

COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL

SUPPLYING THE UK MARKET
FOR ALLOY TOOL STEEL AND HIGH-SPEED STEEL

COM(83) 226 final

EXPLANATORY MEMORANDUM

Further to the request of the United Kingdom representative on the 4th May 1982, the Commission on occasion of the "Industry" Council of 8th June 1982 has undertaken to report to the Council on the working of guidelines published in application of decisions 2794/80/ECSC, 1831 and 1832/81/ECSC and 1696/82/ECSC in regard to the production and deliveries of high alloyed steels as well as on the structural situation of these productions.

In compliance with this request the Commission communicates to Member States the report on "Supplying the U.K. market for alloy tool steel and high speed steel.

1. INTRODUCTION

The various Decisions ⁽¹⁾ taken by the Commission pursuant to Article 58 ECSC all contain a provision relating to high-alloy steels - i.e. steels with an alloy content of at least 5%, except for grades with less than 1% carbon and more than 12% chromium, whose actual invoiced price is at least 30% higher than the list price of the corresponding ordinary steel product - ; these latter steels may be produced in excess of the compulsory quota.

For these steels, the Commission is to monitor market trends continuously and is to publish guidelines for the undertakings concerned. Monitoring production quantities and deliveries enables the Commission to follow developments closely and keep a careful watch on whether undertakings comply with the published guidelines. The steels in question are alloy tool steel, high-speed steel grades and certain special alloy construction steels (ECSC grades only, thus excluding forged, drawn or otherwise processed products) ; these account for the greater part of production and trade.

In view of the difficulties that have arisen on the UK market in this alloy tool steel and high-speed steel sector, the authorities in that country have asked the Commission on several occasions to comment on the pattern of trade in these products and to summarize the structural changes that have taken place in this sector of the steel industry.

2. PRODUCTION AND DELIVERY TRENDS IN RESPECT OF HIGH ALLOY STEEL PRODUCTS

a) Production

During the period in question, which is coextensive with the period for applying the anti-crisis measures in the steel industry, i.e. from the fourth quarter of 1980 to the fourth quarter of 1982, the total production of long products with an alloy content of more than 5% has declined sharply throughout the Community, with regard to

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(1) Nos : 80/2794/ECSC, OJ L 291, 31.10.80 - all products.

81/1831/ and 1832/ECSC, OJ L 184, 4.7.81 - concrete reinforcing bars
and merchant bars

82/1696/ECSC, OJ L 191, 01.07.82 - wire rod, concrete reinforcing bars
and merchant bars.

ECSC grades. As a result, the Commission's guidelines have never been exceeded as far as production in the Community as a whole is concerned.

Annex I shows the trend in the production of certain long products since 1977.

In the individual Member States, and although production in each has fallen to a markedly different extent (in the UK it is impossible to check industrial performance in this sector, since the statistical base was changed at the start of the third quarter of 1981), the guidelines which the Commission communicated have been variously applied (see Annex II). Thus, throughout the period, Luxembourg's production has remained substantially below the target figures ; the same applies to France, except for the first quarter under review, and also to Germany except for an overshoot in the first quarter of 1982. In Italy's case, over-deliveries which are sometimes quite high have been recorded especially towards the end of the period, that is in the second, third and fourth quarters of 1982. As regards the United Kingdom, and ignoring the statistical change referred to above, production rose sharply in the fourth quarter of 1981 and in the first quarter of 1982, but then fell, reflecting the trend recorded from the beginning of the second quarter of 1982 in respect of production in France, Germany and Luxembourg.

Finally, analysis of the trend during III/81 and IV/82 for the production shares of merchant bars shows that Germany and Luxembourg, within the general pattern, lost some of their shares of the market notably to Italy, France and, to a lesser extent, the United Kingdom (see Annex III). It should be pointed out that merchant bars are by far the largest category of high-alloy products.

b) Deliveries

As a rule, more than 80% of the deliveries of merchant bars in ECSC high-alloy steels are made within the Community market, the main countries exporting to the rest of the world being Germany and Luxembourg (see Annex III).

