

Ratan Tata hailed as saviour of UK steel

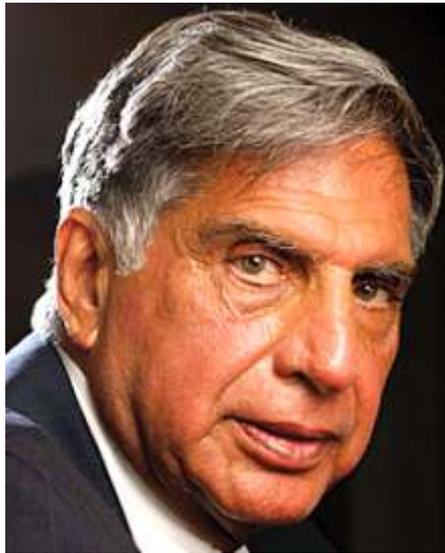
Tata Sons interim chairman Ratan Tata was today hailed as the saviour of the UK

steel industry after the Tata Group announced a 10-year commitment of one billion pounds investment to save thousands of jobs for its embattled steelworks in the country last week.

In a special feature titled 'Man of Steel', the Sunday Times attributes the thousands of jobs saved in the industry largely to the sacking of Cyrus Mistry and Ratan Tata stepping in as interim chairman.

"Last week's abrupt change of heart owes much to a terse board meeting in Mumbai on October 24. At that meeting the board of Tata Sons, the parent company that sits astride an empire spanning steel to tea, sacked its chairman Cyrus Mistry and reinstated his predecessor Ratan Tata," the report said.

Describing Ratan Tata as the "architect" of the 6.1-billion-pound acquisition of Corus in 2007, it quotes insiders as saying that the 78-year-old tycoon was never comfortable with the idea of abandoning Tata Steel's Welsh plant at Port Talbot – the UK's largest steelworks. "Now he is back at the helm, Port Talbot has won a reprieve," it notes. Tata is said to have been painfully aware that the closure of Port Talbot would devastate the town already marred by poverty.



"As the head of the (Tata company) charity, Ratan is not like that. You don't want to get rid of vast chunks of people and create mass unemployment. Ratan was quite upset at the way he (Mistry) was dealing with Tata Steel. There were all these whispers that he (Ratan) did the wrong thing in buying Corus," the newspaper quotes an insider as saying.

Nearly 11,000 British workers at Tata Steel have been rejoicing after the company has indicated that it would not take any dividends from its British plants until their

profit tops 200 million pounds a year.

The company made the pledge last week as part of a plan that will keep the Port Talbot site in south Wales open until at least 2021. It promised no job cuts for five years and to pump 1 billion pounds into its UK plants over 10 years.

Tata said in a statement, "The immediate target of 200 million pounds provides sufficient funds to invest in the business and to manage working capital needs. However, beyond this level the business will balance the needs of all its stakeholders, including the financing of dividends".

In return, workers must accept the closure of the British Steel Pension Scheme to future accruals.

Roy Rickhuss, secretary general of the steel union community, said, "Since March, the way people have been treated has been very hard.

No one knew if they would have a job by Christmas. But we have to recognise that prior to March, Tata had invested significantly in the UK".

"This proposal would secure jobs for years to come and bring serious investment, not just to Port Talbot but steelworks across the UK," he said. Meanwhile, the Brexit referendum in June has changed economics for Tata Steel.

Steel Ministry pitching for reducing iron ore rail transport costs

The cost for transportation of iron ore by the railways may come down by up to 14% if the rail ministry pays heed to its steel counterpart's persistent demand. The freight reduction would be a welcome move for the steel and iron ore industry, but might cause a strain to the revenues of the railways, often called the lifeline of the nation.

Acting upon the repeated plea of the steel industry, the steel ministry has been urging railway ministry to change the freight class of iron ore and bracket it within the same class (145) as that of other raw material like coal, limestone, dolomite and manganese ore.

Iron ore is presently classified as freight class 165, same as that of steel. The steel industry argued that since iron ore is a raw material, it should be brought under freight class 145 and not put in the same class as that of steel which is essentially a finished product.

If this demand of steel ministry is accepted by the railways, the benefit that would accrue is to the tune of 13.8% less freight charge for transportation of iron ore by the railways. The steel ministry had



discussed the issue at least thrice since August last year at the Railway Board level, but nothing concrete has come out so far. In 2015-16, India's iron ore production stood at 135 MT.

The difference in the cost of transportation between freight class 245 and freight class 265 hovers between R28 per tonne and R490 a tonne. Freight rates go up with an increase in kilometre. The gap also widens as the distance goes up.