

REPORT

OF THE

COTTON BOARD COMMITTEE
TO ENQUIRE INTO POST-WAR PROBLEMS

SUBMITTED TO

THE PRESIDENT OF THE BOARD OF TRADE
JANUARY, 1944

PRICE 2/-

THE COTTON BOARD COMMITTEE
TO ENQUIRE INTO POST-WAR PROBLEMS

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REPORT

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COTTON BOARD COMMITTEE

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I. INTRODUCTION

1. We were appointed by the Cotton Board, at the request of the President of the Board of Trade, to enquire and report on the Post-war Problems of the Cotton Trade. We began our duties on May 25, 1943.

2. We accepted as a basis for our deliberations a document prepared by the Statistical and Economic Department of the Cotton Board entitled "Facts and Estimates Concerning the Cotton Industry." This is reprinted (with a few deletions from the version used by us and furnished to the Board of Trade) as Appendix A to the present report.

3. The above-mentioned document in many respects gives the necessary background for our recommendations, but it may be desirable to add a brief summary of the situation in the cotton industry as we conceived it and with which our report had to cope. We saw ourselves concerned with a major element in the economy of Britain; with an industry which before the war was her greatest manufacturing industry and also her greatest export industry. It was an industry in which Britain took a leading place among the nations of the world, our exports accounting for more than one-third of the total value of world exports of cotton goods. Nevertheless, the British Cotton Industry of 1938-39 faced a difficult and uncertain future. Between 1912 and 1938 the volume of its exports had declined by more than 75 per cent. Of the external causes responsible for the decline the most important were the development of protected cotton industries in countries which had previously imported immense quantities of British cotton goods and the emergence of rival exporting countries, notably Japan, which on the basis of cheap labour had competed most successfully with British exporters.

The necessity of a process of adjustment to these new conditions had been recognised by Government and Parliament as well as by the industry itself for more than a decade. Many enquiries had been made, by the Government and by organisations within the industry: many different proposals had been considered. Certain subsidiary measures had been adopted, for example, a statutory scheme to facilitate the elimination of surplus plant in the spinning industry, but the principal action only reached concrete form two months before the war, when Parliament passed the Cotton Industry (Reorganisation) Act, 1939. This Act, passed in the hope that it would make possible a reorganisation and indeed a renaissance of the cotton industry, set up a Cotton Board with powers to secure the introduction of minimum price schemes and redundancy schemes and with

the duty of furthering the well-being of the industry in a variety of ways. The Act was suspended on the outbreak of war. In March, 1940, an Act was passed by Parliament setting up a temporary war-time Cotton Board, but not giving it powers regarding price management or redundancy, the former being a function of the State in time of war and the latter being a matter which clearly could not even be considered whilst the country was at war and its textile needs entirely unpredictable.

The industry has had to contend with many burdens, problems and difficulties during the war, and the question we had to answer was how best to unravel the tangle created in the war, and, having regard to the position as it was before the war and seemed likely to be after the war, how best to make long-term plans for the post-war period.

4. It seems essential to point out that our constitution, which followed the expressed wishes of the President of the Board of Trade, necessarily affects the general character of our report. We were formed as a committee representing all sections of the industry, including operatives. Such a committee by its nature must strive to achieve a plan and a policy based on the largest common measure of agreement, although it would clearly be wrong to put the virtues of complete unanimity so high as to hesitate to record majority views on particular issues. Some of our members may have views as individuals or may share views held by the organisations they represent which would not have the slightest chance of receiving the approbation of the Committee as a whole. Views of that kind have not been pressed at our meetings and we have recognised that sectional organisations may make independent recommendations. We have agreed to aim at a report with which all would agree on broad lines as to conclusions, although we would not necessarily accept all the supporting arguments. We realise that such a report would necessarily represent an evolutionary rather than a revolutionary approach. Many of us as individuals would have different proposals to make if it were not the policy of Parliament to proceed in the matter of industrial reconstruction mainly by agreement with the interested parties and by a series of evolutionary steps in preference to revolutionary measures. Our report has had to be made in circumstances where the intentions of the Government and Parliament had not been defined, and we have had to make recommendations such as it seemed to us reasonable to assume would prove practicable. On that basis we all* consider that the recommendations we make, if adopted, will contribute very substantially to the ends in view, namely that Britain should possess after the war a suitably sized cotton industry, affording stable and congenial employment to workers, a fair return to capital and a solid contribution to the national well-being.

5. The absence of anything in the nature of a lead from the Board of Trade to various industries which have been asked to submit their post-war needs and plans is a factor to be noted. The cotton industry is an outstanding example of the industries which stand to be materially affected by Government intentions and achievements in such matters as the terms of international trade, international exchange arrangements, the policy as regards raw materials of world-wide importance, the location of industry, national policy in regard to stability of employment, price control and so forth. Whilst we earnestly hope that the Government will adopt firm and definite policies on all such questions, the more so because the worst thing with which industry can be faced is an aimless policy of drift and passing political expediency, we recognise that in several vital issues the final

*A reservation made by individual members on a particular point is noted on page 23,

outcome depends on other countries as well as our own and on the course of events at large. Consequently, some of the answers industry would like to have would not be obtainable with any certainty for a substantial period of time, with the best of leadership from the Government. Our report therefore indicates the goals in view for the cotton industry and the first steps which we regard as essential whatever happens on the broader issues. The adoption of our recommendations, especially those dealing with organisation, should place the industry in a sound position to make further moves when they may become desirable in the light of national or international policy as it develops.

6. Our report is made formally to the President of the Board of Trade but we hope to have his approval to circulate copies of it to the trade. We expect to amplify our report to the President with such details and explanations as he may require. Much of this amplification will in due course be suitable for circulation to the trade. By this procedure we put ourselves in a position to present in one document what we think necessary and desirable from the Government, together with the equally important actions which we believe should be forthcoming from the industry. The Government can establish conditions favourable to success, but only those engaged in the trade can take the actual steps necessary to gain the objectives.

At our first meeting we determined that during our deliberations all members should be encouraged to maintain the fullest and freest consultation with the organisations with which they were connected, but that when it came to making a report each member should vote and act to the best of his personal judgment without referring back to his organisation. We further agreed that there should be no minority reports included with the main report, which would be founded on unanimous or majority decisions but that those, if any, who dissented from any part or the whole of the report should record their dissent on the understanding that all trade organisations, and indeed individual members of the industry, were free, as they obviously were, to make reports and recommendations of their own. With these remarks by way of preface we proceed to our conclusions and recommendations under the various headings into which we originally divided our enquiries and discussions.

II. ORGANISATION OF POST-WAR COTTON INDUSTRY

7. We seek from the Government an assurance that as soon as practicable and in any event before the Cotton Control, under the Ministry of Supply, is demobilised and the legal basis for its various statutory orders expires, and before the operation of the Act under which the present Cotton Board exists is terminated, Parliament will be asked to authorise a post-war Board for the industry. With such an assurance the work of the present organisations and that of the post-war body could be made into a sequential and orderly process of reconstruction.

As succeeding sections of our report will show, we have found, as we have examined one problem after another, that it has been virtually impossible to conceive and propose workable solutions save on the assumption that there would be in existence, to supervise and execute the measures proposed, a central body with the authority and comprehensiveness only to be obtained by a statutory basis. The minimum powers and prestige to enable satisfactory results to be obtained would demand legislative backing. We feel that a new statutory measure is very much to be preferred, so much having happened and been learned in the past five years, but failing

this we should ask for the reinstatement of the Act of 1939, now only in suspension.

8. Assuming new legislation, we have considered the constitution and powers of the proposed Board. Various proposals have been made by organisations in or of the cotton industry. We have had the advantage of studying these with later and fuller information than their authors possessed and with the benefit of every sectional view being represented amongst us. Our recommendations are in consequence somewhat different in detail from any of the earlier proposals. As to the size of the Board, we feel it is desirable that the President of the Board of Trade should exercise his discretion, after the consultations and public discussions which would doubtless precede the drafting of a Bill. We content ourselves in the vital interest of efficient operation with expressing a view strongly in favour of a small membership. Our formula would be "the smallest number of members consistent with securing broad familiarity with raw material requirements, with the technical aspects of spinning, weaving, finishing, merchandising and with the needs of each section of organised labour."

9. As to choice of members and appointment, our view is that circumstances will require a Board fully and intimately acquainted with the views and needs of all sections of the industry, but free and indeed under the express obligation to take decisions on all matters coming before it with complete independence of judgment and with an impartiality founded on regard for the good of the State and the best interests of the industry as a whole. Therefore, although consultation by the Government with suitable trade representatives should most emphatically be a preliminary to appointment, and although members should have the duty throughout their membership to maintain intimate consultative links with the trade organisations to which they themselves belong, it is our recommendation that members should be appointed by a Minister of the Crown and be constitutionally responsible to him, individually and corporately, rather than to trade organisations. We have assumed that precedent would be followed by appointing a whole-time Chairman who would be independent, and we leave the question of whether or not there should be other whole-time members to be agreed with the Government at a later date.

10. As regards powers, later sections of our report will indicate the tasks which we conceive for the Board, and from these the necessary powers can be deduced and textually defined in due course by legal experts. Our broad intention is that powers should include registration of firms engaged in the industry, collection of levies, administration of price management schemes when approved by the competent authority, administration of redundancy or excess capacity schemes when similarly approved, collection of statistical returns, access to all necessary information and generally to promote scientific and technical research, to further market research and develop the export trade, to engage in publicity, and to perform any work or service which in the opinion of the Board may contribute to the progress and well-being of the industry.

11. As regard the basis for levy, we endorse the system envisaged in the 1939 Act, namely levies on machinery, turnover and/or registration fees, according to the circumstances in each section.

12. It is our opinion that in present circumstances the problems before us cannot be successfully overcome unless the constituency of the proposed Board includes firms wholly or partly engaged in spinning rayon staple fibre, weaving rayon yarns, finishing rayon goods and merchandising rayon

goods. After exhaustive debate inside and outside Parliament, the 1939 Act included such firms within the constituency of the Board for which it provided. The circumstances have not so changed as to justify any different decision in relation to a Board having a life of the duration likely to be approved by Parliament for the proposed new Board. We recommend accordingly. We propose in consequence that twenty-five per cent of the total membership of the Board should be assigned to persons appointed after consultation with appropriate representatives of rayon. We wish to record our conviction that rayon, and possibly other fibres with which the textile world is not yet familiar, have a role of immense importance to play in the future of all branches of the British Textile Industry and of the cotton industry very particularly. We welcome the establishment of the British Rayon Federation with which all concerned in the cotton industry desire the most intimate collaboration. The Board we are suggesting, whilst possessing formal powers in relation to registration and to administration of schemes extending to firms of the kind described above, need not and should not interfere with the beneficent activities of the Rayon Federation in promoting the well-being of firms handling rayon. We should approve suitable stipulations about consultation with the Rayon Federation, and we think the exact terms of such stipulations ought to be readily agreed after discussions between those concerned. We suggest that the title or a sub-title for the new Board might recognise that the constituency, at least for certain formal purposes, included the numerous firms handling rayon.

13. Finally, on the subject of organisation, we wish to record that the existence of strong united well-staffed voluntary organisations in each section of the industry is rendered not less but more desirable by the setting up at the centre of a statutory Board constitutionally responsible to a Minister. The Board will need the help of such bodies and should support them and work with and through them. At present in some sections there exist a multiplicity of organisations and in others the organisations are not supported by as large a number of the interested firms and operatives as it is clearly desirable they should be in the future. We think the consolidation and unification of sectional organisations should be adopted by all concerned in the industry as an objective to be achieved as soon as possible.

III. SIZE OF THE INDUSTRY AND THE PROBLEMS OF EXCESS CAPACITY

14. Having indicated the organisational lay-out we consider necessary to operate the policy we are about to recommend, we pass now to the question of the size of the industry with which the organisation should be expected to deal. All our problems are interlocking and the different sections of our report will inevitably be similarly interdependent, but it seems best to take at this early stage the issue of what is likely to be the magnitude of the "suitably sized" industry in which we hope to see stable employment and commercial prosperity.

Neither of these desirable aims can be secured in an industry which is over-sized in relation to the maximum demands of accessible and attainable markets. On the other hand, to think in terms of needless contraction of a major industry would be gravely at variance with the national interest. This country will be too poor after the war to accept any avoidable contraction of an industry capable of sustaining many hundreds of thousands of workers and contributing most substantially to the export trade and the

balance of payments. It is indeed hard to imagine with what substitute export trades Britain could contrive to replace so large and valuable an export trade as that in cotton goods. A line has to be drawn between these two opposite considerations.

We do not propose to repeat here figures and calculations clearly set out in Appendix A, but to confine ourselves to our conclusions.

15. It is our view that the Government and the industry should proceed on the assumption that the spinning section of the cotton industry after the war should be approximately of the size it was in 1939, by which date it had been substantially contracted under the operation of the Cotton Spinning Industry Act 1936 and as a result of independent closure of a number of mills. This implies that spinning mills closed under concentration should be reopened but that for the time being at least the installation of new spindles should be under suitable control. Nobody can foretell the future and it may transpire that a larger spinning industry will be desirable in the national interest. Alternatively our calculations as to prospects may prove in the event to have been over-sanguine. In the first case, the Government would doubtless favour expansion and set a higher limit; in the second case it should be settled policy that as soon as the situation shows unmistakable evidence of redundancy effective steps should be taken after consultation between the Government and the Cotton Board to bring about the elimination of excess capacity. So far as anything can be certain it appears that demand will be fully adequate to absorb the output of existing spindleage for a fairly long period after the war. Given sound policy and action, by the Government and by the industry, we see no reason why a spinning section of that size should not find an adequate off-take even after the shortages resulting from the war have been satisfied. Uses for cotton yarns may well become more numerous. Spindles will be increasingly employed to spin rayon staple fibre. On all these grounds we adopt the 1939 spindleage as the objective at which to aim.

16. We consider that Appendix A establishes as a fact that the looms in existence in the weaving section and the plant existing in the finishing section are both in excess of requirements if the aim is a balanced industry based on 1939 spindleage. It is our view that the excess productive capacity in weaving and finishing should be eliminated. We seek the approval of the Board of Trade for this policy in which event the necessary steps could be promoted by the existing Cotton Board in collaboration with the parties concerned.

We regard it as essential to be able to count upon a post-war Board following upon the present Cotton Board and inheriting obligations and duties in this connection as in many others.

We have considered what kind of steps will be desirable in weaving. Many individual manufacturers have made known their intention to dispose of a number of looms in their weaving sheds so as to permit of respacing of the remainder to improve the conditions of employment. It is quite possible that such action will be so extensively taken that no organised plan for the purchase of excess capacity will be necessary. Our view, therefore, is that during the early post-war stages, when presumably controls of building and machinery will have to be retained for other and wider national reasons, the Government should operate under these controls in consultation with the Cotton Board broadly so as to authorise the installation of new looms only against the equivalent scrapping of old looms and thus prevent a further expansion of weaving capacity during the first phase of heavy demand. With this check on expansion and the

incentive to reduction already mentioned the problem might be largely solved, but if this proved not to be the case, a definite scheme could be promoted at a suitable stage, possibly about twelve months after the end of the war in Europe. We propose that the responsibility for watching developments and acting if necessary be left jointly to the Cotton Board the Cotton Spinners' and Manufacturers' Association and the Northern Counties' Textile Trades' Federation.