The total volume of exports remained relatively stable between III/81 and IV/82, and was about 16%. From being the leading supplier in the Community, Germany fell to third place at the end of 1982, having been overtaken by France and Italy (whose figures for IV/82 still have to be checked).

Besides Germany, the United Kingdom and in particular Luxembourg are the Member States whose share of the Community market has declined most. As, at the same time, their exports to the rest of the world are also down, their position as suppliers of these steels has seriously deteriorated.

It is not possible to analyse the pattern of intra-Community trade in the group of high-alloy steel products on the basis of undertakings' declarations within the framework of the anti-crisis measures, since the special questionnaires do not require full details of the destinations of the deliveries. It is not possible, therefore, to produce exact figures for deliveries of high-alloy steel products on the UK market.

It is essential, however, to monitor closely the pattern of trade in these products within the Community so as to be able to check that the guidelines for deliveries of high-alloy steel on certain markets by each Member State and each undertaking are being followed. Accordingly, the Commission has taken the requisite steps to extend the obligations in Decision 82/3483/ECSC to declare movements of steel products inside the Common Market to include high alloy steel products.

As there are no statistics in this area, supplies to the UK market should be examined on the basis of the available figures for some of the most representative products in this category, namely alloy tool steels and high-speed steels.

3. TREND IN DELIVERIES OF ALLOY TOOL STEEL AND HIGH-SPEED STEEL ON THE UNITED KINGDOM MARKET

In view of the possibilities of replacing ECSC steels by products which are not covered by the Treaty of Paris, i.e. drawn and forged bars, an analysis of the trend in deliveries should be carried out in relation to all products without making a distinction between the different grades in question (in this respect, it should be noted that the UK producers claim that the guidelines published by the Commission should be regarded as valid for all "highly alloyed" products - whether they are ECSC products or not. This interpretation is not accepted by the other producers). A brief analysis can be made on the basis of internal trade figures.

Overall, with the exception of a few sporadic deliveries, in 1982 the UK market absorbed some 16.000 tonnes of alloy tool steel and 7.000 tonnes of high-speed steel. While the market for the former remained more or less stable (down 3%) compared with 1980, the market for high-speed steel shrank by 13% compared with the same year (see Annex IV).

As regards alloy tool steel, taking all types (long products, wire and flats) and all grades (ECSC and non-ECSC) together, between 1980 and 1982 there was a significant reduction in the UK's market shares (from 60 to 46%) and an increase in those of Germany (from 19 to 26.5%) and Austria (from 12 to 14.5%) in particular. The rise of Italy should also be noted (from a figure of 4 tonnes in 1980, Italy had progressed to 300 tonnes in 1982, representing 2.5% of the market (see Annex V).

As adequate figures are not available, no account has been taken of differences between the statistics, which relate to all shapes of products, and the guidelines (for ECSC products only) published by the Commission, as from the fourth quarter of 1980 for bars and wire rod, as from the third quarter of 1981 for bars alone and as from the third quarter of 1982 for bars and wire rod again. A comparison between the guidelines relating to deliveries on the UK market and actual deliveries indicates significant overdeliveries in the case of Germany and to a lesser extent by the United Kingdom in most of the quarters under review. In view of the small amounts involved, deliveries from France (0.4% of the market in the third quarter of 1982) and from Italy (2.5% of the market) do not lend themselves to an analysis in this context (see Annex VI).

It is reasonable to assume that the overstepping of the guidelines by Germany and the United Kingdom in respect of deliveries on the UK market relates to bars and wire rod alone, since, according to explanations given by the trade, deliveries of flat products amount to under 1000 tonnes per annum out of a total volume of 16 000 tonnes.

