Collapse of British Steel threatens 25,000 jobs

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The UK’s second largest steelmaker, British Steel, went into administration today, with the loss of nearly 5,000 jobs, mainly at its Scunthorpe plant but also at its site in Teesside. A further 20,000 jobs could go in its supply chain. The closure will have a devastating impact on the local area.

Talks with the government yesterday over securing financial support failed.

Although the company is named British Steel, a historic reference to the former nationalised entity, it is owned by the “vulture fund” Greybull capital. Greybull purchased the crisis-ridden Scunthorpe plant for £1 in 2016 from Tata Steel Europe. It branded its operations, centred on what was Tata’s Long Products division in the UK, as British Steel.

Just weeks ago, Greybull was granted a £120 million loan from the government to be paid back on favourable commercial terms to help it meet a European Union (EU) environmental bill over carbon emissions. The payments were necessitated due to the UK’s delayed departure from the EU, originally set for March 29. The £120 million meant British Steel would not face EU non-compliance fines, on top of existing liabilities, which would have equated to an additional £600 million in bills.

Greybull initially demanded a further £75 million loan from the government as a prerequisite to staying in business due to the adverse impact of “Brexit-related issues”, a fall in orders and an ultra-competitive global steel market, but has lowered this to £30 million.

The parasitism involved is staggering. Greybull was demanding a bailout despite putting together a £400 million package, mostly from bank loans—supposedly to invest in British Steel—when it took over the company. A further loan of £90 million was obtained last year.

The *Financial Times* reported this week, “Greybull’s initial contribution into British Steel from its own funds was less than £20m, according to several people who spoke on condition of anonymity.” Yet in the two years since, “Greybull took £6m in management fees from British Steel. It also charged £17m a year in interest on loans it provided via a Jersey-based parent company, Olympus Steel, at a rate of 9 per cent…”

Accounting records show that Greybull Capital partners, Marc Meyohas, Nathaniel Meyohas, and Richard Perlhagen, charged British Steel £3 million a year during 2017 and 2018.

The Labour Party and trade unions will do nothing to defend the interest of workers at British Steel facing layoffs.

Community union general secretary, Roy Rickhuss, dubbed the formation of British Steel as a “new chapter in the course of the UK steel industry.”

The company was able to report a profit a year after Greybull’s took over. But this was only due to a restructuring agreed between the unions and management in which staff were forced to take a cut in pay and pensions. In return, workers were given a paltry five percent stake in the firm—a stake that is now all but worthless.

Greybull also formed part of the financial backing for electrical retailers Comet in 2012, only for the chain to collapse months later with the loss of 7,000 jobs. In 2014, it bought Monarch Airlines and imposed 700 job losses and other restructuring. The unions agreed to salary cuts of up to 30 percent and changes to terms and conditions for pilots, cabin crew and engineers. In 2017, Monarch went bust. The government stepped in to organise the return to the UK of 110,000 stranded tourists at a cost of £60 million in what was described as “the largest repatriation since the Second World War.”

In response to the news that British Steel was nearing administration, the unions demanded the government and company act together in the “national interest.”

The Unite union called for “ministers to take British

Steel into public control if a deal cannot be struck between owners Greybull, its lenders and the government to avoid the steelmaker collapsing into insolvency.”

The Labour Party took up the demand, writing that it had “told the government that if a deal can’t be agreed, it must prepare to take British Steel into public ownership to protect thousands of jobs.”

In real terms, this all amounted to nothing more than a call for the government to hand over more money to Greybull, which is cynically using the threat to jobs as a bargaining chip.

There was never was any chance that the Tories would take any advice regarding nationalisation. However, any such capitalist state “nationalisation” would not be aimed at defending workers jobs and livelihoods, but to safeguard the interests of British imperialism against its rivals while imposing massive cuts on workers.

Labour’s shadow steel minister, Gill Furniss, complained that the government had “simply failed to take the steps necessary to ensure UK steel remains competitive.”

The Unite union’s Assistant General Secretary Steve Turner declared, “British Steel’s success is key to any future UK industrial strategy… It is a national asset supporting UK Plc that cannot simply be left to the market.”

Continuing his nationalist diatribe, Turner complained “many steelworkers will be questioning how Greybull could find the finance to fund the acquisition of a French steel works last week [Ascoval] while pushing British Steel to the brink of collapse.”

The *Financial Times* noted that what is driving the union’s opposition to the £42 million Ascoval buyout was that it “could be fitted with equipment to enable it to supply basic material to British Steel’s existing rail factory in France, in the process displacing metal currently supplied by the giant Scunthorpe plant in Lincolnshire that forms the core of the business.”

On Monday, Unite led the charge for a new charter being promoted by UK Steel, the employers’ body. This is to be based on the insistence that government and companies in the UK operate a “buy British” policy. Unite stated, “We would urge the UK government to back this charter and use its buying power to put UK steel at the heart of major infrastructure projects and ensure projects like the Royal Navy’s new Fleet Solid Ships are built in the UK using UK steel.”

Such nationalist demagogy is aimed primarily at preventing a unified struggle by steel workers against job losses, pay cuts and speed-ups uniting British steel workers with steel workers in France, throughout Europe and internationally.

Instead, the unions are seeking to convince workers to align themselves with British capitalism in its drive to impose ever-deeper attacks on workers in the name of global competitiveness. It means a fratricidal struggle between workers of different countries that can only benefit the corporations. The reactionary logic of this nationalist program was underscored by Unite’s insistence that the £2.5 billion worth of steel needed in the UK “over the next five years” included the building of “warships.”

British Steel workers should reject this perspective. A genuine struggle to defend jobs and oppose closure requires the mobilization of workers through the formation of rank and file committees independent of Labour and the trade unions that would link the struggle of steelworkers with workers across Britain and internationally. This fight requires a socialist perspective aimed at reorganizing economic life on the basis of production for human need, not the private profits of the hedge funds and billionaires.