17. The position in the finishing industries is, to our mind, rather different. There is no possibility of action by finishing concerns which would result in the early elimination of an appreciable proportion of the excess plant. It is the section of the industry in which excess capacity is most marked and has particularly undesirable results on costs and prices. We therefore recommend immediate action in the shape of a redundancy scheme, or possibly separate schemes for each branch. The scheme or schemes should be worked out by the Cotton Board and the section concerned. The Government would have to give its approval and possibly some aid on the financial side. The taxation treatment of the contributions made by the running firms to provide compensation to those which would close would be an important matter for the Government to determine. It will be clear that measures to reduce excess capacity will affect deconcentration, which we consider later in our report. The Government is under an obligation to facilitate the re-opening of firms closed under the concentration policy. We regard compulsory closures under a redundancy scheme as undesirable in practice but even were this not so the Government's pledges when concentration took place would preclude such action. The basis of the redundancy schemes must therefore be voluntary so far as the closing firms are concerned though the contributions from running firms must be obligatory. The essence of the schemes must be the creation of a fund to compensate firms which agree to wind up their businesses and hand over their plant. To avoid the danger that firms may remain in business and seek to obtain sooner or later an unduly high compensation or price, a formula should be evolved establishing a ceiling beyond which the managers of the redundancy scheme will be unable to go in settlement of compensation schemes. We are of opinion that when those engaged in the finishing sections have had time to weigh up the situation a number of firms which would probably prove to be sufficient would offer to close on compensation terms within the pre-determined limit, especially when they realised that effective price management policies of the character recommended in later paragraphs would make it impossible for them to do better for themselves by a policy of procrastination. Redundancy schemes cannot of course be envisaged without some control of new entrants, and this is a matter of principle on which Government agreement and action would be indispensably necessary. At our instigation, our Chairman has had some separate discussions with representatives of the finishing industries on these matters, but we feel that concrete plans cannot wisely be formulated until and unless the Government's attitude is made known to the Cotton Board.

18. The question has been raised in our discussions whether a reduction would not be desirable in the large number of merchants engaged in the trade. As our later references to distribution problems will make clear it is our view that amongst the changes which the future has in store in the cotton trade many must occur in the field of distribution. We think it is beyond doubt that there are too many units in this field at present if only because contraction in the number of merchants though it has occurred

has not kept pace with the contraction in production and exports over the past twenty-five years. We think it would be quite wrong to hold out hopes that future policy can guarantee a share of trade to all existing units. We do not, however, recommend any particular action beyond such public elucidation of the true position. We consider that manufacturers and finishers will see the desirability of making arrangements with merchants whose resources, strength or special experience and skill offer them on a long view the assurance of continued and sound collaboration in the sale of their products. Merchants must similarly realise their dependence on firmly established relationships with suppliers under a market and price technique where service and mutual support will be factors of ever-increasing influence. The result of all this in practice will no doubt be that the state of affairs in the section of primary distribution will react in response to the conditions as they will exist in the industry as a whole.

IV. RAW COTTON

19. We have had before us a quantity of statistical and other information concerning supplies of the industry's raw material. We have had the advantage of receiving and hearing the views of the Liverpool and Manchester Cotton Associations. Our attention has been drawn to a report by the League of Nations entitled "The Transition from War to Peace Economy," in which significant observations are made about raw materials from the international angle.

20. We are fully conscious of the great importance to the cotton industry of the future conditions governing access to the raw material, but we feel the time has not yet arrived at which a committee such as ours, representing all sections of the trade, can usefully attempt to express opinions or make recommendations in detail. Too much still depends on international as well as national policies as to which, so far as we are aware, no decisions have yet been taken.

21. We have accordingly decided to confine ourselves at the present stage to submitting only a statement of our views on the broad principles. First, we think it desirable to underline and emphasise the obvious fact that it will be of vital importance to the cotton industry after the war to have access to supplies of the raw material under the best possible terms as regards volume, qualities and price. We also think that it would be greatly to the advantage of the industry if greater stability of price could be established.

Secondly, we think it is obvious that if international agreement is reached on the marketing of raw cotton then methods of marketing in this country will have to conform. No useful purpose is to be served by pursuing this until the nature of any international agreement is known.

Thirdly, if there is not international agreement then it would be inexpedient for the country to take measures out of step with the trend of events elsewhere and it is assumed the Government would disembarass itself of raw cotton at the earliest date which it judges suitable. The market would then resume its functions and activities, and insofar as there may be any need or desire for changes in the working of the cotton market as constituted in pre-war days in order to cope with changes in the situation of or practice within the cotton industry, it may be assumed that these could be satisfactorily negotiated and arranged.

22. We hold ourselves at the disposal of the President of the Board of Trade to go further into these matters if and when he may consider the time has arrived when we could usefully do so.

V. PLANT AND EQUIPMENT

23. We have considered the question of re-equipment in the industry. It is obvious that a substantial measure of re-equipment is necessary but we deprecate extravagant statements on the subject. Efficiency is the product of a combination of satisfactory and fully employed plant, suitable deployment of workers and good management. Progress must be made in all three departments simultaneously, and in practice a certain gradualness is inevitable. The cotton industry must maintain production and employment week by week and month by month throughout the period for which we are planning. The output capacity of the textile machinery industry is a factor which has to be considered. On these grounds it serves no useful purpose to speak about re-equipment on a grandiose scale. The question is rather how we can make sure that vitally essential re-equipment will take place as soon as possible and will be followed by a steady and constant process of re-equipment and modernisation. The answer is two-fold : first, some special arrangements may have to be made to facilitate the early completion of urgently needed re-equipment because textile machinery firms are so largely turned over to war production : second, and far more important, conditions must be established in which it will prove financially attractive to firms to re-equip and modernise.

24. The Cotton Board has undertaken exhaustive enquiries and consultations on this subject with spinners, manufacturers and finishers. In each case representatives of the machinery makers participated in these discussions. On the reports we have had we think the first necessity is for Government and Parliament to give the industry the assurance of their approval and support, with statutory backing where necessary, for a sound policy over the next five to seven years. With that established the firms comprising the industry can provide the capital or find it through normal channels for urgent re-equipment and for subsequent constant modernisation. There is no occasion to think in terms of state financial facilities for re-equipment unless the Government doubts its will or its power to establish conditions in which owners of capital will see a secure reward for their enterprise.

We have been gratified to learn that the enquiries made of a representative cross-section of firms show that out of the resources presently at its disposal the industry contemplates, in the five years following the end of hostilities with Germany, placing orders with makers of plant and machinery which on pre-war values would amount to approximately £43,000,000. The actual sum at present-day prices would be much larger and if a situation were established giving ground for long-view confidence and if taxation policy favoured the use of profits for re-equipment we believe much higher expenditure would be embarked upon as soon as the machinery was obtainable.

We seek the approval of the Board of Trade for the making of a plan or agreement as between the Government, the textile machinery industry and the cotton industry. Details would be for settlement after discussions had taken place, but the following are the objectives we think should be in mind, namely :

- (a) the Board of Trade to arrange with the Ministry of Supply for early relief for Textile Machinery makers from some part at least of their munition obligations and for appropriate steps regarding materials and labour so that re-equipment may not be unduly delayed (such delay would almost certainly involve losses of production in cotton goods since repairs and replacements are gravely behindhand).

- (b) the Board of Trade to agree with the two industries a suitable proportion of the total output of the Textile Machinery industry which would be reserved on priority for meeting the needs of the home cotton industry, and no doubt other home textile industries, the remainder of the output to be allowed for export trade.
- (c) an understanding as to reasonable prices to be charged for machinery.
- (d) an understanding as to requirements of imported machinery.

26. We wish to draw special attention to the degree to which this question of plant and equipment is bound up with and dependent upon satisfactory decisions and action in other matters dealt with in our report. We have already referred to the need to equip the manufacturer or the owner of capital with the indispensable basis of confidence. In this connection we believe that nothing short of our recommendations about price management and the elimination of redundant plant will justify or evoke the needful investment in re-equipment. In the section of our report dealing with labour we shall show how re-equipment and creation of attractive conditions is essential for recruitment. At the same time labour and wage arrangements must be such as to encourage the spinners, manufacturers and finishers to instal the most up-to-date machinery. Our references to research will be found also to have a very significant bearing on re-equipment, especially, we think, on the pace of re-equipment since we must guard against wholesale replacement by machinery of conventional type without due regard to developments which call for machinery of a type not hitherto manufactured. The conclusion we draw is that re-equipment after the war is not one problem to be met by one solution but a continuing and vitally important element in the total problem of maintaining an efficient and successful industry. As such it can best be solved by a continuing collaboration between firms in the industry, the textile machinists and the Cotton Board all aided and supported by wise Government policies.

27. Mention must be made of the importance of structural improvements, better lighting and ventilation systems in spinning mills, weaving sheds and finishing works. These are necessary not only to increase efficiency but to create a satisfactory standard of amenities for the operatives. There is a serious lee-way to be made up in this connection arising partly from the war years and partly also from the years of acute difficulty experienced by producers before the war. We seek the assistance of the Board of Trade in securing the best possible priority for work of this kind in cotton mills, not merely in the industry's interests but as a necessary step in the national effort to provide employment and secure export trade.

VI. THE LABOUR FORCE

28. We have given the closest consideration to the question of the labour force which will be required to staff an industry of the size we contemplate. It is realised throughout Lancashire that unless remedial measures are taken and unless they yield satisfactory results the grave probability is that the industry will face an acute over-all shortage of operatives. We wish of course to see steps taken to overcome this threatened difficulty but besides a solution of the problem of mere numbers we earnestly desire to witness the establishment of conditions which will completely fulfil all that is meant by stable congenial employment.

The shortage of operatives is due to a decline in recruitment during several past years as well as to the diversion of labour from the cotton industry to other branches of the war effort and the probability that not all

the workers so diverted will return. The decline in recruitment is the serious factor and it must be reversed by measures which will remove the causes. This is a problem which must be solved in the main by the industry itself although certain steps by the Government are also called for.

29. The main reason for the persistent short-fall in recruitment lies in the declining confidence in the cotton industry which permeated the cotton towns in the decade before the war. There are various particular causes which can be traced and defined, but the general lack of confidence is the most important and it has tended to accentuate the effects of the individual factors of discouragement. The policy which is needed must begin with basic measures which really do justify a return of confidence in the future of the industry and in this connection we would emphasise our recommendations about price management, the elimination of redundant plant, organisation of the industry, re-equipment, and overseas markets and marketing. If the people of Lancashire see that the Government has agreed to authorise a satisfactory policy for the industry and has established a body competent to carry such a policy through to fruition, confidence will return. This must, however, be accompanied immediately by tangible steps to remove the drawbacks to a working career in the industry. These steps must be taken jointly by employers and employed. They consist of a rapid and extensive acceleration of reforms and improvements which have already been introduced on a fairly wide scale or are in process of being formulated or negotiated at the present time. They should be designed to make the industry more attractive in respect of security of employment, methods of training and promotion, and conditions of work. In the last connection possibilities of technical advances over the next few years may be expected to play an important part.

Apart from the major and general questions of wages and minimum standards of amenities there exist a number of practices and regulations which obstruct recruitment and efficient deployment of operatives. These are known to both sides in the industry and any reluctance which has hitherto been shown in promoting realistic solutions must now be overcome. Examples of difficulties of this character which may be quoted to lend point to this recommendation are (a) opposition to recruitment by adults or juveniles because of its effect upon the prospects of promotion and because of the practice of sharing absentees' wages, (b) too much rigidity in the division of functions which prevents operatives from performing more than one type of work, and (c) the absence of any provisions for absorbing on satisfactory terms any ex-junior workers who might return to the industry as adults.

The Cotton Board Committee on Recruitment and Training was set up in the Spring of 1943 and has an active departmental staff working under its direction. We urge organisations of employers and employed as well as individual units to take its recommendations very much to heart and to co-operate with the committee to the fullest extent.

30. Passing to what we think is requisite from the Government in the way of policy and of action we should record firstly a negative point in the shape of our view that nothing resembling direction of workers to particular industries can be contemplated after the end of hostilities. But as soon as the need for higher priority for munitions diminishes the Government can and should do its utmost to aid and support the endeavour to staff the cotton industry. This is essential in the national interest, having regard to the importance of textile supplies and exports. It is also a measure of justice to the cotton industry which was called upon to make exceptional

sacrifices on the labour front at the crisis of the war and did so with outstanding loyalty. The Ministry of Labour, with the support of other Ministries, can and should facilitate and encourage the early return of former cotton workers from war-time civilian employment to which they have been directed or have transferred themselves voluntarily. Some part of a suitable programme of action might in our opinion be set in operation as soon as a lessened need for certain types of production for war purposes is made evident by the military or the shipping situation. This lessened need may arise before the actual cessation of all hostilities. We seek a decision by the Board of Trade to adopt these aims and to negotiate for a suitable programme of action with the Ministry of Labour and other Ministries concerned.

The demobilisation of men and women from the Forces will also have a powerful bearing on the re-opening of closed mills and the staffing of the industry immediately after the war. Textile supplies are likely to be urgently required in the immediate post-war phase and the rapid return of workers from the Forces, especially key workers, will be essential.

In view of the great importance attaching to any discussion of the industry's labour force we feel that the foregoing can usefully be amplified by further facts and figures. We therefore reprint as Appendix B a memorandum prepared for us during our deliberations by the Cotton Board staff.

VII. RESEARCH

31. We have given close consideration to the subject of research. There can be no room for doubt that unless the industry can achieve the greatest possible extension of the scope of research into its products and processes and unless it succeeds in absorbing and applying the findings and discoveries of research, it will fall behind its competitors in other parts of the world. This country no longer has any monopolies or unique advantages. Elsewhere in the world the pursuit and application of research go on apace. Our aim must be to equal and, if possible, surpass the achievements of all rival textile industries.

We attach the greatest importance to this matter. Much can no doubt be done by encouragement from the Government, by the aid and stimulus which research under Government direction can give to our own work, and by Government financial support directly or by relief from taxation. All of this we hope will be forthcoming. But it is clear that the outlook and actions of those concerned in the industry will dictate the ultimate results in this field, and we wish to place special emphasis on this fact. The large firm has obviously advantages in this matter, since it can more readily afford to employ men of real scientific attainments in development work by which the fruits of fundamental and general research are applied to particular processes and products, and this is a factor which cannot be disregarded in a period of exceptional technical development such as certainly seems to lie ahead.

We reprint as Appendix C a memorandum to which we gave approval during our meetings, and we earnestly direct the attention of the industry to that document and indeed to the whole subject. The post-war Cotton Board should, in our opinion, do everything in its power to further research and to assist every unit in the industry to secure the fullest access to its fruits.

VIII. DECONCENTRATION.

32. We have devoted much time and thought to the question of deconcentration. It is a problem entirely without precedents. Open pledges were given by the Government when concentration took place that closed firms should have every possible assistance in re-opening after the war.

The policy of concentration was introduced by the Government early in 1941 to release labour for the Services and munition factories and to provide factory space either for the production of munitions or for the storage of essential commodities. In the main, therefore, the criteria which determined whether a mill should run or close were its geographical position or the type of its production and not its efficiency or its peace-time value to the industry. In these circumstances many mills of undoubted efficiency and occupying under normal conditions an important place in the structure of the industry were inevitably compelled to close.

33. The running firms, the Cotton Board and all the trade organisations share a full sense of responsibility towards the closed firms, whose painful sacrifices in the interests of the effective prosecution of the war entitle them now to every consideration. The difficulties likely to be encountered in deconcentration are severe in the extreme, and they vary so much from case to case that the best of schemes will leave a great deal to be desired. It is to be feared that it will prove impossible to eliminate anomalies and hardships altogether. We have consulted the trade organisations in the course of our deliberations and we have also conferred with officials of the Board of Trade. Our views and recommendations may be summarised by saying that we envisage several separate schemes for deconcentration and winding-up of the Care and Maintenance Funds—one scheme for each section of the industry. Each scheme should be worked out by the Cotton Board, in consultation with experts from the section concerned, in accordance with broad principles approved by the Board of Trade after consideration of our report. The variation in the circumstances from one section to another may make it necessary that the schemes should be different in several respects. In the following paragraphs we review the main features of the problem and indicate the broad principles which we think should govern the plans for re-opening.

34. There are two distinct sides to the problem :—

- (1) the procedure which should be evolved for the restarting of mills ;
- (2) the arrangements which should be made in regard to Care and Maintenance during the process of deconcentration until the final winding up of the Funds contributed by the running firms.

35. As regards the restarting of the mills, we recognise a general disposition to look to some particular time when all closed mills will be given permission to re-open.

We have considered various alternative ideas but all are open to grave objection on the grounds of equity between one firm and another. We have reached the conclusion that the basic idea of fixing a date, section by section, when all closed mills should have permission to re-open, ought to be approved by the Government.

