

Saving the Steel Industry

Governments around the world are considering industrial resilience, supply-chain security and strategic manufacturing. The opportunity exists to rebuild competitive industrial ecosystem around steel, with SMEs at its heart.

A policy question is whether maintaining a domestic steel industry is a genuine strategic national capability for which normal commercial tests should not apply, or has “strategic importance” become a justification for committing large amounts of public money without establishing what success looks like?

Steel is not an isolated industry. It sits at the beginning of an economic chain stretching through engineering, fabrication, construction, transport, defence, energy, recycling, logistics and advanced manufacturing. And much of that chain consists not of industrials, but small and medium-sized businesses. It is acknowledged by UK Government's Steel Strategy that companies across steel recycling, distribution, fabrication and manufacturing are often SMEs which account for a third of employment across the wider sector.

That changes the debate. The choice is not simply between subsidising steel and allowing cheaper steel imports. The real question is whether it is wished to maintain an industrial ecosystem capable of supporting thousands of businesses which manufacture, fabricate, innovate and employ people. There is a legitimate strategic argument for doing so. Recent disruption to global trade has demonstrated how quickly secure international supply chains can become vulnerable. Steel is fundamental to defence, transport, energy and critical national infrastructure. Something more ambitious than preserving yesterday's industrial structure is required however.

Public investment should be used to build tomorrow's industrial supply chain. That means moving the discussion beyond the steel industry itself. For every coin committed to preserving strategic steelmaking capacity, it should be asked how that investment can stimulate fabrication, engineering, recycling, technology and manufacturing businesses further down the supply chain. Government procurement can play an important role. Large sums will be required to be spent on infrastructure, defence, energy, railways and the transition to a lower-carbon economy.

That principle should go further. SMEs must be able to compete for the opportunities. Major public projects should measure not simply where their steel originated, but how much economic value their supply chains create among SMEs. It should be known how many fabricators participate, how many smaller manufacturers win contracts, how many apprenticeships are created and how much investment flows into regional supply chains.

Contracts are often structured in ways that favour large companies. Smaller businesses encounter procurement complexity, excessive qualification requirements, slow payment and contracts too large for them to realistically bid for. Saving strategic industries, while excluding smaller businesses from the resulting economic opportunities, would be a

missed opportunity. Transition could create an entirely new ecosystem of SMEs operating in recycling, materials technology, energy efficiency, specialist steels, engineering and advanced manufacturing.

The Steel Industry should be measured by whether, ten years from now, it has created a stronger, competitive and innovative manufacturing economy around them. Saving steel should not be about preserving the past, but about using steel to build the future.