified by the Liberty Steel situation, where in order to sustain its own liquidity, that company is now requiring UK customers to make pro-forma payments before product is even produced. With concerns that company might cease production in some mills or enter administration, there is a massive issue for downstream steel users. Do they 'gamble' substantial amounts of cash in the hope the supplier will recover from its current challenges and be able to supply materials urgently required to meet UK and export demand for their products? Alternatively, do they try to switch to other suppliers, which means importing product volumes not previously accounted for in the calculation of steel safeguarding quota calculations, and run the serious risk of incurring tariffs when quotas exhaust.

These are challenges UK manufacturers simply should not be needing to face, with all of the other unprecedented pressures on their businesses.

### **Risk of quota being exhausted by construction demand**

The wider issue, however, is that the construction sector in the UK is currently booming, but struggling to source all the materials it needs, including rebar, merchant bar and sections. As an inevitable result, imports of these products are escalating rapidly, again to levels not anticipated by safeguarding levels.

This means that purchasers of engineering steel face the very serious risk of being 'squeezed out' by the increased imports by the construction sector.

The CBM has discussed these issues with the UK arm of one EU steel supplier. They have told us that following major stockpiling in calendar Quarter 4 2020, in anticipation of the UK leaving the EU, first quarter 2021 demand for import engineering steels remained robust. It is clear that Calendar Quarter 2 2021 demand will show further substantial growth and that there is, therefore, a major risk of quotas exhausting well before the end of the quarter.

One CBM member has told us that incurring tariffs this quarter would realistically jeopardise the very viability of its business.

## **Conclusion**

The CBM remains convinced that the current combination of serious risks related to Liberty Steel, on top of the unprecedented volatility in the global steel supply market, require that UK Steel Safeguarding measures are suspended for one year. This is in order that they do not either constrain downstream metal manufacturers in meeting UK and export demand at this critical time for the UK economy or unjustifiably penalise UK manufacturers that are unavoidably having to increase import volumes, seriously impacting their profitability at an absolutely critical time.

Notwithstanding that more general request, the CBM also believes it is extremely important that TRID engages with industry to conduct a review some of the categorisation of tariff codes into product groups, in order to eliminate the unintended consequences described above.

Specifically, the CBM requests that engineering steels should be segregated from rebar, merchant bar and sections, in order that UK manufacturers that need to import these products do not face tariffs, which will completely destroy their profitability and in some cases jeopardise their business viability, as a result of major swings in importing patterns from unrelated business sectors.

The CBM will be pleased to connect TRID with members that are currently deeply concerned that in the final quarter of the current steel safeguarding measures, their businesses could be deeply impacted by this scenario, so they can provide more detailed information.

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