

CHAPTER 10: CONCLUSIONS AND RECOMMENDATIONS ON THE PUBLIC INTEREST

Introductory

187. Calico printing differs in three important respects from the industries whose practices we have previously examined. First, it is a processing industry and depends on other sections of the textile industry, and especially the cotton industry, for the supply of the material on which it works and for the disposal of its finished products. Secondly, it is dependent on export markets for the sale of the greater part of the cloth it processes. Thirdly, the size of its trade has been contracting for many years. These three facts all have a close bearing on the matters with which we deal in this chapter. Calico printing has had its full share of the difficulties the cotton industry has had to face owing to the decline in its export trade since the early years of the present century. We have been conscious throughout our inquiry of this history of difficulty and decline, and the uncertainty about the future which it has engendered. The restrictive practices which we have found in calico printing are in large measure the product of these circumstances and reflect an attitude which is characteristic of certain sections of the Lancashire textile industry in facing the problems of recent years, as the history of the 1939 Cotton Industry Act and later developments show. Clearly we have to take these considerations into account when considering the matters to which Section 14 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, requires us to have regard in determining the bearing of the industry's practices on the public interest.

188. The calico printing industry employs about 12,000 workers and comprises some 46 concerns, 36 of which are organised in the Federation of Calico Printers. The turnover of those which are not in the Federation forms a negligible proportion of the whole. The Calico Printers' Association does nearly 50 per cent. of the total trade; none of the other members of the Federation does more than 5 per cent. In 1950 the calico printing industry processed some 650 million yards of cloth, of which about 60 per cent. was exported. Almost three-quarters of this yardage was cotton cloth and about one-quarter rayon and rayon mixtures. Of the total output of the industry about 85 per cent. consisted of commission work, i.e. printing on cloth not owned by the printer, and it is with this that our reference is concerned. The remainder was cloth owned and merchanted by the printing concerns themselves, or by associated concerns.*

189. We have described in an earlier chapter the disastrous loss of overseas markets for cotton goods between 1914 and 1939. The contraction in exports of printed goods by the 1930's was extremely severe, especially after the loss of the Indian markets. During the last war the industry suffered a further decline and even the buoyant demand for textiles after the war did not restore trade to its pre-war level. The post-war boom has ended and the industry is faced with keen competition in overseas markets. We have not thought it wise, or necessary for our purpose, to attempt to assess the future level of exports, but we have found no grounds for assuming that the pre-war declining trend is likely to be reversed. On the other hand, we do not regard it as in any way certain that exports will continue to fall as rapidly as they did during the 20 years before 1939. The demands in the home market will no doubt fluctuate from year to year according to the movements of fashion, but we see no reason to expect any long-term decline here.

* As explained in paragraph 31, it is possible that in certain cases printing on group-owned cloth is also within the reference.

190. The rapid contraction in the demand for exports before the war created in all sections of the cotton trade a great surplus of capacity and of labour, and led to intense price competition. The war and post-war years changed this situation. Although much capacity remained unused, this was due to a scarcity of labour rather than a deficiency of demand. In common with other sections of the cotton industry, the calico printers took this opportunity to build up, through the Federation, a system of regulation which they hoped would afford a defence against the ultimate return of pre-war conditions. In the light of their pre-war experience, the printers took the view that price competition was the root of their difficulties, and considered that the best chance of maintaining or improving their position lay in restricting this form of competition within the narrowest possible limits. The arrangements elaborated during and since the war have set out to achieve this objective by means of a system which the Federation describe as "pricing management"—the minimum prices scheme, together with the P.Q. scheme and other supporting arrangements. These have been combined with longer term measures which, by imposing restrictive covenants on premises suitable for printing, seek to adjust the capacity of the industry to the expected volume of business and so to lessen the danger of renewed pressure on prices. The Federation's present arrangements have not yet been tested in any period of grave depression and there is nothing to show whether, if there were further permanent contractions in markets as rapid and catastrophic as those of the past, the consequences to the industry could be postponed or averted by such arrangements.

191. The practices in the industry whose effects we have found to call for consideration in the public interest are the following:—

- (a) the minimum price arrangements;
- (b) the P.Q. scheme;
- (c) the adoption by the Federation of certain uniform trading conditions;
- (d) the engraving rental scheme;
- (e) the sterilisation of plant and premises.

