



Corus is battling the downturn

British industry is struggling because of the downturn in economic activity worldwide, and the steel industry is not exempt.

The nation's biggest steel producer is Corus and we asked its Chief Executive Officer Philippe Varin (pictured above, centre) how Corus is dealing with the challenge facing it.

Here he talks about future prospects, the danger of further job losses and why Corus, Community and others are urging the Government to take action like governments have elsewhere in Europe.

It looks like tough times ahead for Corus. How are you planning to weather the storm?

We all know, I think, that we are facing some of the worst economic conditions since the 1930s. What none of us know is how long it will be before demand for steel returns to normal levels. The situation varies around the world, but here in the UK we have announced a drop in production of at least 30% and this continues to increase. That, combined with the accompanying severe drop in steel prices, represents a very serious situation indeed. We are trying to mitigate the consequences for our workforce, but we are still having to reduce our employment costs through measures such as reducing overtime, reducing bonus payments, flexible working arrangements, minimising the use of contract and agency labour, and, potentially, payroll reductions. We not only have to weather the storm, we also have to position the businesses to take advantage of the recovery when it comes.

What is the role of the unions in this process?

We have a constructive partnership with the trade unions and we aim to maintain this through these difficult times. We rely on our skilled workforce and share the objective of minimising the impact on the workforce in both the long and the short term. We are grateful that we have trade unions with deep knowledge of the industry who are supportive of our efforts in relation to building a sustainable steel industry and also in lobbying government for appropriate support.

Do you think that it will be back to business as usual in six months, a year? Or will this crisis take longer to recover from?

We're in unprecedented circumstances and nobody knows. The indications of a swift recovery in the UK are not good, which leads us and the trade unions to agree that the UK

government should be doing much more to support the country's manufacturing base. We also very strongly believe the UK government should be following the lead of other European governments in helping to fund the continued employment of workforces in good businesses that are experiencing temporary unemployment. This is not about state hand-outs for the steel industry, it's about retaining valuable skills on manufacturing industry's payroll generally and having those skills improved through retraining programmes. It is a great shame no scheme exists at present in the UK like the one recently introduced over a period of just a few weeks by the Dutch government.

What do you think is the long-term outlook for steel manufacturing in Britain?

For a basic industry like steel to flourish there has to be a strong manufacturing base. The UK's manufacturers have been in long-term decline and the current downturn is accelerating that trend. Government must promote a mixed economy, balancing the need for a sophisticated service sector with that of a solid foundation in the manufacturing sector. This country's economy will wither without its manufacturing base.

Community has a commitment to provide our members with opportunities for training and developing new skills. Has this helped Corus become more competitive?

The technical and managerial capability of our employees is vital to continuing to enhance the competitiveness of the UK plants. We will increase our focus on training and development through this downturn to ensure that our plants are more competitive in what we expect to be difficult market conditions for some years.

Your reaction to this downturn has been different to past recessions, when British Steel would retrench and rehire later. Is this strategy to ensure that Corus will not be under-strength and under-resourced when production increases?

We are attempting to reduce costs as far as we can through temporary measures, but where there are fundamental issues around the competitiveness of products or plants we will be forced to review the future of our operations. We have been very focused on not taking knee-jerk reactions to the extremes in price and demand we have seen, but as the market demand and prices stabilise we will have a clearer idea of the decisions we must take and some of these are unfortunately still likely to involve job reductions. But I can assure you we will continue to invest in R&D, IT and training in order to build a solid platform for the future.

Response from General Secretary Michael J. Leahy OBE



My thanks to Mr Varin for taking the opportunity to address us in Stronger Together. Meeting the challenges of the current economic downturn is likely to test the partnership between Corus and Community but I believe that an open and transparent dialogue is important to explain how we are facing these challenges. Corus and Community clearly have many shared objectives and above all both sides want to see a sustainable future for the UK's steel industry.

