

Positive Public Procurement: A Steel Sector View

LGA– Construction
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eef

UK
Steel



Presentation Overview

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Steel Production in the UK



British Steel: Long Products, BOS **Scunthorpe**, 3 million tonnes/year output, 4,400 employees, produces 1,450 different specifications including wire rod, sections, rail and special profiles. Used in: **Construction**, rail, automotive, 'yellow goods'



Liberty Steel: EAF, **Rotherham**, 200,000 tonnes/year, 2000+ employees, produces hundreds of products specification across carbon, alloy and stainless steel grades, plate, pipes, sections. Used in: **Construction**, automotive, defence, 'yellow goods', energy, aerospace,

TATA STEEL

Tata Steel: Strip Products, BOS **Port Talbot**, 4.5 million tonnes/year capacity, 8,500 employees, produces HRC, CRC, galvanised, tinplate and electrical steels. Used in: **Construction**, automotive, domestic appliances, energy, packaging,



Celsa Steel: EAF, **Cardiff**, 1.2 million tonnes/year, 2,000 employees, produces long products including reinforcing bar, wire rod and, merchant bar. Used in: **Construction**



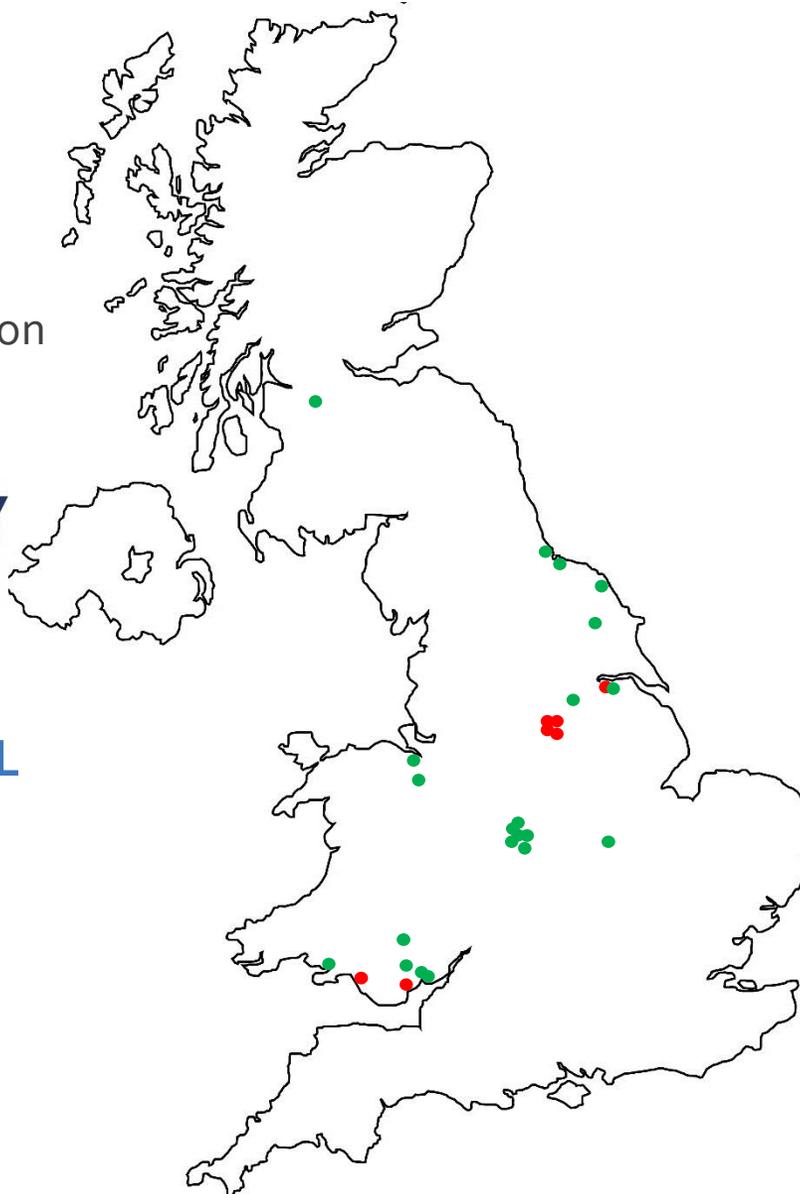
Outokumpu Stainless: EAF, **Sheffield**, 217,000 tonnes/year, 570 employees, produces 100's of different specifications in stainless steel. Used in: **Construction**, automotive, energy, packaging, domestic appliances,