Minimum Price and P.Q. Schemes

192. Formally the minimum price arrangements and the P.Q. scheme are distinct, but in practice it is clear that, as the Federation have maintained in their evidence to us, they are now interdependent, and it is necessary to consider them together. There have been agreements upon minimum prices in the industry, on and off, for many years, and a fairly effective minimum price list was maintained in the 1920's but broke down in 1931. The minimum price lists issued by the Federation at the present time cover roughly 85 to 90 per cent. of the total trade.* They are circulated to members of the Federation, but are not available to their customers. There is no explicit provision in the Rules of the Federation requiring members to observe their minimum price lists, but all members are in fact expected to do so. Moreover, members of the P.Q. scheme (who include all members of the Federation except three†) are required by Article 21 of the Agreement which they sign to observe the Federation's minimum prices and trading conditions. They are liable to pay damages up to £500 for any breach of this (or any other) provision of the Agreement though no penalty has ever yet been imposed. Members are free to resign from the Federation at any time on giving six months notice, but signatories of the P.Q. scheme are bound by it until 1959.‡ The Federation

* Throughout this chapter, where we refer to the Federation's present minimum price arrangements we include those of the Lining Printers' Association (see paragraphs 38 and 72 and Appendix 6).

† And one member who is concerned only with screen printing.

‡ The Federation expect to continue the P.Q. scheme after 1959 in some form.

do not attempt to enforce the minimum prices by inspection, though enquiries are made into any reports which reach them of undercutting by members. For the purposes of the P.Q. scheme, however, an exact check is kept on members' turnover, and the accountants to the scheme have access to their books.

193. The Federation have throughout made it clear to us that they regard any minimum price scheme as useless and unworkable without the sanctions provided by the P.Q. scheme to support it. The operation of this latter scheme is described in paragraphs 89 to 100 and the Federation's account of its purpose and effect is summarised in paragraphs 175 to 180. The P.Q. scheme, though it arose directly from the arrangements for the compensation of closed firms which were included in the war-time concentration scheme, derives ultimately from the system of pools and quotas for which the industry sought, but failed to obtain, statutory backing from the Government before the war. The present scheme is embodied in an Agreement which has been signed by all members of the Federation except three.* It provides that each member of the P.Q. scheme shall have a percentage quantum of the total money turnover of all the members during each year. The initial quantum was generally based on a member's quota under the concentration arrangements, and ultimately goes back to his share of the trade in the year 1939-40. Any member who exceeds his quantum in any month pays 20 per cent. of the excess turnover into a pool, and any member who falls short of his quantum in any month draws 20 per cent. of his deficiency out of the pool. A member who exceeds or falls short of his quantum in any year has his quantum for the succeeding year increased or decreased, as the case may be, by one-tenth of the difference between his quantum for the previous year and the percentage of the total turnover which he actually achieved in that year.

194. The Federation have contended that their minimum price arrangements are necessary and justified by reference to conditions in the 1930's when no minimum prices were in operation. The price competition in their industry, they argue, always tends to be peculiarly severe because the rapid increase in the ratio of costs as activity falls puts the strongest pressure on printers to get work in order to keep up their output and turnover. Their attempts to do this in a period of recession lead to general price-cutting and instability with the result that most concerns run at a loss and cannot properly maintain their plant and organisation. It is also said to lead to the debasement of quality. The Federation argue further that the cost of printing forms a very small element in the final cost of the cloth or garment, and consequently that any reduction of price which the printer can afford to make can have no significant effect on the price which the ultimate consumer pays, and so cannot lead to an increase in the turnover of the printing trade as a whole. Therefore, they say in effect, in this trade uncontrolled price competition is an evil which must be banished; and once it has gone, healthy competition between individual printers in the quality and service which they offer to their customers can assert itself.