The main task is to prepare plans to come into operation when, in the opinion of the competent authorities, such a time has arrived. Before that date there may well be an interim period when some only of the mills now closed may have to be re-opened and during which many of the conditions prevailing at present will apply. This interim period may well

begin before the war actually ends, and during it the operative factor in the re-opening of mills will be the need to meet increased Service, home market or overseas demands, as for example the essential requirements of countries released from enemy occupation. During this interim period, type of production may therefore mainly determine the order of re-opening of an appropriate number of mills and the decision in each case will have to rest with the Cotton Control.

36. At the end of this interim period a general re-opening of mills should be permitted. Since it seems probable that there may then be available only a part of the labour force which the industry possessed at the beginning of the war the building up of an adequate complement of labour is likely to present the biggest problem to the mills which have been closed. Different firms will experience varying degrees of difficulty. It must be assumed, however, that positive direction of labour will neither be practicable nor desirable in this post-war phase. How far the Essential Work Order is likely to remain in operation is not at present clear, but if it continues for some time in its present form we suggest that operatives desirous of moving from one mill to another or from other industries to the cotton industry should automatically be given permission to do so by the National Service Officer. This would remove any impediment to the return to their former mills of workpeople who had left closed mills to undertake work in nucleus mills.

The suggestion has been made that the running mills should either be prevented or discouraged from taking on new labour for a period in order to give the closed mills an increased opportunity of building up their labour force. Such a procedure, however, might involve a diminution in the current output of the industry, which the Government has expressly said must not result from any scheme of deconcentration. The running mills will certainly lose some of their workpeople, who will desire to return to the closed mills at which they had previously worked, and if some of their former workpeople, being demobilised, are disposed to return to them it would create much difficulty if an attempt were made to place a ban on their employment. All things considered, therefore, it seems that any restrictions at all on the movement of labour are inadvisable. It seems preferable to confine official action to removing as far as possible whatever obstacles may exist to the rapid expansion of the activity of the industry in general and to leave to individual effort the actual task of getting the mills restarted.

37. We do not fail to realise that heavy costs may be incurred by the closed mills in re-opening. Machinery which has been standing idle for a long period, even though carefully maintained, will require repair and readjustment before it can be brought into operation. In the accumulation of a labour force workpeople will have to be engaged and paid wages, possibly for weeks before production actually begins. These are hardships of which account should be taken in the provisions for winding up the Care and Maintenance Funds. There is a further matter which is not, strictly speaking, an expense which ought to be borne by the Care and Maintenance Funds but which will have a bearing upon the date when the mills concerned can restart. This is the release from requisition of mills at present occupied for storage and other purposes by Government departments, particularly weaving sheds, and the replacement therein of machinery which has been temporarily removed or stacked.

We do not think any plans could be formulated which would take account of all possible variations of circumstances and experience in this

connection. It is felt that the Government should give a general instruction to all departments to release space in the industry's premises immediately and that individual firms should be left to make detailed arrangements with the department concerned.

38. In considering the winding up of the Care and Maintenance Funds it must be remembered that these are not at present based upon any legal agreement enforceable at law. When nucleus status was granted to running mills it was made a condition that they should contribute to the Care and Maintenance Funds administered by the Cotton Board for the purpose of providing for the Care and Maintenance of closed mills and it was understood that failure to carry out this requirement might result in the loss of nucleus status. It is nowhere questioned that obligations of honour and equity demand something more than Care and Maintenance up to the date when general re-opening of closed mills is permitted, but for due order and administration it is essential to create a legal liability on the part of the running mills to implement the acknowledged moral obligation and to measure it in terms of money.

We therefore consider that for each Care and Maintenance scheme there should be drawn up before the procedure of deconcentration starts an agreement to be entered into by all participants in the schemes, whether running or closed, in which the running firms will undertake to contribute to the Fund the amount necessary to pay to the closed firms maintenance at the present rates up to the date when the general re-opening of mills is permitted and thereafter either at full or a reduced rate for certain specified periods, while the signature of the closed firms will carry their acceptance of the terms.

39. In the case of mills which re-open by special permission of the Cotton Control during the interim period before the general date of re-opening, we think it is quite impossible to make a general rule. They will have an advantage over the remaining closed mills and they will still be at a disadvantage compared with the mills which have been running throughout. We see no alternative but to empower the Cotton Board to take each case on its merits and fix a date for the cessation of maintenance payments and, where appropriate, for payment of contributions.

In the case of all firms affected by the general re-opening date, the sectional schemes would lay down a specified period during which they would continue to receive payments out of the Care and Maintenance Funds, to compensate them for the heavy costs involved in re-opening.

40. We have considered whether or not the duration of the payments should be affected by the degree of success achieved by any mill in re-starting production. However desirable it might appear to be to insert a provision that maintenance should continue until such time as the mill shall have achieved production equal to the average of other running mills, in practice a provision of that kind would lead to so much dispute upon facts as to make it administratively unworkable. The question would inevitably arise whether the failure of a particular mill to secure labour or to achieve a certain standard of production within the given time was due to inefficient management, to lack of energy and drive, or to circumstances beyond the control of the management. Similarly a mill might, by energy, initiative or simply by good luck, secure the necessary labour force and get into production in an exceptionally short time, but it would not, in the opinion of the Committee, be desirable on that account to restrict the amount which the mill was to receive from the Care and Maintenance Fund. To do so would be to penalise initiative.

It is therefore recommended that the periods should be fixed in terms of so many months from the date of general re-opening as announced by the competent authorities, and whilst some variation may be justified by the particular circumstances of the several sections of the industry we feel that as a general guide maintenance payments should be continued from the date of general re-opening for six months at the full rate and for a further twelve months at half rate. Before the schemes are actually entered into by the participating firms it will be necessary for the Cotton Board to secure the sanction of the Government so that the contributions to the Fund until it is wound up shall continue to be treated as trade expenses even though the recipients will use the amounts paid to them not for care and maintenance but to cover the costs and the inevitable losses of their reinstatement period.

41. It is clearly necessary to make provision for the contingency that some closed mills may decide not to re-open, although nothing in any of the schemes should be so framed as to constitute pressure to that effect. In our opinion the Cotton Board should be authorised, under suitable conditions, to pay a lump sum to owners who decide not to re-open their mills. Each sectional scheme should indicate the magnitude of this lump sum compared with the monthly payments to re-opening firms.

42. Another contingency to be borne in mind is that some mill which was left running under the concentration scheme may not, in the opinion of its owners, be a satisfactory proposition to run after the war. The owners could scarcely be expected to continue to pay contributions into the Fund for the period required by the scheme if they close their plant permanently.

43. We doubt whether it is at all likely that new units for spinning, weaving or finishing could be erected, equipped and staffed during the period envisaged for deconcentration and winding up of Care and Maintenance Funds.

It would be manifestly inequitable to either closed or running mills for new units to be allowed to compete with them during this period without having to bear the burdens which they will shoulder.

We consider without prejudice to final decisions on the admittedly difficult question of new entrants, that the Government should give an assurance to the Cotton Board that no building or machinery licences will be given to firms proposing to engage in any of the processes covered by the Cotton Industry Act without prior consultation with the Cotton Board, with a view to some equitable arrangement being arrived at.

IX. TAXATION AND EFFICIENCY

44. We have already referred to the importance of re-equipment, replacement and repairs and of a constant process of modernisation of plant. We wish to draw the particular attention of the Board of Trade to the importance of securing such alterations of taxation law and practice as will enable the cotton industry to use for this purpose the profits it will undoubtedly be able to earn in the immediate post-war phase.

The policy in war-time is presumably that no business shall improve its financial position by reason of or during the war. The Standard Profits for Excess Profits Tax, however, are purely arbitrary in their incidence. Businesses of the same size and the same nature may have widely different standards. Then when E.P.T. has been paid the remaining profit goes half to the State in the form of Income Tax at 10s. in the £ and out of the

half that is left the business has to find the cost of War Damage Insurance, the cost of all expenditure which has been necessarily incurred but is not allowable as a deduction from profits for taxation purposes and some return to the shareholders for the use of their capital. Then if anything is left it goes to reserve to strengthen the business.

In effect the State is a partner in every business, but, unlike a good partner it draws out its share of the profits (usually more than half) in cash quite regardless of the future requirements of the business. It will thus be seen that the position from a post-war point of view is made about as difficult as it possibly can be. In war-time this state of affairs may well be unavoidable, but the consequences for industry should be fully recognised.

45. It is clear, therefore, that some alleviation of the taxation burden should be attempted at the earliest possible moment. The first step which might obviously be taken is in regard to E.P.T. Inequitable in its incidence, as has been pointed out, E.P.T. owes its present form and magnitude to political rather than revenue considerations. The lapse of time since its introduction, however, has been sufficient to reveal its consequences and to permit a more objective view to be taken of them. A decrease in the rate or a considerable increase in the present amount of the post-war repayment—which in any event should be placed beyond doubt—would not be likely to evoke opposition from any quarter to-day and should be effected at the first opportunity.

46. In regard to Income Tax, the position is more difficult. It seems inevitable that a high level of taxation will prevail for some years after the war. This will mean that the level of the reservoir of capital from which industry has drawn to meet its requirements in the past will be considerably lower. Industry, therefore, will be compelled to rely upon its own undistributed profits for the provision of finance and they will clearly themselves be seriously diminished by high rates of taxation.

In these circumstances some substantial change in the present scheme of taxation is called for if Income Tax is not to prevent industry from maintaining ordinary efficiency. In the case of an individual there is already some discrimination in favour of earned, as distinct from unearned, income. If this principle were extended to all profits resulting from business, whether in the hands of an individual or a Company, it would materially assist in the maintenance and development of enterprise. It is suggested that the most practical way of giving effect to this would be, not by exempting any proportion of such profits from taxation, but by charging all profits assessed under Case I of Schedule "D," at a preferential or lower rate than the Standard Rate. This would not interfere with the practice of collecting tax at the source. A Company, when paying out Interest, Dividends, Royalties or other sums subject to deduction of tax, would make such deductions at the full Standard Rate, and would be required to account to the Revenue for the differential amount within a specified time. In the cases of businesses carried on by individuals or by Companies where Directors have a controlling interest the necessary safeguards against abuse should not be difficult to devise. The adoption of this method would ensure that only such profits as are retained in business would receive the preferential treatment desired.

A further improvement in the position would be secured by the adoption of a uniformly liberal attitude of the Revenue authorities to the question of obsolescence. A trend in this direction has been noticeable in recent years, but the general adoption of a generous procedure would

clearly encourage the pursuit of the most advanced practice in the technical equipment of mills and factories. The Inland Revenue could reasonably be asked to produce a code of interpretation and practice which would lead to the procedure suggested.

47. We strongly urge the President of the Board of Trade to secure the adoption by the Government of a policy of modifying taxation in the interests of sustained modernisation of the equipment of industry as a whole. If our suggestions can be improved upon by the Government experts so much the better. We should like also to see expenditure on research fully relieved of taxation.

In our opinion capital will be forthcoming in amounts fully adequate for the re-equipment of the cotton industry if the Government approves the policy for the industry recommended in other sections of this report and at the same time makes the law and practice of taxation conform to the principles inherent in the suggestion made in this section.

X. PRICE MANAGEMENT

48. The key feature of the Cotton Industry (Reorganisation Act), 1939, was that it made possible for the industry the pursuit of a policy of managed prices, by providing for the statutory enforcement of schemes for minimum prices or margins. Price management is likewise a key feature of our report, since we believe there is no other policy by which the cotton industry can be restored after the war to the state of efficiency which is essential in the national interest, as it is for the provision of reasonable wages and good working conditions for the workpeople and for a fair return on the capital engaged. Almost every other part of our report is dependent upon this one; we see no prospect of implementing the plans and hopes implicit in the report as a whole unless this part is made possible of achievement.

The Bill of 1939 and particularly this element in it, was framed after prolonged debates within the trade which resulted in impressive majorities for the policy. The Board of Trade, being satisfied, tabled the Bill. Parliament considered the matter exhaustively and passed the Act. When war broke out the operation of the Act was suspended and Government control was introduced. But, under control, the industry has learned a great deal about centrally managed prices, and the producing sections are more than ever convinced about the system as the foundation of any plan of reorganisation and reconstruction.

Accordingly we recommend that before the existing price control under the Defence of the Realm Regulations is allowed to expire, there should be brought into existence statutory powers to permit the operation of a system of price management by a combination of central and sectional functions subject to necessary supervision by suitable agencies of the Government.

49. It is now generally recognised that maximum prices will have to be widely imposed to assist in protecting the country as a whole against the grave dangers of a far-reaching inflationary trend which would otherwise become inevitable owing to world-wide shortage of goods. But minimum prices and central price management policies meet with a certain amount of criticism which, when it comes from responsible and experienced people, merits an answer. It is said, for instance, that for some time to come demand will so far exceed supply that maximum prices alone will be of any practical importance and therefore that it is unnecessary for the cotton

industry to raise the possibly contentious point of minimum prices. The reply is that we consider it indispensable to success to give the industry at least a five-year mandate for reconstruction (of course with continuation beyond if approved and sanctioned). Even if it were true that minimum prices would never have great importance during the five-year period the fact remains that producers cannot and would not take the steps we want them to take in the first and second years unless they know that the price system will be in operation in the fourth and fifth years. Critics raise, also, a series of well-known arguments against minimum prices fixed by producers in trade associations, price rings and cartels, including such points as the perpetuation of the high-cost producers, the protection of inefficiency and the lack of stimulus to progressive and competitive development, technically or commercially. We do not by any means belittle the genuine weight of these arguments but it is our contention that they are adequately met by the reply we make. This is to the effect that very grave disadvantages to the national interest will ensue from a failure to re-establish the cotton industry in a sound and progressively efficient condition and that the possibilities of evil consequences ensuing from a system of price management embracing minimum prices can be diminished almost to the point of elimination by suitable checks and safeguards.

50. The reasons why we feel the system to be indispensably necessary are well understood in Lancashire and have been fully explained previously to the Board of Trade, but it may be helpful if we briefly recapitulate them in this report. The industry is horizontally organised and four or five prices are quoted at the different stages of production and accepted before, for example, an overseas order for finished piece goods is finally booked. The spinner when pricing his yarn has no knowledge of its ultimate destination in the form of finished cloth. Throughout the past twenty years the industry has suffered from contracting export outlets and excess productive capacity. In the horizontally organised Lancashire industry, with its very numerous separate units at each stage of production it has been impossible for any of the interested parties to know for certain at what point it would or would not pay the industry as a whole to accept a certain price. Consequently, throughout the long period of contraction the buyer at each horizontal stage has thought it essential to drive his supplier down in price, in the hope of thereby making his position as a seller in the next stage so much the stronger and thus preserving his own volume of trade against his domestic competitors. The result has been innumerable orders booked at a loss. Another result has been a far-reaching practice of debasing standards of quality in a constant endeavour to meet or undercut a price. It might be argued that at least this must have made our export prices lower than they would otherwise have been. That may be so, but the fact is that it made many prices lower than they needed to be to get the business and robbed Lancashire of the resources essential to equip herself to compete effectively where price was the real issue. The trade in 1939 was entirely in the grip of the trends to which it had succumbed. Weak selling was endemic. With everybody in the trade saturated by memories of that state of affairs there is in our opinion no prospect of progressive policies being set in motion during the period of high prices unless all concerned know that there will be price management when and if demand dies away. Given that knowledge, we believe hundreds of firms—and it is an aspect of the matter which must never be forgotten that literally hundreds of firms are involved—will see that their future depends on re-equipment, research, amalgamations, mutual arrangements with firms in other horizontal sections for all of which, without price

management, there is neither the incentive nor the essential basis for negotiation.

