PROPOSED SCHEME FOR PUBLIC OWNERSHIP OF SECTIONS OF
THE IRON AND STEEL INDUSTRY

MEMORANDUM BY THE MINISTER OF SUPPLY

THE Cabinet last considered on 1st August, 1946, the question of what form public ownership of the iron and steel industry should take. Approval was then given to a proposal that “control of the iron and steel industry should be secured through the acquisition by the Government of a controlling interest in the equity of the various companies, and agreed that the Minister of Supply should work out a scheme on these lines in consultation with the Lord President and the Chancellor” (C.M. (46) 76th Conclusion, Minute 3).

2. Accordingly, on 12th March, 1947, I submitted a proposed scheme of public ownership for the consideration of the Committee on the Socialisation of Industries. The scheme was considered at meetings of the Committee on 25th and 27th March, 1947. The Committee approved the scheme in principle and asked that I should bring before the Cabinet at an early date the heads of a Bill designed to give effect to it, so that the Cabinet might take a decision on the merits of the procedure proposed for effecting socialisation, and on the relative priority in time of legislation on this subject and on the nationalisation of the gas industry. (The Cabinet gave some consideration to this latter question at its meeting on 20th March, 1947, in connection with the provisional plan submitted by the Lord Privy Seal (C.P. (47) 79) for the preparation of legislation for the 1947-48 Session, but agreed to defer a decision.)

3. I now attach in Appendix I the heads of a Bill designed to give effect to the scheme approved in principle by the Socialisation of Industries Committee. A copy of the paper submitted to the Socialisation of Industries Committee (S.I. (M) (47) 13) is attached as Appendix II.

4. The following is a summary of the main features of the scheme:

(a) Proposed scope of public ownership

The primary objective would be to bring under public ownership the central core of the iron and steel industry—i.e., the production of iron ore, pig iron and steel, together with certain closely-allied processes in the re-rolling sections of the industry, including the production of plates, sheet steel and tinplate.

(b) Method of acquisition

Public ownership would be secured not by the acquisition of selected physical assets, which would involve difficult problems of severance as well as disturbance and delay, but by the compulsory purchase of all the stocks and shares of the companies within the above-mentioned sections of the industry. In a few special cases (e.g., the Ford Motor Company’s blast furnace) facilities would be left in private ownership to be operated under licence, while a number of small specialist and jobbing concerns in the re-rolling sections would not be acquired.

Procedure by means of the acquisition of securities would necessarily involve assumption by the State of ownership of all the assets belonging to
the companies concerned and thus of quite substantial interests lying outside
the field proposed for public ownership (i.e., as in (a) above) and, indeed,
outside the iron and steel industry itself. But in so far as the assets
represented by such extraneous interests were physically separable, they
could, if it were thought appropriate, be disposed of at a later date.

(c) Retention of company structure

It is contemplated that, at any rate in the initial stages, the form of
organisation of the publicly-owned industry should be based on the retention
of the company structure. All the securities would be vested in a central
Board, appointed by the Minister, which would have complete and effective
control over the companies comprising the publicly-owned industry, by reason
both of its statutory powers and of its ownership of all their securities, and
which would alone exercise certain functions on behalf of the whole publicly-
owned industry—e.g., borrowing on capital account. But each company,
retaining its identity, would have a considerable degree of freedom in
day-to-day management matters.

The retention of the company structure would, in my view, secure
substantial benefits for the socialised industry. Thus service agreements
and similar commercial arrangements would be maintained: considerations of
goodwill, long-standing commercial reputation, trade names, patent rights
and the like would be safeguarded, while the disturbance attendant on
transfer would be reduced by the maintenance intact of the companies' organisations. Moreover, it would be sound policy to avoid the establishment
of too rigid and all-embracing a monopoly in this field, where individual
initiative and enterprise at the company level should play an important
part in maintaining overall efficiency.

(d) Future Organisation

Retention of the company structure would in no way preclude the
adoption later of wide changes in organisation—e.g., by way of the amalga-
mation of companies, the winding up of old companies and the creation of
new ones, or the establishment, if found practicable, of new functional or
other subsidiary authorities under the Central Board. And I should propose
to direct the Board to make one of its first tasks the pruning and reorganisa-
tion of the existing boards of directors of the companies.

(e) The Central Board

This Board (which would consist of between five and nine members)
would be appointed by the Minister, who would be empowered in the legisla-
tion to give it both general and specific directions having regard to the basic
importance of the steel industry in relation to economic, social and defence
policy. The Board would have the responsibility of controlling the publicly-
owned industry so as to ensure (i) the efficient production of adequate supplies
of iron and steel and their sales at prices best calculated to serve the national
interest and (ii) the continuous development of the industry towards greater
efficiency and towards the optimum size required by overall national needs,
including the desirability of expanding exports.

(f) Terms of Purchase

My view—which was endorsed when the question was discussed by the
Committee on the Socialisation of Industries—is that the only practical
course will be to pay holders of securities on the basis of the market value at
a selected date or dates of securities quoted on the Stock Exchange and to
arrange for a tribunal to assess what such market values would have been for
unquoted securities.

If this general basis is endorsed, I would propose to discuss separately
with the Chancellor of the Exchequer the question of what base date or dates
should be taken for this purpose, and other incidental matters which may
arise in connection with these payment arrangements.

5. I think that the draft heads of the Bill will be found largely self-
explanatory. I would only say that in this complex field, where we shall be
creating a form of organisation which will have no close counterpart in any other
major socialisation measure, a statement of the draft heads of the Bill cannot be
made definitive at this stage: it may well happen that as the actual drafting
of the legislation proceeds it will be found necessary to modify or expand the heads as now given. But I think that Appendix I does, in fact, give a good general idea of the probable form and content of the Bill. I should add that in one or two instances I propose to include provisions in the Bill which, from a strictly legal standpoint, would be unnecessary. For instance, the proposed central Board would possess absolute control over the constituent companies by reason of its shareholdings, and there would, therefore, be no reason to include in the Bill a provision giving the Board the power to issue instructions to the companies. Nevertheless, despite the fact that I propose to issue a full explanatory White Paper simultaneously with the publication of the Bill, I think that it would be desirable that the legislation should make clear on the face of it that the Board will be in a position to issue directions to the companies which must be complied with at once. Accordingly, I propose to insert such a provision (see paragraph 4 in Appendix I).

6. I am satisfied that the scheme put forward will give Government full ownership and power over the essential core of the iron and steel industry, and will at the same time be a practicable measure well suited to the complex circumstances of that industry. I believe it to be the only way in which public ownership in this field can be achieved without a major upheaval, and therefore that which offers the best hope of avoiding very serious interruptions of production and development. Accordingly, I ask my colleagues—

(a) to confirm the conclusion of the Socialisation of Industries Committee that the socialisation of sections of the iron and steel industry should be effected on the lines proposed;
(b) to decide whether legislation incorporating this scheme is to be introduced in the 1947-48 Session;
(c) if the legislation is to be introduced in the 1947-48 Session, to give me authority to arrange for the drafting of the necessary Bill as a matter of urgency.

J. W.

Ministry of Supply,
14th April, 1947.
APPENDIX I

HEADS OF IRON AND STEEL BILL

NATIONAL IRON AND STEEL BOARD

1. There shall be a National Iron and Steel Board, consisting of a Chairman, and not less than five or more than nine other members. The Chairman and members shall be appointed by the Minister of Supply (who will settle the terms and tenure of appointment in each case) from persons experienced in industrial, commercial, financial or economic matters, applied science, administration or the organisation of workers. No member of the House of Commons may be appointed. The Minister shall determine, with Treasury approval, the salaries and allowances, which shall be paid from the Board's revenues. He may make regulations concerning the Board's proceedings and execution of documents.