Sheffield Forgemasters: EAF, **Sheffield**, 100,000 tonnes/year, 640 employees, produces highly specialised forgings and castings. Used in: **Defence**, energy



Steel Production in the UK

- 6 Primary Steel Production
- 26 Secondary Steel Production



Locations:

- Caerphilly
- Cardiff
- Corby
- Doncaster
- Dudley
- Halesowen
- Hartlepool
- Malton
- Motherwell
- Newport
- Oldbury
- Port Talbot
- Rotherham
- Scunthorpe
- Sheffield
- Shotton
- Skinningrove
- Teesside
- Tredegar
- Trostre
- West Bromwich
- Willenhall
- Wrexham

Local Authorities:

- Blaenau Gwent Council
- Caerphilly County Borough Council
- Cardiff City Council
- Carmarthenshire County Council
- Doncaster Metropolitan Borough Council
- Dudley Metropolitan Borough Council
- Flintshire County Council
- Hartlepool Borough Council
- Neath Port Talbot County Borough Council
- Newport City Council
- North Lanarkshire Council
- North Lincolnshire Council
- North Yorkshire County Council
- Northamptonshire County Council
- Redcar and Cleveland Borough Council
- Rotherham Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Sheffield City Council
- Walsall Metropolitan Borough Council
- Wrexham County Borough Council

UK steel sector in numbers

- The UK steel sector contributes **£1.5bn** gross value added for the UK economy - +£3.5bn indirectly
- The UK sector produced some **8 Million tonnes of steel 2016**, with over half of this exported, 70% to the EU
- The steel industry **directly employs 31,300 people** in well-paid and skilled jobs in areas of high socio-economic deprivation.



The UK steel sector supports a further 50,000 jobs in its supply chains and in your local regions

