Cabinet

Iron and Steel: Establishment of Interim Control Board

Memorandum by the Minister of Supply

My colleagues will wish to know the present position concerning the proposed establishment of a Control Board to supervise the steel industry during the period before public ownership.

2. I had hoped to be able to announce the membership of this Board in the House of Commons before the recess. But I have been badly held up because the Iron and Steel Federation, after a number of discussions with me and my advisers, intimated that, while they were prepared to co-operate willingly with whatever Government agency was charged with the control of the industry, they could not associate themselves with membership of the proposed Control Board, inasmuch as it would be part of the duties of the members of the Board to give guidance and advice on technical matters arising in regard to nationalisation.

3. I considered whether, in the light of the Federation's attitude, I should be justified in appointing a Control Board composed entirely of men without direct experience of the steel industry. I came to the conclusion, however, (with the concurrence of my colleagues on the Socialisation of Industries Committee) that both from the standpoint of public presentation and of actual working it would be wrong for us to adopt such a course, particularly because of the importance and complexity of the issues to be dealt with by the Board.

4. I thereupon made some inquiries as to the possibility of obtaining one or more men of first class standing from the United Kingdom steel industry notwithstanding the attitude of the Federation. I ascertained, however, that although there is reason to believe that some of the younger leaders of the industry are uneasy at the policy followed by the Federation, no outstanding member of the industry would be prepared, in view of the Federation's attitude, to accept an invitation to join the Board at present.

5. Following upon consultations which I had with the Lord President of the Council and the Chancellor of the Exchequer, the Prime Minister approved the issue of an invitation to Dr. Van der Bijl, the head of I.S.C.O.R., to become Chairman of the Board. Field Marshal Smuts was good enough to say that he would be prepared to spare Dr. Van der Bijl for service. Dr. Van der Bijl offered to come to England immediately for consultation, while not committing himself as to acceptance of the position of Chairman.

6. Dr. Van der Bijl has now arrived and has had a number of discussions with me and my advisers. He has also seen the Prime Minister, the Lord President of the Council and the Chancellor of the Exchequer.

7. While not giving any final answer, Dr. Van der Bijl has intimated that he would be most reluctant to accept the Chairmanship of the Board except perhaps for a very limited period.
of two or three months. He agrees with my view that the Board should comprise one or more persons of first rate standing with direct experience of the United Kingdom steel industry if it is to function effectively. He has, therefore, suggested that he should be empowered to discuss with the leaders of the iron and steel industry here certain proposals which, in his view, might induce them to alter their present attitude of non-co-operation in the matter of membership of the Board.

8. Dr. Van der Bijl is still preparing details of the proposals which he thinks might be acceptable to the Federation. I cannot therefore say more at present than that Dr. Van der Bijl feels that the attitude of the leaders of the industry might be modified if they could be assured that the Government plans, while providing for complete Government control in the last analysis, would allow the retention of a measure of private ownership. Such a procedure would be broadly similar to that followed in South Africa.

9. Clearly it will be necessary for Dr. Van der Bijl's proposals, when formulated, to be closely scrutinised. In general I could not recommend the acceptance of any proposals which would in any sense be a surrender to the Federation, or could be so regarded, or which would be a complete departure from the principle of "transfer to the ownership of the nation of appropriate sections of the iron and steel industry" (to quote the terms of the resolution adopted by the House of Commons on the 28th May). But I have always thought that provided the Government possessed absolute final voting control (e.g. through a holding company) there would be much to be said for retaining the structure and identity of at least the leading companies in the industry, with their existing technical staffs, goodwill, service contracts and the like, and for permitting a measure of continued private investment. In any such arrangements special attention would have to be given to such matters as (a) the right of shareholders to dispose of their stock if they did not wish to retain it under the revised conditions which would then obtain and (b) the supervision of the dividend policy of the companies.

10. While I cannot yet submit any detailed proposals to my colleagues, it seems to me that nothing would be lost of Dr. Van der Bijl were authorised to draw up proposals on the lines which he has in mind, on the understanding that (a) insofar as he has any preliminary discussions with the Iron and Steel Federation these must be on the basis that he has no authority from the Government to negotiate any proposals and (b) the Government will reserve the full right to reject his proposals if they are considered to be incompatible with the broad lines of policy approved by Parliament in May.

11. I therefore ask my colleagues to agree that I should authorise Dr. Van der Bijl to proceed as rapidly as possible to formulate his proposals for the Government's consideration. In order to save time I suggest that authority should be given to the Lord President of the Council, the Chancellor of the Exchequer and myself to examine Dr. Van der Bijl's proposals when presented and, if we regard them as generally acceptable, to authorise him to discuss them further with the Federation as a possible modus vivendi which, without compromising any essential principle, will secure their co-operation on the proposed Control Board.

J. W.

Ministry of Supply, S.W.1.,
30th July, 1946.