51. As we wish to avoid lengthening our report unduly we say no more on this point, feeling sure that we as a committee or the present Cotton Board will be able to amplify the subject as occasion may render necessary. But we must make a few similarly brief observations about the alleged disadvantages of price management. We think it makes a very great difference to the whole proposition when it is borne in mind that in any event in order to administer a system of maximum prices there will have to be some statutory bodies concerned with prices and some methods of cost and profit investigation will have to be operated. We also think that there will be other circumstances which will compel the Government to intervene on the price front, for example such presumably unavoidable things as organised plans for rehabilitation and reconstruction at home and abroad or measures in connection with the location of industry. We do not see price management in terms of groups of producers meeting in secret and fixing prices to protect the high-cost producer. On the contrary, arising out of Government supervision we envisage a constant pressure in the direction of greater efficiency and towards lower prices springing from efficiency and not from weak selling.

52. Turning to the main features of the statutory powers which we hope to see established, we incline to the view that the Government will find it expedient, because of developments at large, to draft fresh legislation rather than to reinstate the Act of 1939 which was passed at a time when the State was at no point concerning itself with prices. However, we should prefer the reinstatement of the 1939 Act to nothing at all. Assuming new legislation, we look to a position in which price schemes could be promoted by sections of the industry or the post-war Cotton Board: examined first by the Cotton Board and then by the Board of Trade or some national price authority set up for the purpose and finally approved subject to regular checks and investigations by competent and impartial experts. We assume that day-to-day supervision of the schemes would be part of the duties of the Cotton Board. The powers should legally cover both minimum and maximum prices, but in any particular instance at any given time it should be determined on the facts whether the best results would be obtained from maximum, minimum or fixed prices or a "price band." It is desirable to provide for flexibility to encourage competitive efficiency, and the lowest possible competitive price for overseas sales. The method of a "price band" is to be favoured in the interests of flexibility wherever it is possible to adopt it. The principle to govern the level of prices in the various schemes should be that of securing a reasonable rate of return in the long run to an efficient firm as determined by an investigation of the average results of a representative group of efficient concerns.

Powers to authorise sales at less than minimum prices or below the bottom of a price band may be desirable in certain conditions such as (a) sales to special markets or in particular lines, (b) temporary prices during the introduction of new lines or to encourage new uses, (c) disposal of stocks rendered unsaleable at standard prices owing to changes in fashions, etc., (d) encouragement of large-scale orders or types of construction the wide adoption of which is felt to be in the interests of the industry as a whole. Such powers should make it clear that authorisations will be open equally to all participating firms fulfilling the particular conditions. The powers should not be administered sectionally but by the Board as an impartial body and one moreover which would be concerned with making

effective the basic policy involved, so that exceptions should not defeat the objectives in view and should contribute to the long term interests of the industry.

We should expect the Cotton Board and the national authority in discussing price schemes with interested sections to give special attention to the proportion of profits set aside by the interested firms for re-equipment and development.

53. We summarise the principles on which we think the post-war price policy of the cotton industry should be based as follows :

- (a) effective recognition equally by the Cotton Board and the sectional trade organisations of the competitive position of the industry as a producer of cotton goods for world markets ;
- (b) securing the greatest possible degree of stability of employment and output ;
- (c) securing a reasonable rate of return, including reasonable wages and working conditions for the workpeople, to an industry whose size is reasonable in the light of long-term prospects.

54. Finally, we desire to record our conviction that the adoption and operation of a price management policy of the kind which we have briefly outlined above can be made, as nothing else we have been able to conceive could be made, the basis of an effective reorganisation of the cotton industry. The interplay of the various incentives which would be inherent in the scheme would produce the results at which we aim and lead to a very significant increase in the competitive striking power of the industry.

XI. DISTRIBUTION

55. We have devoted much time at our meetings to discussing various aspects of the problem of distribution. We are all convinced of its great importance to any industry at any time and still more conscious of its outstanding importance to the cotton industry under the conditions which seem likely to prevail in the next five years. There will be, at any rate for a period, acute shortage of cotton goods and distribution will have to conform, against many real obstacles, to humanitarian and social considerations, to the needs of a much strained national and international economy and last, but not least, to the orderly reconstruction of the producing sections of the industry.

56. We have very little to say by way of recommendations for Government action. We have already referred in dealing with the size of the industry to the numerical strength of the distribution section but no recommendation to the Government seemed to us to be necessary. We assume that during the period of shortage the Government will have to continue to share out supplies between the home market and the individual foreign markets. We hope this will be done with the minimum of rigidity of detail imposed from London : we feel that the best results will accrue if the Government tells the Cotton Board what broad objectives have to be achieved and if detail is left as largely as possible to the Cotton Board acting as is its invariable practice in close consultation with the expert bodies representing distributors. We further express the hope that the Government will show in all its decisions a genuine realisation of the immense importance to the industry of the maintenance of the distributive section in a prosperous condition and with access to supplies under conditions which will permit of skill and experience being fully used for the industry's benefit. It seems necessary to stress the essential character of the merchant-converter's function. His skill determines the style and

quality of the goods which will best serve the infinitely variable needs of the numerous markets : his finance covers the goods between the cotton mill and the customer : he, not the manufacturer, bears the financial consequences of his decisions on style, qualities and quantities. This is something different from and immensely more complex and difficult than merely buying and selling, though after "converting" the cotton goods in this way the merchant still has the task of selling—the function of distribution as such. The cotton industry depends on these services of the merchant-converter and distributor and we hope the Government will give the fullest weight to the desirability of maintaining strength and efficiency in that section. Apart from these observations, which though important are admittedly general in character, we do not find it necessary to ask for action by the Government, except in a few special instances to be mentioned later.

57. On the other hand, we are conscious of the need for a good deal of action within the industry itself. During the period of shortage, selling will present no difficulty, but we feel that this period must be utilised to sharpen the selling weapon against the day when the industry's success will have to be won in the face of keen competition. The enterprise and skill of the Manchester merchant in the hey-day of the cotton industry were matters of world-wide recognition. We do not think the present-day merchants have lost any of their predecessors' skill. But we are very conscious of the new conditions into which the industry and the world are moving. There are the new conditions regarding the producing sections referred to elsewhere in this report and nobody will question the imminence of change outside the industry's boundaries. These combined will undoubtedly necessitate substantial modifications and extensions of the established practices and techniques amongst the merchant-converters and distributors. It is our hope that effective reactions to the new factors will be perfected in consultation with and by co-operation of the merchant community during the first post-war phase when conditions will be in our favour and so enable us to spend effort and money on preparations for the subsequent phase. We have discussed the probable new factors and possible reactions at considerable length. To give only a few examples of questions debated at our meetings mention may be made of such matters as staple lines as an aid to production economies : more intimate relationships between individual merchants and manufacturers : distributors and research : effect of managed prices for producers upon merchanting practice : bulk supplies for rehabilitation or other national or international policy purposes : merchanting under conditions of Government anti-inflation price control : usefulness of a company like British Overseas Cottons Limited acting for the trade along agreed lines : the future, on a short view and a long view, of the utility fabrics. We have not considered it necessary to reach concrete and final conclusions at this stage on all such points. In many cases our decisions could only be made after decisions by our own and overseas Governments. We have had assurance of the strong desire of the merchant organisations to work with the Cotton Board and the producers, in the most open-minded way, in seeking the best solutions and we feel this joint effort should be embarked upon and put to the fullest test before other remedies are contemplated.

58. However, we feel that there are some decisions we ought to record, for the information of the Board of Trade and all sections of the industry, on certain points which can be determined now and need to be so determined if the essential first steps are to be taken in the hoped-for collabora-

tion. In our opinion the available evidence shows that owing to long runs and economies arising from avoiding changes in construction staple lines could be produced in the cotton industry at considerably lower costs than have hitherto been normal: that nothing could more effectively contribute to the policy of full employment which may well become a general objective: that it is feasible to frame suitable constructions of staple lines acceptable to makers, merchants and customers, at least for certain types of goods: that only by experimental measures can a satisfactory final judgment be reached and that the post-war Cotton Board ought therefore to be put in a position to initiate such measures. We feel that the maximum economies over the industry as a whole will not be secured unless large orders in consistent volume are placed for identical constructions manufactured by numerous firms and having a ready sale in many markets. If individual firms on their own initiative place large orders in consistent volume so much the better, but in case they do not staple lines should be established and encouraged in as many categories as may be found wise and practicable. Our view is that efforts should be made to establish them by price differentiation rendered possible by economies in production, and by encouragement in a general way before any other procedure is considered.

59. After particularly thorough enquiry and discussion on the question of British Overseas Cottons Limited we reached the conclusion that when the transition phase is over and the industry has to face what will be its permanent post-war future it will be most valuable for the industry to have a company of that general character and purpose available so that its services may be called in as might then be found desirable.* We ask the Board of Trade to note this view and to be prepared to take any necessary action, at the right time, to enable effect to be given to it. Being concerned with post-war issues, we did not consider it necessary to pronounce upon the Company's present activities as to which we had indications of strong support from the Federation of Master Cotton Spinners' Associations, the Cotton Spinners' and Manufacturers' Association, the United Textile Factory Workers' Association and the present Cotton Board whilst the Cotton and Rayon Merchants' Association and with one exception the Export Sections of the Manchester Chamber of Commerce felt its continued existence not to be desirable.

60. During the transition stage there will be many problems affecting the distribution section acutely. At present the volume of each firm's trade is almost entirely governed by export and utility allocations based on their share of the trade in some basic year. The allocation system was supported and indeed requested by the merchant community because it achieved under war conditions the highest possible degree of equity between firm and firm. We are satisfied that during the war it also made possible as no other system could have done the efficient achievement of the necessary objects of Government policy. These two war-time merits do not, however, alter the fact that it leaves neither room nor reward for enterprise or exceptional skill. As a permanency it would have disastrous consequences on the efficiency of converting and distributing and we hope it will be demobilised by stages so that an ever-increasing proportion of supplies may be available to merchants on the merits of the services they can perform.

61. We hope that the established firms in the converting and distributing business will be allowed to perform their proper functions in

* Mr. Behrens, Mr. Carpenter, Mr. Symons and Mr. Zimmern make the following reservation:—“If such a company is found to be desirable, the necessary finances should be provided voluntarily and should not be derived from any compulsory levies or taxes.”

any bulk transactions which may be necessary for the rehabilitation programme, and we consider that cotton and rayon textiles in the hands of the Government which may become surplus at any time from now on should be handled through the same channels by arrangements which ought to be made by the Cotton Control and the Cotton Board in consultation with the expert representative bodies. We do not consider Surplus Textiles Corporation Limited a suitable sole agency for handling cotton and rayon yarns and piece goods and domestic textiles.

62. In other sections we have stressed the high importance of overcoming any tendency to resist change, and it is to be hoped that the merchanting community, rightly proud of its record of extreme flexibility in reacting to the needs of markets stretching all over the world, will give a lead in this matter. We do not doubt, from the assurances received, that they will do so even if change now has to be a development of a more organised character in co-operation with producers rather than an outcome of the purely individualistic though most effective flexibility of previous decades. We think we should direct the special attention of the merchanting community to facts which they will find in Appendix A, which will dispel any easy optimism on the score of rapid enlargement of available supplies, and to the gravity of the problems to be overcome in the producing sections, the solution of which will require the positive collaboration of the distributive section.

XII. TERMS AND CONDITIONS OF INTERNATIONAL TRADE

63. We have commented above on the special degree to which the cotton industry stands to be affected by Government policy and action in the matter of the terms of international trade. We have naturally considered very carefully whether there were recommendations which we could make to the Government in this connection. A substantial export trade in cotton goods will be vital to success in an industry of the size we contemplate: it is hard to see how the nation could do without it, for its loss would leave too large a gap to be filled by any imaginable new export trades. Undoubtedly the prospects of such a large export trade in cotton goods are almost wholly dependent upon the conditions established by the policy of our own and overseas governments. The British cotton industry will be able to secure a large share of world trade provided our exporters' efforts are not overwhelmed by huge exports from countries where labour costs are so much lower as to obliterate our powers of competition and provided our goods are not barred out by prohibitive tariff barriers. We find it difficult to say by what kind of trade agreements the Government could best secure our trade against those two contingencies. It is clear that if the very low labour-cost countries are going to enjoy equal terms of access to markets: if they are going to expand their production, and if their wages and conditions are going to remain where they are whilst our conditions improve as we intend them to, only a limited export trade in specialities will remain to the British cotton industry after the world shortage is overcome. We have no means of judging how far the Government can reasonably hope to secure by negotiation that those three possibilities or some of them shall be modified or safeguarded. We can only make the alternative consequences plain.

It is worth recording, however, that any considerable rise in the purchasing power of low standard or impoverished countries will be likely to benefit our export trade, immediately by stimulating demand for our

productions, especially for our high-grade productions, and secondarily by raising labour costs where they are at present too low.

64. As to prohibitive tariffs, we trust these barriers will not arise again. It gives us no anxiety to contemplate a moderate degree of protection in certain markets for types of goods which the countries can make and wish to produce. We have every confidence in the ability of the British cotton industry to compete efficiently. With its unrivalled range of products it could supply the remaining needs of the different countries outside the range of their own industries. It is probably to be desired that this should rather be our aim than to invite further resistance by endeavouring to oust the domestic mills from the trade they can reasonably hope to hold. There may be many markets with which fairly satisfactory arrangements on these lines could eventually be made. '

65. We have, of course, considered suggestions which have been publicly ventilated as to the possible helpfulness of agreements on quantitative lines. We conceive that in the transition stage, temporary arrangements on a quantitative basis may emerge through force of circumstances as the only way of coping with widespread shortage. Whether this will prove to be the case and whether, if so, the principle will or should outlive the transition stage, we feel to be dependent on the course of events which cannot be foreseen. We feel we need only say that our industry could fit itself into a picture of that kind if matters so developed.

66. Our conclusion on this issue is that we cannot do more than make plain how the cotton industry would be affected by the different contingencies and await events at home and abroad. Obviously other interests besides ours are deeply involved. Probably our trade in the transition stage will be much the same whatever is done, since demand will exceed our output to which our own difficulties, particularly those of our labour supplies, will put a ceiling. It seems to us to be imperative that the Government should employ the time allowed by the transition stage to promote a lasting solution of the problem, and that meanwhile the cotton industry should bend its total energies to the task of making itself fit and ready for the most strenuous competitive efforts afterwards. Our report shows our intentions in this respect at every turn—we refer to the sections on re-equipment, research, improved labour arrangements, new distribution techniques, staple lines, etc. We only wish to add that major export industries such as ours should at least have the benefit of regular consultation by the Government in the development of their policy as regards international trade. Otherwise we work in the dark.

XIII. CONCLUSION

67. In concluding our report we wish first to emphasise how in our opinion circumstances make it imperative to retain a good deal of elasticity in devising plans for industry after the war. It might strike some observers as desirable that those who speak for the major industries of the country should tell the Government exactly how many workers they plan to employ and precisely how they expect to re-equip their industry or attack the vitally important problem of securing the largest possible volume of exports. But all such figures and plans would be nothing more than guess-work. They might lend an aspect of precision to post-war schemes but it would be spurious precision and only too likely to mislead both government departments and those engaged in the industry who will

desire to frame their individual plans in accord with the true prospects for the industry as a whole. We consider that in this report with its appendices we have approached as nearly to precision as is wise or desirable at the present stage. For the consummation of our wider hopes, as distinct from the first concrete steps which we have recommended and which we deem to be practicable in the immediate future, a great deal depends on the energy, vision, courage, perseverance and unity of hundreds of individuals in positions of responsibility in the industry. Much, also depends inevitably on the course of events in the world at large and on the actions of Government and the fortune, good or bad, which attends the combined national effort. In effect our proposals if acted upon, would give the industry for the first time in its period of difficulty which began after the first world war, an effective central organisation placed in a position to foster by executive action a plan of reconstruction and reform of which the broad lines had been laid down but of which the details remain to be determined in the light of developments yet to occur. Those who understand the cotton industry will realise best how much this report contains which is new and progressive, and will appreciate how it is capable of leading to further desirable recommendations once we are in possession of fuller knowledge as to government policy and the probable course of world events.

