UK steel unions smooth way for job losses and givebacks ahead of British Steel buyout

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Up to 500 jobs are threatened at the UK's second largest steel manufacturer, British Steel. The corporation employs around 5,000 workers based mainly at its blast furnace steel works in Scunthorpe, Lincolnshire in eastern England.

British Steel went into administration, the rough equivalent of Chapter 11 bankruptcy protection in the US, in May of last year. Its owner, private equity company Greybull Capital, appealed to the Tory government for a £30 million (US $38.8 million) loan to rescue the company but this was turned down. The loan request came just weeks after the government lent the firm £120 million.

British Steel, still in the hands of the official receiver, has continued to operate while attempts have been made to find a buyer. The sale is being conducted by London-based accountancy firm Ernst & Young, known as EY.

Pressure is mounting to find a buyer, with British Steel said to be losing around £1 million a day. It is currently financed by a rescue package arranged by then Tory government Prime Minister Theresa May last August. The rescue package amounted to £300 million in the form of grants, loans and indemnities. The government indemnity agreement is due to run out at the end of this month.

Several companies have expressed an interest in buying British Steel. The leading candidate is the Chinese firm Jingye, which announced its interest in buying the company in November.

Jingye's chairman is former Communist Party official, Li Ganpo, who founded the company in 1994 and is said to own nearly 90 percent of it. Based in the Hebei province of China, the company was able to benefit from the boom in infrastructure growth as the Chinese economy grew. Jingye has expanded its business interests to include hotels, property and chemicals.

Jingye assets are mainly based in Hebei province and its bid for British Steel is a departure from its normal business plan. In 2018, Jingye produced 11 million tonnes of crude steel compared to the 7 million tonnes produced by the UK as a whole. Jingye has offered to pay £50 million for British Steel, declaring it will invest £1.2 billion into the operation.

The nationalist, pro-capitalist steel trade unions have no perspective to oppose any job cuts or attacks on conditions. Like unions across the world, which function as essential corporate partners in pushing though job cuts, speed-ups and rationalisations, the Community, Unite and GMB unions are playing the same role at British Steel.

Jingye has already consulted with the steel unions about its intended purchase of British Steel in order to smooth the way for the restructuring of the company and hundreds of job cuts. In 10 days of talks, the unions agreed to new contracts and job losses even before Jingye bought the company.

As the *Financial Times* commented on the January talks, "Executives from Jingye and union officials have reached an understanding for the basis of new employment contracts and other aspects of a turnaround plan, three people with knowledge of the discussion said."

A joint statement by the unions said, "As was widely expected, Jingye also intend to reduce overall headcount. This could be up to 500 jobs, though significant numbers have recently left the business, and will be subject to ongoing detailed discussion at departmental level. This is not something that the unions could endorse, and we have made the argument that the business needs to ensure the plant can be run efficiently and safely."

While posturing as opponents of job-cutting, the unions have a track record of colluding with corporate downsizing. The deal was described by the unions as "broadly positive," but is being presented to their members for their consent with a gun held against their heads. Union officials are making it clear if workers do not accept this blackmail deal, the Jingye takeover will fall through, threatening the entire operation and more than 4,000 jobs.

Reporting on the talks, the *Independent* cited a statement from the National Trade Steel Co-ordinating Committee which incorporates the Community, Unite and GMB unions. It said, "As British Steel is in liquidation, any new owner could just offer new contracts with statutory minimum terms and conditions. There is no legal obligation to offer more, nor to consult on any changes.

"*These talks also took place in the context of the Special Managers (EY staff) having made it clear that there will not be another sale process for the whole business if the Jingye deal does not complete*. British Steel would be broken up and sold in parts [emphasis added].

"Importantly, the employment package is also in the context of Jingye's £1.2 billion investment plan. We have seen the detail, and this investment would transform the business and secure the future of British Steel."

Speaking like a corporate executive, Ross Murdoch, national officer for GMB, said the union-Jingye deal is "the right balance between delivering cost savings and maintaining jobs with decent terms and conditions to drive the new business forward."

The *FT* noted that Jingye, "has obtained all necessary approvals from regional and national authorities in China, according to people close to the situation, and is now aiming to complete the transaction around February 27."

An obstacle to the deal going ahead could come from the French government. Part of British Steel's holdings include its Hayange plant in northeast France. The plant produces steel rail for the state-owned train operator SNCF. The sale of Hayange needs approval from the French government because it is regarded as a strategically important facility. Bruno Le Maire, the French finance minister has informed the UK Chancellor Sajid Javid of the French government's opposition to Chinese ownership of Hayange.

The BBC reported January 31 that the Hayange plant "has already been advertised for sale separately from the UK operation, apparently with the blessing of the French authorities."

Labour Party shadow minister, Gill Furniss, whose portfolio includes steel, has written to Tory minister for steel, Nadhim Zahawi, urging the government to obtain French approval for the Jingye deal.

Furniss asked Zahawi about his contacts with the French government and demanded the Tories intervene to win French approval for the sale and for details of any reserve plans. The shadow minister is seeking to push through the deal on the nationalist basis of protecting "our steel industry." Writing to Zahawi, she said, "The government has claimed that it is committed to the steel sector in the UK. Now is the time to put these words into action."

The UK government has lined up other companies that have expressed an interest in taking over British Steel should the Jingye bid fall through. One is a Turkish conglomerate Cengiz Holdings, whose owner is close to Turkish president Erdogan. Cengiz management claims to be on good terms with the French government.

Another alternative is steel manufacturer Liberty Steel, a multi-national company with assets on every continent. A company spokesman said earlier this month, "We have made it clear to the official receiver that we would be interested in buying British Steel in the event that the process with Jingye is discontinued. We believe we have a viable plan to make the business sustainable."

The various global firms are competing to secure access to the assets of British Steel, as part of their fight for prominence in an international market increasingly riven by trade war measures. For the steelworkers at Scunthorpe, the impending sale of the plant is just the latest episode in an ongoing erosion of jobs and conditions.

Greybull, the owners when British Steel went into liquidation last May, bought the plant in 2016 from its previous owners, Tata Steel, for the sum of £1. Known as a "vulture fund," Greybull imposed cuts to jobs and conditions.

At the time, the WSWS commented, "The sale of Tata's plants confirms the warning made by the *World Socialist Web Site* of the rotten role of the nationalist and pro-capitalist policies of the Labour Party and the trade unions in paving the way for further attacks on the working class in Britain and internationally."

We continued, "At the centre of the takeover is what Greybull described on [April 11, 2016] as an agreement with trade unions and key suppliers to 'reset the cost base of the business.' This includes workers taking a one-year pay cut of three percent and a three percent cut in their pension contributions. In a statement [April 11, 2016], the Unite union said it is 'recommending members vote to accept the changes in a ballot due to close on 19 April ahead of the formal sale of the Scunthorpe steelworks.'"

This was a call by the UK's biggest union—which never once raised the issue of industrial action to fight the threat to its members' jobs—to sacrifice workers' conditions in the name of "international competitiveness." In a further indictment of the union's role, Unite convenor for Tata Steel Scunthorpe, Martin Foster, said, "It should not be forgotten though that many workers have already lost their jobs at Scunthorpe and those that remain are making huge sacrifices with their pay and pensions to secure their jobs."

In order to deliver the necessary "cost savings," the unions will play the same role under Jingye if the takeover is finalised.