In the case of high-speed steel, and following the same approach, overall analyses of (ECSC and non-ECSC) products and shapes (long products, wire and flats), the United Kingdom and Austria have recorded reductions in the volume of deliveries of over 50% and nearly 20% respectively, deliveries from Germany have remained stable and those from France and Sweden have increased by 6% and over 20% respectively (see Annex IV and Annex VII).

The respective market shares have therefore changed significantly. For example, the United Kingdom, which was the leading supplier on the UK market in 1980, with a 48% market share, was relegated to second position in 1982, with only a 28% market share. Over the same period, Sweden and France increased their shares from 29% to 41% and from 11% to 20% respectively, with Germany and Austria more or less maintaining their shares of 7% and 6% respectively.

As regards compliance with the guidelines published by the Commission and taking into account the reservations expressed in the section on alloy tool steel, it would seem that the guidelines have been folled to only a small extent in the case of Germany and France which exceeded, in some cases considerably, the limits for deliveries to the UK market in almost all the quarters under review. With one exception, the United Kingdom would seem to have adjusted its deliveries on the UK market in accordance with the published guidelines, in some cases remaining well below the tonnage limits (see Annex IV and Annex VIII).

4. MAIN STRUCTURAL CAUSES

The initial findings of an inspection of the main suppliers of these grades of steel in the Community indicate that the positions acquired by foreign countries on the UK market do not seem to be due to the charging of discount prices. In certain cases where the inspection results are already available, it would seem that the UK prices were often above those charged on continental

markets. It should also be mentioned that the fact that continental suppliers use steel merchants (who are in some cases tied) in order to effect their sales makes it difficult to check the effective prices on the UK market.

There would seem to be no doubt that the restructuring of the sector producing these special steels, which began at a fairly late stage on the continent, has resulted in specialisation of production at Community and world level, leaving no room for one or two producers in each country. This process of specialisation would seem to be coming to an end where high-speed steel sheet and strip is concerned, is well advanced in the case of high-speed long products and has been started in the case of tool steel producers.

For example, in France two of the six firms in the sector already accounted for over 90% of the production of high-speed steel products in 1977, and in 1981 these two firms accounted for 99% of total production. In the United Kingdom, on the other hand, the concentration process does not yet seem very advanced. In 1977 the two biggest firms (out of a total of 15) accounted for 50% of total production. In 1981, the same firms (out of a total of 11) still only accounted for 52% of total production.

5. CONCLUSIONS

To sum up, it emerges from the analysis of supplies of highly alloyed steels for the UK market that:

- (a) the specific measures adopted by the Commission to limit production and deliveries of highly-alloyed steels have in general been complied with where production is concerned;
- (b) the volume of deliveries (all ECSC and non-ECSC grades and shapes on the UK market did not change significantly between 1980 and 1982 in the case of alloy-tool steel, but fell by some 13% in the case of high-speed steel;
- (c) Germany and Austria have increased their shares of the market in alloy-tool steel to the detriment of the United Kingdom, and France and Sweden have increased their shares of the market for high-speed steel, with the result that the UK's market share has fallen considerably.

- (d) this sector of the steel industry has been restructured to a greater extent in the countries competing with the United Kingdom, and this has enabled them to benefit from specialisation;
- (e) most of these steels are marketed as processed steels cold-drawn, or forged) i.e. they are not covered by the ECSC Treaty. This considerably restricts the means available to the Commission to regulate the market, especially as the position acquired by non-Community producers (Sweden and Austria) on the UK market is very strong. These producers would inevitable benefit from any restriction which applied only to Community producers.

6. POSSIBLE MEANS OF INTERVENTION

- (a) A neutral means available to the Community would be to extend the monitoring of the deliveries of each firm to the market of each of the Community Member States. To do this it would suffice to amend Commission Decision 3483/82/ECSC accordingly.
- (b) The obligation to publish the prices of highly alloyed steels was abolished in 1954. The exemption thus granted was justified by the complexity of the structure of these prices and by competition from non-ECSC products (not subject to the obligation to published prices). The UK producers now want the price publication obligation to be restored because the range of grades has been simplified and harmonised. Other producers consider that there would be no benefit in reintroducing this obligation for ECSC products if it did not apply to competing non-ECSC products.

