

crisis in steel

young fabian steel group

young fabian pamphlet 38 30p



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1. introduction

Change is in the air for steel in this country; far-reaching, costly and badly needed change. The move and counter move of the stale old nationalisation game have finally been played out and the British steel industry in the 1970s is to set about some real development. Of course, there is a price: a net rundown of at least 50,000 on the present workforce, with devastating side effects for the tradition bound steel communities in the fastnesses of Wales, Scotland and the North.

Two previous Fabian Pamphlets, *Plan for Steel Re-Nationalisation* (J. Hughes, Fabian Research Series 198, 1958) and *Why Steel* (R. Pryke, Fabian Research Series 248, 1965), argued successfully that nationalisation was obligatory if steel was to achieve any sort of real development and expansion. This pamphlet follows the dialectical lead given by these earlier essays and puts the case for the next stage in the industry's development: the need for social accountability in the nationalised steel industry. The wider implication of this argument is for the nationalised industries as a whole, and is a demand that they assume their responsibility for the far reaching effects of commercial decisions on the lives of the workers the industries employ and the community they serve. If this responsibility is not assumed, then the question must seriously be asked "nationalisation for whom?"—a cheap and ready supply line for the private sector or a service to the British nation?

the social cost

However, change is always paid for in one way or another and the British steel industry is at last about to receive a face lift it has been awaiting since before the Second World War. It is the undeniable, but rarely quantified, social costs associated with change on the scale of the Ten Year Development Strategy with which this pamphlet is concerned. Rarely have so many jobs been placed in jeopardy over so short a period. Never have the implications of closures threatened to affect whole communities to the extent

now envisaged in the steel dependent areas.

In 1973, the Conservative Government brought out its White Paper on the British Steel Corporation's Corporate Plan (*British Steel Corporation: Ten Year Development Strategy*, HMSO Cmnd 5226) after a year of speculation, modification and accusation—most of which clustered around the so-called "Confidential Report" (whose status has never been properly verified), which warned, without much strain, of the plant closures impending (see appendix 3). Now the strategic decisions have been made, the debate has become more acrimonious; works' action committees have been established and the closures have already begun.

Most of the criticisms of the Ten Year Development Strategy have sprung from the fact that the BSC apparently changed its mind in mid-stream over its upper tonnage limit on production capacity, and eventually pitched lower, at 36 million tonnes, than it had originally intended in 1971, although the BSC is now denying emphatically that there ever was any intention of going higher. The current argument about this apparent anomaly runs thus: the hypothetically higher upper limit of, say, 42 million tonnes would have accommodated all the Shottons and Ebbw Vales without need of closure in an all inclusive grand plan which would have managed to bestow the shape of things to come in the context of things staying as they are.

No commentator has yet seriously criticised this view, and the works Action Committees, at least in their early days, appeared also to believe in the dangerous logic that links tonnage with jobs. This pamphlet reveals the fallacy of such an approach.

Running through the whole of the Ten Year Development Strategy is the dominant theme of "scrap and build"—to build on a massive, Japanese type scale. The poverty of this particular type of forward planning which blankly adheres to such a single minded approach is the

main reason why the Development Strategy has assumed its present form. In the arguments surrounding the whole question of steel, few observers have thought it worthwhile questioning why the single monolithic scheme should form the sole basis for the modernisation of the British steel industry. Thus, in some ways, the furore surrounding the problem of the jobs threatened has diverted attention from many other key issues.

An assessment is needed of the prospects for the future in steel in the historical context, to develop a perspective of the past failures of private industry to mobilise itself and expand capacity when it was most needed. Central to this argument must be the dual questions of *accountability* and *alternatives*, so that a modernised industry will not necessarily mean the extinction of a way of life for so many working people.

outline

There is clearly a case for a re-appraisal, which this pamphlet attempts. The first section is a broad historical outline of the development of the steel industry in this country up to the present time, and particularly since World War Two, examining the forces behind its development and present structure and performance. The industry has been nationalised twice, but it is the implications of the present stages of rationalisation and expansion following the 1967 nationalisation which are of prime concern to this pamphlet.

The second chapter takes the form of a detailed assessment of the BSC's corporate planning since 1967 and its implications in the present Development Strategy in terms of social and economic cost. An analysis is given of the weaknesses in the BSC's corporate planning procedures and the BSC's relations with the sponsoring Ministry, the Department of Trade and Industry (DTI). There is an examination of the feasibility of the upper tonnage limit in capacity set for 1980 and the investment strategy and costing of the present rationalisation pro-

posals. Each stage of the BSC's attempts at corporate planning is examined in some detail.

Chapter three looks at the whole question of the redundancies attendant on the BSC's proposals and, in particular, what provisions have been made to accommodate the wholesale running down of entire communities that the Ten Year Development Strategy envisages. The inadequacies of existing provisions for redundancy and retraining, particularly for older workers, are highlighted.

The chapter goes on to discuss the potential contribution of the EEC's social funds to the problem; but concludes that, without an initial commitment by the British Government, this source will have no great significance.

It is the authors' intention that this pamphlet should be read in conjunction with the White Paper (*ibid*). The conclusions reached in the pamphlet are linked closely to policy leading to specific action by either the BSC or the Government. All the conclusions and recommendations are set out as a final chapter. If these, or something like them, are not implemented speedily by the Corporation and the Government, then the consequences in both manpower and broader social terms are dire.

The pamphlet was prepared, and the research for it completed, prior to the advent of the Labour Government in March 1974. However, the set of demands tabled here, calling for greater social responsibility on the part of corporations and governments (of whatever political persuasion) whose corporate planning results in widespread loss of job opportunities, stand.

In stressing the social responsibility which must be associated with major planning of this kind, it is our intention to put forward constructive proposals which, if implemented, would do much to re-emphasise the benefits of nationalisation.

2. the British steel industry

“Works were situated in the wrong centres, plants were obsolescent; there was great duplication and a want of central control.”

(Baron Mond, Lord Melchett Senior, of the British iron and steel industry, 1928.)

introduction

The first postwar Labour Government set about claiming the steel industry for the British nation “as a matter of business” rather than a “party political matter” (Herbert Morrison). In fact, the British steel industry has been made the tool of politics of one sort or another since its beginnings. From excessive control exercised by the financial interests in the 1920s and after, to Tory Government agonisings over proposed hiving off from the newly nationalised concern in the early 1970s, the story has been a familiar one of manipulation. Now we hopefully have the industry’s time of achievement with the application of genuine central control as the Corporation advances resolutely, if painfully, upon a middle age that will, it is hoped, see British steel fitted out for the last decades of the twentieth century. But this process will eliminate nearly one third of its present manpower requirements.

The present crisis in steel is arguably not so much a new event as one which has been waiting off stage for some time, and whose present appearance is the result of a long historical development. The causes of the present discontents go much further back, in fact, than Tory Government wishes to pare down the nationalised giant, and have much deeper roots than the present directors’ desires for business efficiency in the industry. It might be said, moreover, that the “most disastrous decision taken in connection with east Wales during the last forty years” (Jack Jones, December 1972) made in respect of Ebbw Vale would have been averted if the pressure groups in the area had not been so successful in reawakening interest in producing sheet steel there in 1935. Although it would be no comfort to

Shotton steelworkers marching in London to know that John Summers’ original decision on the siting of his plant had been based upon inadequate information as to how quickly the adjacent estuary would silt up. They would, however, understand fully what the Transport and General Workers’ Union said at the 1934 Trades Union Congress that “an industry can be moved without any obligation at all and the community that is left derelict has to pay the cost”. But the latest threat to the steel communities posed in the European 1970s must be understood in the context of the radical restructuring of the industry.

earliest days

Steel is basic to an industrial nation; it is the primary industry upon which everything else is dependent. A phrase used by Aneurin Bevan, who knew more about the industry than most, states no more than the truth: “steel is power”. The power of the British industry has remained in a few hands from the earliest days, this power being reinforced in later years by the establishment and continuance of a controlling interest of monopoly like dimensions. The story of steel, then, is the story of private interest creating for itself the stature of *de facto* monopoly control.

The early ironmasters were often linked financially to coal interests, and this fact, together with the metal trades’ demand for large quantities of cheap coking coal for reduction purposes, has invariably determined the siting of many of our works today. In the early days of steel, moreover, when the British industry concentrated on quality rather than quantity, the open hearth type of furnace (see appendix 1) which allowed a high degree of quality control tended to be favoured.

By the time that the cost disadvantages of producing bulk steel by this process became apparent in later years, much money had already been invested in the open hearths. The existence of the developed British iron industry affected the developing steel industry in terms of

location and distribution of plant, and, of course, the pattern of ownership. In fact, a *mêlée* of separate factors combined to determine the shape of the future steel industry, including chaotic patterns of rival small owners in the early days, particularly in areas like the Black Country, and the slow initial rate of expansion as compared to countries such as Germany and USA which the overall state of the industry produced. By the First World War, however, the names and companies which were later to dominate began to emerge. In the beginning, separate steel families concentrated on one type of steel product and thus geographical areas became dominated by one type of steel manufacture.

The close of the First World War gave the steel industry, along with the rest of British industry, an unparalleled three years of boom, with the continental competitors to all intents and purposes wiped out. From 1918 to 1921, steel production ran at record levels and then slumped drastically, accelerated to previous levels in 1929, and then slumped once more. An even rate of production was not resumed until 1932 and the imposition of import tariffs. But 1921 had seen the virtual economic collapse of the industry and the steel owners lost money heavily, having assumed that the boom period would continue. The companies were in debt and needed support.

The banks stepped in to shoulder the burden. Later, in 1930, a report, made after a long enquiry by a committee presided over by Lord Sankey, suggested that money should be spent in improving the technical efficiency of the steel industry and that there should be regional amalgamations to establish unitary control in each of the main producing districts. More important, the committee also said it had had consultations with the Governor of the Bank of England and reported that he "had declared himself to be of the opinion that the necessary money for the reorganisation could doubtless be found . . ." (D. Burn, *The Economic History of Steelmaking, 1867-1939*, Cambridge University Press, 1961). In other words, it was suggested

that the bankrupted industry should be reformed with the support of the financial groups.

inter-war and the financial institutions' role

In point of fact, the banks had already played a significant role in the evolution of the British steel industry for a long time before the Sankey Committee and its recommendations. Amalgamations throughout the industry, involving names like Dorman Longs, Colvilles, and Guest Keen and Baldwins, had all had bankers as creditors playing a decisive role in the negotiations, and the Bank of England was behind the syndicate organised to set up the Lancashire Steel Corporation.

One example of how tightly the industry was knit together across different firms, and how dominant was the banking interest in those years, can be seen in the example Burn gives of the Summers family's financing of the new strip mill at Shotton in the late 1930s. A large sum of new capital for the investment was secured from the United Steel Company with the Bankers Industrial Development Company supplying the rest. The Summers then agreed to the setting up for ten years of a supervisory committee consisting of the Governor of the Bank of England and the Chairmen of John Summers and United Steel. According to Burn (*ibid*): "No step was to be taken without the agreement of United Steel so long as this company had a substantial investment".

The period of virtual control by the banks which had become established by the mid twenties, therefore, saw the consolidation through amalgamation of the emergent groups in steel and the foundation of the monopolistic power that the British Iron and Steel Federation (BISF) came to represent. The heavy indebtedness to the banks of many firms in the late 1920s had added to other fixed interest burdens, and given rise to the exercise of pressure by the banks on their doings. The extent and nature of this pressure varied, but its results can be seen from the example given. It is sig-

nificant that those amalgamation proposals which were not stimulated by the banks, such as one proposed between Cargo Fleet and Dormans, did not somehow seem to progress. And the banks left a legacy of inadequate development, for the financial interests were not concerned to modernise the industry they were manipulating, but found it convenient to retain as much existing plant as possible—plant which was already in many cases in the latter stages of obsolescence.

the BISF

In 1918, the National Federation of Iron and Steel Manufacturers had been formed to replace the earlier British Iron Trade Association. This was replaced in 1934 by the British Iron and Steel Federation, a much stronger central body with extended powers and an independent Chairman. By this time, the bankers' interest in the industry had been established, and from the founding of the BISF may be dated the emergence of the tight control of a small group of dominant companies who pushed tariff protection throughout the mid war period and resisted reorganisation and public ownership. Though technically an oligopoly, this is henceforth referred to as the Monopoly, for so it was.

In fact, a call for the public ownership of the industry had begun to build up at this time and detailed proposals were made by the major union in steel, the Iron and Steel Trades Confederation (ISTC) as well as by enlightened commentators in the trade press like "Ingot".

But the Monopoly's control was not to be seriously challenged yet. Having achieved a victory over the imposition of tariffs in 1932, the BISF went on to force Sir William Firth into changing the site of his proposed new plant from Lincolnshire to Ebbw Vale. Subsequently, under financial duress from the Bank of England, Firth was also made to operate his plant in co-operation with the other leading firms, and was finally removed altogether and the firm merged with

Baldwins in 1944. Such was the power exerted by the lethal combination of the companies and the banks.

up to the first partial nationalisation

By the end of the Second World War the British steel industry was run, as it had been for some years, by a *de facto* private monopoly. Six amalgamated firms had emerged from the inter war period of control by the great financial interests, and these six together owned half of the steel producing capacity of the entire industry. Collectively, they held about 600 seats on the boards of companies inside and outside the steel industry proper and the directors of the six controlled about 100 subsidiaries. As well as linkages through directorships, however, the separate firms were held together by monopolistic trade associations catering for different sections of the industry; there was also, of course, always the dominating pre-eminence of the BISF.