68. We have referred to the degree to which the achievement of the highest success depends on the actions of those actually engaged in the industry. This leads to the second of the two points we desire to make in concluding our report. We think it is extremely material to the picture as a whole to place on record what we believe to be a fact, namely that throughout the cotton industry to-day there is a keen desire to serve the nation well in the challenging years which lie ahead. The industry passed through fifteen years of intense difficulty before the present war began : during the war it has been called upon to make heavy sacrifices to the supreme end of maximising the war effort and it has had to meet a large number of exacting demands involving technical and production problems hitherto unknown. The feeling now pervades the industry that the stage is well set for a strong effort, of which the arduous character is fully realised, to initiate a new period of progress and prosperity. Change is accepted more than ever before as a condition of success, and after the experiences of war-time, the different difficulties which peace will bring are being contemplated with enthusiasm tempered by realism and resolution.

The outside observer may remember and rate too significantly the pre-war years when the cotton industry was often in the news and usually in connection with some new or added difficulty. Such a view tends to lead to an under-estimate of the industry's assets and resources. No other country possesses a cotton industry with anything like the range of productive capacity or technical experience which is found in Lancashire. This is the great basic asset on which we hope to see the industry's fortunes rebuilt by men who have learned much in a hard school.

We earnestly hope the government will establish the desired conditions and, given that, we believe the industry can and will play its part effectively.

FACTS AND ESTIMATES CONCERNING THE COTTON INDUSTRY

PREPARED BY THE COTTON BOARD
STATISTICAL AND ECONOMIC DEPARTMENT
AS A BASIS FOR THE CONSIDERATION OF POST-WAR POLICY

I. PRE-WAR TENDENCIES

General.—The years 1928-1938 preceding the war covered a trade cycle during which world production of cotton goods, after falling to a minimum in 1931 about 10 per cent below the 1928 level, achieved a peak in 1937 about 20 per cent above the 1928 level. While production recovered in this way many countries increasingly supplied their own wants and there was no corresponding recovery in international trade in cotton goods, which at the end of the period was 30 per cent below the 1928 level.

This pre-war period was also one during which rayon made very rapid progress, production of rayon yarn amounting to nearly 16 per cent of world production of cotton yarn in 1938 compared with only 3 per cent ten years earlier.

Table I.	WORLD PRODUCTION AND EXPORTS									Million lb.	
	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Production of Cotton Yarn (a)											
	11,484	11,855	10,571	10,483	10,531	11,503	11,652	11,767	13,090	13,822	12,318
Index of Production (1928=100)											
	100	103.2	92.0	91.3	91.7	100.2	101.5	102.5	114.0	120.4	107.2
Exports of Cotton Piece Goods (b)											
	1,880	1,949	1,470	1,221	1,375	1,302	1,375	1,403	1,418	1,507	1,276
Index of Exports (1928=100)											
	100	103.7	78.2	64.9	73.1	69.3	73.1	74.6	75.4	80.0	67.9
Production of Rayon (c)											
Filament Yarn											
	361	434	451	500	515	664	773	941	1,023	1,199	990
Staple Fibre											
	..	7	6	8	20	28	52	140	298	619	958
Total											
	361	441	457	508	535	692	825	1,081	1,321	1,818	1,948
Rayon Production as % of Cotton Yarn Production											
	3.2	3.7	4.3	4.8	5.1	6.0	7.0	9.2	10.1	13.2	15.8

Sources: (a) Estimated from world cotton consumption according to the New York Cotton Exchange.
(b) National statistics. (c) Rayon Organon (New York).

Cotton Piece Goods.—As the U.K. cotton industry was more dependent on exports than those of other countries, the general decline in export trade had a marked effect on U.K. production. In addition the U.K. share of the reduced volume of trade was further curtailed by competition from a lower cost producer, namely, Japan.

Table 2. COTTON PIECE GOODS: ESTIMATED PRODUCTION AND EXPORTS OF PRINCIPAL COTTON INDUSTRIES

	Av. 1928-9			Av. 1937-8		
	Prodn.	Exports	Exports as % of Prodn.	Prodn.	Exports	Exports as % of Prodn.
United Kingdom	5,370	3,770	70.2	3,250	1,654	50.9
Continent	8,510	2,40(c)	28.2	7,520	1,500(c)	20.0
U.S.A.	7,780	555	7.2	8,360	278	3.3
Canada (a)	230	..	..	230	5	2.2
Brazil	690	..	..	900	5	.5
China	590(a)	..	..	870(a)	64	7.3
India (a)	2,110	147(b)	7.0	4,130	127(b)	3.1
Japan	3,430	1,605	46.8	4,000	2,412	60.3
U.S.S.R.	3,270(a)	85	2.6	3,670(a)	200	5.4
Other Countries	750	—	—	1,600	—	—
World	32,730	8,562	26.2	34,530	6,245	18.1

(a) Linear yards. (b) By sea only and excluding exports to Burma.

(c) Includes internal trade.

Sources: National statistics supplemented in the case of production estimates by figures of cotton consumption. Statistics for weight converted to square yards at the rate of $4\frac{1}{2}$ square yards per lb.

In 1928-9 the U.K. accounted for 44 per cent of world trade in cotton piece goods and in 1937-8 for only 25 per cent of a reduced volume. The decline in U.K. exports to less than half their former level, was due in fact almost equally to Japanese competition and to the increase in local production in the various markets.

In 1937-8 the various markets relied on foreign suppliers for 18 per cent of their requirements compared with 26 per cent ten years earlier; more than 80 per cent of the world's consumption of cotton textiles was supplied by local industries.

Markets.—One of the most striking features of the pre-war trend of U.K. export trade was the extent to which trade was becoming concentrated in markets where special advantages had been gained for U.K. goods by preferences, quotas and trade agreements.

Table 3. U.K. EXPORTS OF COTTON PIECE GOODS

	Million sq. yds.							
	1909-13(a)	1929	1931	1933	1935	1936	1937	1938
Total	6,476	3,672	1,716	2,031	1,949	1,917	1,922	1,387
India	2,507	1,374	390	486	543	416	356	293
Dominions	382	340	258	384	389	405	450	390
Quota Colonies (b)	322	266	143	171	275	310	301	155
Twelve Trade Agreement Countries (c)	599	308	229	306	274	267	278	229
All Other Countries	2,666	1,384	696	684	468	517	537	319

(a) Million linear yards.

(b) The British Colonies in which quotas on imports of certain foreign textiles were imposed in 1934.

(c) Norway, Sweden, Denmark, Finland, Latvia, Lithuania, Yugoslavia, Poland, Turkey, Argentina, Uruguay, Peru. The pre-war figure for the present area of Turkey is approximate (290 million yards).

Source: United Kingdom Trade Returns.

In the Dominions and Colonies there were tariff preferences. In the Colonies (except East Africa) and Australia imports from the chief foreign suppliers were limited by quota. In Denmark the exchange control was operated so as to give a certain advantage to British trade. If India is included where the tariff preferences and the quota on imports from Japan protected the U.K. against foreign imports, but not against the local industry, about three-quarters of the U.K. export trade in cotton piece goods was protected to some extent.

Yarn and Thread.—As with cotton piece goods international trade in yarn and thread declined during the period under review, but largely owing to the decline in continental trade the share of the U.K. was increased.

Table 4. EXPORTS OF COTTON YARN FROM PRINCIPAL COUNTRIES

	<i>Million lb.</i>	
	Av. 1928-9	Av. 1937-8
United Kingdom	168	141
Continent (a)	262	145
U.S.A.	28	9
India	24	27
Japan	38	47
China	46	19
Total	583	387

(a) Exports include internal trade.

Source : National Statistics.

The Continent, and in particular Germany and Holland, provided the chief market for U.K. exports of cotton yarn. The fact that such a large proportion of our exports was going to industrial countries suggests that the development of local industries fosters the demand for special types of yarn. This is also reflected in the increased exports to the Dominions and S. American countries.

Table 5. EXPORTS OF COTTON YARN FROM U.K.

	<i>Million lb.</i>			
	1928	1929	1937	1938
Total	169.2	166.6	159.0	123.0
Europe	122.6	117.2	104.5	81.3
Germany	43.6	39.4	29.4	35.7
Holland	33.5	32.2	23.7	10.5
Other	45.5	45.6	51.4	35.1
Empire	32.6	34.6	33.1	27.9
India & Burma	21.7	21.4	7.4	5.3
Australia	4.4	6.3	6.3	6.5
Canada	1.8	1.7	4.8	3.6
Eire	.7	.7	5.7	6.2
S. Africa	—	—	3.3	2.7
S. America	6.4	6.5	14.4	9.2
Argentina	2.1	2.8	5.9	4.2
Uruguay	1.0	.9	3.3	2.6
Other	3.3	2.8	5.2	2.4
Other Countries	7.6	8.3	7.0	4.6

Source : United Kingdom Trade Returns.

The course of thread exports has also been slightly downwards but the trend is almost entirely dependent on the establishment of plants overseas.

Rayon.—The production of rayon in the U.K. has increased in recent years until in 1937-8 filament yarn amounted to about 10 per cent of cotton yarn production and staple fibre to about 3 per cent.

Table 6. PRODUCTION OF COTTON AND RAYON YARN IN THE U.K. *Million lb.*

	Cotton Yarn (a)	Rayon Filament (b)	Staple Fibre (b)
1928	1,324	52	..
1929	1,289	53	3
1930	1,047	47	1
1931	1,101	53	1
1932	1,118	70	1
1933	1,180	80	2
1934	1,201	89	2
1935	1,228	112	9
1936	1,310	117	26
1937	1,358	120	33
1938	1,050	106	32

Source: (a) Census of Production and Cotton Consumption. (b) Rayon Organon.

By comparison with Table 1, it will be seen that the U.K. has always accounted for about 10 per cent of world production of filament (as for cotton), but that she had not developed staple fibre to the same extent as certain other countries. In 1938, U.K. production of staple fibre was only 3 per cent of world production.

In pre-war days, 1937-8, nearly one-third of the staple fibre produced was exported as such, nearly two-thirds spun into yarn in the cotton industry and the remainder was presumably long staple fibre spun in the woollen industry. Of the filament production nearly 10 per cent was exported and again over half woven into cloth in the cotton industry and the remainder used mainly in the knit goods industry.

The cotton industry is defined to include the spinning of staple fibre of less than 3 inch staple and to include the weaving of fabrics containing more than 85 per cent of cotton and/or rayon.

Table 7. ANNUAL U.K. RAYON OUTPUT AND USE IN 1937-8 *Million lb.*

Filament		Staple Fibre	
Production	113	Production	32
Exports	10	Exports	10
Woven in cotton industry	62	Spun in cotton industry	19
Balance	41	Balance	3

Source: Rayon Organon, U.K. Trade Returns, Census of Production.

Piece Goods.—On the assumption that two-thirds of rayon production goes into woven cloths we can estimate world production of wholly rayon fabric in 1937 at about 5,000 million square yards of which about 700 million square yards entered into international trade. The trade was very largely in the hands of Japan, which country in 1937 exported about 80 per cent of her production.

Table 8. PRODUCTION AND EXPORTS OF WHOLLY RAYON PIECE GOODS 1937 AND 1938 *Million sq. yds.*

	Production	Exports	
	1937	1937	1938
United Kingdom	322	38	31
U.S.A.	947	17	17
Japan	600	502(a)	398
Continent	1,800	110	113
of which France	..	40(a)	52
Germany	..	26	23
Italy	..	30	31

(a) Includes a small quantity of mixtures. Source: National Statistics.

The U.K. only exported at this time 12-13 per cent of her production and obviously had nothing like the predominant position she had in the cotton goods export trade.

Markets.—U.K. exports of rayon piece goods were directed predominantly to British markets and in particular to Australia, New Zealand and S. Africa and to an even greater extent than the cotton goods export trade depended on preferential concessions.

Table 9. EXPORTS OF WHOLLY RAYON PIECE GOODS (a) FROM U.K. *Million sq. yds.*

	1937	1938
Total	38.5	31.2
Australia	12.7	6.6
New Zealand	4.5	3.6
S. Africa	5.6	6.1
Canada	2.3	2.4
Eire	2.6	2.7
British West Africa	3.3	1.1
British West Indies	1.7	1.9
India & Burma	.5	.7
Continent	2.7	2.9
S. America	.2	.2
Other Countries	2.4	2.9

(a) Including knitted piece goods. Source: U.K. Trade Returns.

Summary of U.K. Pre-war Position.

The effect of the downward tendency in the U.K. cotton industry in recent years is summarised in the following table.

Table 10. THE UNITED KINGDOM COTTON INDUSTRY 1912-1938

	1912*	1924	1930	1935	1936	1937	1938
Production	<i>million lbs.</i>						
Cotton and Waste Yarn	1,983	1,395	1,047	1,228	1,310	1,358	1,050
	<i>million sq. yds.</i>						
Cotton Piece Goods	8,050(b)	6,026	3,320	3,384	3,500	3,806	2,700
Rayon Piece Goods (a)	..	20	180	380	400	482	426
Exports	<i>million lbs.</i>						
Cotton Yarn	244	163	137	142	151	159	123
	<i>million sq. yds.</i>						
Cotton Piece Goods	6,913(b)	4,444	2,407	1,948	1,917	1,922	1,386
Per cent of Production	86	74	72	58	55	53	51
Rayon Piece Goods	..	..	65	52	67	78	63
Plant (mid-year)	<i>million mule equivalent (c)</i>						
No. of spindles in place	61.4	63.3	63.2	48.2	46.9	44.1	42.1
	<i>thousands</i>						
No. of looms in place	786	792	700	530	515	505	495
% of Plant employed :							
Spindles	..	90	58	69	79	89	68
Looms	..	80	54	74	80	83	62
Employment	<i>thousands</i>						
Number employed (including Finishing Operatives)	711	614	480	448	455	460	365
% Unemployed (d)	..	13.0	37.4	21.4	16.0	11.2	26.7

(a) Including cloths of rayon mixed with cotton; woven only. (b) Million linear yards.

(c) Counting a ring spindle as equivalent to 1½ mule spindles.

(d) Cotton spinning and weaving only.

* 55½ hour working week reduced to 48 in July, 1919.

Sources: Production —Up to 1937, Censuses of Production.

Export —U.K. Trade Returns.

Employment—(including salaried workers). Up to 1937 Censuses of Production.

Plant —International Cotton Statistics.

The real significance of this decline in the size of the industry of a third within a quarter of a century lies in the corollary that at a time of contraction neither labour nor plant is renewed. The number of young people entering the industry fell from 27,000 per annum in 1925/7 to about 14,000 ten years later, a substantial proportion leaving again after only a short stay, while in recent years the number of new spindles and looms has been very small and the number of new buildings negligible.

It should be remembered, however, that notwithstanding its decline the cotton industry was still before the war Britain's greatest manufacturing industry, and also her greatest export industry. It employed in 1937 about 460,000 persons in spinning, weaving, finishing and subsidiary producing processes—more than were employed in any other comparable manufacturing industry, and about two-thirds of the number employed in all branches of agriculture or in coalmining. Including those employed in the transport and wholesale distribution of cotton and rayon textiles, the total engaged in the industry was well in excess of half a million.

II. THE EFFECT OF WAR MEASURES

(a) Almost every factor involving restrictive measures which the war evoked applied to the circumstances of the cotton industry. Its raw material was imported and consequently shipping difficulties meant restriction. Factory space was required in the relatively safe N.W. area and so mills were requisitioned. Labour was required for the war factories established in the area and so the industry was concentrated.

In the final result the industry was concentrated to about 55 per cent of its 1937 level. As in fact, however, concentration of the industry was only effective in Lancashire the industry in this area was reduced to 50 per cent of its 1937 level.

Table II. CONCENTRATION OF THE U.K. COTTON INDUSTRY

	1937	1942
Number Employed (a): Spinning & Doubling		
United Kingdom	186,000	108,000
Lancashire area	169,000	97,000
Weaving		
United Kingdom	206,000	104,000
Lancashire area	185,000	84,000
Production of Yarn (Cotton, waste & spun rayon) <i>million lbs.</i>	1,375	833
Production of Cloth (Cotton and rayon) <i>million sq. yds.</i>	4,530	2,280

(a) Including salaried workers.

