From the London End

Britain's Steel Policy

IF the production and consumption of steel is any indication of a possible future trend of economic activity, then the latest reports from the United States cannot but be bad omens. The President of the giant United States Steel Corporation recently told a gathering of representatives of the American steel industry that " excess capacity " will be reached " before very long",—-he thought it might be by the end of this year. This has not been the only forecast. The *Wall Street Journal* conducted a survey among such steel consumers as the Studebaker Corporation and General Electric, and, on the basis of these investigations, came to a similar conclusion. The seriousness of the trend lies not so much in its internal effects on the American economy which are not, as yet, visible, but in the fact that many automobile manufacturers and other steel users who have been buying steel abroad to keep pace with their booming output have begun to drop this practice.

It is with this prospect in the offing that the Conservative Government in Britain has chosen to denationalise steel and to appoint boards to effect the transfer of the industry to private ownership. Whether the decision to nationalise has been influenced by a possible view that only under private ownership can the industry lace, the storms that will soon be blowing from across the Atlantic is not clear. What is clear, however, is that among the more serious problems to which the authorities have turned their attention in recent months is the relation in price and output of British steel to the newly-established *Schumania* the Coal and Steel Pool in Europe. The pressure that has been exerted by the Pool on Britain to revise its dual pricing policy in order that countries like Belgium, France and Germany may compete successfully in the export field is now being ostensibly met by Britain's denationalisation measures.

The supposition that the reversion of the British steel industry to private ownership is a mere diplomatic manoeuvre to meet the cries of Europe for a place in the sun is strengthened on investigation of the terms of the Denationalisation Act. The Act sets up a " Steel Board" appointed from the industry and the trade unions in very much the same way as the Labour Government set up the Board of the Iron and Steel Corporation. But with this difference that the present Steel Board is charged with the responsibilities of reviewing die industry's productive capacity, procurement of raw materials, iron and steel prices, research and training' while the old Corporation was invested, apart from these powers, with the, ownership of the industry as well.. The ownership was of such a character as to leave the individual firms intact in order that the decentralised character of the industry could be maintained. Thus the only important change which the Denationalisation Act in effect introduces is the transference of the capital stock held by the Corporation to private individuals.

The dual pricing policy followed in the United Kingdom has been under strong attack from the Continent. This policy, they maintain, closes many markets for continental steel products. Ever since 1939, prices at which British steel-makers sell in the domestic market has been under statutory control. Consequently, British steel prices at home have been low in comparison with internal prices in the main exporting countries. The steel users in Britain are therefore able to turn out for export, engineering products made from steel at prices which place the Continent at a severe disadvantage. On the other hand, the UK has maintained no control over the export prices of steel which have risen more than home prices since 194b. In the current issue of the *London and Cambride Economic Bulletin,* E T Sara calculates the difference in internal prices between various countries as iollows:

Difference Between Internal Price in the United Kingdom and in the Cheapest Other Country in March, 1953

Product		British Consumers' Advantage (in £ per long ton)	Cheapest Other Country
Angles	..	3	Belgium
Joists	..	3	Belgium
Plates	..	5	USA
Hot Rolled Strip		1	France
Sheets	..	2	USA
Tin Plate	..	6.5	USA

Equally important in the relative position of the British steel industry are the advantages which British mills possess in costs. In this regard the ECE study, *The European Steel Industry and Wide Strip Mill* (1953) provides some illuminating figures. The ECE study shows that for 1951 Britain had certain decided advantages in raw material costs for iron and steel making. In the main this advantage was derived from the low price of coal which largely offset the high prices which Britain had to pay for imported ore and which was now being used more extensively. Fuel prices in other countries were considerably higher, in some cases as much as" 60 per cent higher than British prices.

The position for scrap is similar in Britain. By effectively maintaining statutory control over scrap, prices have been kept stable since 1939. According to E T Sara, this control has led to a price advantage as compared to the countries of Schumania of something' just below £2 a ton of finished steel.