2. — (i) The general duties of the Board shall be so to exercise the powers and rights vested in it by this Act, including its rights as the sole shareholder in the transferred companies (see sections 12 and 13 below), as to secure:

(a) the provision of iron ore, iron and steel in such quantities and of such types, qualities, and sizes and at such prices as are in the national interest, taking into account the desirability of stimulating exports;

(b) the continuous development of the publicly-owned industry towards maximum efficiency and towards the size best suited to meet the Board's duties under (a) above and the requirements of the employment policy.

(ii) In particular, but without prejudice to the generality of the provisions in Section 2 (i):

(a) in supplying products of which the Board or its companies are the sole sellers they shall avoid any unreasonable preference or discrimination;

(b) the Board shall—

(i) promote the safety, health and welfare of employees and take steps to enlist their interest and co-operation in the development and efficient operation of the publicly owned industry;

(ii) supervise and encourage professional education, training and research;

(iii) secure that, taking one year with another, its revenues shall be not less than sufficient for meeting its outgoings properly chargeable to revenue.

3. The Board shall have power to undertake, either directly or through companies owned by it, such production and trading activities (including the searching for and winning of minerals), and to do all such things, including the acquisition of companies or undertakings by agreement, as are necessary or expedient for or in connexion with the discharge of its duties.

4. In particular, the Board shall have power to establish functional or other subsidiary authorities, to amalgamate and liquidate its companies as it deems necessary, and to give instructions to such authorities or companies, which instructions shall be carried out by them.

POWERS OF THE MINISTER IN RELATION TO THE BOARD

5. The Minister may, after consultation with the Board, give it general or special directions. The Board shall give effect to such directions.

6. In framing programmes of reorganisation or development involving substantial capital outlay and in performing their duties as to training, education and research the Board shall act on lines settled with the approval of the Minister.
7. The Board shall furnish the Minister with such returns, accounts and other information as he requires and shall make an annual report to the Minister which he shall lay before each House. Such annual report shall include copies of the annual accounts and balance sheets of the transferred companies.

8. The Board shall not, without the permission of the Minister, acquire or dispose of any undertaking or lend money (other than to the companies it owns) except by way of investment.

REGISTRATION AND LICENSING OF IRON AND STEEL UNDERTAKINGS

9. Any person carrying on any of the "specified processes" (i.e., the working of iron ore, the production of pig iron or steel; rolling or re-rolling, including production of sheet or tinplates) shall register with the Ministry of Supply within two months of the passing of the Act, furnishing such information as the Minister requires.

10. The Minister shall have power to call for information from any person who appears to him to be carrying out the specified processes.

11.—(i) After two months from the passing of the Act no person shall carry on any of the specified processes without licence from the Minister, save that any person who has registered may continue to operate without licence until 12 months from the passing of the Act.
(ii) A licence may include such conditions as the Minister thinks fit (e.g., to provide that the licensee's production shall be used only for his own purposes).
(iii) Not later than 12 months after the passing of the Act, the Minister shall issue to each registered person (unless he has served on that person a notice of acquisition under Section 12) a licence to carry on the specified processes in respect of which the person has registered.

ACQUISITION OF UNDERTAKINGS BY THE BOARD

12.—(i) Within 9 months of the passing of the Act, the Minister, unless he has already given a licence under Section 11 (iii), may serve on any company carrying on any of the specified processes, whether it has registered or not, an acquisition notice. A company on which a notice has been served may request its withdrawal on the ground that the Act does not apply to it; failing agreement the issue shall be determined by arbitration.
(ii) An acquisition notice shall specify a date not later than 12 months after the passing of the Act on which all the securities of that company shall vest in the Board in accordance with Section 13.
(iii) "Securities" shall mean stocks, shares, debentures, debenture stock and income notes, but shall not include mortgages or charges which are not debentures or debenture stock unless they are irredeemable before some fixed date later than the vesting date.

13. Where an acquisition notice is served under Section 12—
(a) the company shall notify all registered holders of securities of the receipt of the notice and such holders shall, not later than the vesting date, deliver their certificates or other documents of title to the company for cancellation or transfer to the Board (as the case may be);
(b) the securities shall vest in the Board on the specified date without transfer deed or other formality, and the Board shall be entitled to exercise all rights appertaining to the securities from that date; and
(c) the Secretary of the company shall make the necessary entries in the company's registers and issue certificates or other appropriate documents to the Board.

14. Where part of the securities of one company are beneficially held by another company and acquisition notices are served on both companies, the notice respecting the first company shall operate only in respect of shares held by persons other than the second mentioned company.

15. Provision for the appointment of shareholders' representatives.
PROVISIONS CONCERNING TRANSFERRED COMPANIES

16. A transferred company shall not require a licence to operate under Section 11 above.

17. [It may be necessary to provide that certain provisions of the Companies Act shall not apply to companies after vesting, e.g., as to minimum number of shareholders.]

18.—(i) Any transferred company to have the right to continue to use assets, including services, which it does not own, to the same extent as previously.
(ii) The terms for use under (i) above shall be fair and reasonable, and in default of agreement shall be settled by arbitration.

19. Provision for uniform variation of Articles of Association of transferred companies, e.g., by abolishing life directorships, and rotation of retirement of directors.

20. Companies to carry on undertakings efficiently pending transfer, and, in particular, any disposal of assets or acceptance of liabilities after (say, date of publication of Bill) and before the vesting date shall be null and void unless they are in the ordinary course of business or approved by the Board or the Minister.

21. Agreements made by any company since (say, 1st January, 1946), considered by the Board to have been unnecessary or imprudent may be disclaimed and accordingly may be deemed to have been frustrated at the vesting of the company.

22. Provisions for limitation of dividends between publication of Bill and vesting dates and for payment by the Board to the shareholders (through their appointed representative of a dividend (on basis to be defined) in respect of that part of each company's financial year as immediately precedes the vesting date. The necessity for and the form of this provision, will depend on the method of assessment of compensation.

TERMS OF PURCHASE

23. [Provisions for the assessment and payment of compensation for the transferred securities to be included in the light of the Government's decision in this matter.]

24. The compensation shall take form of such amount of British Iron and Steel stock as, in the opinion of the Treasury, is at the date of issue equal in value to the amount of compensation, having regard to market values of other Government securities.

25. Provision for payment of interest on account between vesting date and issue of compensation stock.

FINANCIAL PROVISIONS

26. The Board may, with the Minister's consent or general authority, borrow money temporarily, provided the aggregate of outstanding loans does not at any time exceed £............

27.—(i) The Board may, with the approval of the Minister and the Treasury, raise money by the issue of stock for—
(a) meeting the cost of work by the Board or constituent companies, which is chargeable to capital account;
(b) provision of working capital;
(c) the redemption of stock
(d) purchase of additional undertakings;
(e) redemption of loans of constituent companies;
(f) fulfilling guarantees given by the Board for the benefit of constituent companies;
(g) other purposes for which capital money is applicable, including redemption of temporary loans.

(ii) The limit of borrowing powers under this section shall be £........ million.
28. Monies borrowed or raised by the Board as above (other than 27 (c)) may be made available to transferred companies on such terms as the Board think fit.

29. Apart from loans existing at the vesting date, no transferred company shall raise monies without the consent of the Board.

30. The Board (a) may create and issue B.I.S. stock in respect of the monies raised under section 27 above, and (b) shall create and issue B.I.S. stock to satisfy compensation. Stock under (b) shall be guaranteed by the Treasury, who may guarantee any other B.I.S. stock. Any B.I.S. stock shall be issued, transferred, dealt with, and redeemed on such terms as the Minister, with Treasury approval, may prescribe.

