CABINET

THE IRON AND STEEL INDUSTRY

Memorandum by the Minister of Supply

As requested, I submit a draft of the White Paper on iron and steel, revised in the light of the Cabinet's discussions.

2. So as to give greater prominence to our proposals for the public supervision of the industry as distinct from those concerned with the transfer of ownership, the order in which these two sections are presented has been reversed.

3. If it should be decided to make some reference to the Government's desire for an agreed settlement of this problem, I suggest that, when the White Paper is issued, a statement on the following lines should be made:

"The Government believe that the proposals set out in the White Paper offer a reasonable and workable solution to the problems of supervision and ownership in the iron and steel industry. At the same time, they recognise the importance of lifting the iron and steel industry out of the arena of party controversy. They are therefore prepared, between now and the introduction of the Bill, to consider sympathetically any constructive amendments which would provide a basis for an agreed settlement."

D.S.

Ministry of Supply, W.C.2

18th JULY, 1952.
IRON AND STEEL INDUSTRY

Presented by the Minister of Supply to Parliament
by Command of Her Majesty
1952
IRON AND STEEL INDUSTRY

I. INTRODUCTORY

1. In the King's Speech at the opening of the present Parliament, it was announced that legislation would be introduced to provide for the reorganisation of the iron and steel industry under free enterprise with an adequate measure of public supervision. A Bill to give effect to this policy will be presented to the House of Commons early in the next Session. Meanwhile the Government consider it desirable to make a statement of their proposals.

2. In framing their proposals the Government have had regard to earlier arrangements for the supervision of the industry, first by the Import Duties Advisory Committee from 1932 to 1939, then by the Iron and Steel Control during the war and later by the Iron and Steel Board set up in 1946.

3. The Government have discussed their proposals in outline with the Iron and Steel Corporation of Great Britain, the Iron and Steel Consumers' Council, the British Iron and Steel Federation, the Trades Union Congress, the Joint Iron Council and the National Council of Associated Iron Ore Producers. These organizations were not asked to express final opinions and the Trades Union Congress, for their part, stated that they wished to reserve their position. The Government have also had discussions with a number of trade associations on matters affecting their particular sectors of the industry.

4. The Government's proposals, which are set out in the succeeding paragraphs, fall into two parts—relating respectively to the problem of public supervision and that of the transfer of ownership.

II. PUBLIC SUPERVISION

Iron and Steel Board

5. In order to provide public supervision of the iron and steel industry, it is proposed to set up an Iron and Steel Board with statutory duties and powers.

6. The Board, which will be appointed by the Minister of Supply, will be composed of not more than 12 members. Qualifications for membership will include experience in the iron and steel industry, in the engineering and other industries using iron and steel, and in trade unions. There will be an independent chairman and some additional independent members.

7. Members of the Board will be appointed for a maximum term of 5 years and will be eligible for re-appointment.

Scope of the Board

8. It is intended that all the main processes which make up the iron and steel industry, set out in the Appendix, shall come within the purview of the new Board, thus bringing the whole industry again under the supervision of a single authority and ending the present distinction between nationalised and non-nationalised sectors. The Board will not be concerned with the extensive engineering and other extraneous activities which, though not part of the iron and steel industry, were brought under the control of the Iron and Steel Corporation because they happened to form part of the activities of the companies which were nationalised.
The Board will have the general duty of supervising the industry with a view to promoting the efficient, economical and adequate supply of iron and steel, and will be required in particular to keep under review:

(a) development of production capacity;
(b) prices;
(c) raw material supplies;
(d) research and technical training;
(e) arrangements for joint consultation between management and employees on matters of mutual interest other than wages and conditions of service; and
(f) arrangements for the safety, health and welfare of employees.

10. Whilst the powers of the Board are intended to provide for the supervision of the whole iron and steel industry, they will not extend beyond it, for example to the activities of steel-using industries or metal merchants.

11. So long as the present emergency powers or similar powers under other legislation continue to be exercised, the Government will consult the Board in regard to their application to the iron and steel industry, and in appropriate cases may authorise the Board to exercise them on behalf of the Government.

Development

12. One of the most important responsibilities of the Board will be to supervise capital development. It will be the Board’s duty to discuss with the iron and steel companies their plans, in order that they may be satisfied that individual schemes are consistent with the proper development of the industry as a whole and that any additional capacity or improved facilities required will be provided.

13. If a company should put forward a major scheme which in the opinion of the Board would seriously prejudice the efficient and economical development of the industry, the Board will have power to restrain that company from embarking upon such a scheme. Companies dissatisfied with the Board’s decision will have the right of appeal to the Minister of Supply.

14. On grounds of general national interest it may at times be desirable to carry out schemes of capital development which on commercial grounds no company feels able to undertake. It is therefore proposed to give powers to the Minister of Supply to arrange in such cases, after consultation with the Board, for the provision and operation of the additional works or other facilities required.

15. The Government propose to give these positive powers to the Minister and not to the Board because, if the Board are to preserve impartiality in the performance of their duty of supervising the industry as a whole, they must remain free from responsibilities of ownership or management in respect of particular concerns.

Prices

16. In view of the importance of iron and steel to the national economy, it is proposed to give to the Board power to fix maximum prices for sales in the United Kingdom. Discretion will be left to the Board to decide from time to time in respect of which products such price control is necessary.
addition it is proposed that the Government should have in reserve a power to intervene in the fixing of maximum iron and steel prices should the public interest so require.

