I would like to make a few opening remarks. Many of these will take up points already made by other delegates but I would welcome the circulation of previous statements so that these can be studied in greater detail.

1. At the time that this matter was raised at the twenty-fourth session we were already having discussions with some of the countries concerned. It was in a spirit of compromise and co-operation that my delegation at the twenty-fourth session agreed in effect to leap straight to a Working Party under Article XXII(2) of the GATT. We accepted this partly also to ensure that, so far as possible, all the relevant information that might be requested on various aspects of the scheme should be available to the CONTRACTING PARTIES but we do not feel that the possibilities of consultations under Article XXII(1) have been fully exhausted.

2. From the start we have made it clear that the British Steel Corporation's steel loyalty rebate is a purely commercial measure designed to promote sales. No law, regulation or requirement of the Government is involved. There have been various accounts in the press and other places which may have contributed to a distorted view of the scope of the scheme and the way in which it will be administered by the Corporation. It may be helpful therefore, if I start by giving its main features.

3. First it covers only a very small proportion of total steel production in the United Kingdom, most of which is concentrated in strip mills now vested in the British Steel Corporation.

4. Second the major part of British steel production was nationalized in July 1967 and the British Steel Corporation could not have been expected to reach quick decisions on their longer term commercial policies immediately. Indeed it was not the aim of the Government that the British Steel Corporation should take hasty decisions on new policies. In the meantime, however, it was necessary for them to decide on and introduce prices for the nationalized sector pending the completion of the full scale review of pricing policy on which they immediately embarked. A central feature of these pricing arrangements was that all public sector companies should sell at common prices which, with the exception of pig iron, were fixed at the maximum prices previously prescribed by the Iron and Steel Board. The steel companies had generally charged these maxima as their normal
prices except for wide strip mill products. For such products the prices charged by the companies prior to nationalization were 20s.-d. to 30s.-d. a ton below the Iron and Steel Board maxima. The need for uniformity in the application of the common pricing policy and financial considerations led the Corporation to raise their strip mill prices to the Iron and Steel Board maxima level but in order to promote their own sales and thus improve the loading of their strip mills, currently operating at a very low level of capacity, they, at the same time, offered a rebate of 30s.-d. a ton to customers who could certify that they had not used sheet or medium plate purchased from elsewhere in the previous six months.

5. In sum, the arrangements for prices for sheet steel are temporary and were introduced by the new Steel Corporation pending a thorough-going review of their present policy. The scheme has been adopted by the Corporation on commercial grounds. Their object is not to discriminate against other sources of supply but to get as much business as possible for themselves.

6. I have stressed that this is a commercial decision of the British Steel Corporation taken on commercial grounds. This is important and I would like to show why we do not regard this scheme as being under the control or direction of the British Government by outlining briefly the relationship between the Corporation and H.M. Government. The Minister of Power has of course certain powers in relation to the Corporation. These are well-known and are published in the appropriate government documents. These powers taken together mean that the Minister has the responsibility to ensure that the nationalized steel industry is conducted efficiently and in the national interest. Within this framework, however, the Corporation are responsible for the commercial management of the industry and take their own commercial decisions, having regard to the public interest.

7. It is against this background that the Corporation's price policy must be understood. Nationalized bodies may be required to adjust prices for social or wider economic reasons in a way which they do not consider to be in their commercial interest, and in that event the Government will accept responsibility for the financial implications. The nationalized industries are also subject, like private industry, to the procedures and criteria of the Prices and Incomes Policy; major price increases by them will be referred to the National Board for Prices and Income. However, the Corporation themselves are responsible for their detailed decisions on pricing policy as for other commercial matters.

8. Following representations that the loyalty rebate scheme might have effects beyond those intended, and might come to inhibit fair trade which could be clearly justified on quality or other special grounds, the Corporation has indicated that it would not wish the purchase of limited quantities from other sources to be taken as necessarily disqualifying a United Kingdom customer from securing the loyalty rebate where good cause could be shown for such purchases. It has therefore expressed its willingness to consider sympathetically specific claims for relaxation of the provisions of the loyalty rebate scheme brought forward by United Kingdom customers on these lines and discussions between the Corporation and a number of its customers are now under way with this in view.
9. It will be some time before even a tentative assessment can be made about the effect of the loyalty rebate scheme on the Corporation's sales. United Kingdom consumption figures are incomplete and lag behind those of imports. No rebate will in fact be paid until six months have elapsed and the Corporation have not finalized their arrangements with their customers on how the prices of particular supplies will be affected. Rates of imports may well be influenced by changes in consumption. Lastly, devaluation has introduced another complication in making accurate assessments of any changes in the flow of trade. It will therefore be very difficult to judge but so far we have no evidence from the statistics that are available of any injury to the interests of exporters to the United Kingdom since the loyalty rebate scheme was announced in July.

10. I hope I have in these opening remarks put the British Steel Corporation Sheet Steel Loyalty Rebate in a clearer context. I will of course be willing to elaborate or secure information on any points which members of the Working Party wish to use. It seems to us that the concern of the Working Party is to consider this scheme in the light of the provisions of the General Agreement. As I have emphasized this is purely a commercial measure and in the circumstances I have outlined we take the view that the scheme as it will be operated is free from objection under the GATT and is not inconsistent with any GATT objectives.