31. Monies payable by Treasury under guarantees to be charged on the Consolidated Fund, and monies paid by Treasury under guarantees shall be repaid by the Board over such period and with such interest as may be determined by the Treasury and the Minister. Treasury statements on guarantees given and of issues out of Consolidated Fund to be laid before Parliament.

32. The Board shall establish a general reserve fund, which shall be available for, *inter alia*, capital development and the prevention of fluctuations in prices. The management of the fund to be with the Board, but without prejudice to the Minister's powers of direction which, however, shall be exercised only with Treasury approval. The reserve fund is not to be used other than for the purpose of the Board and its companies. Monies held by the Board not immediately required may be invested as the Board thinks fit.

33. The Board may direct any transferred company to pay to the central reserve fund such proportion of its reserves (other than capital reserves) as the Board may decide.

34. The transferred companies and the Board shall charge to revenue each year all proper charges including (a) in the case of the companies, proper provision for obsolescence and renewal of assets and such allocations to reserve funds as approved by the Board, and (b) in the case of the Board, appropriate allocation to reserve. Any excess revenue of the Board (after due provision for reserve) shall be applied as the Board may determine, subject to the Minister's power of direction.

35. The Board shall maintain proper accounts and prepare an annual statement of accounts in such form as the Minister directs. Such accounts to be audited by Auditors appointed by the Minister and a copy of the statement, with the Auditor's report, shall be submitted to the Minister and be laid by him before each House.

**Arbitration Tribunal**

36. There shall be an arbitration tribunal for assessing compensation for securities acquired (the extent of its functions will depend upon Ministers decisions concerning compensation) and to deal with any other matter which under the Act is referable to arbitration.

Provision to prescribe the composition, tenure of office, &c., of the tribunal.

37. Remuneration and expenses of the tribunal shall be paid by the Minister.

38. Procedure and enforcement Orders of the arbitration tribunal.

**Miscellaneous and General**

39. The Minister shall have power to authorise the Board to acquire land compulsorily for their purposes and the Acquisition of Land (Authorisation Procedure) Act, 1946, shall apply.

40. The Board shall ensure that there is adequate machinery for settling terms and conditions of employment of transferred companies' employees.
41. The Minister may make regulations concerning provision of pensions to employees of transferred companies and compensation to such employees, or former employees, injuriously affected by transfer to public ownership.

42. No person other than the Board or its agents shall import iron ore except with the consent of the Minister.

43. Liability of Board to taxation, &c.

44. Penalties shall be prescribed in respect of certain provisions of the Act.

45. Interpretation clause.

46. Application to Northern Ireland.
CABINET

Committee on Socialisation of Industries

PROPOSED SCHEME FOR PUBLIC OWNERSHIP OF SECTIONS OF THE IRON AND STEEL INDUSTRY

MEMORANDUM BY THE MINISTER OF SUPPLY

Background and Summary

1. On 28th May, 1946, the House of Commons accepted a resolution approving "the decision of His Majesty's Government to bring forward proposals for transferring to the ownership of the nation appropriate sections of the iron and steel industry with a view to its efficient organisation in the public interest." On 1st August, 1946, the Cabinet gave general approval to a proposal "that control of the iron and steel industry should be secured through the acquisition by the Government of a controlling interest in the equity of the various companies, and agreed that the Minister of Supply should work out a scheme on these lines in consultation with the Lord President and the Chancellor." (C.M. (46) 76th Conclusion.)

2. I now submit a scheme of public ownership, for the consideration of my colleagues, to form the basis of legislation to be introduced early in the 1947-48 Session. The essence of this scheme is that, with certain relatively unimportant exceptions, all the companies constituting the central core of the iron and steel industry—i.e., those engaged in the production of iron ore, pig iron, steel, and re-rolled products, including plates, sheet and tinplate—would be transferred to public ownership by means of the compulsory acquisition of all their securities. These companies would number about 105, although a number of others would come in their train as fully-owned subsidiaries. They employ, perhaps, 200,000 workers; the net value of their securities is estimated at about £270-300 million on the basis of stock market quotations at the end of 1946.

All the transferred securities would be vested in a statutory central authority, which would supervise the State-owned industry by the exercise of powers derived largely from its ownership of these securities and would thus replace (but with much more effective control) both the Iron and Steel Board and the Federation. I contemplate that after transfer the company structure would be maintained. Each company, retaining its identity, would have a considerable degree of freedom in day-to-day management matters, but would be subject to direction on general policy questions by the central authority, which would have certain exclusive powers, e.g., of long-term borrowing.

Thus the scheme would have no close counterpart in any other major socialisation measure hitherto introduced or under consideration. It has been designed with a view to reducing dislocation and confusion at the time of transfer and ensuring the necessary degree of flexibility in continued commercial management of the industry. At the same time it will not preclude the adoption later on, if found necessary, of some form of regional or functional organisation under the central authority. But I do not contemplate the establishment of any such organisation at the inception of the scheme.

3. In the following paragraphs I comment on some of the main features of the scheme. It involves a good many complex and difficult issues, but, in order
to keep the length of this paper within reasonable bound, I have deliberately
omitted, or have severely compressed, many of the arguments and counter
arguments which I have had to weigh in reaching my conclusions. I can
if necessary, deal with these at greater length orally.

Acquisition and Retention of Companies

4. Acquisition of selected companies as they stand will obviate the necessity
for a difficult and prolonged process of selecting and acquiring physical assets,
which would involve great complications (e.g., as regards severance and the
necessity for substantial management adjustments) and which would in effect
necessitate the maintenance of enabling powers for a long period. On the other
hand, this procedure involves the disadvantage that the State must take over all
the assets of the companies, including many lying outside the range of the iron
and steel industry proper. Thus there can be no clearly defined "horizontal"
line between the State-owned industry and industry left in private hands and
the State will find itself the owner of companies in direct commercial competition
with privately-owned concerns in the engineering and other fields.

5. Nevertheless, I am convinced that acquisition of selected companies, in
one operation, is the only feasible procedure open to us, and disadvantages arising
from State ownership of assets extraneous to the iron and steel industry can be
mitigated subsequently by the sale, where appropriate, of physically separable
units.

6. The introduction of public ownership by the acquisition of companies
does not in itself predetermine the subsequent organisation of the State-owned
industry. But I am fully convinced that the right form of organisation, at all
events in the next few years, will be a "federal" or "holding company" system,
whereby the individual companies transferred to public ownership would retain
their identity and would continue to function as separate units with a substantial
measure of freedom in matters of day-to-day management, subject to general
supervision by the central authority, which would also exercise certain central
executive functions on behalf of the whole industry. Under this procedure the
benefits of the service contracts, patents and design rights, commercial arrange­
ments, standing raw-material contracts and the like would be maintained
unbroken; considerations of long-standing commercial reputation, goodwill,
consumers' preference, trade names and the like, so important in highly
competitive export markets, would be safeguarded; feelings of loyalty to, and
pride in, individual companies would be conserved; while the disturbance
attendant on transfer would be sensibly reduced by reason of the maintenance
intact of the companies' organisations. Moreover, I should hope that the reten­
tion of the identity and the partial autonomy of individual companies would
enable the proposed central authority, while securing the benefits and economies
of large-scale integration, to ensure at the same time the maintenance of a degree
of competition between the individual units, sufficient to avoid the rigidity and
loss of efficiency which might in this industry befall a completely "streamlined"
monopoly.

It may be objected that the company structure is to some extent fortuitous
and illogical and may not correspond to the real organisational needs of the
industry. Another criticism may be that the procedure will tend to crystallise
the status quo and to keep "old guard" directors in office irrespective of their
efficiency. But I should propose to make it abundantly clear to Parliament that
no passive reproduction of the status quo is contemplated; the proposed central
authority would have powers enabling it to amalgamate, wind up or reorganise
companies and to create new companies or new functional authorities. Equally,
I should emphasise that one of the first directions which I should issue to the
central authority would be that they should prune and reorganise as necessary
existing boards of directors, adding where appropriate directors drawn from the
ranks of the workers.

