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COPY NO. 5121st October, 1964CABINETIRON AND STEEL NATIONALISATIONMemorandum by the Minister of Power

I should like to give my colleagues an outline of the proposals which I have in mind for handling iron and steel nationalisation.

1. Scope of Nationalisation

I think we should concentrate on the 13 large undertakings (including Richard Thomas and Baldwins, already in public ownership) which comprise over 90 per cent of the pig iron and crude steel capacity in the country. Included in the 13 undertakings are three concerns which are subsidiaries of major engineering groups - English Steel Corporation (a subsidiary of the Vickers group); G.K.N. Steel Company Limited (a subsidiary of the G.K.N. group); and the Iron and Steel Division of Tube Investments Limited. These three cases will pose some complex problems of definition and drafting if we are to avoid a hybrid Bill which would involve special Parliamentary procedure, and this may require further examination; but I am assuming for the moment that we should include the steel-making parts of these groups in our nationalisation proposals.

2. Method of Nationalisation

I think we should proceed by transferring the shares of the Companies to be nationalised to a new Central Authority, as was done in the Iron and Steel Nationalisation Act 1949, but, in order to make a clean break with the past and to ensure that the structure of the industry is reorganised as quickly as possible, we should provide in the Bill that the Central Authority is to draw up schemes for reorganising the industry which, if approved by the Minister, would be put into effect by Statutory Instrument. This will enable the Central Authority to base its proposals for reorganisation on the knowledge of the industry which it has acquired by taking over and running the Companies, and, once the reorganisation has been carried out, it will be no less irreversible than if it had been laid down in the Bill itself.

3. Compensation

If we follow the precedents of previous nationalisation Acts, the compensation would be based on the Stock Exchange value of the shares at some specified date or dates. This may be open to criticism in the case of the steel industry on the ground that the Stock Exchange values, influenced as they are by expectations of dividend distributions and political uncertainties, greatly under-rate the true values of the Companies, whether in terms of values of assets or in terms of capitalised earnings. There is no need to take a final decision about this at the present stage: I suggest that the matter should be remitted to officials for examination.

4. Iron and Steel Federation

It will be essential to secure control of the trading subsidiaries of the British Iron and Steel Federation (B.I.S.C., O.R.E., etc.) which handle centrally the imports and shipping of iron ore, and, as such, occupy a key position in the industry. The company structure of these subsidiaries is extremely complex. It will need careful examination to ensure that the property and rights of the nationalised Companies in them are properly protected. Some special provision in the Bill to safeguard this may well be necessary.

We shall also have to consider whether any special provision should be made to safeguard the position of the new Central Authority and the publicly-owned Companies in relation to the Federation generally. For this we shall have to obtain detailed information about the way in which the Federation, and the conferences which compose it, work.

5. Iron Ore

The Companies to be nationalised account for about 95 per cent of current United Kingdom production of iron ore, and control about 60 per cent of workable reserves. In the short term, therefore, there will be no problem about iron ore, and I do not propose to complicate the nationalisation Bill by including in it provision for nationalising ore in the ground. I think this should be left for later consideration as part of the question of the nationalisation of mineral rights generally.

6. Procedure and Timetable

Even a simplified, streamlined measure such as I am proposing will throw up some complex problems in the preparation and drafting of the Bill - some of them requiring factual investigations, for which consultation with the organisations in the industry will be necessary. It will not be easy to steer a course which will keep us clear of the hybrid procedure in Parliament. We ought, in any case, to take time for consultation with the industry itself and with other interested organisations before committing ourselves in detail to a nationalisation scheme. It is very doubtful whether we could have a properly prepared Bill ready for introduction in Parliament before at least half-way through the Session, which seems rather late for a Bill of this magnitude.

I think we shall make a much better job of it, both politically and in every other way, if we make a firm statement of our intentions as soon as possible, but prepare for the introduction of the Bill itself at the beginning of the second Session of Parliament, rather than try to rush it through in the second half of the first Session. My proposals, therefore, for the plan of campaign and the timetable are as follows:-

- (a) We should set up an interdepartmental committee with instructions to report to Ministers not later than the end of November on the main features of the nationalisation scheme.

- (b) We should include in The Queen's Speech some such words as the following:-
- "My Ministers will initiate early action to re-establish the necessary public ownership and control of the iron and steel industry".
- (c) We should amplify this in the Debate on the Address, giving a firm statement of our intention to take into public ownership the main part of the iron and steel industry, and promising to present to Parliament early in the New Year a White Paper setting out the general lines of our proposals.
- (d) We should issue the White Paper as soon as possible after we have considered the interdepartmental committee's report and taken our decisions on it.
- (e) Having thus stated our intentions firmly, we should carry out consultations with the industry and other organisations within the policy framework of the White Paper.
- (f) At the same time and in the light of these consultations we should give instructions for a Bill to be prepared and to be brought to a state of readiness for introduction at the beginning of the next Session.

I think that action on these lines will make a good firm impact, while at the same time we shall not be rushing into detailed proposals which have not been properly thought out; and I think that this plan of campaign should fit in well with our Parliamentary timetable. I should be glad to know whether my colleagues agree.

F. L.

Ministry of Power, S. W. 1

21st October, 1964