However, even if products which are not at present covered by the ECSC Treaty were included in the system and made subject to the price publication obligation, all the Community producers would then be in a position of weakness vis-à-vis their competitors in non-member countries.

- (c) Competing non-ECSC products (mainly drawn or forged bars) could be included in Annex I to the Treaty of Paris and hence subject to the provisions of Articles 58 and 60 of the ECSC Treaty.

The UK producers believe that this is the basis for a solution to their problem, because it would permit better control of the Community market, and also because of the influence that this provision would have on the arrangements with non-member countries (Sweden and Austria) as regards ECSC products.

SPECIAL STEELS > 5%

Production of wire rod, reinforcing bars, merchant bars

		D	F	I	U.K. (1)	L	EC
1977	III	8853	4410	1847	208	N/A	15318
	IV	8806	5883	4131	218	N/A	19038
1978	I	8204	6360	4006	560	N/A	19190
	II	9201	5910	2714	510	N/A	18335
	III	10205	4856	2690	428	N/A	18179
	IV	10629	6574	4079	575	N/A	21857
1979	I	11065	6 8	3457	507	N/A	21647
	II	10937	6 21	2379	522	N/A	20659
	III	11877	5139	2245	458	N/A	19710
	IV	11618	7467	2734	549	N/A	22373
1980	I	11065	8845	3879	621	N/A	24410
	II	10433	7317	4219	540	N/A	22509
	III	N/A	N/A	N/A	N/A	N/A	N/A
	IV Decision 2794 :	8524	8038	2593	513	1955	21623
	of which merchant bars	6520	6928	1601	513	1471	17051
1981	I	8650	7268	4507	439	1860	22724
	of which merchant bars	6615	5960	3054	439	1532	17606
	II	8981	5158	2826	417	1800	19182
	of which merchant bars	6822	4060	1488	417	1518	14305
	III Decision 1831 (2) 1831.	6806	2345	1073	1620	1161	13005
	IV	5788	2832	1157	2025	1386	13188
1982	I	7125	3188	1582	2024	1339	15258
	II	5681	3047	2324	1338	1408	13798
	III Decision 1696	5888	2481	3740	1113	950	14172
	of which merchant bars	4834	2107	3002	1113	808	11864
	IV	4515	3020	2209	1351	532	11627
	of which merchant bars	3434	2609	1292	1351	448	9134

Notes: 1. Figures for the U.K. up to and including Q II/81 are acknowledged by U.K. Iron and Steel Statistics Bureau to be incorrect, being seriously understated.

2. Wire rod was not included in the quota system for the period Q III/81 to Q II/82.

DIFFERENCES BETWEEN PRODUCTION FIGURES AND GUIDELINES - SPECIAL STEELS 5 %

(Source : Monitoring EC)

	D	F	I	UK	L	EC
IV/80	- 3094	+ 571	- 141	- 36		- 2700
I/81	- 4450	- 1577	- 825	- 182		- 7034
II/81	- 930	- 1793	- 1182	- 96		- 4001
III/81	NA	NA	NA	NA		NA
IV/81	- 406	- 3750	- 364	+ 1538	- 11	- 2993
I/82	+ 1039	- 2295	- 1018	+ 1620	- 70	- 724
II/82	- 1141	- 1013	+ 836	+ 921	- 110	- 507
III/82	- 1972	- 238	+ 1929	- 507	- 353	- 1141
IV/82	- 2354	- 223	+ 135	- 674	- 938	- 4054

- Notes:
1. Figures for the U.K. up to and including Q II/81 are acknowledged by U.K. Iron and Steel Statistics Bureau to be incorrect, being seriously understated.
 2. Wire rod was not included in the quota-system for the period Q III/81 to Q II/82.