Sections of the Industry to be Acquired

7. My proposals as to the scope of public ownership are set out at some
length in Appendix I; a list of the companies likely to be affected is given in
Appendix II.

Here it will suffice to say that my primary objective in framing this scheme
has been to ensure that the whole of the basic or heavy sections of the industry
are transferred to the ownership of the State—i.e., those sections concerned with
the production of iron ore, pig iron, and ingot steel (both carbon and alloy) with primary rolling; save that in a few special cases (e.g., the Ford Motor Company's blast furnace) facilities would be left in private ownership to be operated under licence. It will be seen from paragraph 1 of Appendix I that it is not considered necessary to include in the iron and steel legislation the expropriation of mineral rights in iron ore deposits, since this will be covered in other measures.

Beyond the basic or heavy sections of the industry I have thought it right to place rather narrow limits on the deliberate extension of public ownership into the finishing field, particularly as I should wish to avoid as far as possible intruding such ownership into the fields of engineering and shipbuilding. (It will be appreciated that the transfer of companies as they stand will inevitably involve in any event the acquisition of substantial interests both in finishing sections of the industry and indeed in other industries.) There are, however, sound economic and technical reasons why certain processes in the re-rolling sections of the industry—including production of plates, sheet steel and tinplate—should be integrated as far as possible with basic steel production. I therefore propose that all companies engaged in such processes, except for a number of small concerns which are mainly jobbers and specialists, should be included among those to be transferred.

It follows that (except in so far as ownership will be acquired incidentally by the transfer of companies within the heavy section of the industry) I propose to exclude from transfer producers of iron and steel castings, crucible steel, tubes, wire, forgings and drop forgings, and wrought iron.

Extent of Share Acquisition

8. In referring above to the "transfer to public ownership" of the selected companies, I mean that all the issued capital of the selected companies should be compulsorily purchased, i.e., not only the ordinary and preference shares, but also debentures and loan capital. The Cabinet decision of 1st August was to acquire a "controlling interest in the equity." This would involve the acquisition of at least 75 per cent of the voting capital (three-quarters of the voting control is necessary to secure the adoption of special and extraordinary resolutions); and the acquisition of a smaller proportion would not guarantee to the Government positive control of the selected companies. On this basis 25 per cent of the voting capital would be left in private hands, and, while there would be no significant advantages to be obtained by leaving so small a proportion in private ownership, there would, I feel, be decisive disadvantages, e.g., in the event of the Government wishing to take positive action which might injure the interests of the minority shareholders. I have concluded, therefore, that I must recommend the compulsory acquisition of 100 per cent of the voting capital.

I have been forced to the same conclusion as regards non-voting capital, i.e., some preference shares, and debentures. To leave these interests in private ownership would present serious political and practical objections; the owners might be able to obstruct the application of Government policy to their particular companies, while at the same time receiving a higher rate of interest on what, in effect, would be Government-guaranteed securities.

Compensation

9. I have assumed that, as in the case of Transport and Electricity, compensation will take the form of the issue by the central authority of a fixed-interest, tied and dated stock, guaranteed by the Treasury.

Settlement of the amount of compensation to be payable raises particularly difficult problems in the iron and steel field, and in consequence we have considered, in consultation with the Treasury, a number of possible solutions. Whatever basis of compensation is adopted must provide for the adequate fulfilment of the undertaking which I gave in the debate on 27th May, 1946, that "proper allowance will be made in assessing compensation for the results of any expenditure incurred from now onwards in approved schemes for development or rehabilitation."

10. In so far as market prices over a given base period might be regarded as an appropriate basis, there is the difficulty that out of the 245 classes of securities with which the State will have to deal (involving a total nominal issued capital amounting to some £174·6 million) 107 classes (£26·3 million)
are not quoted at all, while 58 classes (£51.2 million) are quoted but have no free market. Of the balance, 33 classes (£11.6 million) are wholly owned by selected companies and would therefore be automatically taken over with their shares, while 47 (£85.5 million) are quoted either on the London or provincial stock exchanges and have free markets. Thus the value of many classes of securities to be acquired could not in any event be assessed by reference to market prices but would have to be covered by some other means, e.g., by reference to an independent tribunal. Moreover, it would be argued that market prices were particularly inappropriate in the case of iron and steel—particularly inasmuch as the market could not be said to be as fully informed as in the case of, say, railway or electricity undertakings, while the heterogeneous nature of the industry may make the method particularly inequitable as between company and company. Finally there might be criticism if it were thought that the holders of unquoted securities would be at an advantage in comparison with holders of quoted securities in so far as they would have an opportunity of putting their case fully to an independent tribunal.

An alternative arrangement would be to have all compensation assessed by an independent tribunal, but, whatever advantages this might have on the ground of equity, it would involve formidable practical difficulties and delays. The case of each company would have to be argued separately before the tribunal; no common yardstick could be applied which would shorten the proceedings; while in arguing before the tribunal Government might well find itself placed at a serious disadvantage.

A third possible method would be to base compensation on the capitalisation of earnings over a base period. This, however, would be open to the objection that the true criterion for present worth is not past profits but future expectations, while in the case of certain sections of the iron and steel industry there have been such important developments in very recent years as to make any figure based on past experience entirely inapplicable.

The choice between these alternatives is difficult, and will be the subject of further consultation with the Treasury. Perhaps my colleagues will agree to leave this matter for settlement between the Chancellor and myself.

Statutory Procedure for Effecting Transfer

12. Legislation which provided for the compulsory acquisition of named companies would inevitably be classed as a hybrid bill. I hope, however, that this danger could be avoided by the following procedure.

I contemplate that the legislation will require every company engaged or owning assets in certain defined activities in the iron and steel industry to register with the Ministry of Supply immediately after the passing of the Act. In respect of any company so registered, the Minister of Supply could within 12 months of the Royal Assent either (a) give notice of his intention to acquire its securities, or (b) issue to it a licence to continue in production, within specified limits, under private ownership. In practice, I should hope that notices would be served on the great majority of companies to be acquired within six months or so of the passing of the Act. Most of these companies would have been named in the White Paper which I propose to issue simultaneously with the publication of the Bill (see paragraph 22 below). A period of six months would be necessary in any event to enable the central authority to get its organisation properly established.

The Central Authority

(i) Composition

13. Responsibility for the general conduct of the State-owned industry would be assigned to a quasi-independent statutory authority, called hereforward “the Board.” All the members of this body would be appointed by the Minister. I contemplate that the Board would comprise the Chairman and between five and nine members (not all of whom need be full-time); the qualifications governing the selection of its members would be broadly similar to those laid down in the now more or less standard clauses in other socialisation measures. The conditions of appointment (including provisions as to salaries and allowances, tenure of office, power to call for resignation) would be fixed by the Minister.
Relations with the Minister

14. I think that in the legislation the right should be reserved to the Minister to give both general and special directions to the Board, having regard to the basic importance of the steel industry in relation to economic, social, and defence policy. But I should propose to make it clear in the second reading speech that, as I contemplate, the power would normally be a residual one only and that the Minister would not be constantly interfering with the Board's conduct of ordinary business. I think, however, that the legislation should require the Board to act on lines settled by the Minister in respect of development programmes or schemes involving substantial capital outlay, import programmes and any rationing of iron and steel products, and that reference should be made to the Minister in respect of proposals for the liquidation, amalgamations, disposals or acquisitions of companies or for the formation of new companies.