195. The Federation do not appear to regard the P.Q. scheme as something which has great merits in itself, for they have told us that without the minimum price scheme it would by itself be regarded "not merely as useless, but dangerous". They look upon it as a necessary corollary of, and support for, the minimum prices. The representatives of C.P.A., which has so far always exceeded its quota and paid into the pool, told us in evidence that they thought it unlikely, though not impossible, that they might one day have to draw from the pool, and regarded their payments into the pool rather as an insurance premium against a break in prices in the trade generally; from this point

* And one member who is concerned only with screen printing.

of view they considered them well worth while. The Federation explained that the scheme operates to support prices in two ways. In the first place, they say, printing is divided into a number of highly specialised styles. If there is a fall in the demand for a particular style owing to a change of fashion or to the closing of a market overseas, a printer who specialises in that style will normally attempt either to cut prices for that style, or to enter the market for other styles for which his experience and equipment are less well suited. In the latter case the quality of his work will be poor and his production uneconomic, and he will be likely to have to cut prices in order to make any sales at all. The P.Q. scheme removes the temptation to do either of these things, because the printer knows that he can draw compensation from the pool for his loss of turnover. If the failure of demand is temporary, the pool payments will see him through; if it is protracted, he is given a breathing space in which to re-organise his business. Secondly, it is difficult to lay down in lists precise descriptions of all the kinds of patterns to which each range of minimum prices applies, and there is some scope for interpretation by individual printers in applying the list to the orders they receive. If a printer consistently interprets the lists so as to place the patterns he is asked to print in a lower price range than the trade generally would consider applicable, his competitors are nevertheless not tempted to follow suit, because they know that he will have to pay one-fifth of any excess turnover which he gains in this way into the pool and they will draw compensation for any turnover that they lose.

196. The Federation claim that their minimum prices have been fixed at very reasonable levels. There is some evidence (see paragraph 143) to show that the prices in fact charged were, in 1952, in general lower than European printing prices in general. For the reasons stated in paragraph 144 we have not been able to ascertain the actual costs of printing the various lines covered by the lists and we cannot therefore in this industry compare the list prices either with the average cost level or with the costs of the lowest cost concerns.

197. The average level of profits in the industry in 1949 was 21½ per cent. on cost, or over 26 per cent. on the capital employed, and in 1950 just under 24 per cent. on cost or 29½ per cent. on the capital employed, capital being in each case computed in accordance with the method we have adopted (Method "A": see paragraph 148). But these profits were obtained in years of boom, when the level of activity was exceptionally high, and when on a proportion of their business printers were able to charge prices higher than the minimum prices. We cannot tell how far these profits may have been due to the state of the market rather than to the effect of the restrictive arrangements in the industry, and we make no comment on them.

198. Profits fell sharply in the recession in 1952, but in February of that year the level of minimum prices was substantially increased, and in the first half of 1953, when there was some revival of demand but turnover was still generally 20 per cent. below that of 1950, the rates of profit of C.P.A. and some other concerns were not much below those of the boom years (see paragraph 156).

199. As with profits, so also in other ways the effects of the Federation's arrangements have been masked, for the greater part of the period during which they have been in force, by the state of trading conditions. During most of this period, it has been delivery rather than price which has most concerned the printers' customers, and we doubt whether any reliable conclusion can be drawn from their experience at this time about the effect on their trade of a rigidly maintained system of minimum printing prices. We have no reason to doubt the converters' statement that they have lost trade on occasion to overseas competitors because they could not secure reductions in price from their

suppliers, including the printers, but we are not satisfied that over the period as a whole this has been a substantial factor in limiting our textile exports. As regards quality, it is clear that, in the trading conditions of recent years, there has been no competitive pressure to debase quality; such criticisms as have been made arise no doubt from a tendency to carelessness which can easily occur both among printers and their customers when demand outruns the capacity to meet it. The Federation's argument that their arrangements provide a safeguard for quality has not yet been put to the test.

200. The Federation have contrasted the inability of their members, impoverished by the price cutting of the 1930's, to replace and improve their plant and to undertake research, with what they have since been able to do in these directions. No doubt the industry, like other sections of the textile industry, has taken advantage of its post-war prosperity to improve its equipment in order to increase its efficiency and to extend its research. We have no evidence that such improvements as have been made since the war have been impeded by the Federation's arrangements, but we do not think that they can be attributed to them.

201. We think that the effects of the P.Q. scheme are somewhat clearer. The Federation contend that because individual printers necessarily tend to specialise in a limited range of styles, the markets for which may fluctuate greatly from year to year, the scheme provides an equitable and desirable means of sharing risks over the trade as a whole. We believe that the Federation have tended to exaggerate the extent to which printers must limit themselves to a narrow range of styles; we note, for example, that a number of printers work in several styles, and nearly half the industry's output comes from a firm which works in every style. But, however this may be, the scheme, by removing the incentive to each printer to spread his risks within his own business, tends, in our opinion, to encourage a greater degree of specialisation than might otherwise be found expedient. Further, the payment of compensation for business lost may cause the individual printer to delay adjusting his business to such changes in fashion and in the demands of particular markets as are not ephemeral. (We note that in fact 10 concerns—nearly a third of those in the scheme—have drawn deficiency payments every year since it was started.) In this way we consider that the scheme works generally against flexibility and initiative in the industry.

