A Cinderella industry? The state of play for UK forges

Peter Davies, Brockhouse Forging, OSSL Group

It is easy to understand the urgency of recent attempts to reignite investment in the forging industry in the UK. Some reports put the value of the global steel forging market at approximately $56bn by 2022. Elsewhere, other reports identify an approximate, global annual growth rate of 8% between 2016 and 2020.

Furthermore, a recent report found that the Casting and Forging market in Europe alone will grow at a CAGR of 4.84 per cent over the period 2013-2018.

It is easy to see why – by comparison – the decline of UK forging has left the industry feeling like it has not been invited to the ball.

The first question is what has made UK forging so unattractive? This is a complex issue but it can be broadly understood if we consider that the two industries that drove UK forging have had an equally tough time and become the ugly sisters.

The decline of mining industries in the UK is already well documented, and the death of a thousand restrictions being enforced upon the associated oil and gas industries have meant that the demand for forged products in these industries has been drastically reduced. Globally there are some areas of growth but of course, these come with the threat of global competition as well.

The second 'sister' is that of the green taxes placed upon domestic UK industry. Green taxes account for anywhere between 16 and 20% of the total energy costs of many forging operations, in a country that already has some of the most expensive energy costs in Europe.

In an industry that is as price sensitive as steel and forging, these financial issues are a major problem. No amount of trying to compete on responsiveness or agility, is set to solve them.

The net result of this has been that there are only a few forges left in the UK, all of whom are niche players. High volume forges, such as those serving the automotive industry have disappeared as contracts have moved offshore.

These remaining players face an uphill battle to compete on innovation – it is hard to justify the investment in new capital equipment with little scope for growth. There is also the threat of lost skills as there has been little to no transfer of either knowledge or skills into a new workforce – and that new workforce is itself very limited.

Whilst there is no fairy godmother on the horizon, there are a few possibilities to make the industry more attractive. Firstly, most commentators agree it has bottomed out and the rounds of cost cutting have done their job, revealing lean, focused commercial organisations.

Within niche markets, it is easier to develop high value services and to differentiate products on issues such as quality, speed, traceability and innovative design. Markets such as classic automobiles, climbing and even Formula 1 have all figured recently on the order books of UK forges.

And lastly, the allure of overseas partners continues to diminish as costs rise and supply threats persist. Reshoring and increased production in the UK automotive sector is expected to provide around £2.5bn year of additional opportunities for the metals industry, while the UK's latest national infrastructure plan includes some £466bn of investment up to and beyond 2020.

Handling these opportunities and adapting to a new trading climate will be critical for UK forges going forward. There will be likely be no glass slipper that restores UK forging to the days of old, but there is more than enough demand within the industry for it to not need one, or indeed, a Prince Charming. UK forges must write their own happy ending but this is likely to require innovation, investment and perhaps pursuit of higher-value market niches.

31st August 2017

****

For further information about the authors, please visit Bromford Iron & Steel at

bisteel.co.uk/