This concentration intensified the previous tendency of the industry to lose both operatives and machinery. The loss of machinery was checked by the compensation schemes and the discouragement of machinery exports so that the number of spindles in place fell only slightly from 42.1 million mule equivalent in 1938 to 39.0 million in 1942, of which 14.6 million were in closed mills. The number of looms in place fell from 485,000 in 1938 to 475,000 in 1942. The loss of operatives took place mainly in the lower age groups so that the percentage of operatives over 40 years of age employed in the cotton industry rose to 42 per cent in 1942 compared with 28 per cent in 1931 and 17 per cent in 1911.

Table 12. TREND OF PRODUCTION IN THE U.K. COTTON INDUSTRY

	Yarn			Woven Goods			(a) Spindles in Place	Looms(b) in Place
	Cotton	Waste	Spun Rayon	Cotton	Rayon	Mixtures		
	<i>million lb.</i>			<i>million sq. yds.</i>			<i>million</i>	<i>thousand</i>
1937	1,234	124	17	4,047	322	161	44.1	505
1938	1,000	100	..	3,100	..	..	42.1	495
1939	1,090	110	..	3,400	..	..	40.1	490
1940	1,190	115	..	2,680	..	..	39.0	490
1941	820	83	..	2,890	..	..	39.0	490
1942	730	70	33	1,970	263	48	39.0	475

(a) (Mule Equivalent) Cotton spinning spindles. (b) Excluding looms originally on linen.

Source: Census of Production (1937) and Cotton Control Statistics.

The decline in production caused by concentration combined with the necessity to meet Government requirements resulted in a rationing scheme for the output of the industry designed to direct yarn into "essential" uses. As a consequence the export trade was severely restricted and many foreign markets were ultimately abandoned, while in the markets which were retained the volume and type of export were limited wherever supplies from the local industry or other sources were forthcoming.

Table 13. EXPORTS OF COTTON PIECE GOODS FROM THE U.K.
Million sq. yds.

	1937	1938	1939	1942
Australia	152	146	143	88
New Zealand	36	27	36	34
S. Africa	133	109	129	84
Canada	76	64	76	39
British W. Africa	178	71	83	68
Free French Africa	32	9	12	6
Belgian Congo	5	2	2	4
U.S.A.	13	9	12	10
Rhodesia	16	15	15	10
British E. Africa	7	7	4	2
British W. Indies	34	27	30	9
Eire	35	28	35	8
India	323	273	197	6
Ceylon	28	18	16	1
Near & Middle East (a)	92	70	57	30
Central & S. America (a)	275	177	211	(b)52
Rest of accessible World	111	66	70	10
Total accessible Markets	1,546	1,118	1,128	461
Inaccessible Markets : Europe	220	174	162	—
Far East	155	94	103	24
TOTAL	1,921	1,386	1,393	485

(a) Excluding small countries not shown separately in U.K. Monthly Trade Returns for 1942.

(b) No allocation for 1943.

Source : U.K. Trade Returns.

(b) Comparison with Other Cotton Industries.

This war, like the last, has greatly stimulated the development of cotton industries in other countries, particularly where raw cotton is grown or is easily accessible. The absence of supplies from the U.K., Japan and the Continent has encouraged local industries all over the world and has afforded great opportunities to those countries which normally did a small export trade such as India and Brazil. In addition a large volume of Government orders for military purposes has been placed in the countries more directly concerned in the war effort. In the case of the U.K. cotton industry these Government orders did not expand the industry (except for a short time) but were met by a reduction in civilian and export requirements, through the instruments of civilian rationing and export licensing.

Table 14. ACTIVITY OF PRINCIPAL COTTON INDUSTRIES
Million sq. yds.

1937	Cotton Piece Goods			
	Production	Exports	Imports	Consumption
U.K.	3,806(a)	1,921	50	1,935
U.S.A.	9,321	236	147	9,232
India*	5,548(b)	377	512(d)	5,683
Canada	245	5	99	339
1942				
U.K.	1,850(a)	485	12	1,377
U.S.A.	12,000	410	—	11,600
India	5,100(b)	940(c)	—(d)	4,860
Canada	350	20	170	537

(a) Excluding made-up goods. (b) Linear yards including hand-loom production. Civil disturbance greatly reduced production in the latter half of 1942. Current production is at an annual rate of about 6,600 sq. yds. per annum (c) By sea only ex Govt. (d) Net imports. * Local production, exports and imports for fiscal year 1937/8.

Table 15.

EXPORTS OF COTTON PIECE GOODS FROM INDIA (BY SEA)

Million yards

Monthly Averages	Total	Burma	Ma-laya	Cey-lon	S. Africa	Rhodesia	Br. E. Africa	Other E. Africa	Nigeria	Sudan	Egypt	Palestine	Iraq	Iran	Aden	Arabia	Australia	Other C'tries
1937/8*	20.1	7.8	2.4	2.2	—	..	.7	.4	1.1	.2	2.0	..	.4	.6	.2	.5	.1	1.5
1938/9	14.8	7.2	1.7	1.6	—	..	.5	.3	.6	.1	.3	..	.3	.1	.2	.3	.1	1.5
1939/40	18.5	9.2	2.4	2.0	.3	..	.6	.6	.4	.1	.1	..	.2	—	.2	.3	.3	1.8
1940/1	32.5	10.2	3.5	2.6	.6	..	5.6	.5	1.8	.1	.6	..	.5	—	.1	.4	1.9	4.1
1941/2	64.4	6.6	5.0	2.8	2.0	..	9.1	.2	3.5	1.6	4.9	..	2.0	.9	2.1	1.7	6.3	15.7
1942																		
1st Qtr.	88.4	1.0	—	2.5	3.0	..	3.1	.3	3.4	3.4	8.3	..	6.5	3.4	6.3	4.6	11.6	31.0
2nd Qtr.	92.1	—	—	1.1	4.6	.9	10.9	1.6	9.3	5.0	5.9	7.5	8.2	7.7	2.3	2.6	11.9	12.6
3rd Qtr.	70.5	—	—	3.9	3.9	.6	4.3	.5	3.9	3.1	1.3	.7	8.4	8.4	5.0	3.4	8.5	14.6
4th Qtr.	60.9	—	—	5.6	5.6	.2	4.0	1.1	2.3	2.9	2.1	1.3	9.9	1.7	3.1	2.0	10.2	8.9

* Years ending March 31.

Table 16.

EXPORTS OF COTTON PIECE GOODS FROM BRAZIL

000 quintals (a)

Monthly Averages	Total	Argentina	Paraguay	Uruguay	Chile	Colombia	Peru	Bolivia	Venezuela	Ecuador	Panama	S. Africa	Other Countries†
1937	.6	.3	—	—	—	.1	—	—	.1	—	—	—	.1
1938	.2	—	—	—	—	—	—	—	.1	—	—	—	.1
1939	1.6	1.3	.1	—	—	.1	—	—	—	—	—	—	.1
1940	3.3	2.7	.1	—	.1	.1	—	.1	.2	—	—	—	—
1941	7.7	4.6	.2	—	.2	.2	.1	.1	1.0	.1	—	.7	.5
1942	21.1	10.9	1.1	1.1	.8	.2	.2	.1	1.0	.2	.2	3.1	2.3
1942													
1st Qtr. *	16.8	8.5	.6	—	.3	.2	.1	.1	1.3	.2	—	1.4	4.1
2nd Qtr.	24.5	15.7	.8	3.2	.8	—	.1	.1	.1	.2	.2	1.7	1.6
3rd Qtr.	21.8	11.9	1.5	.9	.9	.2	.2	—	1.3	.2	.3	3.1	1.3
4th Qtr.	21.2	6.9	1.6	.2	1.4	.2	.5	.3	1.4	.2	.2	6.0	2.3

* Based on January and February. † Portuguese Africa, French and Dutch West Indies, Belgian Congo.

(a) 1,000 quintals equals approximately 1 million square yards.

As U.S.A. only came into the war in December, 1941, it may still be some time, if ever, before civilian rationing comes into force. In India, while export licensing on some scale now exists it is doubtful whether any machinery for reducing civilian consumption could be introduced. For these reasons production has greatly expanded. Exports from India (by sea) to accessible countries were in 1942 about eight times their 1937 level. (Table 15.)

The expansion of cotton industries in other countries has depended on whether they had a large import gap to fill or not. In S. America and Near East countries generally which were largely dependent on imports, local industries have increased their output by working double and treble shifts. Brazil and Mexico, which even in pre-war days supplied virtually all their own requirements have expanded their industries to the extent to which they have been able to expand their export trade. Mexico is exporting almost entirely to adjacent Central American countries, but Brazil (Table 16) is developing a world-wide trade.

**Table 17. COTTON PIECE GOODS : PRODUCTION AND EXPORTS OF -
PRINCIPAL COUNTRIES 1937 AND 1942**

	1937		1942	
	Production	Exports	Production	Exports
U.K.	3,806	1,921	1,850	485
U.S.A.	9,321	236	12,000	450
India	5,548(b)	120(a)	5,800(b)	940(a)
Brazil	900	7	1,400	250
Mexico	370	—	500	30
Canada	245	5	350	20
Other Accessible Countries (c), excl. Russia & Continent	800	—	2,100	—

(a) Exports by sea, excluding Burma. (b) Including hand-loom production.
(c) Persia, Turkey, Egypt and Near East, Central and S. America, Australia. The production of these countries in total has been estimated from cotton consumption figures published by the New York Cotton Exchange. It is often difficult to make an estimate for individual countries but in the following cases reliable information has been obtained.

**PRODUCTION OF COTTON PIECE GOODS IN THE
SMALLER COTTON INDUSTRIES**

	Million sq. yds.	
	1937	1942
Argentina	152	300
Peru	50	100
Colombia	30	100
Venezuela	15	45
Egypt	77	370
Persia	150	240
Syria	..	50
Palestine	3	36
Australia	9	30

The increased output of local industries has been achieved more by double and treble shift working than by increases in equipment. There has been, however, a certain volume of exports of textile machinery from this country during the war while the United States has also continued to export machinery and more recently has proposed to make heavy shipments of second-hand textile machinery from mills in the Northern States.

As to future developments the tendency is more and more towards the continual expansion of local industries in the cotton producing countries, where it is often felt that the development of a local industry is a more certain way of securing an outlet for locally grown cotton than reliance on cotton industries overseas. Thus the United States Government in pre-war days used to subsidise the export of raw cotton but later changed its policy to subsidising the export of cotton goods. Similarly the Australian Government has for many years encouraged the production of raw cotton and its consumption by the protected local industry. The war has intensified this tendency. The loss of European markets to the cotton growers of Egypt, India and South America lent further support to the development of local industries, and a very much larger proportion than in pre-war days of all these crops is now consumed locally. Even in the minor cotton growing areas such as South Africa and Rhodesia cotton spinning has been introduced while proposals have been put forward for the establishment of mills in British East Africa.

III. POST-WAR ESTIMATES OF TRADE (LONG-TERM)

Estimates of the volume of post-war trade must necessarily depend on the period under consideration and also on the conditions which are expected to obtain then.

As to the question of the period, it is best in the first place to take a long view, and to think in terms of a period some years hence when post-war conditions may be regarded as stabilised.

Dealing first with the home market it may be supposed that conditions will then be such as to permit of a slight increase in consumption above the pre-war level. The pre-war level of home consumption is taken as the annual production of cotton and rayon goods for final use in the home market in the three years 1935-7 (in order to average out stock movements) and an increase of about 5 per cent. is allowed on these figures. A considerable increase in the proportion of rayon consumed is expected. In estimating the resulting demand on the home industry allowance is made for imports at the pre-war level.

Table 18. LONG-TERM ESTIMATE OF ANNUAL HOME MARKET REQUIREMENTS

	Av. 1935-37	Post-war
Yarn (million lb.)		
Spun Yarn	699(a)	700(b)
Filament Yarn for Weaving	54	90
Total	753	790
of which imports	55	55
Woven Goods (million sq. yds.)		
Cotton	1,820	1,570
Rayon Piece Goods	260	600
Mixtures	130	130
Total	2,210	2,300
of which imports	104	104

(a) Of which 17 spun rayon. (b) Of which 85 spun rayon.

In estimating the export trade we are faced with the initial difficulty of assessing the basis of international trade in the post-war period. We can only make certain estimates within which all possibilities may reasonably fall. This we have done, and in the result we give three estimates formulated after much consultation with market experts. The first, Estimate (1) of Table 19, is based more or less on a maintenance of the *status quo* so far as the basis for our overseas trade is concerned. The second, Estimate (2) assumes changes which will prove disadvantageous to our competitive position, and the third, Estimate (3), assumes a new state of affairs as favourable as the more optimistic of our consultants could prudently regard as possible. The Cotton Board and its committee have had more detailed explanations market by market of the grounds for the three estimates submitted to them and the same information has been laid before the Board of Trade, but it is considered inadvisable to repeat these in a public document, since they are necessarily extremely speculative. However, the estimates serve their purpose as a basis for calculation, and it should be borne in mind by the general reader that this was the only purpose in view. To attempt serious forecasting in a situation of so much uncertainty would clearly have been most unwise.

Table 19. ESTIMATE OF LONG-TERM ANNUAL U.K. EXPORTS

	Exports			—Post-war Estimates—		
	1936	1937	1938	(1)	(2)	(3)
Cotton Piece Goods	..... million sq. yds.			1,284	648	2,090
	1,917	1,921	1,386			
Cotton Yarn	..... million lbs.			124	96	215
	150.9	159.0	123.0			
				(1)	(2)	(3)
Rayon Piece Goods (Woven) ..	..... million sq. yds.			70	23	130
	38.1	63.0	96.2			

In Table 20 the home trade and export requirements are summarised so as to show the total post-war demand on the spinning and weaving industries. In doing so account is taken of all the various products requiring yarn from the spinning section and cloth from the weaving section and an allowance is made for estimated imports.

Table 20. SUMMARY OF ESTIMATES OF POST-WAR TRADE

	1937	Post-war		
		(1)	(2)	(3)
Spun Yarn (million lb.)				
Home Market	699(a)	700		
Exports :	401	269	135	436
Cotton Piece Goods	3	9	3	16
Rayon Piece Goods	5	5	2	7
Mixture Piece Goods	30	31	17	43
Other woven goods	159	124	96	215
Yarn	16	16	16	16
Thread	26	26	13	40
Other goods				
Total Requirements	1,339	1,180	982	1,473
Less Imports	55(a)	55		
Woven Goods (million sq. yds.)				
Home Market	2,210(a)	2,300		
Exports :	1,921	1,284	648	2,090
Cotton Piece Goods	38	70	23	130
Rayon Piece Goods	42	40	20	60
Mixture Piece Goods	105	110	60	150
Other woven goods				
Total Requirements	4,316	3,804	3,051	4,730
Less Imports	104(a)	104		

(a) Average 1935-7.

IV. POST-WAR ESTIMATES OF PLANT AND LABOUR REQUIREMENTS

In estimating the post-war position, we will assume that the types of yarn required are similar to those required in 1937, when 1,375 million lbs. were produced, 186,000 persons employed, and about 39 million mule equivalent spinning spindles would have been required at full-time production on a single shift basis.

On this basis we can estimate plant and labour requirements of the spinning industry corresponding to the three post-war estimates of trade in Section III.

Table 21. ESTIMATED POST-WAR PLANT AND LABOUR REQUIREMENTS IN SPINNING & DOUBLING

	Estimate (1)	Estimate (2)	Estimate (3)
Spun Yarn Output (million lb.)	1,125	927	1,418
Number Employed (a) (thousands)	152	125	192
Spindles (b) (millions)	32	26	40

(a) Including salaried workers. (b) Mule equivalent spinning spindles.

In comparison with these figures annual production of yarn, including staple fibre, now amounts to 833 million lbs. and 108,000* persons are employed in spinning and doubling mills, while plant in place consists of 24 million spindles in running mills and 15 million in closed mills.

Estimates for the weaving industry are based on cloth production in 1937 of 4,530 million square yards, when 206,000 persons were employed, and it is estimated that 420,000 looms at full-time production would have been required.

