CABINET.

FUTURE OF THE IRON AND STEEL INDUSTRY.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

THE Cabinet, at their meeting on the 4th April, 1946 (C.M. (46) 30th Conclusions, Minute 3)—

(1) Agreed that legislation to nationalise the iron and steel industry should be introduced in the 1947-48 Session and that an announcement of the Government's intentions should be made at the earliest possible date.

(2) Agreed that during the period before the iron and steel industry was nationalised it should work under the supervision of a Control Board, appointed by the Government, whose duty it would be to secure the necessary development of the industry and to work out a detailed nationalisation scheme. It was also for consideration whether any large new plants erected during the interim period should be provided by public funds and vested in the State, pending the nationalisation of the industry as a whole.

(3) Invited the Foreign Secretary, the Chancellor of the Exchequer, the Lord Chancellor and the Minister of Supply to submit to the Cabinet for consideration at their meeting on the 11th April proposals for the constitution and functions of the suggested Control Board together with a draft of the proposed announcement of the Government's intentions.

In accordance with this conclusion, I have discussed the position with the Chancellor of the Exchequer, Lord Chancellor and the Minister of Supply; and our views are set out in this paper.

2. The precise composition of the proposed Control Board will require consideration; but it might consist of four to six members and should include two or three members with an intimate working knowledge of the industry who would necessarily by their appointment be divorced from it. The Control Board should include members who would qualify for appointment to the National Board set up to manage the industry after nationalisation.

3. The main functions of the Board would be to regulate production, distribution, the import and export of iron and steel and to ensure that urgent new development was carried on without any delay in the interim period pending nationalisation. In most cases this development would consist of the extension or replacement of existing plants, and in such cases the Board would have to supervise work undertaken by the industry itself. In a few cases where completely new works are required construction might have to be undertaken by the Board on behalf of the Minister of Supply. The Board would recommend the use of Government finance for new development where this was desirable or necessary; and use might be made in this connection of the Treasury powers proposed in clause 2 of the Investment (Control and Guarantees) Bill.

In addition, the Minister would use the Board as an advisory body in the working out of detailed proposals for the nationalisation of the industry, more particularly in regard to the precise part of the industry to be nationalised.
4. We are satisfied that the existing statutory powers available to the Minister of Supply are adequate to permit of the establishment of the Iron and Steel Control Board and for that Board to be enabled to exercise effective supervision over the industry in the interim period. We feel some doubt whether the existing powers would enable the Board itself to undertake development, where this was considered necessary, and the element of doubt becomes more important in view of the possibility that opposition may be raised to some of the Board's activities, resulting in legal actions. Accordingly, it would probably be expedient to introduce legislation forthwith to cover the activities of the Control Board in the interim period.

5. Discussions with the industry might, however, show that the major schemes of development could be proceeded with in co-operation with the industry; and in order that the position may be clarified in this respect, it is suggested that the Minister of Supply should be authorised to discuss with the industry and the trade unions how far it will be possible to secure agreement on the carrying out of the development programme in the interim period. These discussions should be on the basis that the Government has decided to nationalise the industry and that a Control Board will be set up to regulate the industry pending nationalisation.

6. We suggest that contact should be established with the President and Chairman of the Iron and Steel Federation, the Chairman of the Joint Iron Council and the Secretary of the principal trade union involved (namely, the Iron and Steel Trades Confederation), with a view to initiating the discussions referred to in paragraph 5, before any public announcement is made of the Government's decision to nationalise the industry. At the same time an announcement in the House of Commons should not be long delayed. The draft of a suggested announcement is set out in the Appendix.

7. Our conclusions may be summarised as follows:
   (a) The proposed Control Board for the iron and steel industry during the interim period should consist of a small number of members, two or three of whom should, in due course, qualify for appointment to the National Board set up to manage the industry after nationalisation.
   (b) Legislation may be necessary to enable the proposed Control Board to carry out necessary developments but a final decision should await the result of negotiations with the iron and steel industry.
   (c) Steps should be taken to initiate these negotiations before any announcement is made about the Government's decision to nationalise the iron and steel industry.

Foreign Office, 11th April, 1946.

E. B.

APPENDIX.

DRAFT ANNOUNCEMENT.

1. The House will remember that on the 19th November, 1945, in announcing the Government's plans for the socialisation of industries, the Lord President of the Council stated that the Coalition Government had invited the iron and steel industry to submit a Report on the improvements required to put the industry on an efficient operating basis, and that His Majesty's Government proposed to await this Report before taking final decisions on the future organisation of the iron and steel industry.

2. A Report prepared by the British Iron and Steel Federation was received in December last and has since been under consideration. It set out plans for the development and modernisation of the industry over the next five to seven years at an estimated cost of £168 million. Proposals were also made to effect a certain rationalisation of production in order to achieve maximum plant efficiency.

3. Reports have also been received from the Joint Iron Council dealing with the foundry iron and iron foundry sides of the industry.
4. The Government welcome these Reports as an important contribution to the planned development of this basic industry.

5. After full consideration of the position of the industry and its importance in the national economy, the Government has reached the conclusion that the iron and steel industry should be nationalised and that legislation for this purpose should be prepared.

6. In the meantime it is proposed to establish a Control Board, appointed by the Minister of Supply, to carry on the functions of the Iron and Steel Control and to pay special attention to the large and urgent developments which are now necessary. The Control Board would also advise the Minister of Supply on the detailed working out of the proposals for the nationalisation of the industry, including its exact delimitation for this purpose.