Responsibilities and Powers

15. In addition to the now more or less standard provisions relating to the safety and welfare of workers, research, and the balancing of its income and expenditure, the responsibilities of the Board would be defined as:

(a) the efficient production of adequate supplies of iron and steel and their sale at prices best calculated to serve the national interest;
(b) the continuous development of the industry towards greater efficiency and towards the optimum size required by overall national needs.

In addition, the Board would be responsible for certain central executive functions on behalf of transferred companies, e.g., the bulk import of raw materials and semi-finished steel, and possibly the centralised selling of standard products.

16. The Board will have to be given powers comparable with those given to similar bodies in other socialisation measures, including power to enter into agreements with other bodies, to establish new companies and to acquire additional ones by agreement. And although the Board will, in any event, have complete ultimate powers over the transferred companies by reason of the vesting of all their securities in it, I think that, from the standpoint both of convenience and public presentation, there should be a provision in the legislation to the effect that the Board may give special or general direction to the boards of the transferred companies and that those boards are to carry out the directions.

Finance

17. The arrangements as to finance would follow the general pattern laid down in recent socialisation measures. The Board would be responsible for servicing the compensation stock and for controlling and for financing from its reserves, or new capital, the development of the industry. The Board's income (other than interest on investments) would be derived from profit made by the companies under its control. Thus it would be for the Board to require these companies to pay to it each year such share of their profits as it would determine. There would be the usual provisions governing the establishment of a general reserve fund, and the keeping of proper accounts and records. Borrowing to meet the requirements of the transferred companies would be centralised in the Board except, perhaps, for purely short-term accommodation. But it is contemplated that the companies would be allowed by the Board to retain reserves within prescribed limits.

Relations with the Companies

18. I do not wish to burden this paper with detailed discussion of the nature of the Board's relationship with the individual companies. I have already pointed out that, strictly speaking, it will be unnecessary to incorporate in the legislation any provisions governing this relationship, since the Board, by virtue of its ownership of all the capital of the transferred companies, will have final power over the companies. But Government will certainly be pressed to give an indication of its views as to how, in fact, the new system will be operated, and these I would suggest could best be developed in the proposed White Paper (see paragraph 22).
19. My conclusions are:

(a) It would clearly be wrong for Government to lay down in advance doctrines which might run counter to the Board's experience. The most the Government should do would be to indicate the factors involved, to show that it had appreciated the importance and difficulty of the problem, and to sketch out the sort of arrangements which might, in its view, be appropriate for adoption by the Board.

(b) The Board (and not the Minister) should be responsible for the appointment of the directors of the companies. I have already referred to my intention to direct the Board to review and prune the existing boards.

(c) It is important to give both the boards and the employees of the companies, within the framework of the socialised system, incentives to efficiency and effort, since I feel strongly that this is a field where experiment and novelty of method would be fully justified and could well be made consistent with the attainment of the objectives of socialisation.

(d) In particular, I am examining in the interests of maintaining individual efficiency and initiative, the possibility of retaining a degree of competition between companies, within the framework of maximum prices prescribed by the Board, with some limits on the degree to which companies could reduce their prices below economic levels and the extent to which they could utilise their reserves in order to maintain themselves in a competitive struggle. Difficult as the problem is, I believe that in this field we should be able to achieve a significant and valuable union of the advantages of integration and those of individual initiative and effort.

Control of Companies Left in Private Ownership

20. Paragraph 7 makes it clear that a number of companies now within the ambit of control of the present Iron and Steel Board will remain in private ownership. I propose that after the introduction of public ownership these companies should not be subject to any special form of control (other than licensing of production in certain particular cases) but should be brought within the scope of the supervision exercised by the Ministry of Supply over the engineering industry generally.

Procedure before the Introduction of the Legislation

21. I have already invited the Trades Union Congress to arrange for an ad hoc liaison committee to meet with me in order to put forward their views on issues arising in connection with public ownership. There is also the question of consultation with the Iron and Steel Federation and analogous bodies such as the Joint Iron Council. I am anxious not to be open to the charge that the Federation was given no opportunity of expressing its views or of improving the details of the scheme in the light of practical knowledge. I would therefore propose to take a suitable opportunity of confirming to the President and Chairman of the Federation that Government is actively engaged upon the preparation of legislation providing for public ownership in the iron and steel industry and of inviting them to put forward any considerations (e.g., affecting the scope and nature of public ownership arrangements) of which, in their view, account should be taken in framing the legislation. But I should, of course, avoid discussion with them on certain matters, such as compensation.

22. I propose to arrange for the issue, simultaneously with the publication of the Bill, of a fairly full White Paper explaining the scheme. I am convinced that this will be essential, since the legislation will necessarily have to be drawn in very general terms and will not itself demonstrate how Government contemplate that the scheme would in fact be operated. The issue of a White Paper would, I hope, do a good deal to prevent embarrassing misunderstandings from being formed in the period between the publication of the legislation and the second reading debate; it would enable Government to show on the one hand that they had had due regard to the complexity of the industry and to the desirability of maintaining flexibility in matters of technical and commercial management, and, on the other, that they had no intention of perpetuating unchanged the status quo. It would also be possible to state in the White Paper more clearly than would be possible in the legislation (having regard, in particular, to the necessity of
avoiding hybrid legislation) what companies or groups of companies Government proposed to transfer to public ownership. This would obviate criticism to the effect that Government was introducing what was virtually an enabling Bill which would leave companies in the industry in prolonged suspense and confusion.

Conclusion

23. I ask my colleagues to approve the drafting of legislation to give effect to a scheme on the lines summarised above. I am satisfied that this scheme, although it will not be free from difficulties inescapable in this complex field, is practicable, defensible and the best suited to the circumstances of the iron and steel industry. It will, of course, be highly controversial and strenuously opposed by all the forces which the industry and the Opposition can mobilise. It is essential in my view that to meet this we should base ourselves squarely on the main justification for the measure—the need for the rapid reorganisation and rationalisation of the industry, the advantage in the pooling and ordered planning of resources to be derived from unified public ownership, and the undesirability of allowing this industry, which must more and more take on the nature of a monopoly, to remain in private hands.

APPENDIX I

PROPOSED FIELD OF GOVERNMENT OWNERSHIP

Production of Home Iron Ore

1. The iron and steel industry is almost the exclusive user of home ore which normally provides about 50 per cent. (in terms of iron content) of its requirements. In view of its vital importance to iron and steel production, the working and distribution of home iron ore should be planned to the best national advantage, and the individual working units should be transferred to the Government as part of the scheme. In practice, the bulk of the current working operations is directly or indirectly in the hands of iron or steel producing companies proposed for transfer, but to secure complete control, the "independent" operating companies (listed in section 1 of Appendix II) should also be acquired. Furthermore, powers should be taken to prevent workings by any other interests except under licence.

There remains the question of mineral rights. The State-owned industry should not be in danger of exploitation by the mineral lessors and, it might be argued, should not continue to pay royalties; nor should there be any possibility of private landowners frustrating development of ore workings by refusing to grant the necessary rights. It appears, however, unnecessary to deal with these matters in the iron and steel legislation. The Town and Country Planning Bill includes provisions intended to secure for the State the benefit of the betterment value of land containing minerals and to enable existing royalties to be modified. The general effect of these provisions should be to give the State adequate protection against possible exploitation by private landowners.

The possibility of frustration in development is guarded against by the provisions of the Mines (Working Facilities and Support) Acts, 1923 and 1934, under which owners can be compelled to grant working rights, while the Town and Country Planning Bill contains provisions by which land could be reserved for iron ore development, and could be compulsorily acquired, while undesirable development could be prevented.

In addition, it is understood that a Committee appointed by the Minister of Fuel and Power will specially recommend the nationalisation of United Kingdom minerals.