Table 22. ESTIMATED POST-WAR PLANT AND LABOUR REQUIREMENTS IN WEAVING

	Estimate (1)	Estimate (2)	Estimate (3)
Woven goods Output (million sq. yds.)	3,700	2,947	4,626
Number Employed (a) (thousands)	169	134	210
Looms (thousands)	344	273	429

(a) Including salaried workers

Annual production of cloth now amounts to 2,280 million square yards and 104,000* persons are employed in weaving mills, while plant installed consists of 315 thousand looms in running mills and 160,000 in closed mills.

On Estimate (3) the total number of persons required by the spinning and weaving industries would be 402,000. The number of persons available, including unemployed, was 390,000 in mid-1939, just before the outbreak of war.

As to plant requirements, the number of spindles on Estimate (3) would be just about equal to the number now in place, so that all closed spinning mills could re-open but the number of looms in place appears to be somewhat in excess of requirements.

It is recognised, of course, that changes in type of product or in production per head may occur within the industry which would affect the validity of these estimates, but as these changes cannot be foreseen precisely the estimates have been retained on the 1937 basis.

* Numbers employed at the end of 1942. Appendix "B" gives later figures showing a slight decline in employment from the 1942 position.

V. POST-WAR ESTIMATES OF TRADE (SHORT-TERM)

A number of years is likely to elapse before the re-establishment of normal conditions and full competition as envisaged in the estimates set out in Section III.

A close study has therefore been made of the short-term position preceding the establishment of these conditions. The Committee has had detailed figures showing the present output of the spinning and weaving sections of the industry and its allocation to the various uses—Government use, home market and export. Until the defeat of Germany one must reckon on no radical change either in the volume of output or in its distribution, but after that it may be supposed that production will increase and that at the same time Government demands will fall off, leading to a considerable increase in the production available for commercial purposes and for relief supplies to the liberated territories.

The main influence retarding the increase in production will be the supply of labour, and without special measures it will probably prove impossible to increase this supply by more than one-third above the present level, and even this increase might take a considerable time to bring about. The change over to pre-war types of production will disturb initially the present balance of the industry, and unless it should happen that weaving capacity is expanded more rapidly than spinning capacity there will be a tendency for surpluses of yarn to be available for export. This tendency would also be strengthened if there should be a disproportionate increase in the output of filament rayon. On the supply side, therefore, it is reasonable to think of an over-all increase in output of about one-third and a tendency towards yarn surpluses as in pre-war days.

Any forecast of the distribution of this output among uses is highly speculative, as one cannot say the rate at which military demands will fall off or the extent to which the Government will wish to or will be able to continue in favour of exports the present curtailment of home trade civilian consumption to almost one-third of normal.

Account must also be taken of United Kingdom commitments for relief supplies to the liberated territories. Relief supplies for Europe alone in the form of garments and piece goods might be of the order of a year's normal pre-war trade with Europe, while in addition we would be expected to continue a substantial trade for reconstruction purposes. On balance the Committee was led to the view that while there might be a substantial quantity of yarn available for export, it would be some time before exports of piece goods for commercial purposes reached the 1938 level of shipments. As there will be initially a fairly heavy commercial demand well in excess of this level it follows that a division of available supplies to export markets under Government supervision must continue.

LABOUR IN THE COTTON INDUSTRY

1. THE PRESENT POSITION

At October, 1943, there were 242,000 persons employed in all sections of the cotton industry, compared with about 387,000 in October, 1939. Detailed figures are given below. At this latter date there were also some 50,000 operatives unemployed, so that the gross labour loss over the four years' period was about 195,000. Compared with the pre-war position the labour loss from deaths and retirements was affected by the smaller labour force working in the industry and some tendency to postpone normal retirement to help with the war effort; against this, however, must be set a loss of married women displaced from closed mills during 1941-42 who have not subsequently entered nucleus mills. The pre-war loss by deaths and retirements was probably 6-7,000 a year, so that if we take a round figure of 5,000 a year since October, 1939, we reach the conclusion that labour transfers to the Forces and other industries total about 175,000. Probably 150,000 of these were from spinning, doubling and weaving and the rest from finishing.

ESTIMATE OF NUMBER EMPLOYED

(000s)

		Av. 1937	Oct. 1939	Oct. 1943
Cotton Spinning Waste Spinning and Doubling	M	72.2	61.9	34.2
	F	113.9	105.9	70.3
	T	186.1	167.8	104.5
Cotton and Rayon Weaving	M	69.2	57.1	29.3
	F	136.4	107.3	71.4
	T	205.6	164.4	100.7
Cotton and Rayon Finishing	M	50.0	39.4	(est.) 23.0
	F	17.0	15.5	14.0
	T	67.0	54.9	37.0
Total	M	191.4	158.4	86.5
	F	267.3	228.7	155.7
	T	458.7	387.1	242.2

Transfers have, of course, mainly taken place among younger workers, with the result that the average age of the labour force, already high before the war, has risen still further. Figures are not available for the finishing section, but reliable calculations can be made for the spinning and weaving sections. These show that fully 40 per cent of the operatives are now over 40 years of age. At the other end of the scale only 10 per cent are under 18, compared with 17 per cent in 1921 and 20 per cent in 1911.

The calculations given below are based on detailed censuses taken in October, 1941 (spinning) and February, 1942 (doubling and weaving). It is considered that they make a fair approximation to recent age distribution. The Recruitment and Training Committee of the Cotton Board hopes shortly to take a new census which will provide up-to-date figures.

APPROXIMATE AGE DISTRIBUTION IN SPINNING, DOUBLING AND WEAVING.
DECEMBER, 1942

000's

	Under 18	18-24	25-29	30-34	35-40	Over 40	Total
Males	5.6	3.0	3.6	6.5	8.1	39.4	66.2
Females	16.1	23.2	17.9	18.2	20.6	49.0	145.0
Total No.	21.7	26.2	21.5	24.7	28.7	88.4	211.2
%	10.3	12.4	10.2	11.7	13.6	41.8	100.0

The decline in juvenile entrants, which has been going on for upwards of twenty years, is a disturbing feature of the present labour situation and one still more serious in its long term implications. Only a small part of the decline can be attributed to the lower birth rate of the inter-war years; most of it arises from the failure of the industry to attract new entrants. In 1931 there were nearly 70,000 juveniles under 18 years of age in the spinning, doubling and weaving sections; in 1942 there were less than 22,000. Whereas school leavers were entering these sections at the rate of about 27,000 a year in 1925-27 the number had fallen to 14,000 a year in 1935-37. Recent returns show that the number entering cotton in the five principal spinning towns in 1942 was 1,220 (21 per cent of all school leavers in these towns); if the experience of these towns is typical it suggests that the total yearly intake in the spinning, doubling and weaving sections as a whole has now fallen to 6-7,000. A further serious factor in the situation is that probably not less than 25 per cent of the juveniles who do enter the industry leave it before reaching the age of 18.

2. THE IMMEDIATE POST-WAR POSITION

In the matter of filling vacancies, many of them arising from the high average age of the labour force, the Ministry of Labour have paid increasing attention to spinning, doubling and weaving since these sections were put on the vital war list in January, 1942, and more particularly since May, 1942, when it was first agreed that bulk transfers of former cotton workers should be made from munitions back to cotton. In this way the Ministry have filled 12,027 vacancies in spinning and doubling between May 25, 1942, and November 11, 1943, and in weaving 5,577 vacancies between January 1, 1943, (the first date from which records were kept) and November 11, 1943. Other workers not of registration age, especially women and juveniles, have no doubt also entered the industry without

passing through the Ministry of Labour offices, but even so the fact remains that the Cotton Control returns show a decline in the total labour force over the same period. From this it must be inferred that the intake so far has been more than offset by the losses. It may be, of course, that larger transfers back from munitions and other industries will yet increase the labour force, particularly in view of the recent registration of female ex-cotton workers conducted by the Ministry of Labour; failing this it would appear that the volume of labour employed in the industry at the end of the war will be less than it was at October, 1943.

If that proves to be the case we shall then be substantially short of the labour required for any of the three long-term estimates made for the spinning, doubling and weaving sections on page 41 of Appendix A, the shortages being at least 54,000 in the case of the lowest estimate and 197,000 in the highest, as shown below.

000's

Section	Estimate (1)	Estimate (2)	Estimate (3)	Oct., 1943
Spinning and Doubling	152	125	192	104.5
Weaving	169	134	210	100.7
Total	321	259	402	205.2

How soon and to what extent can we hope to build up the labour force when war is over? The following notes and observations ignore all questions of demand for cotton goods or of material supplies, it being assumed that vacancies will exist for all the workers coming available. The main considerations are:—

- (a) Of the total labour transfers (including unemployed) from spinning, doubling and weaving after October, 1939, probably 80-100,000 (i.e. two-thirds) were women and girls. As already observed, fairly large numbers of these workers are already being withdrawn by the Ministry of Labour to fill cotton vacancies now, and it may be expected that this policy will continue for the rest of the war. How many, then, are likely to be available for work in cotton after the war, remembering that while some attempt will no doubt be made to regulate and guide labour return to peace-time industries the compulsory powers of war-time will probably have been rescinded?

One thing seems certain. Many former operatives will marry and retire from industry altogether, while some of those already married will similarly retire. Other women and girls may be expected to try and avoid cotton, retaining their employment perhaps in industries which have been newly established or greatly expanded in Lancashire during the war and may well remain here for peace-time production afterwards.

The return of women and girls is without doubt the big imponderable, and having regard to all the circumstances, and to be on the safe side, it is assumed that not more than 40,000 will seek work in cotton. It is further assumed that they would be released as required from their present jobs.

- (b) Of the total transfers from the same sections about 60-70,000 were males. It is impossible to say how many went into the Forces and

how many into other industries, but it is known that large numbers of men entered other industries. Here also there may be an attempt in a fairly large scale, especially among former big piecers, labourers and weavers, to find employment outside cotton after the war. A further complication will be demobilisation policy in regard to the Forces, especially if, as has been suggested, age and length of service are taken as the principal criteria. All things considered it is questionable whether more than 35,000 male workers will return, or be available for return, immediately war is over.

- (c) Immediately war is over many elderly men and women may be expected to retire from the spinning, doubling and weaving sections. If these are reckoned to be the over-60's they total about 12-13,000 (6 per cent), if the over-65's about 3,000. A round figure estimate of 10,000 potential retirants is probably near the mark.

Bringing these considerations together it would appear that the labour position in spinning, doubling and weaving immediately after the war might work out as follows:—

			(000's)
Already in cotton (males and females)	..	..	205
Return from other industries and Forces (females)	..	..	40
Return from other industries and Forces (males)	..	..	35
			<hr/>
			280
Less retirants	..	..	10
			<hr/>
Total possibly available	..	..	270
			<hr/>

Estimates of this kind are, to say the least, highly speculative, but it is believed that the above is a reasonably cautious one. It assumes a total labour force in spinning, doubling and weaving equal to about 70 per cent of that (including unemployed) at October, 1939. Such a labour force would be 11,000 in excess of Estimate (2), 51,000 below Estimate (1) and 132,000 below Estimate (3).

3. THE LONG-TERM POSITION

Juvenile recruitment is the key to the labour situation on a long-term view, although technical changes of various kinds will also affect not only the amount of labour required for a given output but also its composition by age and sex.

As mentioned above, the trend of juvenile entrants is moving downwards at an alarming rate. To arrest it and reverse it calls for vigorous and imaginative action and the Recruitment and Training Committee, fully conscious of the need, may be relied upon to give every possible lead and encouragement. There seems to be general agreement as to the nature of the deterrents to new recruitment, differences of opinion turning mainly upon their relative importance, but whilst a large number of mills are finding it possible to provide certain welfare facilities, the fact remains that structural changes such as rearrangements of machinery and others not regarded as essential to the war effort may have to stand over until the end of the war. There are, however, other problems such as those relating to wage and promotion prospects which fall within the province of the trade organisations and should be capable of being solved by them, and the Recruitment and Training Committee, emphasising the seriousness of

the juvenile labour position, recently asked the organisations for an assurance that they would address themselves to these problems with special vigour. One of the biggest deterrents to recruitment is the feeling of insecurity among parents regarding future stability and regularity of employment and any steps which could be taken to allay doubt and perplexity on this point would materially assist recruitment.

In view of the above reference to the Recruitment and Training Committee some comment should be made on technical training, which in recent years dwindled almost to vanishing point. The Committee has already obtained an increase in the number of textile courses in junior technical schools and in enrolments for senior technical training, but if the industry is not to lag behind overseas countries in the post-war race for technical supremacy it is essential that still further progress be made in this field.

The Education Bill, if passed into law in the form now envisaged, would have far-reaching effects in cotton, both in regard to technical training and juvenile labour supply. The proposal to raise the school leaving age to 15 would entirely suspend new recruitment for one year, equivalent on present figures to 6-7,000 juveniles, whilst further substantial losses would also be entailed if the age were subsequently raised to 16, as is suggested. Part-time releases for technical education for two half-days a week would in effect still further reduce the juvenile labour force by two-elevenths in each age group concerned. In sum, the total of juvenile workers in cotton would be considerably reduced unless the annual rate of recruitment could meanwhile be stepped up considerably.

Insofar as the future size and composition of the labour force are concerned a programme of re-equipment after the war would presumably entail technical changes requiring less labour per unit of output but in general a larger proportion of female workers than is the case at present. A straightforward change to high draft ring spindles in place of the present mule on a count of 28's (about the average of present production) would under normal staffing conditions reduce the demand for adult male labour by 70 per cent for the same volume of output and increase that for women workers by about 100 per cent, whilst there would also be required fewer juvenile workers. In weaving one radical change possible is to automatic looms. From the labour standpoint it would necessitate fewer skilled workers but probably more juveniles and assistants than is the case under the present system.

4. CONCLUSIONS

(1) The volume of production in the cotton industry which will be required in the national interest immediately after the cessation of hostilities in Europe and equally on a longer view to supply home needs and re-open export markets will not be attainable without special measures to augment the number of operatives.

(2) In the first place there are measures to be taken within the industry itself jointly by employers and employed. These measures consist of a rapid and extensive acceleration of reforms and improvements which have already been introduced on a fairly wide scale or are in process of being negotiated at the present time. The measures should be designed to make the industry more attractive in respect of security of employment, conditions of work, methods of training and promotion. Apart from the major

and general questions of wages and minimum standards of amenities there exist a number of practices and regulations which obstruct recruitment and efficient deployment of operatives. These are known to both sides in the industry but any reluctance which has hitherto been shown in promoting realistic solutions must now be overcome.

Samples of this character which may be quoted include the following :—

- (a) Opposition by juveniles or adults to new recruitment because of its effect upon the prospects of promotion and because of the practice of sharing absentees' wages, (b) too much rigidity in the division of functions which prevents operatives from performing more than one type of work, (c) the absence of any provisions for absorbing on satisfactory terms any ex-junior workers who might return to the industry as adults.

The Committee on Post-War Problems therefore endorses the objectives adopted by the Recruitment and Training Committee and adds its urgent recommendation to organisations of employers and employed and to all individual units to co-operate with the latter Committee to the fullest extent.

(3) In the second place, when the immediate demand for higher priority munition work diminishes, the industry requires special measures to facilitate and encourage the return of previous cotton workers from the war-time civilian employment to which they have been directed by the Ministry of Labour or have voluntarily transferred themselves. An early approach should be made by the appropriate authorities to the Ministry of Labour for the institution of prompt measures to this end. It is believed that some part at least of a suitable programme of action might be set in operation before the actual cessation of hostilities in Europe and as soon as lessened need for certain types of production for war purposes is made possible by the military or the shipping situation.

Finally, the cotton industry should submit to the Government a claim for some form of priority in demobilisation of male and female operatives now in the Forces on the double ground that increased production of cotton goods will be necessary in the national interest, especially in regard to export trade, and that the industry having borne exceptional hardships at the time of crisis in 1941 merits specially favourable consideration by way of a balance of equity.