Private capital, it seemed, could achieve no greater control, and the post war Labour Government saw such control as a clear threat to the national economic welfare—"In controlling this industry, upon which the whole economy depends, these men are answerable, not to the nation, but to sectional interests, interests which look upon steel as a way of making money—like dance halls or snack bars" (*British Steel at Britain's Service*, Labour Party Pamphlet, 1948).

The stakes involved were rather higher than those in the snack bar business, however, and, after an early commitment to low prices, the Monopoly had exercised its power enough to raise prices by one third between 1934 and 1939, such that Geoffrey Crowther in *Economics for Democrats* in 1939 was prompted to say: "The result of Conservative steel policy has been to confer enormous advantages on the businessmen of the industry. They have been granted a monopoly and assured of its exclusivity and permanence; and they have been encouraged to use it to raise prices for their product . . .". Crowther went on to point out how a

proportion of these same profits came inevitably from the steel consuming British public. In 1941, the then Auditor-General echoed Crowther's pleading: "Today, the Government in the public interest, fixes prices. But in so doing it is inevitably to some extent dependent upon the figures and evidence produced by the Federation, which is, of course, acting in the interests of the private profitmakers".

Not only was the Monopoly taking something more than an unfair advantage of its position, however, but it did not even manage to reach a reasonable level of efficiency or investment in so doing. There were many criticisms made of the industry and of the men who ran it, from the unpublished Sankey report which, according to the industry's historian, "judged the smelting and coke making branches of the industry wholly antiquated and inadequate; ore-mining and steel-making less so, but still in need of great expenditure" to Lord Nuffield in 1935—" . . . I only wish I was younger, I would set up a steel plant and put them all out of business" (D. L. Burn, *ibid*). This was all before the Second World War. But it was still the same tale of inadequacy of investment and outdated plant after the war.

However, after World War Two, the Labour Government placed the mines under the management of the National Coal Board "on behalf of the people" and was likewise pledged to place the power that steel represented at the service of the British people. The dead hand of sectional interests and financial powers alike was to be prized off the industry.

It is unnecessary to examine in detail the tortuous progress that was made following the war to the short lived national corporation. In retrospect it is easy enough to see that the "modern private barons" of Bevan's steel mythology would not give up so easily, and that the strategy of "taking the tiger claw by claw" was ill judged. In 1950, the deed was actually accomplished and the second tenuous Labour Government gave Mr. S. Hardie charge of the new

creation who, as Chairman of the British Oxygen Company, had had "a profound acquaintance with monopoly", according to D. Burn in *The Steel Industry 1939-59* (Cambridge University Press, 1961) and thus was, presumably, a worthy candidate. The unfortunate Iron and Steel Corporation of Great Britain commanded very little support from within the industry and indeed found great difficulty in even acquiring personnel of the right calibre. The fledgling corporation was refused all material assistance and advice in a Chilean style capitalists' strike. In such a way was an Act of Parliament openly flouted by the private industry.

Never more clearly than at this time did the Monopoly display its tenacity and rigid control over the steel industry. The BISF icily noted the newcomer, saying "The Federation unanimously agreed that since the Act imposed certain duties on the new corporation facilities should be provided by the industry for carrying out those duties as necessary" but went on that it was "necessary for those in the industry not only to continue faithfully and loyally to manage their particular firms but also to preserve as far as possible those arrangements which had been so successful up to the present". In other words, separate managerial responsibility plus common services (*BISF Annual Report*, 1950). Meanwhile the Labour Government felt that the final taking of the step had to be defended in public by reference to the prevailing international situation where demand for steel had risen with the war in Korea such that expansion of the home industry was required to meet the demand. That Labour felt constrained to explain their intentions in this way is clear evidence, if any were needed, that the steel industry's millenium was not at hand. Not now. Indeed, when a Steel (Rearmament) Panel was appointed in 1951, it is significant that the Commercial Director of the BISF was its Chairman while the Corporation had to be content with representatives on the panel (Burn, *ibid*, page 319). And when the Distribution Scheme was reintroduced in 1952 and the panel was dispensed with, it was the BISF who were entrusted with the general responsibility

for arranging steel production and supply ; but this, of course, was under an entirely new regime.

The Conservative Party was victorious in the General Election of October 1951 and came to power pledged to reverse the nationalisation of steel that had scarcely got under way. The assets of the nationalised industries were handed over to a Holding and Realisation Agency which was to sell them as quickly as possible at prices acceptable to the Treasury, below their real market value. As the next step, the new masters created the Iron and Steel Board "to exercise a general supervision over the iron and steel industry with a view to promoting the efficient, economic, and adequate supply under competitive conditions of iron and steel products" (*Iron and Steel Act*, 1953). The significant phrase was the last—"under competitive conditions". On the face of it, a fair enough qualifying clause, but the Monopoly's position was not seriously to be challenged, as Burn says: "... in the Government's eyes, all the practices established in the steel industry under the Federation could be accommodated within their concept of 'competitive conditions'" (*ibid*, page 367). The hands had been momentarily prized off, but were now clammily back in position. The Monopoly was to continue and prosper.

the lesson learnt

What contribution, if any, did the still born British Iron and Steel Corporation make to the industry's development plans? Hampered by lack of support from within the industry and implacable hostility from without, the answer might have been very little. But there was nevertheless some progress made although it was not profound nor far reaching and the central problems were to remain. It was felt that the capacity of existing works was adequate and that extra output could be obtained by the classic method of adding on, but the question of where the steelworks were sited—the fundamental consideration now—was not felt to be in urgent need of appraisal: "The

way in which development has been shaped for the next five years has meant that the fundamental problems of 'location' have not been raised in an acute form". (*Report of the Iron and Steel Corporation*, HMSO, 1952). Consideration was to be given to the problems associated with location but action was to be deferred until later and, in the event, much later. At least one sympathetic political observer has noted the ping pong political game of which the industry was made the subject and G. Ross in *Nationalisation of Steel* said of the denationalisation of 1953 that it was a doctrinaire Conservative Party response while other commentators have felt that the call came out most strongly from the party's backbenches (E. Powell, quoted by R. Pryke, *ibid*). The short history of the first nationalisation, therefore, is one of a doomed and rather hopeless attempt rather than a thwarted full scale attack. In any event, the Monopoly was once more in the seat of power and steel was back in the hands of the private interests. Richard Pryke draws attention to the passage in the biography of Sir Ellis Hunter, the President of the BISF, which significantly described the denationalisation Act as "his memorial" (Pryke, *ibid*).

The lessons of this abortive attempt at bringing the Monopoly under public control are clear. The acquisition of share holdings, even, as in this case, of *all* the share holdings, of a concern is simply not enough to bring an adequate degree of influence on policies if the controlling interests in the concern are to remain. In the steel industry at this time under nationalisation, the company structure was left untouched and, as a result, uncontrolled. The pull of the higher managements of these companies (who were, of course, opposed to nationalisation in every degree) over the operational managements was left unimpaired. More, this nationalisation, as has already been pointed out, did not envisage a reorganisation of the industry and, in the form it did take, it actually hindered the progress of badly needed improvements in efficiency. It left the co-ordination of the industry and the running of all central services in the hands of the BISF. The

firms which had not been nationalised had no provision made for public control over them although earlier they had come under the supervision of the Iron and Steel Board, and no policy was developed as to the future of the many subsidiary concerns taken over by the nationalisation Act but operating in fields other than steel. Most important, no attempt was made to produce an ongoing shift of industrial power and seek a consultative relationship with the workforce to develop a genuine progressive policy on conditions, security and other matters. It was therefore with no great difficulty that steel was denationalised and handed back intact to the Monopoly.

It was later revealed that a number of companies whose interests in steel had been nationalised had placed the compensation money they received in special separate funds to be used for the repurchasing of steel interests in the event of a Conservative Government returning. For example, in 1954, Vickers and Cammel Laird bought back the ordinary share capital of the English Steel Company which they had previously owned (C. Jenkins, *Power at the Top*, MacGibbon and Kee, 1959).

from denationalisation to another nationalisation

The record of development. The 1950s saw the private owners loudly proclaiming the achievements and efficiency of the British steel industry—"What has been achieved in the last few years in steel is a national triumph", A. C. Stewart of Stewarts and Lloyds. Notwithstanding the fact that, in 1957 at least, the steel industry had enough capacity to meet home demand and even commence on some reorganisation and modernisation, the figures for the preceding years were not however so encouraging. In 1955, for example, with the economy working at capacity and achieving a high rate of investment, the short fall in steel supplies involved production losses despite large imports of foreign iron and steel, and the *Times*, commenting on the *Iron and Steel Board's Report for 1955*, said "Deliveries overseas were often delayed,

causing disturbance and some loss of reputations . . . Works which have modernised have not been able to work at full capacity . . . It is now recognised, and has been for some time, that the capital development programme for the industry was inadequate" (quoted in J. Hughes, *ibid*). The 1950s actually saw a relative boom in steel output which was not to be equalled after 1959. Between 1951 and 1957 steel production rose from 15.64 million tons to 21.70 million tons, and between 1958 and 1959 was still respectable at 20 million tons. British steel during this period was still fairly free from imports, largely because of gentlemen's agreements with its foreign competitors. But there was no marked attempt at expanding capacity beyond what was immediately anticipated, and no real effort to eliminate the problems of obsolete plant.

As a result, the 1950s were halcyon days for steel with the pressure off and the private owners in a fools' paradise, oblivious to the catastrophic long term effects of their inaction over investment and retooling generally. When the pressure was put on later, the inadequate managements in the industry crumbled and the 1970s have seen the legacy of this period. The *Iron and Steel Board's Special Report on Development in 1957* said that in 1955 completely obsolete plant and plant "well below the average" accounted for 22 per cent of the total pig iron production, 20 per cent of the crude steel produced, 16½ per cent of billet production, 50 per cent of plate production, and 33½ per cent of all heavy steel produced (J. Hughes, *ibid*). However, the maintenance of obsolete plant and unwillingness to develop capacity were not the only sins of omission and commission in steel at this time. The BISF and the handful of interests it represented refused to plan for higher exports of British steel possible in the post war situation, because this would naturally have required a substantial increase in capacity. It was not until the BISF published its development plan for 1958-1962 that concession was made in increasing export demand. In addition, there was a striking failure throughout the fifties to attempt any de-

velopment of the home ore fields. Most important of all, however, was the totally inadequate amount of attention and finances devoted to the development of new processes in the British industry.

The same could not be said of countries like Germany at this time. The *Times* commented in 1955 "An immense amount of technical change is occurring in Europe and America in the major processes. Development seems to occur faster outside Britain". John Hughes in his Fabian Pamphlet on the industry was commenting in 1958 "... the continental producers have exploited the use of bulk oxygen in steelmaking more rapidly than here" (J. Hughes, *ibid*). Coupled to this almost criminal sloth in failing to convert to the new steelmaking process (by 1964 still only 20 per cent of British steel was produced by BOS) was the slowness of the private steelmen to introduce sintered ores, without which the efficient use of full blast furnace capacity could not be achieved (the 1956 *BISF Report* said only half of home ore used was sintered). Research developments in the USSR and the USA were not followed and hardly monitored, in particular the development in Russia of continuous casting which eliminated the need for certain rolling processes. Moreover, denationalisation had not produced any enthusiasm for investment, which in real terms did not recover its level under nationalisation until 1954 and in terms of capital expenditure per ton of steel produced until 1956 (J. Hughes, *ibid*).

British steel prices rose by 32 per cent between 1953 and 1963, compared to 8 per cent in Germany, 9 per cent in Italy and 13 per cent in Holland, with a corresponding increase in profit margins most noticeable in 1954-1955 and 1957, as the following table shows:

STEEL COMPANY TRADING PROFITS (1953 AS 100)

year	trading profits	steel output	profits per ton
1954	120	105	114
1955	157	112	140
1956	157	118	133
1957	188	123	153

This dramatic rise in steel prices coincided with, and certainly contributed to, the declining share of British engineering exports in world markets and hence brought forward the need to devalue.

Unfortunately, steelworkers' wages did not rise so swiftly:

PERCENTAGE RISE IN AVERAGE HOURLY EARNINGS IN STEEL

July 1954—December 1963

France	128
Germany	111
Holland	101
Italy	97
UK	82
Luxembourg	76
Belgium	63

source: (R. Pryke, *ibid*).

