

The reality behind the “Save our Steel” campaign in Britain

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The British Conservative government and the Welsh devolved administration are in discussions with Tata Steel, other private sector companies and the trade unions over the future of Tata’s UK operations.

Last week Tata announced it planned to sell off its entire UK operation, threatening 15,000 jobs in Port Talbot, Scunthorpe, Rotherham and other smaller plants, along with 25,000 jobs in the supply chain. Behind all the talk of saving the steel industry and securing a “viable solution” for the largest of the plants, Port Talbot, employing more than 4,000, an asset stripping operation is underway that will lead to a decimation of the jobs, wages and pensions of workers.

On Tuesday, Welsh Assembly First Minister Carwyn Jones met with Prime Minister David Cameron, Chancellor George Osborne and Business Secretary Sajid Javid. Following the talks, Javid met with representatives of the three steel industry trade unions, Community, Unite and the GMB, before flying to Mumbai for talks with Tata’s chairman, Cyrus Mistry.

Jones described the meeting as “productive” and said it included discussions on “pension liability, energy costs and tariffs.” Asked if a nationalisation of Tata’s assets was being considered, he said, “They [Tata] want to make sure that their assets are in a sellable position, but when people come to talk about nationalisation they tend to talk about an indefinite takeover of an industry. What we want to do here is to keep our options open, to make sure that there is time for a sufficient buyer to come forward.”

From the little so far made public, the pensions of more than 130,000 retired and working steel workers are threatened. Speaking about the pension deficit, Jones stated, “The Government has indicated that they want to take steps to help with that liability, because we know that without that being dealt with there won’t be

a sale.”

Tata inherited the former British Steel Pension Scheme when it took over the Anglo-Dutch conglomerate, Corus Steel, in 2007. The £16 billion scheme has 134,000 members, of which 85,000 are currently drawing from the pension scheme as well as 30,000 “deferred” members (meaning they no longer work for Tata Steel UK or any of its predecessors, but are not yet in a position to draw their pension). The remaining scheme members are the 15,000 workers currently employed at Tata’s steel plants.

In 2014, the pension fund reported a £2 billion deficit and remains massively underfunded, with Tata committed to paying in just £125 million in the next two years. According to Malcolm Mclean, a corporate pension expert, “This is unprecedented in terms of the size of [the pension fund] ... The £2 billion deficit would make it difficult for a business to be sold and a new buyer is not going to take over the pension scheme.”

European Union rules on state aid limit governments taking on the liabilities of private firms. If the government took over Tata temporality, it would have to sell it under the same terms, including pension liabilities.

One option being considered by the government is for the Pension Protection Fund (PPF) to step in and take over the Tata pension fund. The PPF is an insurance fund set up by the Labour government in 2005 to meet the pension bill of insolvent companies. However, it collects a levy of just £675 million a year to fund its operations.

Placing the steel workers’ pensions into the PPF will lead to huge cuts in their value. Once in the PPF those already retired receive 100 percent of their pension income already in payment. However, those still working or who retired early receive just 90 percent of

the payments expected.

Current employees and deferred members of the scheme would see their retirement benefits slashed even further. Richard Jones, a pension expert at Punter Southall, said that steel workers face having their pensions slashed by more than 25 percent if their scheme is moved into the PPF because only a portion would be index-linked to inflation.

A number of asset stripping firms are involved in talks to take over all or part of Tata's operations. Greybull Capital is close to finalising a deal to take over the Scunthorpe plant, which employs 4,000. According to reports, Greybull could receive a loan of between £70 and £100 million from the government as a sweetener to help finance the takeover. In an act of monumental cynicism, Greybull is negotiating with Tata to rename the steelworks "British Steel."

In 2014 Greybull, known as a "vulture fund," bought Monarch Airlines and implemented a slash and burn programme against workers' jobs, wages and terms.

In October, Tata announced it planned to impose 900 redundancies at the Scunthorpe plant. Many contract workers also face redundancy, with 140 laid off or due to leave, with the sanction of Community union. To pave the way for Greybull's takeover, Community is balloting its members on accepting a 3 percent wage cut. This would just be a down payment. At Monarch, Greybull carried out 700 job losses and other restructuring, making annual saving of £200 million. The union bureaucracy were instrumental in these cuts, as they agreed to salary cuts of up to 30 percent and changes to terms and conditions for pilots, cabin crew and engineers.

Another firm, Liberty House, is in talks to take over Port Talbot. In March, the company, which has a \$6 billion turnover and is owned by Sanjeev Gupta, a former commodities trader, took over two former Tata steel mills in Scotland in a deal brokered by the Scottish government. According to ITV's Robert Peston, Gupta is demanding, as conditions for a takeover, that none of Tata's pension liability falls on him, that Tata and the government insure him against any environmental and clean-up liabilities (at a cost that could run into hundreds of millions of pounds), and that he be exempted from all "green levies" on energy costs.

Whatever deal Tata and the government cook up with

a private buyer, the trade unions will do nothing to oppose any attacks on jobs, wages and pensions. On Monday, Community, Unite and the GMB issued a joint statement in the name of the National Trade Union Steel Co-ordinating Committee. It called for the government to step in with a massive taxpayer funded subvention to the private sector, stating, "The business needs the investment originally planned by Tata—understood to be £1.5 billion over 10 years." This was "achievable given that any buyer would be gaining control of assets worth £4 billion."

The statement said it was necessary for Port Talbot "to secure new markets and sustain the business" and, to assist, the "steel unions have engaged expert steel industry advisers Syndex UK to help with further development of their plans."

Dave Hulse, national officer of the GMB, said the unions would "work together" with management and government "in the best interests of our industrial security ..."

Nowhere in the statement is there a single mention of safeguarding workers' jobs, wages and pensions.

What is taking place at Tata has parallels with the \$25 billion bailout package of the Big Three US carmakers (Ford, GM and Chrysler) in 2008 by the Obama administration. This began with a "managed bankruptcy" of GM and Chrysler by Obama's Auto Task Force, leading to the shutting of dozens of plants deemed unprofitable and eliminating 35,000 jobs. Obama worked closely with the United Autoworkers Union (UAW) to slash the wages of new employees in half, ban strikes for six years and impose other devastating concessions on current and retired workers.

In return, the UAW was handed control of the multi-billion-dollar VEBA retiree health care trust fund, including billions of dollars of stock in the Big Three. This gave the UAW executives a direct financial incentive to further slash the wages, benefits and health care plans of their members.



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