SPECIAL STEELS > 5 % - CATEGORY VI, MERCHANT BARS
Share of the various countries :

(Source : Monitoring EC)

P r o d u c t i o n							D e l i v e r i e s i n t o E C					
	EC	D	F	I	UK	L	EC	D	F	I	UK	L
III/81	100	52	18	8	13	9	100	39	29	11	10	10
IV/81	100	44	21	9	15	11	100	34	32	13	9	12
I/82	100	47	21	10	13	9	100	35	31	14	11	9
II/82	100	41	22	17	10	10	100	33	30	16	12	9
III/82	100	41	18	25	9	7	100	37	32	18	8	5
IV/82	100	38	28	14	15	5	100	25	34	32	7	3

% OF DELIVERIES INTO EC ON TOTAL

III/81	86	85	92	99	84	66
IV/81	86	83	96	93	89	67
I/82	86	84	98	97	81	61
II/82	80	90	96	55	90	64
III/82	70	85	96	41	90	40
IV/82	88	74	96	98	89	53

YEARLY CHANGES IN DELIVERIES TO THE UK OF
TOOL STEELS AND HIGH SPEED STEELS

(Source : Industry)

Market Shares

	D	F	I	UK	AU	S	Total	D	F	UK	AU	S	I
ALLIED TOOL STEELS													
1980	3156	40	4	9832	1962	1339	16454	19,2	0,2	60	12	8	
1981	2777	87	15	7324	1074	1329	12632	22	0,7	58	8,5	10,5	0,1
Estimated 1982	4206	135	300	7374	2268	1464	15887	26,5	0,9	46	14	9	1,9

HIGH SPEED STEELS

1980	444	859	-	3803	527	2305	7948	5,6	11	48	6,6	29	
1981	484	892	-	2326	231	1424	5435	9	16	43	4	26	
Estimated 1982	473	1374	-	1927	428	2819	6916	7	20	28	6	41	
9m/1980	350	699		3232	393	1806	6490	5,4	11	50	6	28	
9m/1981	355	613		1691	165	1069	3920	9	16	43	4	27	
9m/1982	355	1031		1445	321	2114	5266	7	20	27,4	6	40	

DELIVERIES OF TOOL STEELS TO THE U K
(all shapes and qualities - index numbers)

(Source : industry)

	D	F	I	UK	AU	S	SP	Tot.
IV/79	100	100		100	100	100	100	100
I/80	138	3		121	87	36	225	102
II/80	152	3		90	92	81	63	93
III/80	119	2		69	81	45	263	71
IV/80	123	13		63	86	18	206	65
I/81	96	-		63	41	32	250	58
II/81	72	19		53	30	41	-	50
III/81	154	10		62	48	47	19	67
IV/81	146	18		77	70	59	6	79
I/82	161	8	100	82	66	54	94	64
II/82	193	47	24	64	93	61	-	83
III/82	179	8	188	55	121	40	375	77
		10			120	41		

MONITORING OF GUIDELINES "TOOL STEELS"

All shapes and qualities

(Source : Industry)

	Ref.	Abatement	Quota	Real.	+/- ton	+/- %		Ref.	Abatement	Quota	Real.	+/- ton	+/- %
Germany							U.K.						
IV/79	593	- 20%	474	732	+ 258	+ 54	IV/79	2869	- 20%	2295	1802	- 493	- 21
I/80	818	- 20%	654	572	- 82	- 13	I/80	3475	- 20%	2780	1796	- 984	- 35
II/80	902	- 40%	541	429	- 112	- 21	II/80	2586	- 40%	1551	1530	- 21	-
III/80	704	- 35%	459	912	+ 453	+ 99	III/80	1969	- 35%	1280	1788	+ 508	+ 40
IV/80	474	- 35%	308	864	+ 556	+ 181	IV/80	2295	- 35%	1492	2210	+ 718	+ 40
I/81	654	- 8%	602	954	+ 352	+ 58	I/81	1492	- 8%	2557	2364	- 193	-
II/81	541	id.	541	1143	+ 602	+ 111	II/81	1551	id.	1551	1830	+ 279	+ 18
III/81	459	id.	459	1059	+ 600	+ 131	III/81	1280	id.	1280	1590	+ 310	+ 24
IV/81	308						IV/81						
I/82	602						I/82						
II/82	541						II/82						
III/82							III/82						

