

Automakers prepare contingency plans for steel supply as buyer sought for Tata Steel UK business

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Purchasing teams working to find alternative sources in Europe.

Automakers with production bases in the United Kingdom are taking steps to secure alternative supplies as Tata Steel continues to seek a buyer for its UK manufacturing sites, reports Reuters. A spokesperson for General Motors (GM), which produces Vauxhall and Opel vehicles at Luton and Ellesmere Port and is said to source around 60% of its requirements from the country, told the news service, "If Tata fails, our purchasing teams are already working to find alternative sources in Europe." Honda, which has a site in Swindon and is said to source around 10% from the country, also said, "There is a contingency plan in place if the situation with Tata changes." Nissan noted that it has recently bought up to 45% of its steel requirements for Sunderland facility from Tata Steel's Port Talbot plant, but added that the amount changes every year. Tata Motors-owned Jaguar Land Rover (JLR) stated that around 30% of its steel requirements came from the same site, but has previously told Reuters that it makes its "own purchasing decisions based on the right commercial reasons." A spokesperson for BMW revealed that while it sourced some of its steel requirements from the company, "As a rule we always make sure we have more than one supplier to prevent us from becoming too dependent on any single company."



Significance: The future of Tata Steel's UK business has been uncertain for many weeks as it struggled with costs in the wake of a slump in the global price of steel given the overcapacity in the market, much of which is in lower-cost markets. Although there are fewer steel-making facilities in the UK than their once was, there has been a further reduction with the closure of SSI's site in Redcar. Other sites which are in financial trouble are owned by Caparo. Some of Tata Steel's sites have already been saved from closure by Greybull Capital, under the British Steel umbrella. However, Tata Steel is thought to be still trying to sell other assets, the biggest being its key site in Port Talbot which manufactures specialist steels including those used in the automotive industry as part of its range of products. Without a clear idea of the future of the site, it comes as no surprise that automakers will be looking for alternative sources for this still very important material. However, recent reports have suggested that Tata Steel could retain its remaining operations thanks to a deal with the UK government that would restructure its pension obligations and secure a loan, although the company has added that the search for a buyer is ongoing.

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