The economic outlook facing the UK steel industry is not good. The order books are down more than a third, and Corus has dropped production to match it. This has meant blast furnaces being temporarily shut down in Scunthorpe and Port Talbot. For our members it has seen the loss of overtime and reduced bonuses, and in some workplaces shift patterns are changing from 21 to 15 shifts, with a loss of shift premium to workers. While these cuts have a real impact on our members, particularly around the festive season, we believe that Corus are managing this process responsibly with the long term future of the business in mind.

Community is in ongoing talks with Corus relating to the management of the economic downturn. A whole range of options are being discussed and everything is still on the table at the time of writing. Nothing has been decided and at this time we are advising Corus workers to stick to the national agreements that we have in place. However, the severity of the economic downturn means that we, as a union, must be prepared to take the tough decisions that ensure a long-term future for the industry whilst minimising financial hardship in the short to medium term.

This means that we will listen to all options, but it is important that any compromises we make to survive this period do not undermine Corus terms and conditions in the long term. Community is doing everything it can to ensure that we will face temporary sacrifices of earnings rather than permanent cuts.

I applaud Corus for a much more considered approach to the downturn than we would have expected from the old British Steel. Under that regime the default response to adverse economic conditions was job cuts, with little thought going into what would happen when conditions improved. Corus now recognise that a highly trained and skilled workforce cannot be produced overnight, and that cuts to the workforce reduce the production capacity of the company for the future. Corus also recognises that when the economy picks up, a motivated workforce is the key to producing quality products.

I agree with Mr Varin that the Government could be doing more to support the manufacturing industry in Britain. We support some of Mr Varin's proposals for state support but we strongly believe that the current situation would be best tackled on a tri-partite basis - government, company, and unions all playing an equally important role. In addition, we believe that training and up-skilling of the workforce should be at the forefront of any programme. The importance of having a highly skilled workforce to allow UK manufacturing to compete in the era of globalisation cannot be overstated. In addition, if there are to be job losses we must ensure that those affected are fully equipped to secure new employment.

Community has strong links with MPs in Westminster and we will be doing everything we can to convince the Government to support the industry through this financial crisis.

But it is not all doom and gloom, there are bright spots on the horizon. The falling pound against the euro makes UK exports more competitive. Trostre has enjoyed a remarkable turnaround in fortunes, back from the brink of closure last year.

There is no doubt that these are exceptional and difficult times for the steel industry but I firmly believe that if we pull together we will get through this period and secure the long term sustainability of the UK's steel industry.

As the Crowe flies

Michael Leahy paid tribute to Peter Crowe, Community's outgoing Deputy General Secretary, who will shortly be retiring, saying, "Peter has been a great asset to the union and he played a crucial role in seeing through some of the difficult changes to create a union fit for purpose. I know I speak for us all when I wish him a long and happy retirement."

Peter Crowe, what are the highlights of your trade union career?

The constant highlight has been working directly alongside our members and seeing the real difference that trade unions can make to people's everyday lives. I've always enjoyed assisting members in pay negotiations and you can't beat the feeling of knowing you've got an extra per cent pay-rise out of management thanks to the collective power of the union.

What's the biggest change that you've noticed?

The biggest change has been industrially. When I joined the union in 1976 the textiles and footwear industry absolutely dominated the East Midlands. I've witnessed the decline of those industries over the years and I've seen the damage that this has done to our communities. This has brought a big change for trade unions too - we've had to adapt to new industries and find new ways of looking after our traditional communities. If you'd have said to me thirty years ago that I'd finish my career working for a union with members in steel and betting shops, as well as textiles, I'd never have believed you.

How do you see the future for Community?

I know the last few years have been hard work for a lot of people - myself included - but I think that Community really is fit for the 21st Century now. We've got a great team of staff and officers in place and we're improving communications with our members - the Member Service Centre is approaching its first anniversary and will have spoken to 5,000 members in its first year. I think Community can be optimistic about its future.

Clearly, the coming year is going to be tough as the economic downturn continues but I'm confident that Community is ready to honour its commitment to be there for members when they need us most.