DELIVERIES OF HIGH SPEED STEEL TO THE U K
all shapes and qualities - index numbers

(Source : industry)

	D	F	UK	AU	S	Total
IV/79	100	100	100	100	100	100
I/80	124	73	122	58	183	121
II/80	129	92	106	91	147	112
III/80	71	84	87	63	132	93
IV/80	87	57	56	72	128	73
I/81	65	58	54	30	142	71
II/81	58	82	56	25	61	59
III/81	206	79	54	35	70	67
IV/81	119	100	62	36	91	76
I/82	76	140	54	22	173	87
II/82	81	127	52	59	203	94
III/82	172	102	36	92	165	83

MONITORING OF GUIDELINES **HIGH SPEED STEELS**
all shapes and qualities

(Source : Industry)

	Ref.	Abatement	Quota	Real.	+/- ton	+/- %		Ref.	Abatement	Quota	Real.	+/- ton	+/- %
<u>Germany</u>							<u>France</u>						
IV/79	108	- 20%	IV/79	86	94	8	IV/79	280	- 20%	IV/79	160	- 64	- 29
I/80	134	- 20%	I/80	107	70	- 37	I/80	205	- 20%	I/80	163	- 1	- 14
II/80	139	- 40%	II/80	83	63	- 20	II/80	258	- 40%	II/80	229	+ 74	+ 48
III/80	77	- 35%	III/80	50	222	+172	III/80	236	- 35%	IV/80	221	+ 68	+ 44
IV/80	86	- 20%	IV/79	86	94	8	IV/80	224	- 20%	IV/79	160	- 64	- 29
I/81	107	- 20%	I/80	107	70	- 37	I/81	164	- 20%	I/80	163	- 1	- 14
II/81	83	- 40%	II/80	83	63	- 20	II/81	155	- 40%	II/80	229	+ 74	+ 48
III/81	50	- 35%	III/80	50	222	+172	III/81	153	- 35%	IV/80	221	+ 68	+ 44
IV/81	56	- 35%	IV/80	56	129	+ 73	IV/81	146	- 35%	IV/80	279	+133	+ 99
I/82	98	- 8%	I/81	98	82	- 16	I/82	151	- 8%	I/81	391	+240	+159
II/82	83	id.	II/81	83	87	+ 4	II/82	155	id.	II/81	355	+200	+129
III/82	50	id.	III/81	50	186	+136	III/82	153	id.	III/81	285	+132	+ 86

	Ref.	Abatement	Quota	Real.	+/- ton	+/- %
<u>UK</u>						
IV/79	1026					
I/80	1252					
II/80	1083					
III/80	897					
IV/80	821	- 20%	821	571	- 250	- 30
I/81	1002	- 20%	1002	559	- 443	- 64
II/81	650	- 40%	650	578	- 72	- 11
III/81	583	- 35%	583	554	- 29	- 5
IV/81	534	- 35%	534	635	+ 101	+ 19
I/82	922	- 8%	922	549	- 373	- 40
II/82	650	id.	650	530	- 120	- 18
III/82		id.	583	366	- 217	- 37

INGOTS

(Source : EUROSTAT)