202. The Federation have also argued that the P.Q. scheme would hasten the elimination of redundant capacity, if redundancy again became a problem, by giving the printer an asset (his quantum), which is worth selling. We consider this argument questionable. The scheme might well have precisely the opposite effect, because continued receipts from the fund, sustained by the slow rate at which the quantum declines, tend to encourage a printer to remain in business longer than he would otherwise do.

203. The Federation have represented strongly that the 20 per cent. payment which is made by printers who exceed their quanta is not penal in the sense that it removes all the profit to be gained from the excess turnover, and we accept this. They have also assured us that the fact that a printer may exceed his quantum by taking extra business does not deter him from doing so; he will always strive to increase his turnover, and indeed at the time when he books a particular order he has no means of knowing whether or not he will exceed his quantum. This also is no doubt true when one considers a printer's day-to-day operations, but we cannot believe that in the longer run the existence of the P.Q. scheme does not diminish the incentive to a business wishing to expand. The fact that year by year one-fifth of any increase in turnover over his quantum

must continually be paid away (and that this is cumulative if his turnover increases every year) is bound to affect decisions on any investment necessary to secure the additional turnover.

204. We are required by our terms of reference to say whether these arrangements are now, or may be expected in the future to be, against the public interest, having regard to the criteria set out in Section 14 of the Act, and in particular to the need to achieve "the treatment . . . by the most efficient and economical means of goods of such types and qualities, in such volume and at such prices as will best meet the requirements of home and overseas markets" and "the organisation of industry and trade in such a way that their efficiency is progressively increased and new enterprise is encouraged". In reaching a conclusion we have to go first and foremost on the evidence provided by the operation of the arrangements during the past seven years. But, as we have explained above, market conditions during this period have been such as largely to mask their effect, and we find the evidence for this reason less clear and decisive than we could wish. We consider that on balance the arrangements taken as a whole do operate against the public interest. In reaching this conclusion we have been influenced particularly by the operation of the P.Q. scheme, and more especially by the fact that on entering it printers were required to renounce their freedom of action in regard to the prices they charge and to other important terms of trading for a period of ten years ahead.

205. The question whether these arrangements may be expected in the future to operate against the public interest is much more important and much more difficult to answer. No one expects that the market conditions which have prevailed on the whole since the war are likely to continue indefinitely, and the textile industries must expect much more intense competition from overseas suppliers in their principal markets in future. Experience during the last seven years does not provide any reliable indication how the Federation's arrangements may work in such conditions. Nor do we think that, when markets become keenly competitive again, the situation of the 1930's, with its heavy surplus of plant and labour in the printing industry, will necessarily be reproduced. For these reasons, we have to base our judgment of the effect which the Federation's arrangements may be expected to have on the public interest largely upon more general considerations.

206. It is the merchant, not the printer, who has to sell cloth in overseas markets in competition with foreign producers. If the merchants are to compete successfully, they must be free to offer that combination of quality and price which, in their judgment, the market demands. They depend for their cloth on other sections of the textile trades—spinners, weavers, dyers and printers—and small differences in price at each of these stages may have a significant effect on the price of the finished cloth and determine whether an order is taken or lost. If at any stage prices are rigidly maintained, the possibility of securing orders in competition is likely to be prejudiced. The Federation have argued that the cost of printing forms so small a proportion of the cost of the finished cloth that they cannot influence the size of their market by any reduction they can afford to make in the prices they charge. We cannot accept this argument; conditions in this trade are such that when prices are rigidly held, orders will be lost that could have been gained by even a slight concession in price, and total business will be less. This we believe to be true of the printing trade as a whole: it is certainly true of the individual printer. It is, in our view, generally undesirable that any printer should be debarred by any sanctions from using a reduction of his prices as a method of holding or expanding his own business if this seems to him advisable. Similarly, in the matter of quality, the Federation's arrangements prevent agreement between a merchant and a

printer for the supply of a lower quality at a lower price, even though in the view of the merchant this is what his market requires. This is a matter which we think should be left to the judgment of the individuals concerned, in the light of market conditions and the type of trade which they do; a concern whose goodwill is bound up in the quality of its work can be relied on not to reduce that quality to meet the competition of inferior goods, so long as it considers that this policy will pay. We note, for example, that during the 1930's C.P.A., according to the statement of its representatives, did not lower the quality of its output.