17. In order to avoid overlapping, the Board's price-fixing powers will not be exercisable in respect of any product for which a Price Control Order under Defence Regulations is at the time operative. On the other hand, the Minister of Supply will be required to consult the Board before making any such order in respect of any product or raw material of the industry, including scrap.

Enforcement of Board's decisions

18. The Bill will provide that all producers of iron and steel shall be deemed to have entered into a contractual obligation with the Board to observe their decisions in relation to development and prices. The Board's decisions will thus be enforceable by civil proceedings for an injunction.

Supply of Raw Materials

19. The Board will keep under review the distribution of raw materials, including scrap. In times of shortage, such as the present, when emergency powers are in operation, it is the Government's intention that the Board should control the distribution of scarce raw materials within the iron and steel industry under the authority of the Minister of Supply.

20. In view of the dependence of the United Kingdom upon supplies of high grade iron ore and other raw materials from abroad, the Board will have to assure themselves that the arrangements made by the industry for importation of the raw materials it requires and their distribution are satisfactory. The Board will be empowered themselves to take steps to secure the imports required, should they consider the industry's arrangements inadequate.

21. The Board may also if necessary arrange for the import of iron or steel, in finished or semi-finished form.

22. In order to avoid serious price discrepancies due to the higher cost of imported iron and steel and raw materials, the Board may arrange, with the approval of the Minister of Supply, for these to be sold below cost and for the loss to be recovered from appropriate sectors of industry, as is done at present.

Research and Training

23. The Board will be empowered to take steps to promote research and the training and education of employees, should they consider that the industry's arrangements are inadequate, and to make any necessary grants or loans.

Expenses of the Board

24. The Board will have power to obtain payments from the iron and steel companies to meet their expenses, including, when necessary, the losses involved in selling imported materials below cost. These payments will be fixed in accordance with principles to be approved by the Minister, who before giving his consent will consider any representations by the companies concerned.

Statistics

25. The Board will arrange for the periodical publication of statistics relating to the industry, and the iron and steel companies will be required to furnish any necessary information.
App. to Northern Ireland

26. The powers relating to prices will apply to sales of iron and steel in Northern Ireland as well as in Great Britain. The other functions of the Board may be applied to Northern Ireland upon the request of the Northern Ireland Parliament.

Import Duties

27. It is the Government's intention to consult the Board in regard to any proposed modifications to the import duties on iron and steel.

Report to Parliament

28. The Board will make an annual report to the Minister of Supply, who will lay it before Parliament.

III. TRANSFER OF OWNERSHIP

Holding and Realisation Agency

29. The Bill will provide for the dissolution of the Iron and Steel Corporation of Great Britain, and for the transfer of the securities of the nationalised companies to a Holding and Realisation Agency.

30. The Agency, which will be composed of a small number of persons possessing the necessary qualifications and experience, will be appointed by the Treasury.

31. The Agency will have the duty to secure the return of these companies to private ownership and meanwhile to ensure their efficient direction, as explained in the ensuing paragraphs.

Disposal of Companies

32. In disposing of the securities transferred to them from the Corporation, the Agency will be required to obtain the approval of the Treasury in regard to the terms of sales. Subject to similar approval, the Agency will have discretion as to the timing. Sales will start as soon as possible after the passing of the Bill. However in view of the magnitude of the financial operations involved, these may well take some years to complete.

33. Before disposal, the Agency may effect such re-groupings of the undertakings or alterations in the capital structure of companies as may be desirable. The Agency will be required to consult the new Iron and Steel Board in regard to re-groupings.

34. In deciding the price to be asked, regard will be had to all relevant factors at the time of sale. Account will have to be taken of the important changes which have taken place since nationalisation in the physical assets, capital structure, reserves and trading prospects of many of the iron and steel companies, together with other considerations such as the monetary and market conditions prevailing at the time.

35. In allocating securities offered for sale, the Agency will, notwithstanding the serious technical difficulties involved, give priority where practicable to applications from former shareholders.
Transitional Arrangements

36. During the period of transition, the Agency will be empowered, with the approval of the Treasury to provide finance for companies whose securities they hold.

37. The Agency will exercise their powers as shareholders in the normal way, but will not intervene in matters of day to day management. It is intended that, pending disposal, companies owned by the Agency should operate as far as possible on the same footing as their privately owned competitors, and should stand in the same relationship as the latter to the Iron and Steel Board.

Finance

38. The Agency will pay to the Treasury the monies they receive from sales and dividends. The Treasury will provide such sums as are necessary to meet the Agency's outgoings.

39. Iron and Steel Stock will become part of the National Debt and will be re-named 3½ per cent. Treasury Stock, 1979-81.

40. The Agency will be empowered to accept this Stock and most other Government Stock in payment for securities of iron and steel companies sold by them. Since the sale price will be fixed in relation to conditions current at the time of sale, these Government Stocks will be accepted at their then current market value.

Report to Parliament

41. The Agency will make an annual report to the Treasury who will lay it before Parliament.

APPENDIX

IRON AND STEEL PROCESSES TO BE SUPERVISED BY THE BOARD

1. The working and getting of iron ore or the treatment or preparation of iron ore for smelting.

2. The smelting of iron ore in a blast furnace with or without other metalliferous materials or the production of iron by any other process.

3. The production of steel by any process.

4. The casting of iron or steel by any process.

5. The processing, with or without heat, of iron or steel by rolling or forging (excluding drop forging and blacksmiths' hand forging).

6. The production from iron or steel of hot-finished welded tubes or pipes or hot-finished seamless tubes, or pipes or bright bars.

7. The production of tinplate or terneplate.