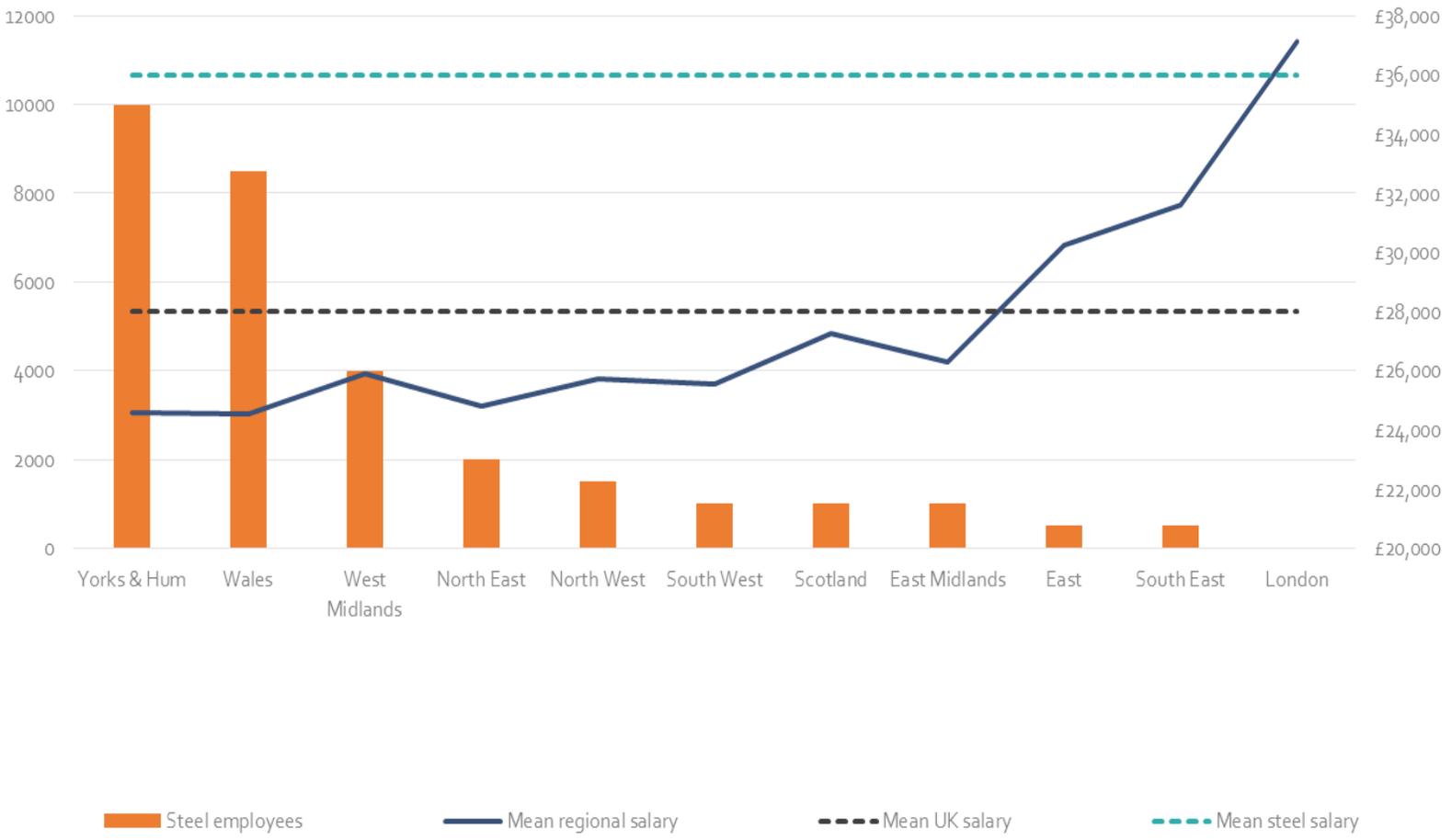
Developing skills and building careers

- The UK steel sector currently employs in the region of **450 apprentices**
- Plans to recruit over **200 more each year** in the future
- Over **6,000 applications** for these places each year
- Steel companies heavily involved with local schools and colleges, attending and/or hosting around **150 events a year**
- **65%** of our technical work force is educated to graduate level and **40%** hold post-graduate qualifications
- Tata Steel has supported over **250 PhDs** to date