It seems, therefore, that control of iron ore rights will be sufficiently covered.

Importation of Iron Ore

Imports account for the remaining 50 per cent. (in terms of iron content) of the iron and steel industry's ore requirements. They are at present arranged...
centrally by the British Iron and Steel Federation’s trading company. In the future, ore should be imported only by the Board of the State-owned industry, thus providing the Board with control over all iron ore supplies; the merchant firms concerned in the business would not be acquired but might be employed on an agency basis.

Ore-Handling at Ports

The various specially designed ore-handling plants at ports are owned either by (a) iron and steel companies, (b) railway companies, (c) port authorities, or (d) a combination of these interests. Those owned by (a) and (b) will come into public ownership automatically. Those under (c) and (d) will be subject to the Transport Bill under which the Transport Commission will have powers for promoting schemes for development of port facilities.

In the circumstances, it is not proposed to acquire plants under (c) and (d) since to do so would give rise to awkward questions of severance and operation; if the facilities remaining with port authorities proved unsatisfactory—there is no reason to suppose that this will be so—there is a remedy in the Transport Bill. The long-term Steel Board, however, might have powers to create ore-handling facilities itself in case this should prove desirable.

Pig-Iron Production

There are about 100 blast furnaces in operation in the United Kingdom. It is proposed that all companies operating them should be acquired—although some do not normally produce the types of pig iron used in steel making. Blast furnaces are, within limits, interchangeable for production of the different types used for steel, foundry and forge purposes, and the greatest degree of flexibility in planning production should be available to the Board. There may be room for greater standardisation in specifications and for general rationalisation of production. As an exception, the Ford Motor Company would be licensed to continue its pig-iron production which is part and parcel of its wide engineering activities. The blast furnace companies to be acquired (in addition to the steel producing companies with blast furnaces) are listed in section 2 of Appendix II.

Steel Making

On the basis that State ownership of the heavy ingot steel plants is the essence of the Government’s plan, it is proposed that all heavy carbon and most alloy steel producers be transferred. The furnaces are to some extent interchangeable and the maximum flexibility would be achieved under unified ownership, while future planning of alloy steel production with strategic considerations in mind (alloy steel is of special significance in armaments production) would be facilitated. Moreover, there appears to be room for some rationalisation in the production of alloy steel, which is at present made to thousands of specifications. It is not proposed, however, to transfer a number of small alloy steel producers using most of their steel for some finished product, whose aggregate alloy steel output is no more than about 1 per cent. of the total United Kingdom output; their steel-making activities would be subject to licence.

It is also proposed to exclude companies whose only steel production is for castings (see paragraph below) and a number of small Sheffield family businesses specialising in the making of crucible steel, a special quality high carbon steel made in small quantities, principally for metal-cutting tools; they comprise, in effect, a craft industry.

The heavy steel producing companies which would be taken over are those listed in section 3 of Appendix II.

Heavy Rolling

The rolling of ingots into bloom, billets, slabs and sheet- or tinplate-bars is completely integrated with ingot production, and therefore the State, by taking over heavy steel producing companies, would become the sole producer of “semi-finished” steel. These companies also produce the bulk of all heavy sections, beams, joists, heavy plates and railway rails.

* The percentages of output given in this memorandum are based on production returns for the first six months of 1946; they do not necessarily reflect percentages of capacity, of which information is not available. It is assumed, however, that capacity proportions are broadly in line with the recent output proportions.
Re-Rolling

The re-rolling of "semi-finished" steel into light rails, merchant bars, and so on, is carried on to the extent of about 55 per cent. by the heavy steelmakers. The remainder is spread over some 100 independent producers, some operating on a mass-production scale. Such large-scale re-rolling should, on economic and technical grounds, be integrated with primary rolling, and these independent large-scale producers should therefore be taken into public ownership to facilitate such integration. The remainder of the 100 producers are mainly specialists and jobbers working in close contact with their customers. Generally, their production is at a rate of about 10,000 tons a year or less, and it is contemplated that companies with an aggregate output of all re-rolled products (including sheets or plates) in excess of this figure should be transferred. The provisional selection is the list in section 4 of Appendix II.

There might be objections from the excluded companies that they could not compete with a huge publicly-owned industry, which, they might argue, would be able to undercut them, either deliberately, or by reason of being financed at a low rate of interest. They might, therefore, claim an option to come into the State industry on the same terms as companies compulsorily acquired. To give an option, however, might involve acquisition of companies which would have no proper place in the socialised industry, possibly including inefficient concerns. It is doubtful if the reasonably efficient specialists or jobbers would seek such an option, and, in general, it is suggested that Government is not obliged to grant companies not selected for transfer an option to be taken into public ownership. If individual companies should represent during the passage of the Bill that they should be included, their claims can be considered on their merits.

Sheet-Making

The continuous sheet mills, accounting for about half the United Kingdom sheet output, will be automatically acquired by transfer of the steel companies owning them. Other sheet mills, accounting for about 33 per cent. of the total output, will be similarly acquired. In addition it is proposed that, in order to facilitate the maximum integration of sheet-making with heavy steel production, all the remaining producers should be transferred compulsorily to public ownership with the exception of the small-scale independent companies, which are mainly specialists or jobbers, and of certain other producers whose sheet output is incidental to wider operations extending outside the steel industry. Broadly, all companies producing over 10,000 tons a year would be transferred, the remainder left in private ownership. In all, the publicly-owned production would then amount to some 95 per cent. of the total; the companies provisionally selected for transfer are listed in section 5 of Appendix II.

Plate Production

The transfer of all heavy steel producers and of re-rollers and sheet-rollers on the lines set out above will automatically involve State ownership of more than 94 per cent. of the production of heavy and medium steel plates. The few remaining producers are small and, in some cases, use their plate production internally; it is not proposed to make any special provision for their compulsory transfer to public ownership.

Tinplate Production

As a result of the new fully implemented redundancy scheme, the tinplate industry comprises the modern continuous mills operated by Richard Thomas and Baldwins at Ebbw Vale, 32 other works owned by steelmakers (all of which will be automatically acquired), and 14 works owned by 10 independent companies which account for about 25 per cent. of the output; with one exception, all the works are in South Wales.

In the Federation's modernisation proposals, continuous mill capacity will be brought up to 20 million boxes. Initially, 15 million boxes will be concentrated in the continuous mills, leaving 5 million (given the demand) to be made by selected old-type plants. The new continuous mills, to be constructed by a new company being set up by a group of South Wales steel and tinplate companies (the new company, incidentally, will acquire some of the existing 14 independent
mills), will automatically be taken into public ownership, and the question is whether the remaining "independent" tinplate companies should be compulsorily acquired. There will probably always be room for some special types of production suitable for certain of the older type mills, but not suitable for continuous mills. Some of the older mills owned by steelmakers and by independent companies, however, can be expected to be fighting a losing battle for existence, and there is a risk of adverse social and economic repercussions in South Wales, which might be minimised if all the mills were in Government ownership. It is accordingly proposed to acquire the "independent" tinplate companies whose activities, it may be noted, are confined to tinplate production. They are listed in section 6 of Appendix II.

Other Interests Automatically Acquired

The preceding paragraphs cover the sections of the iron and steel industry in which it is proposed that the producing companies should be deliberately acquired on the lines indicated, but it will be appreciated that all the interests of the companies concerned would be acquired and that such a course would involve Government ownership of production facilities not only in other sections of the industry, but also in other industries, e.g., production of materials resulting from by-products of steel-making, such as fertilisers and tar products; wide activities in the general engineering and constructional engineering fields; possibly certain overseas activities, such as iron ore mining; and even in the production of such finished articles as umbrella frames, steel tennis racks, and moth balls. (But see para. 5 of the main paper.)