The Monopoly indicted. If the 1950s was a time of sluggish exports, low efficiency and small development, the 1960s saw the steel masters openly challenged as to the degree of control they exerted over the industry. In 1964, the Monopoly was at last subjected to public enquiry over its doings before the Restrictive Practices Court and a revealing tale was told. The result was the disclosure that it was not the "300 separate British companies" of the BISF's advertising that formed the steel scene, but ten large dominating firms producing 80 per cent of British steel, ten medium sized firms producing 15 per cent and 100 small companies producing the remainder (R. Pryke, *ibid*). And this was not all. The story was exactly the same as in 1948 and for that matter in 1938, the major companies being linked through directorships one with another and long family traditions and filial bonds helping to knit together the vast bureaucracy that was the BISF. Richard Summers of Shotton said in *Iron and Steel*, October 1964, "I am the third generation . . . also on the board are my brother, Sir Jeffrey, and my cousin, Sir Spencer . . . We are also training the next generation of the board, as the elder son of Mr. Gray (the managing director) and my two elder sons, Peter and Timothy . . . are directors of the company".

The Restrictive Practices Court's decision

was that the steel industry not only looked but also behaved like a monopoly in a very real sense and agreements covering 25 per cent of the total output of heavy steel were declared contrary to the public interest in June 1964.

The Iron and Steel Board had been set up, as has already been noted, to ensure that the industry operated under competitive conditions, but also to promote the adequate and sufficient supply of iron and steel products. One way of considering the performance of the steel industry at this time is to examine steel imports and exports and general operating efficiency. Indeed, the BISF said "One test of comparative efficiency of the major steel industries is provided by the extent to which they have succeeded of late in increasing their export sales" (*Steel—The Facts*, BISF). The poor export record of British steel has already been noted, but it is worth reminding ourselves by reference to the following table:—

PERCENTAGE INCREASE IN THE TONNAGE OF IRON AND STEEL EXPORTS, 1954-1963

Italy	483
Japan	473
Sweden	435
Holland	346
Germany	240
Austria	173
Belgium & Luxembourg	92
UK	89
France	66

Source: Hansard, Written Answer, 5 April 1965.

At the same time, imports of steel remained high. In 1963, 1,200,000 tons were imported and in 1964, 1,850,000 tons, these figures being as high as they had ever been during years of scarcity. The BISF blamed this level of imports on "dumping", an opinion which the Board did not share: "By no means all of the imports in 1963 could properly be described as 'dumped'" (*Annual Report*, Iron and Steel Board, 1963). Other commentators unpatriotically ascribed the influx to the relatively low quality of the British product and, more important, to the poor business efficiency of the home producers. The *Times* said that the car

firms were "reminding the steel companies in no uncertain fashion of the autocratic treatment some of those companies meted out to customers in the years of shortage" (24 June 1964).

In any event, the steel scene was about to suffer its next major change around because in 1964 a Labour Government had been elected on a narrow majority pledged to re-nationalise the steel industry. This was the cue for a massive campaign on the part of the controlling private interests in a bid to retain their hold. In the event, the Government waited until a further election had given it a more workable majority before it recommenced the task that had been set in 1948.

Renationalisation and compensation. The question of the amount of compensation to be paid out is a vital issue for the future of public ownership. The lesson of the nationalised steel industry is a salutary one, for difficulties were created for it by the heavy burden of compensation and interest payments stemming from the 1967 takeover.

The small steelworks of Brymbo in North Wales was down for closure in the "Confidential Report" that was banded about before the White Paper was published. It has recently been reported that the BSC has finalised a deal to sell this works back to the original owners, the engineering giant and traditional steel firm of Guest, Keen, and Nettlefolds. GKN got £44 million for this plant with nationalisation but are now reported to be buying it back for £20 million.

The terms of the compensation that landed the BSC with an annual repayment bill of £45 million in interest payments are worth examining. Compensation was offered on average market prices between October 1959 and October 1964, which included the boom prices following the 1959 General Election. The prices offered thus exceeded the share prices ruling at the moment of publication of the White Paper on nationalisation on 30 April 1965 by £120 million with the result that shares immediately jumped by £60 million and failed to rise the full amount owing

STEEL SHARE PRICES

	market price on 29 April 1965		compensation price		denationalisation price	
	s	d	s	d	s	d
Colvilles	28.	0	47.	6	34.	0
Consett	15.	6	19.	10	25.	6
Dorman Long	23.	9	29.	10	15.	0
Lancashire	21.	4½	34.	3	11.	0
South Durham	19.	9	26.	3	27.	6
Steel Company of Wales	19.	9	32.	5	20.	0
Stewarts & Lloyds	29.	9	32.	5	18.	0
John Summers	29.	3	36.	0	10.	3
United Steel	27.	6	38.	3	14.	7

to the element of doubt about the Labour Government's ability to get the Bill through Parliament with a small majority. The renationalisation price was much more than the price most of the main companies paid for their plants under the denationalisation, as the above table demonstrates.

Furthermore, it is an open question whether the former dominant interests in the late unlamented BISC did not continue to wield an inordinate amount of in-

fluence in the BSC for a time, to the possible detriment of other interests—such as the public's. A political decision split the investment between Llanwern and Ravenscraig in the late 1950s, and it might be asked what political, or other than strictly economic, dictates lie behind some of the decisions in the Ten Year Development Strategy.

This pamphlet examines some of these questions and points to an alternative strategy.

3. the British Steel Corporation's corporate planning

The corporate planning done since the 1967 nationalisation of the steel industry can best be described in its three stages, the first lasting from 1967-69, when the investment proposals came up from below and Head Office simply acted as a referee between competing claims; the second from 1969-71, when Head Office did all the corporate planning independently of the steel production management; and the third stage 1971-73, when Head Office and Whitehall between them did the corporate planning, still independent from the actual steel making process.

stage one: 1967-69

This stage derived directly from the way power was distributed within BSC at Vesting Day in 1967. Power was structured so as to give four regional company groupings a roughly equal size and to prevent dominance by any one. The groupings were:

Midland Group United Steel plus the Sheffield companies.

South Wales Group Steel Company of Wales plus Richard Thomas and Baldwins and others.

Northern and Tubes Stewarts and Lloyds plus Dorman Long and others.

Scottish and North West Colvilles and Summers and others.

In these circumstances, Head Office was a broker between four roughly equal power groupings who submitted their investment proposals competitively and then manoeuvred in the corridors of power to get them sanctioned. One may well imagine that none of the groupings ever proposed it should get a smaller share of the investment cake.

Head Office did not dispose of sufficient steelmaking or investment appraisal expertise to compare rationally the virtue of these company based proposals. The old companies had frequently used widely differing appraisal techniques and differ-

ent attitudes to depreciation (some as crude as "4 per cent per year straight line"). The only thing Head Office could do was to see whether the schemes vaguely fitted in with the Benson Report (see appendix 4). If the investments commenced during this period were strictly rational, then it can only have been by accident. There were some ongoing investment schemes of major importance—the main one being the conversion of Port Talbot with Japanese technical assistance from VLN (very low nitrogen) to BOS, with an accompanying massive ore port (but no increase in capacity).

major achievements

Following on the conversion of Port Talbot to BOS, BSC decided (a) to convert Lackenby to BOS from OH, 1968 (b) to convert Appleby-Frodingham (with Redbourn) to BOS from OH, 1969. Both of these schemes involved increases in capacity.

Port Talbot had decided (under private ownership) to go for a 2 x 300 ton configuration, that is, not exceeding the existing blast furnace capacity, but using a layout which would allow later installation of a third BOS vessel. But Lackenby was installed as a 3 x 240 ton shop and Anchor as a 3 x 300 ton shop, in both cases vastly exceeding available blast furnace capacity. Lackenby could produce 5½ million tons of steel but only had sufficient iron for 3 million tons of steel. Anchor could produce 7 million tons of steel, but only had enough iron for 4. Either they thought this was a good way to force BSC's hand to give them later new investment in ore preparation and blast furnaces, or they overestimated what could be done to raise blast furnace capacity by better management, relining and, in Scunthorpe's case, by dropping 25 per cent Fe home ore for 60 per cent Fe foreign ore, or they just forgot that when you move from Open Hearth to Basic Oxygen, you move from 50 per cent scrap to 25 per cent scrap (see appendix 1 for glossary).

This really showed up the weaknesses of

that planning system, under which the old company based groupings submitted proposals to Head Office which were seriously unbalanced, competitive one with another, and were an attempt to commit the Corporation to heavy investment over a much longer term than BSC could possibly have wanted at that time. They were all based on the Heritage Principle to get the best out of what you have got. This sounds quite sensible, but as applied by the old company based groupings it became something different—the Overlap Principle. This is, you have a heritage of a few good blast furnaces and some good finishing mills, but old fashioned steelmaking. So you modernise the steelmaking. But what the old United Steel management got BSC to pay for at Anchor was to *modernise and double* steelmaking capacity. So now you need new blast furnaces and new finishing capacity. Now the steelmaking plant becomes the *heritage*, not the blast furnaces.

Whereas the three vessel BOS shops at Lackenby and Anchor may both have been excellently sensible schemes, the way they were done makes one think that they committed the Corporation a long way ahead in a way that BSC top management cannot have realised at the time. BSC Head Office should have been on guard to watch for this, since it is very deep in every steel plant manager's training that his first duty is to keep the works "unbalanced" in order to have a claim for some of the next round of investment funds.

stage two: 1969-71

The period 1969-70 marked a new evolution in the BSC's affairs. In terms of corporate planning, we can think of it in three ways: power, organisation and end result.

Power. This was the period when Lord Melchett felt he had consolidated the position of the BSC over the former company bosses still heavily represented in BSC's so called "regional divisions" and on the main board. He had also consolid-

ated his own position as "man in charge". He no longer had to look over his shoulder at the old bosses, fearing that middle management looked to them and not to him.

Organisation. The organisational consequence of this advance in power was the effective unscrambling of the old company network by putting products of a like type together in a product division irrespective of works of origin. Thus, John Summers' and Colvilles' strip mills went in with Port Talbot, Llanwern and Ebbw Vale in a "Strip Mills Division". Scunthorpe, Dorman Long and all the smaller heavy steelworks producing sections, bars, rods and plate went into the "General Steels Division". The other divisions were much smaller: "Special Steels" centred on the stainless and alloy end at Sheffield; "Tubes Division"—responsible for tubes and pipes, based in Corby. This was a system of *delegated power* borrowed from United States Steel and Bethlehem Steel. This was a period when for the most part the British steel industry still looked to its apparently rich uncle in the United States as a model rather than the rising Japanese industry. A description of the logic is given in paragraph 2.3 of the BSC memorandum on organisation and control quoted in the *First Report of the Select Committee on Nationalised Industries* (HMSO, February 1973) (SCNI).

The product divisions were "profit centres". They made steel, sold it and saw to the industrial relations and customer relations. But they did not do the corporate planning. *That* function, and the immense power that went with it, moved to Head Office. "Examples of these matters reserved to the Head Office are planning and investment decisions of the more significant projects" (SCNI Report, paragraph 2.5).

This move from the 1967 vintage "multi-product", largely regional, groupings to product groupings was widely hailed as a significant step forward in rationalisation. But did it *really* make sense? Were the right product groups chosen? Was the division of power between product groups

and Head Office rational? How would the division of work between the Chairman, Lord Melchett, on policy and the new Chief Executive, Dr. Finniston, on functional matters operate?

End product. Corporate planning, then, was to be done in something of a vacuum—divorced both from management and men at the works and from sales and the customers. Executives at Head Office would therefore be forming their view of the best long term strategy as regards size of the industry, products sold, works to be expanded, works to be closed, prices, size of budget, technology and so on, in the calm of Grosvenor Place just behind Buckingham Palace, a long way from the grime, noise and dirt of blast furnaces and melting shops. Thus, there would be no regional or company special pleading for favourite expansion projects. All planning would be done on a ruthlessly technical, brutally impartial, financial basis. But would there be enough realism in the plans produced in this way in a Central London Bumf Factory?

the lesson of Japan

The new set up swung into action from March 1970. The broad working strategy arrived at by compromise between the multi-product groups and following the Benson Report lines was to continue developing Teesside, Scunthorpe and Port Talbot up to full European First Division steelworks of the Basic Oxygen type of a capacity of 6-7 million tons each and then, when that was done, to think ahead to the next tranche of new investment (*Financial Times*, 5 January 1970).

But during that year everything changed. Lord Melchett and Dr. Finniston visited Japan. They came back in despair at the technological and scale gap that had been opened up by the Japanese and they determined to do a "Pearl Harbour" on the British steel industry. They were convinced that the aims which they had had in mind before were far too low and that if they carried out the existing vague and unambitious plans, they would never catch up. In this white hot atmosphere

new plans were to be drawn up based on having as soon as possible a brand new coastal steelworks operating on Japanese scale and technology and so producing 10 million tons or more a year of crude steel, costing £1,000 million and operational by 1976 (*Financial Times*, 15 April 1971). As their reporter said: "When this works and the expanded Teesside development are developed, a vast amount of obsolescent plant will be phased out all over the country". The Teesside works at Redcar, then, would be the only existing works with a long term future in bulk steelmaking with any chance of heavy investment by BSC.

Although the new "greenfield" works would be the technological wonder of the age, would it work? What products would it make? Where would it be situated? How would it be paid for? And what would BSC's 250,000 workers think of the consequences in redundancies?