Apprentices join the steel industry

Well paid skilled jobs in places that matter



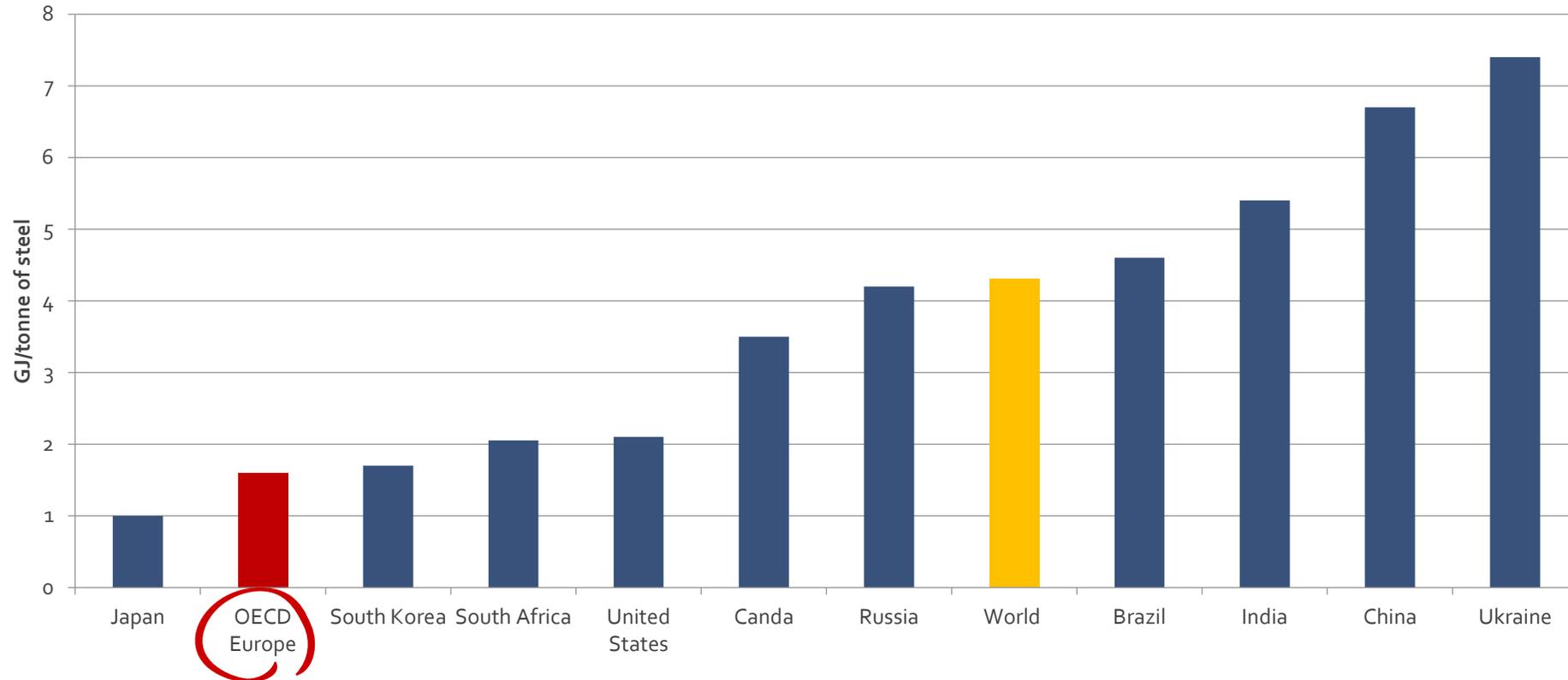
Enabling economic growth through construction

- Construction of buildings currently contributes **£60bn a year** directly to UK economy
- BUT purchases from UK supply chains, means its impact **could be much greater...**
- **£880 million of purchases** (2.5 million tonnes) from the steel sector each year, estimated impact of **£1bn GVA**
- BUT, it also **imports a further £1.2 billion of steel** (3 million tonnes).



Environmental benefits of UK steel

International comparison of energy saving potential in steel sector (International Energy Agency 2012)



Applying currently available technologies, steel produced in the EU is very close to the limits in terms of the energy efficiency of its process

Environmental benefits of UK steel

- Celsa Steel Case Study: Modern Electric Arc Furnace Production of Steel Rebar for construction
- CELSA UK's EAF is one of the most efficient in the EU

Kgs CO ₂ /T	CELSA UK EAF	European avg EAF	China BOS
Production Only	593	785	2,200
Transport	+6	+160	+550
Total	599	945	2750

Benefits of local supply chains

- Potential for early vendor involvement and value engineering
- Shortest manufacturing lead times for UK market standard products
- Flexibility to deal with late project design changes
- Responsive to sequencing changes in build-phase programme requirements
- Reduced raw material price risk
- Working capital benefits from shorter supply chain
- Responsible Sourcing – all are all accredited under BRE standard **BES 6001** and are in the process of gaining relevant **BREEAM certification**



Steel as a material of choice – benefit of using steel in construction

1. **Fast, efficient, resourceful** – Steel can be assembled quickly and efficiently
2. **Less columns, more open space** - Steel sections provide a cost-effective method of spanning long distances, providing more space
3. **Endlessly recyclable** - When a steel-framed building is demolished, its components can be reused or circulated
4. **Added fire resistance** - Extensive testing of structural steelwork has provided the industry with a thorough understanding of how steel buildings respond to fire.
5. **Lighter and less impacting on the environment** - Steel structures can be significantly lighter than concrete equivalents and require less extensive foundations, reducing the environmental impact of the build.