Sections to be Excluded

Apart from the inevitable acquisition, under a scheme based on the transfer of companies as they stand, of interests outside the sections dealt with above, it is not proposed that public ownership should be deliberately extended to the following sections of the iron and steel industry:

- **Wrought iron**
  
  Production of wrought iron has been steadily declining; it is being superseded by steel. It is neither a vital section of the iron and steel industry, nor, in general, are its products of industrial importance.

- **Iron and steel castings**
  
  There are in existence some 2,000 foundries either engaged mainly in jobbing work or specialising on particular types of castings; they work in close relationship with the user industries and, in fact, many of the foundries are integral parts of engineering works. It is, therefore, considered inappropriate, as indicated in the House on the 27th May, 1946, to transfer them to public ownership (apart from the fact that it would add enormously to the complications of the scheme if they were to be acquired).
  
  The State-owned industry will, of course, include some foundries (transferred as part of the assets of companies acquired on some other grounds, e.g., as pig-iron producers) and will, therefore, be able to exercise a continuing beneficial influence on the foundry industry as a whole; in addition, it will be open to the central authority to build up-to-date foundries. Moreover, the foundry industry generally is at present being closely reviewed by the Iron and Steel Board.
  
  In view of the fact that producers of steel castings have facilities for steel-making, it is proposed to take powers to control under licence their outside sales of steel, if any.

- **Forgings**
  
  There are two broad classes, viz., "forgings" and "drop forgings." About 50 per cent. of the forgings output is carried out by steelmakers and re-rollers selected for transfer, but much of the balance, spread over some 50 firms, is bound up with the engineering industry. Because of this alliance, and the individual nature of the product in many cases, the acquisition of forgemasters outside the steelmaking and selected re-rolling companies is not recommended. There is a sub-section of the forgings industry producing tyres, wheels and axles, but except
mills), will automatically be taken into public ownership, and the question is whether the remaining "independent" tinplate companies should be compulsorily acquired. There will probably always be room for some special types of production suitable for certain of the older type mills, but not suitable for continuous mills. Some of the older mills owned by steelmakers and by independent companies, however, can be expected to be fighting a losing battle for existence, and there is a risk of adverse social and economic repercussions in South Wales, which might be minimised if all the mills were in Government ownership. It is accordingly proposed to acquire the "independent" tinplate companies, whose activities, it may be noted, are confined to tinplate production. They are listed in section 6 of Appendix II.

Other Interests Automatically Acquired

The preceding paragraphs cover the sections of the iron and steel industry in which it is proposed that the producing companies should be deliberately acquired on the lines indicated, but it will be appreciated that all the interests of the companies concerned would be acquired and that such a course would involve Government ownership of production facilities not only in other sections of the industry, but also in other industries, e.g., production of materials resulting from by-products of steel-making, such as fertilisers and tar products; wide activities in the general engineering and constructional engineering fields; possibly certain overseas activities, such as iron ore mining; and even in the production of such finished articles as umbrella frames, steel tennis rackets, and moth balls. (But see para. 5 of the main paper.)

Sections to be Excluded

Apart from the inevitable acquisition, under a scheme based on the transfer of companies as they stand, of interests outside the sections dealt with above, it is not proposed that public ownership should be deliberately extended to the following sections of the iron and steel industry:

**Wrought iron**

Production of wrought iron has been steadily declining; it is being superseded by steel. It is neither a vital section of the iron and steel industry, nor, in general, are its products of industrial importance.

**Iron and steel castings**

There are in existence some 2,000 foundries either engaged mainly in jobbing work or specialising on particular types of castings; they work in close relationship with the user industries and, in fact, many of the foundries are integral parts of engineering works. It is, therefore, considered inappropriate, as indicated in the House on the 27th May, 1946, to transfer them to public ownership (apart from the fact that it would add enormously to the complications of the scheme if they were to be acquired).

The State-owned industry will, of course, include some foundries (transferred as part of the assets of companies acquired on some other grounds, e.g., as pig-iron producers) and will, therefore, be able to exercise a continuing beneficial influence on the foundry industry as a whole; in addition, it will be open to the central authority to build up-to-date foundries. Moreover, the foundry industry generally is at present being closely reviewed by the Iron and Steel Board.

In view of the fact that producers of steel castings have facilities for steel-making, it is proposed to take powers to control under licence their outside sales of steel, if any.

**Forgings**

There are two broad classes, viz., "forgings" and "drop forgings." About 50 per cent. of the forgings output is carried out by steelmakers and re-rollers selected for transfer, but much of the balance, spread over some 50 firms, is bound up with the engineering industry. Because of this alliance, and the individual nature of the product in many cases, the acquisition of forgemasters outside the steelmaking and selected re-rolling companies is not recommended. There is a sub-section of the forgings industry producing tyres, wheels and axles, but except
for one company all the works are owned by steelmakers, and will, therefore, automatically be transferred. The excepted company accounts for less than one per cent. of the total output.

In the case of drop forgings only some 12 per cent. of the total output is by companies selected for transfer in other sections of the industry while a further 5 per cent. is by the railway companies and Government factories. The balance is spread over about 150 companies, many of which are within the engineering industry. The future of the drop forgers is closely bound up with that industry—the drop forging is often regarded as an engineering product—and it is not recommended that they should be acquired as part of the iron and steel scheme.

**Tube production**

Heavy spun cast-iron and cast-steel pipes will automatically come into public ownership, and the lighter cast iron pipes, such as rain water pipes, are foundry products; the main question in this section is, therefore, whether wrought tube production should become part of the publicly owned industry. Within the wrought tube and pipe field, there are two predominant interests, viz., Stewarts and Lloyds (who will be transferred as heavy steel producers) and the Tube Investment group, and there is an important broad distinction between their respective production policies. Stewarts and Lloyds' output of the heavier commercial type of tubes (which are appropriate for mass production methods) is linked to steel production in one continuous plant. Tube Investments, Ltd., on the other hand, have concentrated on linking the production of finished precision tubes with the tube using industries, and consequently they cover many activities besides steel tube production, e.g., light alloy tubes, electrical appliances, refrigerators, &c. The two companies have an understanding as to their respective ranges of production, and have also inter-locking shareholdings and directorates.

Broadly, it seems right that, whereas mass production of the commoner qualities of tube should be integrated with steel production, the making of the diverse and specialised tubes, ranging from hypodermic syringe tube to gas cylinders, should be closely associated with the user industries.

Outside the Stewarts and Lloyds and Tube Investment groups, and disregarding one steelmaking company with some small production of tubes, there are about a dozen independent tube makers, with diverse activities accounting for some 12 per cent. of the total tube output. Some of it is of a jobbing character, but the bulk the simple forming of strip into conduit tube. In several cases steel tube production is linked with tube production from other materials or with fabricating activities.

It is not proposed that either Tube Investments or the other independent tube producers should be transferred to public ownership. They do not form part of the basic iron and steel industry but come in its finishing sections or extend into the engineering industry. Moreover, it would be impossible, without technical and economic detriment, to sever the steel tube production of the Tube Investments group from its other activities.

**Fringe sections of the steel industry**

The only activities which need be mentioned here are wire drawing and the manufacture of bolts, nuts, screws and rivets. A large number of companies, and the production of finished products (partly based on materials other than steel), are involved, and it is not considered appropriate to take them into public ownership except in so far as they will be acquired because of their other interests.