The answers to these questions were left to the technical boys—the *main* thing was to get the commitment to this works and *then* get started on the immense task of doing 50 years' development in five. It did not matter if there was no suitable site for such a works in this country. If, due to a lack of suitable local workforce or planning problems, it was *not* built in either Foulness or the outer Clyde estuary or the Wash, then it could be built *on the Continent or in Scandinavia!* (*Financial Times*, 17 October 1970).

Once Melchett and Finniston had returned from Japan with this *idée fixe* firmly in place all the mouldy old Heritage "patch and mend" schemes started to get the push in no uncertain terms. The third BOS vessel at Port Talbot, the expansion of Anchor to its full steelmaking capacity of 7 million tons a year—these were seen as wasting time on palliatives, still leaving British steel as a museum of the early fifties in technology, while Oita and all the other modern Japanese works stood beckoning Britain forward into a shiny future. Not only did the existing *expansion projects* incompatible with this strategy start to take a back seat, but *demand forecasts* within BSC which did

not fit in with the "greenfield works" concept also found disfavour, and *price forecasts* which might indicate world overcapacity or exports from Britain only at give away prices were ignored.

Perhaps this was a classic example of corporate planning as done by a central head office by non steelmakers and divorced from steelmaking. Perhaps it was a classic example of corporate planning done in a nationalised industry where, whatever the efforts of Government to inculcate minimal commercial disciplines, the restraints on corporate strategy from profitability considerations would never be as strong as outside. Perhaps it was an inevitable by-product of a decade of under investment and bad investment in British steel, which meant that no good husbandry of existing plant could lead to a viable future, thus necessitating virtually a total write off and a fresh start. Perhaps it was a by-product of the structure of power at BSC Head Office, with too much concern given by both the Chairman and Chief Executive to the long term future, when they should have been attending to the serious financial leakages and management deficiencies in a chronically deficitary organisation. Whatever the reasons, the first Corporate Plan presented by BSC to the Government in February 1971 involved an increase in crude steel capacity of a massive order, from 28 million tons in 1971 to 35 million tons by 1975 and 43 million tons by 1980, costing £4,000 million at 1971 prices.

The 43 million tons of annual crude steel capacity was to be made up as shown. About 20 million tons would come from the existing five Heritage works at the capacities they would be rated at after completion of current expansion schemes (all except Port Talbot were being expanded).

CAPACITY OF PARTICULAR WORKS (TONS)

Scunthorpe (Anchor)	5 $\frac{1}{4}$
South Teesside(Lackenby)	5 $\frac{1}{4}$
Port Talbot	3 $\frac{1}{2}$
Llanwern	3 $\frac{1}{2}$
Ravenscraig	2 $\frac{1}{2}$
total	20

Five million tons would come from the special steel works using mostly electric arc and the smaller works in the private sector, mainly in the Sheffield area. 18 million tons annually of *new capacity* would come from the "brownfield" works proposed for South Teesside and from the "greenfield" works (12 million) for which no site had then been chosen. *No alternative modes or paths of development and their comparative rates of return were presented.* No indications were given of how management which lost an average of £50 million annually with a capacity of 27 million tons would turn themselves into financial wizards with a capacity of 43 million tons to produce and sell. The redundancy consequences in some regions heavily dependent on steel would have been quite disastrous, especially in Wales where there would have been well over 20,000 jobs lost. This era of apocalyptic corporate planning ended very suddenly when the plan was rejected out of hand in a scornful Whitehall.

stage three: 1971-73

The lesson of the first Corporate Plan of February 1971 was not learnt. Instead of starting again with a corporate planning process which involved Head Office with steelworks management, salesforce and customers, unions and the steel communities, in 1971-73 the system of planning became simply one of horse trading, still in a vacuum, between Whitehall and the Corporation. This horse trading had a very devious character. Head Office of BSC had an interest in withholding vital information from the DTI. John Davies as Secretary of State at the DTI appeared to have a very low view indeed of BSC's top management due to badly missed financial forecasts at that time and was intent on reducing BSC's freedom of manoeuvre.

A Joint Study Group (JSG) was set up in 1971, made up of BSC and DTI officials, to look at alternatives. The Government commissioned private consultants, McKinsey and Company, to do a long term forecast of world steel trends to look at possible world overcapacity, and the

likely profitability of BSC's projected exports. The Government refused to sanction any investment in that period which prejudged the long term review taking place. In the event, this did not seem to affect expansion of iron and steelmaking at Llanwern and Ravenscraig to bring their crude steel ingot output up to their rolling mill capacity. These schemes had been started in 1970. But it did affect anything which "leapfrogged" requirements in existing works. The large Lackenby 10,000 tons per day blast furnace was the major element in this.

Following the JSG's operations and the report from McKinsey's in mid-1971, BSC was asked to produce a new Corporate long term strategy evaluating the likely profitability of various options involving 1981 output capacity tonnages ranging from 28 to 36 million tons.

This must have been a great humiliation for BSC's top management for effectively it meant that the "greenfield" steelworks was *out*. BSC could not afford it; the Government refused to pay for it. But some people never gave in. On page 236 of the Select Committee Minutes of Evidence on 23 October 1972, Dr. Finnieston was asked by the Chairman, Sir Henry d'Avigdor Goldsmid, about the relevance of a comment by Dr. Pryke of the Public Enterprise Group which went: "It would be unwise for the Corporation to start constructing a monster greenfield works in order to provide the additional basic oxygen capacity it requires". The Chairman asked: "Do you think that is right, that it would be unwise for the Corporation to construct a monster greenfield works?" Dr. Finnieston replied: "False!"

He then had to be elegantly and diplomatically rescued by Lord Melchett from this stubborn last ditch stand, given that BSC's preferred strategy with *no* greenfield works in it had already been with the Government for approval for several months, and was later to be accepted. Lord Melchett: "Can I say that we have answered one or two questions very frankly in the last two or three minutes about mini works and our views on a new steel complex. *Perhaps these could be kept*

confidential for the time being, because I do not want to be in a position of embarrassing Ministers before they come to view them themselves" (emphasis added). Lord Melchett had obviously perceived the truth the previous year (1971) that they had to forget *that* part of their dreams and, indeed, that they would have to fight a desperate rearguard action to protect the fairly spectacular "brownfield" development of Teesside.

The whole of these negotiations, leading up to the BSC Corporate Strategy of November 1972, were a futile gesture. Government acceptance of tonnage limits on capacity at the upper end of the range 28-36 million tons seems to have been the sole aim of the BSC in this game. The Conservative Government's aims were more obscure. They did not know what they wanted. A strong and profitable nationalised steel industry had no great emotional appeal. There again, a continuously loss making, unprestigious laughing stock had not either. Their aim was perhaps mainly negative—they were not going to give a lot of money for long term investment to an organisation which could not control its short term cash flow. They saw BSC's main mistakes as being too ambitious in their long term tonnage capacity forecast, and too simple minded in evaluating and presenting only one path for development.

the real issues

The BSC and DTI could have been having a really useful interchange of views on the things that mattered and really affected steel's share of the UK market, and British Steel's share of the world market—such things as:

- 1 Growth of the British economy and steel intensity trends.
- 2 Efficiency levels in British steel compared with those of other countries, such as tap-to-tap times, blast furnace output.
- 3 Comparative advantage—at which types of steelmaking are we really good, are we average, and are we really bad?

4 Output per man, labour costs, labour relations—effects of large scale closures on workforce and communities.

5 Scale economies in iron and steelmaking and raw materials assembly.

6 Transport costs and delivery costs in steelmaking.

7 Location of customers in the UK and export markets ; implications of EEC entry, especially on the South East region.

8 Capacity utilisation rates, especially on new investment and the implications for cash flow and rates of return.

9 Alternative technologies—for example, direct reduction, bottom-blown converters.

10 Scrap availability, foreign ore supplies—pig to scrap ratios, likely private enterprise demands for scrap.

11 Lead times in investment ; risks of obsolescence.

12 Resource costs of redundancy.

Both sides were instead completely bewitched by the idea that the upper limits on tonnage of installed capacity at one or two fixed end dates were the only things that mattered. Lord Melchett thought that the main idea was to get the matter “settled” by negotiation with the Government. This is the word he uses in describing his intentions to the Select Committee (*Report*, page 162). What he thought he would be “settling” with the Secretary of State for Trade and Industry was the size of the industry in 1980-82. Which of the ten options being evaluated by BSC (SCNI Report, page 239) came out on top in the BSC’s and the DTI’s estimation would determine the size of the steel industry. Perhaps it is an occupational hazard of being a chairman of a large nationalised industry to fall prey to the illusion that a paper agreement with the ruling Government Department can “settle” for ten years ahead things such as the level of steel demand, the level of prices, the levels of efficiency, the avail-

ability and price of many of the inputs and, especially, the response of the labour force to an imposed solution. The whole idea really borders on the ludicrous— but not so ludicrous that it did not come off.

There could never have been any doubt in the BSC top management team’s collective mind that the preferred option that they were going to present to Whitehall was one involving an installed capacity at the very top of the 28-36 million ton range for 1980. This was, among other reasons, because it was the only way to accommodate their showpiece proposal, the “brownfield” extension to the Redcar works involving a new 7 million tons per annum steelmaking complex. In fact, many would argue that the proposals as agreed between the BSC and the Government involve a capacity that is well in excess of 36 million tons in 1980 and 38 million tons in 1982-83. BSC have achieved this by a systematic *under estimation* of what the equipment they will have ought to be producing at levels of efficiency that will, in 1982, be regarded as good international standard practice (see Pryke, Public Enterprise Group’s Appendix to the SCNI Report).

It is probably fair to say that the BSC Board never in fact intended objectively to evaluate the profitability of options covering a full range of tonnages of steelmaking capacity running from 28 to 36 million tons in 1980. They wanted to persuade the Government to go for a Big Steel Strategy and not a little steel strategy. This they intended to achieve *not* by promising to reach higher levels of efficiency and profitability, but simply by persuading the relevant ministers that a Big Steel Strategy was a GOOD THING. *Then* it would be “settled”. Obviously, a strategy based on any view of the functional relationship between greater efficiency, higher market share, and greater profitability could not have involved the unique combination of *high* capital investment and low indicated output from installed modern units of capital equipment that, in fact, characterised BSC’s submissions.

What saved Lord Melchett’s strategy

was Peter Walker's arrival at the DTI and the departure of the unsympathetic John Davies just when the decision was imminent in October 1972. In three weeks Peter Walker, anxious to maintain his reputation as a speedy decision maker, had given his agreement and got Cabinet assent to "settle" the BSC Corporate Strategy by going for the £3,000 million Ten-Year Plan with an alleged installed capacity of 36 million tons in 1982-83. The general indications are that he was very impressed by Lord Melchett's personal qualities and shared Melchett's enthusiasm for modernising. Peter Walker, it always seemed, would like to go down in history as a dynamic decision maker, and an enthusiast for modernisation. What this meant in effect was that, as with Maplin, Walker had always assumed that no decision was worse than a bad decision. Similarly Lord Melchett backed, it is said, by Lord Rothschild trotted out the old BSC joke that if we did not invest heavily in new steel complexes, in ten years the British steel industry could be turned into an industrial museum for visitors from Japan to marvel at. This very much fired Walker's desire to drag British industry "kicking and screaming" into the twentieth century.

There are arguably two other main motives for Walker's approving the plan on paper. One was that he was worried about the tardiness of British manufacturing industry's capital investment intentions. The hope was that, if he and the BSC showed the way in boldness, then private industry would follow. This is what is known in the City as "talking the market up". The second factor was Europe—from 1 January 1973, the EEC would take over and they might object strongly on the grounds of prospective overcapacity if the BSC and the Government tried to raise their projected 1980 capacity after 1 January 1973, but were hardly likely to object if the Government were subsequently to *lower* it.

Furthermore the thought, forcibly expressed by Lord Melchett, that the South Teesside works comprising the present Redcar works and the new steelmaking

complex would be the *largest in Europe* may have swayed him. Very impressive for the public relations handouts—always one of Walker's prime considerations. Of course, as we saw in the mini-budget of December 1973, the DTI agreeing to the plan did not imply anything very firm. Under pressure from the Treasury, the DTI could go back on its word as easily as it gave it in the first place. This was perhaps the real lesson of the BSC/Government White Paper exercise in Corporate Planning. It was a paper exercise. It purported to "settle" the future of the industry. It did nothing of the kind. The Conservative Government, even in the first twelve months had started to look very hard at steel public expenditure and had pruned it from the previously agreed £340 million level by £75 million. Much of this was a "cut" only on paper because BSC themselves were revising downwards much of their estimated early expenditure especially at Redcar, where more attention was being paid (very sensibly) to getting the current Lackenby BOS complex working to design capacity rather than to the giant blast furnace scheme, half of whose capacity would not be needed until 1982. There would seem a strong possibility of the BSC coming up with a completely revised plan for the Redcar brownfield complex.

what was wrong with the BSC's corporate planning

The basic fault lay in trying vainly to produce a fixed master plan for a fixed tonnage at a fixed end date to which everyone would then work, rather like builders taking instructions from an architect's drawing. Thus, evaluation of a set of options as far as BSC's *modus operandi* went meant taking the fixed date, taking six or ten fixed tonnages, and choosing from among them the one they liked best. "Flexibility" meant writing in 36-38 million tons when everyone knew they meant 37 million tons, or "the early part of the 1980s", when everyone knew they meant 1982-83.