The other important item is that relating to wages. The ECE report observed that for 1951 Britain labour costs an hour were lower than in any of the other countries. The factor which pushes continental wage rates to a level higher than that prevailing in Britain is social charges, which apparently is about 40 per cent of wage cost in France *30* per- cent in Belgium and 20 per cent in Germany. It is less than 5 per cent in the United Kingdom.

Cost of Materials Used per ton of Pig Iron Produced

	Average Price of Material ($ per ton)			Cost of Material used for ton of pig iron ($)			
	Coke	Ore	Scrap	Coke	Ore	Scrap	Total
USA	14.6	10.8	37.1	13.1	18.4	2.6	34.1
Belgium	20.9	6.2	59.4	17.5	11.2	17.0	45.7
France	18.4	3.7	24.1	19.0	9.9	3.3	32.2
W Germany	12.2	8.1	19.9	12.0	12.7	2.8	27.5
United Kingdom	12.2	5.7	9.7	12.9	12.4	0.8	26.1

Wages in the Steel Industry (1951)

Wages and Social Charges a man-hour

	US $
USA	2.20
Belgium	0.65
France	0.63
W Germany	0.62
UK	0.59

Export Prospects for Steel

What of export prospects? In another characteristically painstaking report *European Steel Exports** the ECE assesses that for a considerable period the most promising or what it calls " regular " markets for steel and steel products arc the under-developed countries. The report estimates that in i960 about 6.2 million tons of steel will be imported by these territories, even if, the level of economic activity remains low, as compared with 4.4 mn tons in 1936-38. On the other hand, imports by the '' irregular" markets—Russia, Eastern Europe, Japan, United States and Canada, on the same assumption, are not expected to exceed the 1936-38 figure of 1.8 million tons. An investigation as to which of the countries falls into the categories " regular " and " irregular " will indicate that most of the " regular " markets arc in the sterling area while the greater number of the countries in the "irregular" category are the traditional markets of the Sehumania countries.

Given, then, these considerations, it is easy to see why the European Coal and Steel Pool was first pressing,, for Britain's entry into its fold and why, now, it should demand from Britain certain changes in its internal steel policy. The denationajfisation of the industry can be and, it- is believed, is now feeing used as an effective reply to these European requests. Britain can now say that under private ownership the industry will be subject to the free market mechanism and that prices and output will be adadjusted under the dictation of international competitive forces.

* Both these ECE reports on steel will be reviewed in the next issue.

New Zealand Import Policy

The Government of New" Zealan has liberalised its import policy for the year 1954, and has made increased provision for exchange allocation for imports. Subject to certain exceptions, the exchange allocation for the year 1954 will be 50 per cent of the basic exchange allocation made to individual importers during the year 1950, This is 25 per cent more than the exchange released for the current year.

In addition, 15 commodities will not have to obtain allocations of exchange. Among these the following are of special interest to India:

Tea; Cornsacks; Woolpacks and wool-pockets; tubular woven or knitted cotton cloth specially suited for use as meat wraps, cheese bandages or caps; tobacco, unmanufactured, entered to be manufactured in New Zealand in any bonded tobacco-factory licensed under the Tobacco Act, 1908, for manufacturing purposes only—into cigarettes, snuff, or cigars; fresh fruits; salt; printed books, papers, music, or advertising matter.

Power Supply to South Kanara

Mysore has agreed to supply electric power to South Kanara District in Madras State and important decisions in this connection were reached at a recent conference between Shri K llanumanthaiya, Chief Minister, Mysore, in charge of electricity portfolio and Shri N Ranga Reddi, Minister for Public Works, Madras.

The agreement marks the end of protracted negotiations between the two Governments, It provides that Mysore will supply 2,800 kw of power, from the date of commencement of supply, rising upto 3,500 kw at the end of two years and upto 6,000 kw at the end of six years.

Madras has agreed to pay to Mysore on the total bill, the surcharge of 10 per cent that is being paid now by high tension consumers in Mysore State, and also whatever surcharge becomes payable from time to time by such consumers in Mysore State under .the relevant legislation or order. It is also provided under the agreement that power supplied by Mysore should be consumed only in South Kanara District.

A formal agreement will be entered into between the two Governments very shortly and as soon as this is done, work of Supply will be taken up.