Steel as a material of choice - offsite construction

- Steel is a critical component of offsite construction
- UK steel companies are already highly engaged in innovative new approaches: the Heathrow Expansion and Buildings as Power Stations project in Wales
- Many benefits of offsite construction – Heathrow's approach is estimated to reduce **costs by 25%** and **delivery by 30%**
-



Steel as a material of choice - offsite construction

Many benefits for school construction:

- Quick turnaround
- Costs savings - initial outlay and long term
- Site specific design
- Eco-friendly
- High quality classrooms



Public procurement of steel

- Steel crisis of 2015 saw the creation of the **Steel Council** and it's subgroup on procurement
- In 2015 the steel sector pushed for **guidelines** on the procurement of steel in **public projects** to provide **greater opportunities for UK steel producers**
- **Procurement Policy Note** (16/15) published in December 2015, provides new flexibilities for public bodies procuring steel to **make considerations beyond upfront costs/value for money** , updated in December 2016 to make it more applicable across the whole public sector
- Currently it is **compulsory** for all Central Government Departments to comply with the notice when procuring steel for **'major'** projects where steel is significant component. Other public bodies **can choose** to follow this but it is not compulsory.
- The Welsh Government published it's own guidelines last week **'Supporting the sourcing of steel in major construction and infrastructure projects in Wales'** .



Example: North Lincolnshire Council & British Steel

- Leader of North Lincs Council, Rob Waltham has **written to 341 authorities** to promote the **"Charter for Sustainable British Steel"**; advocate BES6001 accredited steel suppliers and encourage use of steel origin and compliance questionnaire
 - >38 positive responses by end June 2017
 - Subsequently provided links to helpful resources on their websites
- Joint engagement between N. Lincs Council and British Steel to **develop North Lincs steel procurement pipeline**
 - Subsequently promoting provision of local construction procurement pipeline data
- North Lincs Council and British Steel **joint engagement with YorBuild** framework
 - Discussed steel procurement policy and practices
 - Subsequent YorBuild survey of contractors to understand effect of current approach



ONGO Church Square Office
Development in Construction using
British Steel

UK Steel Charter

- The steel sector and trade unions will be launching a refreshed '**UK Steel Charter**' which will build on the work of North Lincolnshire Council
- The '**spirit**' of the charter is to **encourage and facilitate the greater use of UK steel products** in construction and infrastructure projects across the UK
- The core pledge will be to 'take positive steps to adjust their procurement practises to maximise supply opportunities for UK steel producers.'
- Key audience will be those public organisations and projects not captured by the steel procurement policy note/guidance
- Will look to replicate and encourage the positive actions promoted in UK, Welsh and North Lincs guidance



Positive steel procurement – examples actions

Example actions from the various guidance include:

- **Pre-procurement planning** – identify projects with major steel components
- **Signalling future demand for steel** – i.e. steel pipelines
- **Supply chain transparency** - advertising supply chain opportunities
- **Supplier selection** – use of pre-qualification questions to specify health and safety, social, environmental standards
- **Steel specification** - specific relevant environmental and quality management (i.e BES 6001)
- **Evaluation criteria** – using a 'balanced scorecard approach', consider using a steel sourcing questionnaire

UK Government Guidance: <https://www.gov.uk/government/publications/procurement-policy-note-1116-procuring-steel-in-major-projects-revised-guidance>

Welsh Government Guidance:

[http://prp.gov.wales/docs/prp/toolkit/PANSteelprocurementsupportingthesourcingofsteelinconstructionandinfrastructureprojectsFINAL\(ENGLISH\).pdf](http://prp.gov.wales/docs/prp/toolkit/PANSteelprocurementsupportingthesourcingofsteelinconstructionandinfrastructureprojectsFINAL(ENGLISH).pdf)

North Lincs Guidance: <http://www.northlincs.gov.uk/jobs-business-regen/business-information-and-advice/procurement/steel-procurement/>

Questions & Discussion:

- Initial reactions, would this be seen a positive and worthwhile initiative by councils & councillors
- How do you view the potential benefits in both public and practical terms?
- Do you currently pay specific attention to sourcing of steel or other raw materials?
- How feasible would it be to establish and publicise steel pipelines for you?
- Do you already employ balanced scorecard approach to procurement? If not then would you?
- Do you already apply and specific selection criteria for contractors suppliers in terms of environmental or social standards?

Thank you

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