The BSC either did not appreciate or could not accept that to look forward

ten years on corporate planning was to construct a long series of "if" questions, all of them interrelated, whose only purpose was to help them judge whether management decisions were, although individually *correct*, cumulatively and collectively *incorrect* because they were likely to land them in a fix by 1980 or thereabouts. Any such long term strategy should explain and justify the general direction in which the Corporation is moving rather than indicate fixed tonnage outputs at certain end dates. There is all the difference in the world between saying "we will build a new steelmaking complex at Redcar by 1982" and saying "when the growth of demand justifies it and given no major change in factor prices we expect to construct a new steel-making complex of the 3 x 300 tonnes BOS design. When we do so it will probably be at Redcar".

Not that it makes all *that* much difference, in the event. Ministers and BSC Chairmen come and go, and any idea of previous chairmen being able to "settle" the 1982 pattern of production in 1972 and to commit their successors to doing this or that at a future date is simply nonsense. Nevertheless, it was symptomatic of something deeply wrong at the heart of the Corporation's operating methods. The use of a *single* tonnage figure for 1982-83 for, say, Anchor or Lackenby, given as 5.2 million tons in all the options shows how inflexible BSC's ideas about corporate planning were. True, you can be inflexible about items of plant—Anchor will comprise a 3 x 300 ton BOS plant. But how do you know what level of efficiency, and hence annual output, it will have reached in 1980? The answer is, you do not know, so you solve the problem by writing a figure down on a bit of paper. The fact that they came up with the same figure for Lackenby which is a 3 x 240 tons BOS complex as Anchor at 20 per cent larger capacity does not inspire confidence in BSC's corporate planners' capabilities even at playing Business Games on paper, but it hardly matters. The *real* point is that everyone knows that if you do x or y or z with Lackenby or Anchor they could produce a lot more than 5.2 million

tons per annum. If you *don't* do certain things they will produce considerably less. But the point is to put these "ifs" *into the corporate strategy*. But then it would have lost its appeal to the BSC Board who wanted the Government to "settle" for a Big Steel Strategy. Anything with "ifs" in it sounds like a disaster to Whitehall and, particularly to ministerial decision makers. The reality is that any plan with no "ifs" in it is a *real* disaster (Concorde, Maplin—there are plenty of examples around), and they may cost £1,000 million or more.

conclusions

BSC Corporate Planning *Mark 1* (1967-69) was a bad job, built on the geographically based, multi-product, old company oriented groupings submitting rival claims. It depended for success on inter-company power politics. It was supposed to be founded on the Heritage Principle but in fact was based much more on the Overlap Principle.

Mark 2 (1970-71) was a mess since it was taken completely out of the hands of the steelmakers into the hands of the corporate think-tank—and in overthrowing the Heritage development strategy opted for a money-no-object greenfield-complex-based strategy—never mind getting the best out of what we have got. All other elements such as home demand, export demand and cash flow forecasts had to fit in with the main requirements, to justify to Whitehall the construction of two massive new iron and steel complexes up to Japanese standards.

Mark 3 (1971-73)—equally a mess—after the Joint Study Group, McKinsey and the futile options exercise, was devoted to persuading the DTI that the proposed investment would produce sufficiently *little* steel to pass under the fixed tonnage figure set down for BSC. Could this formula produce anything other than a disaster?

Mark 4 (1973—present). Where do they go from here? Is there anywhere to go? Short term management problems have

clearly now become paramount. BSC have said that their five big works will now report direct to headquarters rather than to the product divisions which, it seems, will become increasingly sales organisations.

the way forward : regional steel corporations

BSC as a headquarters organisation would be better disbanded and put into a government department as a team of investment analysts and technological observers. Then the actual steel plants could be grouped under the leadership of the five selected "key" works into *Regional Steel Corporations*. These would actually manage the steelmaking and propose general strategy for the expansion or otherwise of their activities and justify the borrowing of money as and when necessary. There could easily be set up a Welsh Steel Corporation, a Scottish Steel Corporation, a Northern Steel Corporation and a Yorkshire and Midlands Steel Corporation.

There would be ragged edges but it would be more efficient than the current system of a four tiered set up comprising the major works, the product division, the Main Board and the sponsoring department. The two tiered system proposed would have two *independent* sources of steel investment knowledge and thus could act as a *genuine* check on the proposals, technologies and price forecasts, of the regional steel corporations. The current system subsumes all the real arguments within BSC so that the public interest as expressed by Parliament has no real capability of getting behind the facade.

If chairmen of bureaucratic organisations develop personal obsessions and compulsions about shutting down old steelworks and erecting brand new gleaming memorials to themselves, how, under the current system, would alternative possibilities become known ?

4. the social cost

The Conservative Government's White Paper of February 1973 forecast that the BSC's modernisation and expansion programme would cost 50,000 jobs. Most of these losses were to take place in Assisted Areas. Some 21,000 of these job losses have already been announced. 29,000 are yet to come. The timing and rate of any redundancies are to be dependent on the BSC's need for a flexible programme. Thus BSC will close old capacity in the down turn of the steel cycle when demand has fallen and the extra capacity is not necessary. This makes obvious economic sense for the BSC but it is unfortunate from the point of view of those declared redundant. Their being made redundant will coincide with a cyclical down turn in economic growth rates and thus with diminished possibility of re-employment (see Map in appendix 2 for geographical locations).

The scale of the rundown in the steel industry is unlikely to be comparable to that of the coal industry which has experienced losses of ten thousand jobs per annum for several years. However, in some localities the experience of the men made redundant from the steel industry could well match that of coal miners laid off. Miners who may be highly skilled men at the coal face are just unskilled labourers to any other employers. The same holds for those steel workers who will be made redundant. The skills they have acquired are useless outside the steel industry. The private sector steel industry produces very little crude steel and the private sector want men used to operating obsolete Open Hearth steel furnaces no more than do the BSC. These men's technology is out of date and the new methods need far fewer men, those needed being skilled men—the same skilled craftsmen, electricians and maintenance workers, who are scarce in all sectors of the UK economy.

The rundown of the coal industry, while producing very heavy redundancies, was attended by serious efforts on the part of the NCB and the government to cushion the financial hardship suffered by ex-miners—the redundant miners' payment scheme involved cost and effort. This

however, did not prevent ex-miners suffering hardship and a waste of human resources.

The efforts made to date by the BSC and the Conservative Government have been less impressive—nor were their promises any more impressive. It is difficult to avoid the impression that the BSC, having gained Government and trade union approval for its investment plans, is now interested only in acquiring the latest hardware and has forgotten about the social problems, that euphemism for the overwhelming difficulties faced by men in their forties and fifties made redundant with the probability of never working again.

The White Paper professed itself fully aware of the need to tackle the social consequences which it said would be especially severe in "a number of localities where the steel works is the major employer". The rest of this section will be devoted to outlining the instruments available for mitigating the hardship and waste caused by redundancy and any new measures outlined in the White Paper.

White Paper proposals

The White Paper proposals consisted of the following:

- 1 The setting up of "Task Forces drawn from Government departments already in localities, responsible for industry and manpower". Each task force would have as its purpose the identification of the measures needed to improve the environment of the locality concerned, to remove dereliction left by industry, to provide modern communications, and, above all, to attract jobs to that locality.

- 2 The Minister for Industry, the General Secretary of the TUC and the Chairman of the BSC, would form another committee "to consider arrangements".

- 3 Government schemes already available for coping with the redundancies would still continue to be available.

4 The BSC would make available to any employer any of its surplus training capacity for training redundant steelworkers to whom they offered jobs.

5 The Government would continue to pursue policies to sustain a high rate of economic growth so that efforts to provide jobs were made in the most favourable circumstances.

6 Men declared redundant or retiring early would be given special assistance.

reading between the lines

None of these phrases offered anything new in terms of resources. Government committees which have looked at the problem for the past forty years will continue to look at it. The sum total of these offers amounts to this. If industrialists are planning to expand and choose to do so in these Assisted Areas then they will receive every encouragement and every assistance which, of course, they will receive wherever they choose to expand in the Assisted Areas. Those areas affected by the steel closures will receive no special assistance not offered in other areas.

In the case of the coal industry run down, affected areas with particularly high unemployment were granted Special Development Area (SDA) status, with marginally enhanced incentives. The Conservative Government expressed no commitment to do the same for the steel areas. In fact, by replacing investment

grants by tax allowances in the regions, they marginally reduced the attraction of the Assisted Areas. The reports prepared so far by the task forces (Shotton being the first) have not been made public. The BSC's promise of retraining is less generous than it appears. The Corporation is likely to need all its available training capacity to retrain the men it needs for the new steel processes; it will hardly retrain those it does not need until its own requirements are satisfied. A second loophole lies in the requirement that the men be first offered a job. Given the massive substitution of labour by capital embodied in the BSC's Development Strategy, this may help few workers. A further difficulty is that, in many instances, retraining by the BSC will be associated with re-location at expanding steel centres. Thus the steel closures will exacerbate the problem of many Development Areas—the problem of a labour force with an older than average age profile, with fewer skills and thus low incomes.

This is the whole basis of the regional problem in the UK. The regions cannot generate their own economic growth and are dependent on industry being attracted there by a variety of measures and incentives. The success of these measures has been very limited: one or two metropolitan areas have benefited; others, especially isolated small towns, not at all. Regional unemployment rates are still much higher than the average of the non-assisted areas. The table below indicates the relative magnitude of the problem in some of the areas affected by the steel

REDUNDANCIES

	number to be made redundant (000)	as % of total labour force	as % of existing unemployment rate
1971			
Glasgow	6.5	0.6	7
Wales:			
Industrial north east (Shotton)	6.5	9	190
Central & east valleys (Ebbw Vale)	4.5	2	31
Coastal belt (east moors)	4.5	1.5	35

Source: (Abstract of Scottish Statistics. Abstract of Welsh Statistics)

closures . It takes as a catchment area the Department of Employment regional administrative area.

The table shows how the redundancies involved will prove difficult for the regions to absorb. None of the areas has the financial resources to cope adequately with redundancies on this scale.

A further point to be remembered is that those who are most likely to become unemployed will have the greatest difficulty in finding new jobs anywhere. This is because they are most likely to be the old and unskilled. In a study of manpower retraining (S. Mukherjee, *Changing Manpower Needs*, PEP, November 1970) it is pointed out that in the programme of modernisation the BSC will need its skilled men to maintain expensive capital equipment, and that those declared redundant will be unskilled operatives. The experience of other industries is that the older men will go first as they are less productive or thought less useful for retraining. Consequently, older men are disproportionately represented in long term unemployment (they suffer the additional disadvantage of being less able to migrate to more prosperous regions). In Wales in 1972, males aged 40 years and over comprised 76 per cent of those unemployed for a year or more and 76 per cent of those unemployed for 6 months or more. In Scotland the corresponding figures were 61 per cent and 69 per cent. The men made redundant are not likely to face favourable odds in seeking a new job in their own region. The Conservative Government's proposals in the White Paper said little more

than that all the existing instruments, discretionary and otherwise, would be used to provide new jobs. The evidence is, however, that these instruments are not enough.

An example concerns the Industrial Development Certificate Scheme, probably the most effective tool to create jobs in Assisted Areas. If a firm seeks to expand its plant in the South East of England or the Midlands, it may not do so without Government approval which might only be granted for expansion in the Assisted Areas. Where the Government is concerned about the overall low level of investment and seeks to promote all new investment, such threats to disallow it outside Assisted Areas are not very real. The normal practice with large firms is a form of horse trading between the Department of Trade and Industry and the firm, both gaining part of their objectives, the firm being allowed to expand so long as it provides some jobs in the Assisted Areas. However, when investment remains obstinately low then IDC control has no effect.

The table below shows the limited impact of IDC control in providing jobs in some of the areas affected by the BSC closures. IDC control is probably the most effective and best way of dealing with the regional problems of the UK but as can be seen its effect has only been marginal.

The main hope for men made redundant is retraining, and at present the main source of retraining facilities are the Government Training Centres (GTCs). Currently, there are some 35 GTCs located

JOBS PROVIDED

area	jobs actually provided by IDC industrial building completions (000)		unemployed (000) June 1972
	1971	1964/5-71/2	
Wales	7.6	70.0	51.0
Central and eastern valleys	3.4	20.4	14.5
Industrial north east	0.8	6.2	3.7
Coastal belt	0.8	4.8	11.9
Scotland	6.0	na	109.3
Glasgow region	3.1	na	83.0

Source : Regional Abstract of Statistics HMSO.

in or near Assisted Areas (*Incentives for Industry in the Assisted Areas*, DTI, HMSO, 1972). These have an average of about two hundred places each. The duration of training varies, but even with the generally high annual throughput of men, this hardly seems sufficient. Demand for some courses of training is such that there are delays of up to a few years before applicants can be admitted. Nor is the financial help given to those who obtain places very generous. To quote the Department of Employment, it amounts to "as much as £5 per week above the comparable rate of unemployment benefit". This is hardly enough to cover travel costs to the nearest GTC. Two modest additions to the normal training schemes are provided for Assisted Areas. These consist of a system of weekly grants paid to firms who create new jobs in Assisted Areas, in order to assist the training of workers for these jobs. In 1971 this assistance amounted to £80 per employee retrained, that is, £1.53 per week—an incentive scarcely sufficient to cause employers to flock to train and employ previously unskilled workers in the Assisted Areas.

