

What happened to the nationalised steel industry?

Labour nationalised steel after the war, only for the Conservatives to denationalise it when they came to office in 1951. Labour renationalised it in 1967 and ran a grand investment strategy through to the end of the 1970s when it had to be abandoned because it created massive overcapacity. The Conservatives bought into the Labour investment led approach for their period in office of 1970-74.

In 1950 the nationalised industry produced 16 million tonnes of steel. By 1965 the competitive private sector industry restored by the Conservatives had got output up to 27 million tonnes. The Labour government on nationalising it decided to build an industry capable of 35 million tonnes of output. They signed off on a bold plan to put in five major integrated works at Redcar, Scunthorpe, Ravenscraig, Llanwern and Port Talbot. and to develop in Sheffield.

By 1978-9 the industry was only selling 17.3m tonnes, 10m less than the privatised industry had managed on a much smaller capital base a decade earlier. It had however received a whopping £2674 million in interest free capital from the taxpayer and £350 m of write offs, to allow it build five large integrated works despite their inability to sell the steel they could make.

This ushered in a long period of agonising decisions to close each of the works or parts of each of the works in turn as they struggled to get costs and output down to match the poor levels of demand . Large numbers of redundancies followed and the complete withdrawal of the industry from places like Corby and Ravenscraig.

The tragic story of nationalised steel leads a commentator to ask how could state planning get their forecasts for demand so wrong? Why did the costs of putting in the extra capacity escalate so badly, making the steel even more uncompetitive? Why did Labour end up closing so much down and making so many redundant? The strategy was bold, well financed and well intentioned. The result was an industry unable to compete with German steel, and later with Asian product, that spent years agonising over cuts and closures. The taxpayer lost large sums.