10000

10000

Works

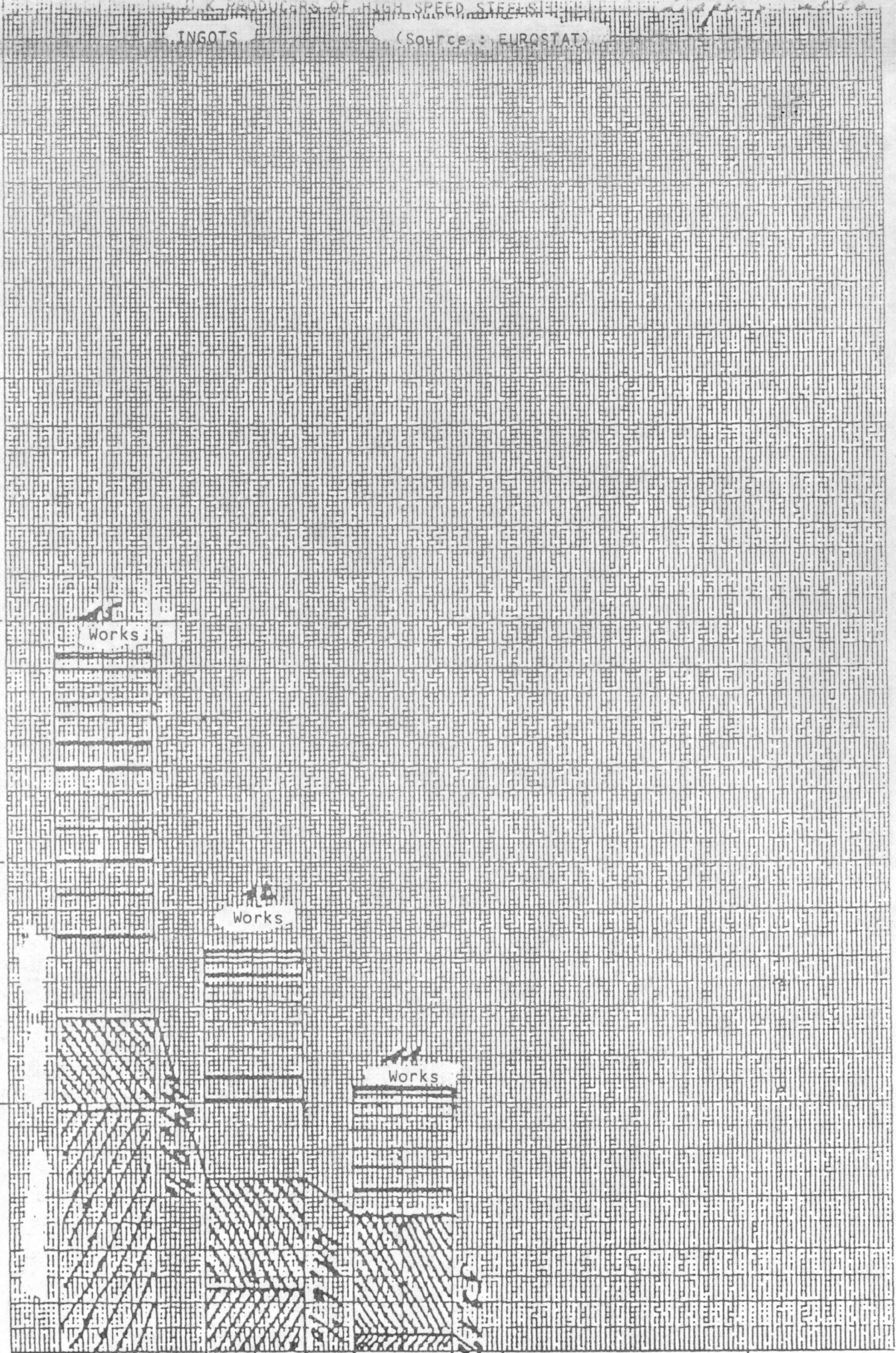
Works

Works

1977

1980

1981



FRANCE : PRODUCERS OF HIGH SPEED STEELS

INGOTS

(Source : EUROSTAT)

Companies

Companies

Companies

Companies

Companies

1955

1963

1967

1980

1984