The second scheme is "designed to encourage employers in Development Areas to engage, retrain and employ workers over the age of 45 who had been continuously unemployed for at least eight weeks. In the first year of the scheme grants for about 800 older workers were offered". Reference to the figures for unemployment in the Assisted Areas indicates that a scheme on this scale will make no impact at all. A further problem is that the entrance requirements of GTCs are too high for older men with little formal educational qualifications. What is required is a far larger scheme introduced with far greater urgency. This is only half the problem though. It is not sufficient to provide training. Jobs must also be provided and the present incentives to employers to expand in the Assisted Areas are simply insufficient.

the regional perspective

In the traditional areas of heavy industry (steel, coal and shipbuilding), steel clos-

ures will follow closely on the heels of earlier redundancies. Historically, male earnings in these regions have been traditionally high, with little supplementation of family incomes by working wives. However, many of the new jobs created in the regions, for example in electronics and light engineering, have provided jobs for women not traditionally part of the labour force. Thus, of any given number of jobs likely to be created in steel redundancy areas, a significant proportion of the unskilled and semi-skilled jobs will be taken up by women, who will not be registered as unemployed at local labour exchanges. A high proportion of the more skilled jobs will be filled by workers drafted in from plants in the Midlands and the South East. Thus, for every 100 jobs created in steel areas, it could be expected that locally unemployed steelworkers would take up no more than 60-70, implying a regional employment multiplier of 0.6-0.7.

Given the bias towards capital intensive projects induced by the nature of incentives to Development Areas, expenditure per job created has steadily risen. To offset this bias, the Regional Employment Premium, which the Conservative Government had intended to abolish later this year (against the advice of both the TUC and CBI), must be retained. Indeed, the TUC in its latest Economic Review for 1974 has proposed that the rate of REP should be doubled, at an additional cost of about £100 million. In terms of the real resource costs to the economy, this would be a negligible amount since it would reduce unemployment and utilise more fully overall productive potential, thereby reducing Exchequer expenditure on unemployment benefit and enhancing tax revenue.

The 1972 Industry Act, an outstandingly pragmatic piece of legislation for a Conservative Government, has given a potential impetus to regional development. The Regional Industrial Development Boards, together with the emasculated Regional Economic Planning Councils, should be granted financial powers and asked to co-ordinate local planning activity with the task forces in areas most directly affected.

They should jointly publish an annual report, laying particular stress on the scale and nature of assistance to redundant steel workers and emphasising target areas for further priority action or expenditure by central and local government.

In addition, a Public Investment Agency, when established, should be directed to give attention to steel areas as a matter of priority. Together with the Departments of Industry and Employment, it should utilise the proposed Planning Agreements to ensure adequate manpower planning by larger companies on a five year basis, with an annual rolling forward. These should identify total manpower requirements by sex, regional location and skill, and be dovetailed with the phasing of steel closures and the special allocation of places at GTC's on specially designed courses.

The Manpower Services Commission, given its novel executive responsibilities, should also be involved in an overall co-ordinating role.

the common market

Although a broader assessment of the merits and demerits of the British decision to commit itself to Europeanisation is beyond the scope of a pamphlet of this kind, the EEC will have some bearing on the assistance to be made available to steelworkers in the event of redundancy. The Treaty establishing the European Coal and Steel Community (ECSC) was signed in Paris on 18 April 1951. The constitution of the ECSC stated that it would have as its objectives "to contribute, in harmony with the general economy of the Member States through the establishment of a Common Market, to economic expansion, growth of employment, and a rising standard of living in the Member States. The Community shall progressively bring about conditions which will of themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances

in the economies of Member States" (emphasis added).

The British steel industry, like coal, has been more directly and immediately affected by the UK's accession to the European Community than any other industrial sector. Of particular significance in this respect are the social provisions of the Community which could have a beneficial effect in the context of bsc's Development Strategy.

The European Social Fund which was reformed by a Decision of the Council of Ministers on 1 February 1971, became operational from 1 May 1972. Particular emphasis has so far been placed on the problems facing workers in three specific sectors likely to face significant structural change and job losses: agriculture, textiles and clothing, and iron and steel. For the 1973 financial year, the European Social Fund was allocated a budget of 240 million units of account (u.a.)—a low figure, given the social hardships likely to be faced in these sectors, associated as they are in the UK with regions of traditionally higher than average unemployment.

Assistance specifically available to the EEC iron and steel industry fall under three categories: those for re-adaptation schemes, redevelopment and re-employment, and housing. In the 1972 financial year (the last period for which figures are available), the total level of assistance granted for re-adaptation purposes in the iron and steel industry amounted to 4.4 million u.a. The total number of workers assisted under such schemes was only 5,478 for the six member States. The lion's share of expenditure was assumed by France, as is shown in the table (page 26). Belgium, Luxembourg and the Netherlands received no payments under the readaptation scheme. In passing, it is interesting to note that France also secured nearly 75 per cent of the total readaptation expenditure to the coal industry.

Under the heading of European Social Fund expenditure for redevelopment and

EEC EXPENDITURE ON READAPTATION IN THE IRON AND STEEL INDUSTRY: 1972.

country	workers aided	amount provided (u.a.)
West Germany	1,582	162,568
France	3,589	4,110,500
Italy	308	160,000
Total	5,478	4,433,068

Source: EEC Commission.

re-employment, under Article 56 (2a) of the ECSC Treaty, only a handful of applications were received by the Commission for appraisal in 1972. These concerned investment projects to create 590 jobs in total in the coal, iron and steel areas of France, the Netherlands and Italy. The decision taken to grant loans or interest relief subsidies, listed below, essentially referred to applications made in preceding years. As is shown, the Commission helped to create a total of 6,700 new jobs, and for 2,810 of these priority was given to former miners and steelworkers.

As regards housing provisions an examination has recently been published of the total assistance granted between 1956-72 towards the building of houses for workers in both the coal and steel industries (separate figures are not available). In all, 122,584 dwellings had been part financed over this period under ten different schemes, 60 per cent of them for renting and the remaining 40 per cent for owner occupation. The number of dwellings completed within the period totalled 112,455. Priority has recently been given to housing schemes for migrant workers, for steelworkers at coastal plants and for the purpose of modernising existing dwellings; in other words, a switch of aid from the un-

employed to the employed steelworkers.

Whilst current negotiations in Brussels concerning additional means of assistance might well be of considerable benefit to steelworkers in the UK (such as the Regional Fund), the inevitable conclusion reached on aid available from the coffers of the Community is that it will provide at best only marginal relief to the ills of redundancy on the proposed scale. A number of points are clearly identifiable: the total level of expenditure in this field is still very small, given the expansion in membership of the Community; the steel industry is but one of a number of priority claimants on these strictly limited resources; and long delays are confronted in obtaining clearance under specific headings of expenditure.

However, the most important point cannot be stressed too highly: unless there is a major commitment by the UK Government and BSC, substantially greater than the unimaginative proposals contained in the Conservative White Paper, the Commission will certainly not consider it necessary to make up for cerebral or financial bankruptcy at the national level.

For all those concerned with safeguarding the interests of the 50,000 men likely to suffer as a result of the BSC's Develop-

ALTERNATIVE JOBS CREATED WITH COMMISSION FINANCIAL ASSISTANCE IN 1972.

country	jobs created	reserved for miners and steelworkers
West Germany	3,130	1,460
France	3,280	1,100
Italy	307	160,000
Netherlands	80	40
Total	6,700	2,810

Source: EEC Commission.

ment Strategy, a number of key considerations must be borne in mind.

the key considerations

1 The change in Government now provides an opportunity for a re-assessment of the BSC's proposals, particularly in the scale and timing of redundancies.

2 A clearer recognition of the unparallelled social costs of this long overdue and much needed industrial face lift must be forced upon Government. Considerable political will and energy must be devoted by the Government, the BSC, and the trade unions to the formulation of new policies to alleviate the social dislocation of whole communities, apparently so readily accepted up to this point. *No-one can now state that they were unaware of the nature and magnitude of the problems.*

3 The solution is essentially a national one: if financial support can be gained from the Community, then it must only be supplementary, and not central to the schemes involved.

4 The Government and the BSC must be pressed for specific statements about the scale and timing of the total level of assistance. Only then can they approach the Commission for supplementation under the schemes outlined.

5. conclusions and recommendations

1 *A policy for the nationalised industries*

A large part of the pamphlet emphasised the long standing need for the nationalisation of the steel industry. Other sections criticised some of the failures of the nationalised industry and questioned why these had occurred. It is apparent from the analysis given that the nationalised industries, as well as governments, must get their priorities clear and decide whose interests they are serving if nationalisation is to have a meaning in the context of socialism.

Most of the problems which have faced the nationalised industries in the past two decades have arisen from their need to reconcile conflicting objectives, commercial, social or technical. Their performance has, in the past, been measured in strictly financial terms which did not take into account their considerable achievements in other fields. A far broader range of agreed and realistic objectives than the purely capitalistic concept of financial rate of return must be set for the nationalised industries. They were established to meet the needs of the broad national interest: their objectives must reflect this.

The recommendations made below, if adopted, would promote a shift of emphasis in this direction by the nationalised steel industry.

2 *Re-appraisal of the present policy in steel*

The validity of the corporate planning which produced the Ten Year Development Strategy is open to serious question. There is a need to subject the proposals for the rationalisation of the steel industry to a radical re-assessment and public debate. Such a re-assessment and re-appraisal can be meaningful only if plans now under way to close the older, smaller works are halted. This is the first priority. The declared policy of the Labour Government in respect of the steel industry is, therefore, welcome.

3 *A major criticism: the upper tonnage limit*

The demand for an increased upper limit on capacity of somewhere in the region

of 42 or 43 million tonnes rather than the BSC's 36 million tonnes is wrong as a panacea for the ills of redundancy and closure that the Development Strategy will create. What the steel commentators are palpably failing to realise, and what this pamphlet has tried to show, is that given the present position in respect of management attitudes and the prevailing policy of "scrap and build" at the highest level in the Corporation, such an increased upper limit would only produce higher expenditure, which would not be used to develop existing capacity but to start afresh and scrap more.

This would, of course, produce *more* closures and *faster*, rather than keeping the Shottons and Ebbw Vales at the *status quo ante*. The myth of the upper tonnage limit could in reality only result in a more rapid replacement of labour by capital than is already envisaged, with more jobs being lost, and quicker.

4 *Policy formulation: a more open approach*

Chapter two highlighted the lamentable planning procedures associated with the birth pangs of BSC's strategic decision making. The much more explicit approach to policy formulation both by the BSC and subsequently by the DTI called for in this pamphlet would have revealed an amazing series of events to even the most peripheral observer. Future corporate planning, in both public and private sectors, which has such widespread implications for whole communities, should be conducted in a much more open manner than in the case of the steel industry.

5 *Regional steel corporations*

The *de facto* regional structure of the nationalised steel industry should be recognised in organisational terms by the decentralisation of the decision making machinery through the setting up of Regional Steel Corporations based on the five selected key works in Wales, Scotland, the North and the Midlands, rather than the existing national body.

6 *Alternative strategies*

Nationalised industries should be required to present fully costed alternative strate-

gies when asked to do so by their sponsoring departments, in addition to their own favoured option. The Ten Year Development Strategy is based, in terms of investment, on the already dated BOS process to the exclusion of future developments in, for example, the nuclear field.

7 *Need for expertise*

There is a clear need to build up Government expertise in investment appraisal generally and specifically in the case of steel. Recourse to private enterprise intelligence services must in future become the rare exception in public enterprise policy formulation.

8 *Technological development*

What was clearly necessary at an early stage within the BSC was a much clearer explicit assessment of rival and new technologies. The monitoring of technical developments elsewhere has seemed little short of patchy and the scope for nuclear steelmaking, with the certain fossil fuel price increases expected, was never seriously considered.

9 *Special steels*

There remain considerable uncertainties concerning BSC's capability of providing special steels required in the pressure vessels of nuclear power stations and North Sea gas and oil rigs. A realistic assessment of export opportunities has also been lacking.

10 *Redundancy concept: phasing of closures*

Governments should recognise the concept of redundancy in a more positive way than at present. This must be done by careful phasing of proposed closures in conjunction with the anticipation of new job opportunities and by specific application of GTC facilities. Governments should ensure that their full resources, as well as those of the EEC, are harnessed to the exercise.

11 *Timing of closures*

If steel capacity is removed in a cyclical downswing in the economy, which seems to be the BSC's intention, many thousands of men and their dependents will be faced with no prospect other than long

term unemployment. There is clearly a need to keep the dates of the proposed closures as flexible as possible.