RESEARCH

PART 1. SCIENTIFIC AND TECHNICAL RESEARCH

Lancashire's ability to obtain and maintain trade in new and original lines, and to produce more and more economically will depend on the use made of scientific and technical research. While research is no guarantee of good trade and a prosperous industry, it is quite certain that if the cotton industry neglects research it will not be found in the vanguard of progress in the post-war years.

Growth of Research in the Cotton Industry

The last 25 years have seen a noteworthy change in the position of research in the cotton industry. During, and at the end of the last war, organised research was almost non-existent. It was the realisation by the Royal Society, and ultimately by the Government, of the gap between University research and industry in this country that led to the inauguration of the Research Association movement under the auspices of the newly formed Department of Scientific and Industrial Research. The British Cotton Industry Research Association, now widely known as the Shirley Institute, was founded in 1919, as a central co-operative research organisation for the industry as a whole.

The objects of the Research Association were manifold, but chief amongst them were the inauguration of (a) fundamental scientific research, and (b) work on practical problems of the bigger kind, and of a scope wider than that to be expected or possible in individual firms, which in the main were concerned with one section of the industry only. This point was of outstanding importance in an industry so horizontally organised as the cotton industry.

For the first five years the Shirley Institute concentrated on fundamental scientific work dealing with all the processes of the industry and thus laid secure foundations of new scientific knowledge, on which the subsequent increase in the application of science to industry was based.

The laboratories of the Shirley Institute at Didsbury were opened in 1922, and in 1928 a new section was inaugurated to deal with problems of the utilisation of rayon, both staple fibre and filament, alone or in admixture with cotton. These researches now comprise a very active part of the Institute's work. In 1936 the work of the British Silk Research Association was transferred to the Shirley Institute and a further section for silk research was founded with similar aims to that of the Rayon Section. The Shirley Institute, in addition to its work on cotton, has thus done much valuable work on problems dealing with the best methods of processing synthetic fibres on cotton machinery, and also dealing generally with mixtures of

cotton with other fibres. The importance to the cotton industry of having its own Central Research Association sections dealing with rayon, other synthetic fibres and silk is obvious in view of the fact that "mixed" yarns and fabrics will be one of the great developments of the future.

"Getting over" to the industry research ideas and possibilities in an industry which had already flourished without any aid from organised science (and had produced marvellous fabrics) was a problem of exceptional difficulty, and the Cotton Research Association has been a pioneer in this country in methods of linking the laboratory scientist with the practical man in the mill. During the last 17 years the policy of the Shirley Institute has been to persuade mill managers and their assistants of the value of research and to induce them to discuss their difficulties and their own ideas with the Shirley Institute, thus encouraging them to exercise initiative in introducing improvements themselves.

Arising out of the rapid growth of centralised co-operative research there has occurred an increase in the number of scientifically trained personnel employed by individual firms. Most of these have close contacts with the Research Association, particularly where under the Shirley Institute's Trainee Scheme they have received a course of training in the research method of the Institute.

The changed position of research in the cotton industry between the two wars is well illustrated by the contribution scientific staffs in the industry (those of individual firms as well as the Research Association) have made to the solution of hundreds of textile problems arising out of the war and relating to the best use of cotton for special Service clothing and equipment. When the full story of this work can be made public it will form a record of achievement of which the industry and the country may well be proud.

Private Research

Before summarising the present position as regards the Research Association, a paragraph on private research seems desirable. There are a few firms in the industry who maintain adequate research facilities and staffs and a few with less than adequate facilities who nevertheless carry on a limited amount of development work. Such firms tend to derive more advantage from the work of the Association since they are in a better position to interpret, apply and develop the ideas put forward. It is argued very strongly in some quarters, which are deserving of every respect, that nothing short of a considerable intensification of private research above all on its development side will meet the post-war situation and that this factor will necessitate the amalgamation of the smaller units in the industry into units sufficiently large to provide adequate private research facilities.

Present Position of Research Association

The work of the Research Association to-day may be classified into four categories:—

- (1) Fundamental scientific work ;
- (2) Development work, and general application of new knowledge to practical ends ;
- (3) Work relating to members' own special difficulties, and (during the war) to special problems for the Services and Government Departments generally ;
- (4) Training.

The nature of the work done under categories (1) and (3) is self-evident. Under the Trainee Scheme an educated man with a thorough technical training is given the opportunity by temporarily joining the staff of the Shirley Institute to appreciate the trend of textile research and to obtain an insight into the technical interdependence of all the processes in the production of those textile goods of interest to the cotton industry. This is particularly important in view of the industry's horizontal organisation, and the important object of this Scheme is to increase the number of such scientifically and technically trained men available for management and other positions of responsibility in the industry and to assist individual firms to develop the ideas originating in the Research Association.

As regard the application of research to practical ends it would be generally agreed that the objects of research are :—

- (a) the accurate scientific control of processing at all stages, to avoid wastage through the production of defective materials ;
- (b) the development of more efficient and shorter processes, with the object of :
 - (i) decreasing costs of production ;
 - (ii) saving labour ;
 - (iii) improving working conditions ;
- (c) the creation of new products.

Since the formation of the Research Association 24 years ago much attention has been directed to the scientific explanation of various processes and great progress has been made in new control methods. Accurate process control, though still somewhat backward in the less progressive firms, is now generally recognised as essential, and the amount of defectively processed material thereby greatly reduced.

The problem of decreasing production costs is of obvious importance in helping Lancashire to compete more equally with foreign competitors. Saving labour is important because of the probable shortage of labour in the industry, while the improvement of labour conditions is essential in order to attract what labour is available. The success of this development work depends to a large extent on the possibility of full-scale demonstrations. In this connection the Research Association has been studying, by means of researches at its headquarters and by surveys in mills all over Lancashire, the behaviour of cotton, silk and synthetic fibres when processed through cotton machinery. Some years ago the Association entered the field of machine design and started to construct in the Institute's own engineering workshop the prototypes of full-scale machines based on entirely new principles. In spite of difficulties due to the war, much progress has been made, and under the scheme for the disposal of the surplus resulting from the winding up of the Spindles Board, some of these new machines concerned with spinning processing are at present on trial in commercial conditions of production. If these and subsequent information successful they will have much effect on future improvements in the production machinery.

Developments in new products stand to the credit both of the Cotton Spinners' Association and of leading firms with scientifically trained staffs. It is hoped that the growth of development departments in Spinners' and Manufacturers' firms will be rapid, as soon as post-war conditions permit. loom activity.

Needs of the Future

The Committee gives general encouragement to all aspects of Shirley Institute's work. It endorses the need for fundamental scientific work without which no progress can be made and without which in fact the present position of the Institute cannot be maintained nor can highly qualified men be attracted to its service. In regard to the actual research work, while different opinions may be held by different sections of the industry on the order in which particular problems merit attention and the amount of time and money to be spent on them, the Institute itself under the guidance of its widely representative Council is in the best position to make a balanced judgment.

The Committee attaches special importance to the absorption of the results of research into industry and of widening the scope of research itself. In this connection special emphasis is laid upon the efforts made by the Institute through its Trainee Scheme and through its liaison work to raise the standard of skill and knowledge in the industry. The various trade associations are strongly advised to make increased use of the expert advice of the Institute whenever matters of policy which involve the assessment of technical factors or which have technical repercussions on the industry are under consideration.

It will appear from the foregoing brief description that the availability of funds to promote experiments on a commercial scale has permitted a very considerable extension of the scope of research.

The Committee strongly holds the view that the basis of the Association's research should continue to include research on any fibres likely to be used within the industry, since this is as fully calculated to advance the interests of the Lancashire industry as research on cotton itself. The Committee draws the attention of the Department of Scientific and Industrial Research to these considerations, emphasising the importance of promoting the fullest collaboration between all inter-connected research activities.

In the field of maintenance of quality and the related field of consumer and market research the view has been expressed that there is room for expansion as well as a much higher degree of co-ordination among the various agencies already at work. The industry itself has not hitherto accepted responsibility for either policy or action in this field. The Committee feels that the time is now ripe for a serious study of the problem. In any such study science and research would have important contributions to make.

Conclusions

It is self-evident that the well-being of the industry depends on the greatest possible extension of the scope of research and on the absorption into the industry of its findings and discoveries. In this connection the industry is fortunate that the work already done gives the opportunity for rapid expansion in this field. Taking the fullest advantage of the facilities already built up for research and the field of new knowledge should be still further extended and the processes for getting research results to the trade should be constantly intensified. In the light of these facts, the Committee has reached the following conclusions:—

- (1) The fundamental scientific research work of the Association and Government

(2) The Committee is convinced that the liaison work and training scheme of the Institute are of the highest value and expresses the hope that the highest possible degree of priority will be given to the intensification of these activities in the reconstruction period.

(3) The post-war Cotton Board should use all the influence at its command to impress upon the larger units in the industry the importance of really adequate private research and development departments and should make it clear to all firms that unless their facilities in this respect and their contacts with the Research Association are adequate they are likely to fall seriously behind in the competitive struggle.

(4) Funds should be made available by the Cotton Board for the carrying out of further experiments on a mill scale on the lines of the present scheme for utilising the surplus of the Spindles Board whenever it is considered that investigation has proceeded so far that both research and the prospect of incorporating results into the industry would benefit by full-scale demonstration.

(5) The Committee is strongly of the opinion that the Shirley Institute should continue to interest itself in all fibres likely to be of use to the Lancashire industry.

(6) The problems connected with consumer research should be thoroughly investigated by a suitably constituted Committee of the industry.

(7) The Committee submits to trade organisations and individual firms the view that the maximum use should be made of the resources of Shirley Institute, whenever matters of policy which involve the assessment of technical factors or which have technical repercussions in the industry are under consideration.

PART 2. ECONOMIC RESEARCH AND INFORMATION

Both the industry and the Cotton Board will need the fullest information of conditions at home and abroad if it is to make the best use of the opportunities for development which will be offered during the shifting and uncertain conditions of transition from war to peace. No central organisation can attempt to replace the detailed knowledge of his own production and outlets which the Lancashire producer and merchant has long possessed. But no individual producer or merchant can have full knowledge of all sections of the industry or of all markets. It falls to the Cotton Board to equip itself with sufficient information, statistical and otherwise, to see the outlines of the whole picture, and to assist each part of the industry to view its own problems against the wider background.

The cotton industry was already, before the war, comparatively well served with statistical information. The Cotton Trade Statistical Bureau, formed in 1925 and subsequently incorporated in the Joint Committee of Cotton Trade Organisations, was responsible for several special inquiries into competitive problems and for the diffusion of statistical and general information within the industry; it also undertook special investigations into the productive capacity of the industry in connection with the proposals for the elimination of redundancy. The Federation of Master Cotton Spinners' Associations and the Bolton Association of Master Cotton Spinners for many years collected and circulated statistics of production, sales and deliveries of spinners on a voluntary basis, while the Cotton Spinners' and Manufacturers' Association collected periodical statistics of loom activity.

Market Information

A post-war Cotton Board would require not only the official statistics of import and export trade from overseas markets, but would also require to investigate such problems as the growth of competing industries, the development of new uses, changes in style and design, shifts of demand between the various textiles, the factors governing purchasing power in each market, the effects of Governmental policies on the cotton and rayon trade—all problems which the individual trader is rarely in a position to study in detail, although he is well aware of their reactions on his business. In this work the co-operation of the firms concerned in the industry would naturally be essential. It might also be necessary to maintain contacts with informed persons in as many markets as possible with a view to receiving reports and surveys for the benefit of the industry as a whole. As soon as markets are re-opened (especially those now occupied by the enemy) it will be necessary to ascertain as rapidly as possible the markets' immediate needs and the possibilities of supply. It will also be necessary to watch very closely the development of competition from other sources and to discover whether the sources of supply which have developed during the war are likely to endanger the U.K. cotton industry's competitive opportunities.

The knowledge acquired should be used both for the information of the trade and to guide the Board itself in its export policy and in particular in representing the interests of the industry when trade agreements and tariff revisions are being negotiated by the Government.

Output Statistics

During the war the Cotton Control has been obliged to require firms to render very full accounts of their activities in the form of statistical returns. Although many of these returns will no longer be necessary the Board must have full knowledge of output trends, sales and stocks at the various stages of the industry; especially in the early stages after the war, the Board must carefully follow the building up of order books on the one hand, and the expansion of output and intake of labour and raw material on the other.

The Board will have to watch the relation between output and productive capacity and to decide on the basis of the information available whether conditions require measures to deal with redundancy. Further, if any approach is to be made to a policy of stabilising output and employment, the Board will need full information not only of output trends but also of the general state of order books, so that immediate regard can be paid to any indication of changes in the volume of demand. To be useful such particulars should be collected at the earliest possible stage, i.e., from merchants.

During the war it has unfortunately been necessary for individual firms to work in the dark without complete knowledge of raw material supplies or market outlets. As soon as possible, the benefit of the information collected should be extended to the industry as a whole in the belief that accurate knowledge is one way of avoiding some of the dangers of the transition period.

The question arises whether such information should be collected after the war on a voluntary or a compulsory basis. If information of this

kind is to be used for policy decisions affecting the whole industry, it must be comprehensive, and compulsory powers to obtain it therefore appear to be necessary.

Costing

One of the reforms most urgently needed is the establishment of a more satisfactory basis of accountancy for price policy. The Board will require a very accurate knowledge of relative costs before it can develop its policy of price management. A standardised costing system, with its definitions generally understood and applied is urgently needed and, even apart from the necessities of price management, will be to the general advantage of the industry; it must be admitted that a great many firms at present have only a very imperfect idea of their own costs of production. Further, more accurate information than is easily available at present of the effects of changes in the costs of essential materials, fuel, upkeep of machinery, etc., will be required if the Board is to assist the industry to secure its requirements at a reasonable price and in reasonable quantities.

Conclusions

To obtain the information which a post-war Cotton Board is certain to require, both to fulfil its own functions and for the general benefit of the industry it will need:—

(i) Statutory powers to collect information from persons engaged in the cotton industry. It will be necessary to define the kind of information which may be obtained and to provide that information relating to a particular business should not be disclosed except to authorised persons.

[NOTE.—Under the Cotton Industry (Reorganisation) Act, 1939, Section 26, the Cotton Industry Board, or the Board of Trade was empowered to require firms to furnish such information of productive capacity, output, orders, sales, deliveries, stocks and costs as appear to the Cotton Industry Board or the Board of Trade necessary for the exercise of their functions under the Act.]

(ii) Authority to spend a reasonable sum in undertaking and promoting economic research, and in collecting information at home and abroad, and to circulate information. •

SIGNED:—

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REPORT OF THE COTTON BOARD COMMITTEE
TO ENQUIRE INTO POST-WAR PROBLEMS

INDEX

	<i>Page</i>
INTRODUCTION	1
ORGANISATION OF POST-WAR COTTON INDUSTRY	3
SIZE OF THE INDUSTRY AND THE PROBLEM OF EXCESS CAPACITY	5
RAW COTTON	8
PLANT AND EQUIPMENT	9
THE LABOUR FORCE	10
RESEARCH	12
DECONCENTRATION	13
TAXATION AND EFFICIENCY	16
PRICE MANAGEMENT	18
DISTRIBUTION	21
TERMS AND CONDITIONS OF INTERNATIONAL TRADE	24
CONCLUSION	25

APPENDICES

A—FACTS AND ESTIMATES CONCERNING THE COTTON INDUSTRY

I. PRE-WAR TENDENCIES	27
II. THE EFFECTS OF WAR MEASURES	33
(a) On the U.K. Cotton Industry	33
(b) On Other Cotton Industries	34
III. POST-WAR ESTIMATES OF TRADE (LONG-TERM)	39
IV. POST-WAR ESTIMATES OF PLANT AND LABOUR REQUIREMENTS	41
V. POST-WAR ESTIMATES OF TRADE (SHORT-TERM)	42

B—LABOUR IN THE COTTON INDUSTRY

I. THE PRESENT POSITION	43
II. THE IMMEDIATE POST-WAR POSITION	44
III THE LONG-TERM POSITION	46
IV. CONCLUSIONS	47

C—RESEARCH

I. SCIENTIFIC AND TECHNICAL RESEARCH	49
II. ECONOMIC RESEARCH AND INFORMATION	53