207. The Federation have certainly expressed their willingness to make special export arrangements with other sections of the textile industry, providing for reduced prices to be charged by any members participating in these arrangements. The fact that only one such arrangement has been made since the war may be due partly to market conditions during this period, but it suggests that no great degree of flexibility is likely to be introduced into the price structure by this method. We do not wish to underrate the value of arrangements of this kind, but we see no reason why an individual printer should not be free to make such day-to-day adjustments as he considers that the state of the market requires. Such freedom need not, of course, preclude the negotiation of special prices for large quantities as part of a co-operative effort in a particular market, nor the publication by the Federation of prices, not enforceable by sanctions, below which they would recommend their members not to accept business.

208. It is in the nature of things almost impossible to obtain any clear and concrete evidence of the effect of the minimum price arrangements upon the level of costs and efficiency of the industry. We believe, however, that it is generally true that price competition provides the keenest stimulus of all to the pursuit of efficiency, and that its absence is bound in some degree to lessen the incentive to reduce costs. Moreover (and this seems particularly important in an industry where the level of unit costs is so greatly affected by the volume of production), the minimum price scheme prevents a low cost printer from using his advantage to increase his turnover by quoting lower prices and thus lowering his costs still further.

209. For the reasons given in paragraphs 205 to 208 we conclude that the Federation's present arrangements may be expected to operate against the public interest.

210. We have considered earnestly whether, notwithstanding these considerations, our conclusion should be modified in any way because of the exceptional circumstances of the Lancashire textile industry. We have been impressed by the sincerity and strength of feeling shown by the calico printers in defending their arrangements, and by their almost passionate conviction that it is only by such means that a decent living can be ensured for those employed in the industry, its plant maintained and improved, and an adequate supply of new recruits attracted as managers and operatives. We have not lightly dismissed the opinions of men with long experience of the trade, particularly as they have received the support of some among the converters. But, believing as we do that the minimum price and P.Q. schemes are bound to keep the prices of printing, and therefore of the finished cloth, higher than they would be under competitive conditions—this, indeed, is their admitted object—we cannot see how in the longer run they can have the results which their sponsors hope for, or how, even if for a time they had some of these results, this could be achieved except at the expense of other sections of the textile industry and of the wider public interest. For in so far as the Federation's arrangements to sustain prices succeed in their purpose in the face of competition from foreign printers, they must result in a loss of orders for cloth to

overseas competitors and so in a smaller volume of business being done than could have been secured if printing prices were lower. A smaller volume of business means less employment, not only in calico printing, but also in the spinning, weaving and other sections of the cotton and rayon industries. And if it should turn out that, notwithstanding all Lancashire's exertions, her exports of cotton and rayon goods decline in future for reasons beyond her control, these arrangements will, we believe, only create a false sense of security for a time and delay the adjustments and redeployment of resources which will have to be made.

211. We recommend, accordingly, that the Federation's present minimum price arrangements should be discontinued and that the P.Q. scheme should be abolished. Our objections to the minimum price lists arise, however, mainly from the fact that they are enforceable over most of the trade, and we should see no harm in the Federation's issuing, if they wish, a list of prices, not enforceable by sanctions, below which they would recommend their members not to accept business, provided that this list was published and freely available to all.

General Conditions of Trading

212. We have described in paragraphs 85 to 88 certain uniform terms and conditions of trading which the Federation have sought to lay down for observance by their members and to enforce through the P.Q. scheme (see paragraph 96). We understand that they contemplate laying down further rules of this kind. No doubt it is often convenient to all concerned that there should be a degree of common understanding and uniformity, and we see no general objection to the codification of what may be regarded as good practice in these matters for the benefit of the trade as a whole. But to a considerable extent the interest taken by the Federation in these matters arises from the minimum price arrangements; to prevent evasion, it is necessary to regulate, not merely prices, but many other terms of trade, such as discounts, credit, the length of period for which firm quotations may be given, etc. In so far as these arrangements are or may be made compulsory, therefore, as a corollary of the minimum price arrangements, we consider them to operate and to be likely to operate against the public interest. We would not recommend that the Federation be prevented from publishing standard conditions of trading which those in the trade could observe or not as they wished: but we recommend that any requirement or obligation on members to observe such conditions should be withdrawn.