**Raw Materials**

The industry uses, of course, a variety of materials besides iron ore, but it is not the exclusive user and, in general, the existing or prospective supply position of the materials is such that there seems to be little danger that the State-owned industry could be exploited by the private interests producing and marketing them. There seems to be no case for bringing such interests into State ownership as part of the steel scheme, simply because they are suppliers to steel makers. To adopt such a principle might lead us into an embarrassingly wide field. It is also contemplated that the long term Board should not be put in the position of being solely responsible for imports of semi-finished steel and pig-iron; to do so would enable the Board to provide its plants with absolute

[33456]
protection against foreign competition, and possibly also to penalise independent consumers. So long as Governmental control over imports is necessary, the import programmes should be determined by the Ministry of Supply, and, in effect, the State-owned industry would compete against foreign suppliers with the aid of such tariff protection as may emerge from the forthcoming international trade negotiations.

**Merchants**

The merchanting of scrap and the stocking and sale of finished steel can, it is suggested, remain with privately owned companies employed, on appropriate terms, by the steel companies or the Central Board so long as they can perform useful functions. It will be open to the Board to arrange or develop its own merchanting, and any consequent loss of business to the private interests should not be allowed as a basis of a claim for compensation. It is a normal risk of any merchant that his customers or suppliers may decide on direct purchase or sale of their requirements and products.

---

**APPENDIX II**

**Companies Expected to be Taken into Public Ownership**

(1) **Iron Ore Producers**
- Beckermet Mining Co., Ltd.
- Burke (Walker) and Co., Ltd.
- Burton Ironstone, Ltd.
- Byfield Ironstone Co., Ltd.
- Cranford Ironstone Co., Ltd.
- Crosby Ironstone Co., Ltd.
- Eastwell Iron Co., Ltd.
- Frodingham Ironstone Mines, Ltd.
- Glamorgan Hematite Iron Ore Co., Ltd.
- Gray (Thomas E.) and Co., Ltd.
- The Hodbarrow Mining Co., Ltd.
- Holditch Mines, Ltd.
- Holwell Iron Co., Ltd.
- Irchester Ironstone Co., Ltd.
- Lincoln Stone Quarries, Ltd.
- Loddington Ironstone Co., Ltd.
- Midland Ironstone Co., Ltd.
- Naylor Benzon and Co., Ltd.
- Oxfordshire Ironstone Co., Ltd.
- Pain (James), Ltd.
- Pitsford Ironstone Co., Ltd.
- Ulceste Mines Co., Ltd.
- Waltham Iron Ore Co., Ltd.

(2) **Blast Furnace Operators not Producing Steel**
- Consett Iron Co., Ltd.
- Darlington Forge, Ltd.
- Darwins, Ltd.
- Dorman, Long Co., Ltd.
- English Steel Corporation, Ltd.
- Thomas Firth and John Brown, Ltd.
- Samuel Fox and Co., Ltd.
- Guest, Keen, Baldwins Iron and Steel Co., Ltd.
- Hadfields, Ltd.
- Jessop (William) and Sons, Ltd.
- Kayser Ellison and Co., Ltd.
- Lancashire Steel Co., Ltd.
- Lambeth Iron Corporation, Ltd.
- Llanelly Steel Co. (1907), Ltd.

(2) **Blast Furnace Operators not Producing Steel**
- New Cransley Iron and Steel Co., Ltd.
- Pease and Partners, Ltd.
- Remishaw Iron Co., Ltd.
- Sheebridge Coal and Iron Co., Ltd.
- Stanton Iron Works Co., Ltd.
- Staveley Coal and Iron Co., Ltd.
- Wellingborough Iron Co., Ltd.

(3) **Steelmakers**
- Allen (Edgar) and Co., Ltd.
- Andrews Toledo, Ltd.
- Appleby-Frodingham Steel Co., Ltd.
- Bairds and Scottish Steel, Ltd.
- Balker (John) and Bessemer, Ltd.
- William Beardmore and Co., Ltd.
- Blenavon Co., Ltd.
- Briton Ferry Steel Co., Ltd.
- Brown Bayley's Steel Works, Ltd.
- Brymbo Steel Co., Ltd.
- Bynea Steel Works, Ltd.
- Cargo Fleet Iron Co., Ltd.
- Clyde Alloy Steel Co., Ltd.
- Colvilles, Ltd.
- Consett Iron Co., Ltd.
- Darlington Forge, Ltd.
- Darwins, Ltd.
- Dorman, Long Co., Ltd.
- English Steel Corporation, Ltd.
- Thomas Firth and John Brown, Ltd.
- Samuel Fox and Co., Ltd.
- Guest, Keen, Baldwins Iron and Steel Co., Ltd.
- Hadfields, Ltd.
- Jessop (William) and Sons, Ltd.
- Kayser Ellison and Co., Ltd.
- Lancashire Steel Co., Ltd.
- Lancaster Steel Corporation, Ltd.
- Llanelly Steel Co. (1907), Ltd.
(3) Steelmakers—(contd.)
Low Moor Alloy Steelworks, Ltd.
Lysaght (John), Ltd.
Osborn (Samuel) and Co., Ltd.
Park Gate Iron and Steel Co., Ltd.
Partridge, Jones and John Paton, Ltd.
Patent Shaft and Axletree Co., Ltd.
Refined Stainless Steel Co., Ltd.
Round Oak Steel Works, Ltd.
Shelton Iron, Steel and Coal Co., Ltd.
Skinningrove Iron Co., Ltd.
South Durham Steel and Iron Co., Ltd.
Steel Company of Scotland, Ltd.
Steel, Pech and Tozer, Ltd.
Stewarts and Lloyds, Ltd.
Summers (John) and Sons, Ltd.
Taylor Bros., and Co., Ltd.
Thomas (Richard) and Baldwins, Ltd.
United Steel Cos., Ltd.
Upper Forest and Worcester Steel and Tinplate Works, Ltd.
Wolsingham Steel Co., Ltd.
Workington Iron and Steel Co., Ltd.

(4) Re-Rollers—(contd.)
Bagnall (John) and Sons, Ltd.
Bayliss, Jones and Bayliss, Ltd.
Birchley Rolling Mills, Ltd.
Darlington and Simpson Rolling Mills, Ltd.
District Iron and Steel Co., Ltd.
Etna Iron and Steel Co., Ltd.
Guest, Keen and Nettlefolds, Ltd.
Habershon (J.J.) and Sons, Ltd.
Hill (Richard) and Co., Ltd.
James Mills (Executors of), Ltd.
Johnson Iron and Steel Co., Ltd.
Lee (Arthur) and Sons, Ltd.
London Works (Barlows), Ltd.
Monks Hall and Co., Ltd.
New Jarrow Steel Co., Ltd.
Raine and Co., Ltd.
Sheffield Forge and Rolling Mills, Ltd.
Templeborough Rolling Mills, Ltd.
Wesson (W.) and Co., Ltd.
Whitecross Co., Ltd.
Whitehead Iron and Steel Co., Ltd.
Whitehead, Thomas, Bar and Strip Co., Ltd.
Wolverhampton Steel and Iron (1946), Ltd.

(5) Sheetmakers
Burnell and Co., Ltd.
Gorse Galvanising Co., Ltd.
Neath Steel Sheet and Galvanising Co., Ltd.
Sankey (Joseph) and Son, Ltd.
Smith and McLean, Ltd.

(6) Tinplate Producers
Abertillery Works, Ltd.
Avondale Tinplate Co., Ltd.
Baglan Bay Tinplate Co., Ltd.
Eaglesbush Tinplate Works, Ltd.
Elba Tinplate Co., Ltd.
Glynhir Tinplate Co., Ltd.
Llanelli Associated Tinplate Co., Ltd.
Pemberton Tinplate Co., Ltd.
Player (John) and Sons, Ltd.
Redbrook Tinplate Co., Ltd.
St. David’s Tinplate Co. (1927), Ltd.
Webb, Shakespeare and Williams, Ltd.