12 *Planning agreement concept*

Introduction and utilisation of the "planning agreement" concept in the *Labour Party Manifesto* (1974) would allow more effective government intervention in the location and timing of private sector investment.

13 *Government training centres*

GTC's should be massively expanded, especially in steel areas, should include a lower educational qualifications provision and should provide enhanced financial benefits while training is undergone. Training should be more effectively geared to future manpower requirements in local labour markets.

14 *Special development area status*

The steel communities affected by the rationalisation proposals should be given Special Development Area status, as were the mining communities previously. Hopefully, however, this designation could be implemented more effectively in practice in the case of steel. Priority of industrial movements due to IDC control should be given to regions affected by the steel closures.

15 *Regional employment premium*

REP should certainly be retained beyond September 1974 in an effort to prevent redundancies in Development Areas.

16 *Consultation*

Consultation of a far more meaningful kind at every stage and level in any corporate planning exercise with the trade unions and local authorities would seem essential.

17 *Industrial democracy*

In addition, the BSC's enlightened experiments with worker directors are but the first steps on a very long road to much fuller industrial democracy involving consultation at all levels and thus much fuller accountability.

18 *Resource-cost approach*

The need for a resource-cost approach to

closures and job losses on this scale is paramount. Commercial decisions must play little part in determining the timetable for the death of whole communities, especially those with historically high unemployment rates and little alternative opportunities.

19 *Task forces*

To this end, therefore, all the task force reports *must* be published and the Government should declare as soon as possible how it intends providing jobs in those regions affected by the earlier closures in steel.

20 *A future for the nationalised industries*

Public ownership is a powerful instrument in the progression towards a more equitable society, with central planning replacing private hesitation and speculation. As Chapter one described, the steel industry badly needed nationalisation to achieve any sort of public accountability. For the instrument to retain its value, however, it has to be utilised with a clear commitment to national objectives.

In the context of constructive criticism, this pamphlet has, implicitly and explicitly, called for a drastic revision of the present proposals for steel with this commitment in mind. The future of the nationalised industries, therefore, can be valid in socialist terms only if the public ownership of enterprises is carried out in the public interest. The economy suffered for years because of dominating sectional interests in the private steel industry.

This pamphlet has described some of the inevitable mistakes of the BSC in its corporate planning but has suggested alternatives. Specific proposals have been made for ameliorating the social effects of planning which involves the dereliction of communities. If these can be implemented successfully, the future of public enterprise is assured.

appendix 1: glossary

Benson Report See appendix 4: deathbed conversion of the private industry to rationalisation.

Blast Furnace Ironmaking furnace.

British Iron and Steel Federation (BISF) Principal employers' organisation at the time of nationalisation. Founded in 1934 to replace previous iron and steel manufacturers' association. The BISF was dominated by a small group of companies who in turn dominated the industry.

British Steel Corporation (BSC) National corporation set up under the 1967 Iron and Steel Act. Dr. M. Finlaison, Chairman following the death of Lord Melchett in 1973. Its Ten Year Development Strategy was published in February 1973.

Coke Ovens For the production of coke for ironmaking.

"Confidential Report" A document—"The Pattern of Development at Each Works"—later to become known as the "Confidential Report" emerged in 1972, purportedly leaked from the BSC office. In general terms it gave details of many of the proposed closures subsequently announced, together with others not yet announced.

Continuous casting Type of rolling process.

Fe. Iron yield from given weight of ore: expressed as percentage.

"Greenfield/Brownfield" Fanciful terms in current use in steel to describe respectively a completely virgin site for a new works, and the redevelopment of an existing installation (see chapter 2).

Heritage Plan Name given by the BSC to their first attempt at corporate planning involving building on existing plant (see chapter 3).

Iron and Steel Corporation of Great Britain National corporation set up under the first nationalisation of the industry (see chapter 2).

ISTC Iron and Steel Trades Confederation: major union in the steel industry (see chapter 2).

Summers John Summers and Sons Limited: one of the family firms which dominated the private steel industry; others included United Steel, Colvilles, Stewarts and Lloyds (see chapter 2).

technical description of the steelmaking process

Steel is iron which has been refined with measured amounts of other elements added to it to improve its texture, strength and hardness.

Iron is made in the following way: iron oxide (iron ore) is crushed and mixed with coke to make *sinter*. Then *sinter*, limestone, coke and more ore are fed into a *blast furnace* where they are subjected to a high degree of temperature, and thus *iron* is made. This *pig iron*, which is known as "hot metal", contains carbon impurities and it is the purifying of the hot metal which produces steel. The purifying is done in steel furnaces which are of three principal kinds: Open Hearth and Bessemer Converters, Basic Oxygen Furnaces and Electric Arc Furnaces.

1 *Open Hearth (OH)* This is the largest and most old fashioned process, and was developed by Bessemer and later Siemens in the nineteenth century. The Open Hearth furnace oxidises the carbon in the pig iron by means of a flame combined with preheated air, purifying the iron and producing steel.

The process is very slow and takes from eight to twelve hours, but the long cycle allows for a high degree of control over quality. The Open Hearth process has dominated British steelmaking and given British steel a reputation for high quality.

2 *Basic Oxygen (BOS)* The Basic Oxygen furnace, or LD Converter, was developed in Austria in the early 1950s. By this process, molten pig iron is converted by a blast of pure oxygen, which is introduced into the convertible shell by means

of an oxygen lance. The widespread use of this process was made possible by the development of pure bulk oxygen production since the Second World War.

The BOS process saves fuel, but its chief advantage is that it takes only 45 minutes, although control over the quality of the metal is not as good, and less scrap is used than with OH.

Two 200 ton capacity LDs can replace up to a dozen or so of the largest 2—300 ton capacity Open Hearths.

3 *Electric Arc* (EA) Electric Arc steel-making developed in Britain during the Second World War. In this process, steel scrap is used instead of pig iron. No fossil fuels are used as such but there is a high consumption of electricity. This process has been used mainly in the production of special steels, particularly in Sheffield.

The new so called "Mini-Steelworks" that are being developed (for example at Sheerness) also use electric arc steel-making.

When the steel has been produced it is cast in molten form into *ingots*, then hardened and rolled into billets, blooms or slabs in the *slabbing* or *cogging* mill. The latest development in rolling mills is the continuous casting machine which eliminates this slab mill stage and has certain other advantages.

In the production of sheet (or strip) steel the steel slabs are rolled out into long flat strips in, first, the Hot Strip Mill, after which the coils are reheated in *Annealing Furnaces*. The annealed coils are then rerolled in a so called Cold Strip Mill where they reach their final width and thickness. The strip steel is then cut up into sections as required or shipped as coils. The steel may be coated with zinc or other materials such as plastic or aluminium.

Coke ovens—to produce coke from coal for blast furnace use.

Sinter plant/ore processing—iron ore and coke are processed to produce sinter.

Blast furnaces—which produce iron.

Steelmaking—the iron is purified and steel is produced in the form of ingots.

Slab mill—the ingots are rolled into slabs.

Hot strip mill—the slabs are hot rolled into strip and coiled.

Annealing furnaces (reheat furnaces)—following "pickling" in acid to clean them, the hot rolled coils are annealed in reheat furnaces.

Cold strip mill—the annealed coils are rerolled to their final size and gauge.

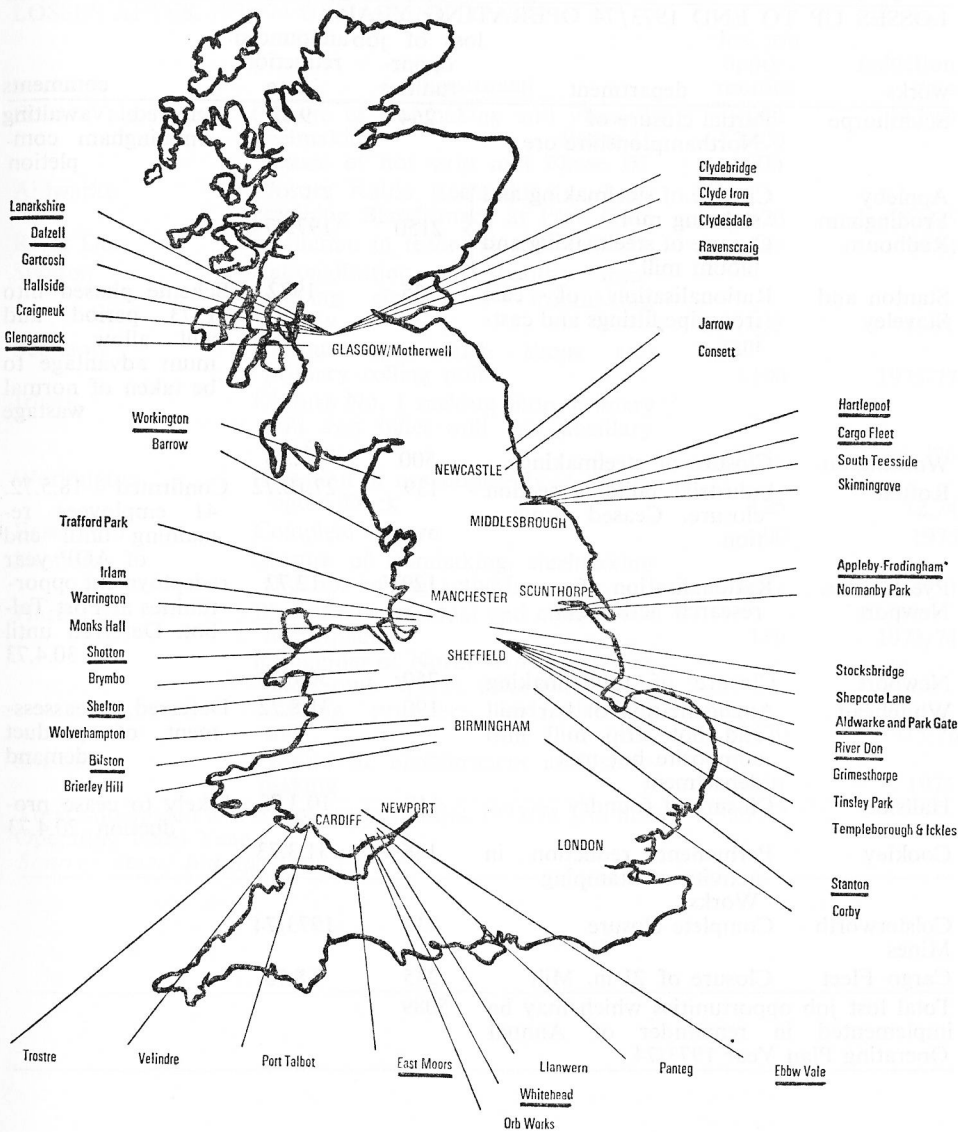
Finishing and coating—the finished strip may now be given a variety of coatings which are bonded in position.

the typical works

A typical integrated strip steelworks, therefore, would consist of the following :

appendix 2: British iron and steel works

(Those works which will be affected by the proposals in the White Paper are underlined).



*Appleby-Frodingham includes Redbourn Works and the Anchor Project

appendix 3: BSC announced reductions in job opportunities

LOSSES UP TO END 1973/74 OPERATING YEAR

works	department	loss of job opportunities	announced reduction date	comments
Scunthorpe	Partial closure of Northamptonshire ore mines	264	9.72	Deferred awaiting Immingham completion
Appleby Frodingham Redbourn	Closure of steelmaking and slabbing mill Closure of steelmaking and bloom mill	2150	1973/74	
Stanton and Staveley	Rationalisation of cast iron pipe fittings and castings	235	1972	Scheme phased into 1973 period and will allow maximum advantage to be taken of normal wastage
Workington Roften	Closure of steelmaking Industrial building section closure. Ceased production	500 139	12.73 27.10.72	Confirmed 18.5.72. 41 employees remaining until end of AOP year
Pye Corner, Newport	Rationalisation of research activities	129	12.72	redeployment opportunities at Port Talbot. Deferred until 30.4.73
Newport Whitehead	Closure of tube making Amalgamation of bar mill and hot strip mill into composite hot mill department	750 190	30.6.73 31.8.72	Deferred, reassessment of product demand
Hallside	Closure of foundry	119	10.3.73	Likely to cease production 20.4.73
Cookley	Permanent reduction in activity at Stamping Works	146	31.3.73	
Colsterworth Mines	Complete closure	232	1973/74	
Cargo Fleet	Closure of 21-in. Mill	235	7.8.73	
Total lost job opportunities which may be implemented in remainder of Annual Operating Plan Year 1973/74		5089		

LOSSES AFTER 1973/74 OPERATING YEAR

works	department	lost job opportunities	reduction date
Ebbw Vale	Closure of ironmaking and Phase I steelmaking	1900	1975/8
	Phase II	1400	
	Closure of hot strip mill Phase III	1200	
Aldwarke	Closure Kaldo steelmaking and remaining Blastfurnace at Park Gate	320	1974/5
River Don	Reduction in technical staff	181	1974
Stanton	Rationalisation of foundry iron-making closure of ironmaking activity	1100	1974
Scotland	Various open-hearth shops and primary rolling mills	6500	1975/77
Irlam	Closure No. 1 melting shop, primary mill and billet mill and ancillary services	2392	June '74
Workington	Cessation of ore shipments to Workington Dock	125	12.74
East Moors	Complete closure	4600	1975
Shotton	Closure of ironmaking, steelmaking and hot rolling activities	6434	1975/79
Hartlepool	Blastfurnace residual and coke ovens north plant	180	1973/74
	Remainder of North Works activities and South Works coke iron steel-making processes and slabbing mill	2670	1975/76
Shelton	Closure of blastfurnaces and steel-making	1650	1975
Total anticipated loss of job opportunities 1973/74 (Annual Operating Plan) Year		30652	

Source: AEUW Journal, June 1973.

appendix 4 : the Benson report: summary

(The Stage I Report of the Development Co-ordinating Committee of the British Iron and Steel Federation, BISF 1966).

introduction

1 The Development Co-ordinating Committee was set up by the Executive Committee of the BISF at a meeting held on 9 March 1966.

