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CABINET

INTERIM REPORT OF THE STEEL COMMITTEE

MEMORANDUM BY THE MINISTER OF HEALTH

The Steel Committee submit to the Cabinet this interim report on the progress which they have made in preparing the plan for the return of the iron and steel industry to private enterprise.

2. The Minister of Supply has discussed the problem with representatives of the British Iron and Steel Federation and believes that proposals on the lines here set out would be acceptable to them. The Minister is also consulting the T.U.C., the Iron and Steel Corporation, the Iron and Steel Consumers' Council and the Joint Iron Council on various specific issues, but discussion with them has not yet been completed.

3. The Bank of England are now engaged on a detailed study of the problems involved in marketing the securities and a report from the Governor of the Bank is expected in the near future. The Federation are confident that the majority of the securities can be sold to private enterprise without loss; we think, however, that the difficulties of this, though we have not yet examined them fully, are likely to be greater than the Federation expect.

4. In the meantime, the Committee consider that the following provisions should be included in an Iron and Steel Bill on which drafting has begun.

Realisation

5. The Iron and Steel Corporation should be abolished, ownership of the steel companies having been transferred as soon as possible (~~Ministry of Supply~~) to a Realisation and Management Agency. It should be possible to set up the Agency in about a month after the passage of the Bill. This Agency would as rapidly as possible dispose of the ownership of the companies, acting as a holding company until it had done so.

Supervision of the Industry

6. A Statutory Board should be set up to supervise the iron and steel industry in its widest sense, covering not only that part which is now nationalised, but all the main activities of the industry. The Board should include, in addition to independent members, representatives of the Iron and Steel Federation, of the trade unions and of consumers. It would have the duty of promoting the efficient and economical supply of iron and steel in quantities and qualities and at prices best calculated to serve the public interest.

7. The Board should be empowered to lay down maximum permitted prices to be observed by steel producers. All steel-producing companies should be placed by statute under a contractual obligation towards the Board to observe these maxima, the obligation being enforceable by civil proceedings taken by the Board.

8. In addition the Minister of Supply should have an overriding right, after consultation with the Board, to vary by Statutory Order, subject to affirmative or negative resolution procedure in Parliament, the prices fixed by the Board. It would be prudent for tactical reasons to give this power to the Minister permanently, though we do not expect that in normal times, when there is a reasonable balance between supply and demand, it would be much used. The widely representative nature of the Board, including as it would users of steel, should normally provide an adequate safeguard against excessive prices. The prices fixed by the Board would thus be subject as a rule to Parliamentary review only to the extent that the Minister could be asked at any time why he had not exercised his powers of intervention.

9. These normal arrangements for steel prices to be supervised primarily by the Board, but with Ministerial powers held in reserve to prevent excessive profits being made either generally or in particular sections of the industry, would not in themselves suffice for conditions of shortage such as those at present existing, since control by the Board would affect only prices charged by the steel-producing companies and would not govern prices charged by other dealers or prevent the development of a black market. We therefore contemplate that during any period of shortage of steel (as at present) the Minister would make full use of his reserve powers to fix by Statutory Order prices which would take the place of prices fixed by the Board. The use of these Ministerial powers would supersede the present statutory control exercised under the Supplies and Services Act. Prices fixed by Statutory Order would, of course, be applicable not only to the producing companies but to all sellers of steel; and breach of them, whether by the companies or by anyone else, would be a criminal offence.

Development and Expansion

10. In order that the Board may supervise the development of the industry, the Bill should provide for prior consultation with them before any major schemes of capital investment by way of extensions or modernisation are put in hand. But the real problem is that of ensuring that schemes of development or modernisation which are desirable are in fact carried out. We have considered the possibility of seeking to enforce the carrying out of such schemes by the companies wherever they were regarded by the Board or by an arbitrator as commercially reasonable; but we have come to the conclusion that no practicable method can be devised to enforce compliance by the companies with directions given by the Board to carry out such schemes.

11. We suggest, therefore, that the Board should be given power to recommend to the industry as a whole or to individual companies such schemes of modernisation or development as they may consider desirable for the promotion of their objects in the efficient and economical supply of iron and steel. The Bill should provide that in the event of a company or companies declining unreasonably to co-operate with the Board in the execution of proposals designed to improve the efficiency of the industry, the Board might report the matter to the Minister recommending such action by him as they might think appropriate. It would then be for the Government to decide whether, by legislative action or otherwise, to adopt those recommendations.

12. Provision should also be made for the Minister, either on the recommendation of the Board or of his own motion, to arrange for the execution at public expense (wholly or in part) of schemes of development desired by him in the national interest (e.g. for defence or social reasons) but which no company was willing to undertake on its own account without assistance. Such schemes might be on the site of an existing company, in which case that company would carry out and manage the extension; if they were on a new site a suitable existing company might be employed to erect and manage the new works or a new publicly owned company might be created for the purpose. In order to protect public funds from unreasonable demands in cases where existing companies were assisted or remunerated from them, provision should be made for the determination by an arbitrator of fair and reasonable terms of assistance or remuneration in the particular circumstances of each case.

Common Services

13. The Board should be empowered—

- (i) to promote research, training and education;
- (ii) if it considered the common services provided by the industry in such matters as the procurement of raw materials and of imported steel to be inadequate, itself to intervene and arrange for improved services to be provided;
- (iii) to raise a levy on the industry to meet its expenses arising out of (i) or (ii) or otherwise.

H. C.

*Ministry of Health, W. 1,
20th December, 1951.*