2 The Chairman of the Committee was Sir Henry Benson ; its terms of reference were: "To consider all aspects of iron and steel industry rationalisation and co-ordinated development, to examine the impact of possible proposals on the industry's future competitiveness and its ability to meet the particular needs of the British economy and to report".

3 The Committee decided that its remit required it to undertake a comprehensive review of the iron and steel industry and it decided to tackle it in two stages. Stage 1 was to involve a wide ranging examination leading up to the determination of what would be the best steelmaking structure of the industry in the mid-1970s.

Stage 2 was to have involved the Committee in a detailed examination in consultation with the companies of what practical steps should be taken to move as quickly as possible towards the best pattern. In the event, Stage 2 of the Committee's investigation was never carried out.

4 While the Committee's work was at mid-stage, the Labour Government confirmed its intention to introduce at an early date a Bill to nationalise the major part of the steel industry ; subsequently this Bill appeared just as the Committee was concluding its work. The Committee decided, nevertheless, to proceed with its Stage I study, the results of which were contained in the final Report.

5 While ostensibly seeking to remain outside the issue of the industry's nationalisation, the Committee expressed their view that "the rationalisation proposals set out in this Report would be better carried

out under continued private ownership"

summary and general conclusions

6 The British steel industry had been successfully operating arrangements for industry wide development co-ordination under public supervision. However, new factors had emerged affecting both the industry's technology and the environment in which it operated, which created a new need for a further advance towards large scale rationalisation. It was in this context that the Committee was set up.

7 In Stage 1, the Committee sought to determine the best pattern of steelmaking facilities for the industry in the mid seventies and left to Stage 2 consideration of what changes should be sought in the company structure etc in order to move as quickly as possible towards that "best pattern".

During Stage 1, there were two broad considerations borne in mind. The first was to ensure that the industry's steel-making facilities provided minimum total costs per ton of output, a requirement which suggested the development of substantially larger works. The second was the need to ensure that the works so developed continued to be efficient in the longer term, a requirement proceeding on the basis of creating large multi-product groups, normally subject to competition (*sic*) from other UK groups over their whole range of output.

steel in the UK economy

8 Resources should continue to be made available to allow home based steel producers to supply the great bulk of UK demand in the mid seventies and also to export an appreciable tonnage.

9 The industry should continue to base its long term development plans on utilising to the full all home-arising scrap. The major part of any remaining long term ferrous requirements for steelmaking should continue to the mid 70s to be met from home-based blast furnace capacity.

10 Despite moves towards vertical integration, the Committee said that it was not possible at that stage to plan the rationalisation of "the common steel industry" as a distinct entity.

11 Normally, as far as companies primarily involved in common steelmaking were concerned, gains in efficiency were unlikely to result from integrating forward into the production of steel-containing goods. However, the Committee said that special attention had to be paid to groups primarily involved in steel using industries who had chosen to integrate backward into steelmaking and room had to be left in any industry-wide rationalisation proposals for medium sized works making common steel which had special relationships with steel-consuming groups.

12 The structure of the UK economy would continue to impose limitations on moves towards the technical optimum size of the steelmaking units, but the industry ought to intensify its efforts to overcome this limitation.

13 In three sectors the interlinking of steel and steel-using interests was particularly close:

(a) the industry's policy as regards the balance between selling direct and selling through stockholding merchants ought to be considered again.

(b) the BISF should set under way a survey of the future arrangements for the supply of light-rolled products.

(c) the BISF should bring together all those concerned with the special steel sector to examine its rationalisation.

Factors influencing the steelmaking structure

(a) *The level of demand*

14 The estimate of home steel requirements for the mid seventies should be based on the general rates of growth postulated in the National Plan but with modified rates of growth for expenditure on fixed investment.

15 In view of the prevailing world steel trading situation the Committee said that the Government should seek to secure an

International Steel Conference to discuss some form of regulatory agreement to stabilise the world steel market.

16 Pending such an agreement, the Committee felt that caution should be exercised in considering proposals for new steel capacity in Britain, the efficient loading of which would depend to any considerable degree on overseas market outlets.

17 On the above bases, estimates that the home demand for steel would be of the order of 22.6 million product tons and net steel exports of the order of 3.1 million tons by 1975 would be reasonable.

18 The total demand for home production in 1975 should thus be taken as 25.7 million product tons equivalent to a trend requirement of 35.3 million ingot tons on the basis of the yields then current.

19 The industry's capacity should be planned on the basis that extra requirements above the trend level at times of occasional peak demand should largely be met by imports, but the industry should be able to moderate the resultant import bill in a variety of ways.

20 Allowing for this change of policy, and keeping capacity as close to trend demand as possible, some 35.3 million ingot tons of capacity should be provided in Britain by the mid seventies or rather less if the advance of continuous casting continued. Of this, some 32.0 million tons should be in works primarily concerned with common steelmaking and some 3.3 million tons in works primarily concerned with special steelmaking, including castings.

(b) *Technological Aspects*

21 The strip mills and multi-product integrated works of the mid seventies would be based on large blast furnaces producing in the main low phosphorous iron, and the steelmaking vessels would be large LD converters, supplemented where appropriate by scrap melting facilities.

22 A non-integrated works would normally base its steelmaking process on

locally arising scrap and the steelmaking process would be the electric arc process or an oxy-fuel-scrap process.

23 Although longer term trends might increase the technical optimum sizes for steelworks after the mid seventies, at that time the optimum sizes should be of the following order: wide strip mills—about 5 million ingot tons; multi-product integrated works—not less than 3½ million ingot tons; non-integrated works—about 1 to 1½ million ingot tons.

(c) *Raw Materials and Location.*

24 UK coking coal supplies should be adequate in quantity to meet the industry's needs, but quality caused some problems, and price, said the Committee, was a matter for serious concern. The British steel industry should be permitted to import coking coal in such quantities as were required on economic grounds.

25 Two or three non-integrated works for common steelmaking with capacities in the region of 1 to 1½ million tons should be developed in the regions of largest scrap arising. There was already a modern works in the Sheffield area approaching the size envisaged. The most favourable other locations the Committee said were the London-Midlands-South Lancashire scrap arising belt.

26 In view of the commercial desirability for each company to balance its pig iron/scrap proportions in steelmaking to the overall national average (because of the low price of scrap relative to pig iron) each non-integrated steelworks envisaged should be in the same ownership as a major integrated works.

27 Development already planned to secure deep-water ore port facilities would enable the greater proportion of ore imported into the UK in the later 1970s to be shipped in carriers of 60,000 to 65,000 tons capacity.

28 None of the conditions responsible for the steel industry becoming involved in ensuring the provision of ore carrier capacity in the 1950s obtained. The steel industry should take advantage, the Com-

mittee urged, of the situation presented by the ready availability of bulk carriers for voyage charter as well as for short term charter, which was expected to persist.

29 The major determining factor in the location of an integrated works was easy access to the deep water by which ore (and possibly coal) would be imported. Five existing iron and steelmaking areas in the UK should be well located for access to deep water by the early 70s: South Wales, North Lincolnshire, Teesside North Wales (Deeside, utilising the Mersey) and Scotland (Clyde).

30 All these areas were well situated for other raw materials and North Lincolnshire also had adequate supplies of home ore available. The quantity of "bought scrap" arising within a 50 mile radius of each location would be adequate and each location would be near to an oil refinery.

31 From the point of view of access to markets, which though a secondary consideration was nevertheless important, only Clyde and North Wales (Deeside) had sufficient demand to sustain a large integrated works within a 50 mile radius, but the other three areas each had ample demand within a 100 mile radius. North Lincolnshire, Teesside and South Wales were well situated for supplying the European market.

32 In view of the geographical separation of Scotland from the rest of the British steel industry and its location *vis-à-vis* the Northern Ireland market, it should be regarded as a largely self-contained market, served by its own works, supplying a wide range of products, including strip mill products.

33 On balance, the creation of a new integrated steelworks on the Thames could not be recommended at that point in time, but if overall plans permitted, the use of a site reasonably close to the London area for new non-integrated steel capacity would provide a valuable reinforcement of the industry's competitive position in this large steel-consuming

region, which would be particularly threatened by continental competition following British entry into the European Community.

(d) *Finance.*

34 The Committee said that it did not expect the low level of profitability in steel then to continue. They felt, however, that any appreciable recovery depended primarily on ensuring a higher average rate of utilisation of capacity.

35 In this connection, they felt that their recommendation that the steelmaking capacity provided should be kept as close to future trend demand as possible would be of importance.

36 Information specially provided by the main companies revealed that they intended to undertake a considerable amount of new investment up to 1970 and that, on the basis of detailed forward plans, they expected to be able to recruit the funds required without creating excessive indebtedness.

37. No judgement on the industry's financing of its operations in 1970-75 could be made until the Committee's State 2 study was completed. The results of the special 1966-70 study were encouraging, they said but felt that any attempt to draw general conclusions about the 1970-75 position would be premature.

38 The technological considerations bearing on development decisions needed to be judged with due regard for capital cost considerations also. The two would conflict less in the steel-making sector than in the blast furnace and rolling mill sectors where the attractiveness of new units of plant would be less likely to outweigh the extra capital cost involved.

39 Additional capacity should normally be provided by expansion at existing well placed sites not only because of the extra costs for the industry of developing on "greenfield" sites but also because of the "social capital" around existing works.

40 The Committee said that if their

rationalisation proposals were to be carried out, larger company groups would need to be created. This was to have been a central feature of the Stage 2 programme.

the steelmaking structure in 1975

41 The total requirement for all qualities of steel in 1975 was estimated by the Committee at 35.3 million ingot tons of which special and alloy steels and steel castings accounted for 3.3 million ingot tons. The production requirement for common steels was therefore put at 32 million ingot tons.

42. Six or seven integrated works and two or three large non-integrated steelworks could provide 28.8 million ingot tons (90 per cent) out of the total UK requirement of common steels.

43 The common steel requirement from other works—if the large integrated and non-integrated works were to be efficiently loaded—would be 3.2 million ingot tons.

44 Some 5.8 million ingot tons of current UK common steelmaking capacity was then contained in eight works which formed part of engineering and tubemaking groups and some 6.4 million ingot tons of capacity in England and Wales was contained in fourteen other works; that is, there was 12.2 million ingot tons of capacity other than at sites recommended for major development. It would not be economical, said the Committee, to perpetuate steelmaking at all those non development sites.

45 The full exploitation of the potential efficiencies of the common steelmaking facilities to be created at favourable sites would be hampered unless some 9.0 million ingot tons net of existing capacity were to be withdrawn during the period under review.

46 The possibilities of adopting some existing works' locations for the proposed new non-integrated common steelmaking units should be explored.

47 One of the Committee's main tasks during Stage 2 of its work was to have been to assess the balance of mill capacities which would emerge when recommendations for desirable company regroupings were being considered and, in the light of these, the Committee would consider factors affecting the phasing of the withdrawal of surplus older capacity to enable the new plants to be effectively loaded.

48 Whereas the industry produced 27.0 million ingot tons of steel in 1965 with 317,000 workers, the Committee said that they felt it should have been possible for the industry as envisaged to produce some 35.3 million ingot tons of steel in 1975 with about 215,000 workers. The rate of increase in labour productivity which this implied was of the order of 6.8 per cent a year over 1965-75.

49 Although it was envisaged that by 1975 the industry should be able to make do with 100,000 less men than in 1966, the actual scale, timing and geographical spread of the redundancies was not likely to be such as to cause too many severe problems (*sic*). In the main growth areas, the Committee felt that more labour might be required.

50 The Benson Report concluded by welcoming the steps then being taken to form a single employers' organisation for the industry and urged a parallel rationalisation of the union structures.

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the authors

The Steel Group which prepared this pamphlet comprised four individuals with industrial and research experience. Under the aegis of the Young Fabian Economic Policy Group they met over a period of 15 months to discuss the issues involved and draft the paper.

This pamphlet is an attempt to stimulate a debate leading to policies which will serve to reduce the considerable, but unduly neglected, social costs associated with public sector planning on a large scale.

Cover design by Dick Leadbetter. Printed by Civic Press Limited (TU), Civic Street, Glasgow G4 9RH.

ISBN 7163 2038 x

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