The Engraving Rental Scheme

213. The minimum price lists prescribe the minimum charges to be made by printers for the engraving of new designs on rollers. The engraving rental scheme, which is confined to certain styles for use in certain markets, prescribes minimum rental payments instead of minimum charges, and provides for a scale of such payments graded in accordance with the number of markets for which the merchant is given exclusive use of the design for a certain period. The scheme is administered by the Federation, who collect the rental payments on their members' behalf.

214. Our view of this scheme is much the same as our view of the Federation's arrangements about terms and conditions of trading. The Federation say that the scheme deters the converter from making extravagant and wasteful demands for engraving, and from reserving the right to the use of designs in markets in which he is not in fact interested, thereby restricting their full exploitation. We do not dispute these advantages of the scheme, and we think that the rental system may well form a sensible basis in the ordinary way for the settlement

between the printer and his customer of the matters with which it deals. But we think it against the public interest that the scheme should be obligatory on members of the Federation, and we recommend that, with the abolition of the minimum price arrangements, it should be discontinued. We should not object, however, to the Federation's continuing to issue a suggested scale of rentals for designs, on the lines of the present scheme, provided that this were freely available to all and printers were under no obligation to observe the scale and could vary it as they wished to suit the requirements of their businesses or of particular transactions.

Sterilisation of Plant and Premises

215. The Federation have from time to time taken action to ensure that covenants are placed on works premises and their water-rights preventing their use for calico printing. As a result of this action covenants have been placed on 12 premises, as is shown in Appendix 10. (The covenants placed on the other 50 premises listed in this Appendix were imposed as a result of arrangements made by C.P.A. which we discuss in paragraph 220 below.) At present the Federation are concerned with two requirements which ensure the imposition of such covenants in future:—

- (i) the print trade redundancy scheme, which is supported by the Federation and is formally still in operation, provides that no participant in the scheme may, unless permitted by the Print Trade Redundancy Board, sell or lease calico printing premises without imposing a covenant preventing their use for calico printing before the end of the "levy period" (i.e. before 1960 under the present arrangements);
- (ii) as a result of reciprocal arrangements made by the Federation (see paragraph 108) in connection with the print trade redundancy scheme, the trade association in the dyeing industry have also undertaken to impose covenants preventing the use for printing of any works premises which may be disposed of if a redundancy scheme is instituted in the dyeing industry.

(No covenants have yet been imposed as a result of either of these requirements.)

216. No participant in the redundancy scheme may sell his printing business or any machines except to a purchaser who will covenant with Print Trade Reorganisation Ltd. to assume all the obligations of the seller towards P.T.R. No member of the P.Q. scheme may sell a calico-printing machine, at any rate for use in this country, except to a concern which is already in the scheme or undertakes to join it.

217. The process of calico printing requires large supplies of water, which are not everywhere available, and the existence of restrictive covenants on so large a number of sites must seriously obstruct the entry of new concerns into the industry. We express no view on the justification for imposing covenants of this kind as part of an approved scheme for dealing with redundancy in a contracting industry. We have had no clear statement from the trade that there is redundancy in the calico printing industry at the present time, though fears have been expressed that redundancy may recur in the future. We consider that in present circumstances these restrictive covenants operate against the public interest by preventing for an unreasonably long period access to some of the most suitable sites by any new enterprises which might wish to enter the calico printing trade, or by concerns already in the trade which might want to expand. Operations under the redundancy scheme have now been completed and no useful purpose is served by keeping the agreement in

existence. We recommend accordingly that it should be terminated and Print Trade Reorganisation Ltd. be wound up, thus releasing the signatories from the requirement referred to in paragraph 215 (i) and the first part of paragraph 216. As regards the requirement referred to in paragraph 215 (ii) we recommend that no covenants restricting the use of premises for printing should be imposed in conjunction with any redundancy scheme in the dyeing industry. We recommend further that the Federation or the other parties to any agreements which contain covenants restricting the use of premises or water for calico printing, and which have been entered into in consequence of the past actions of the Federation referred to in paragraph 215, should re-examine them with a view to removing or waiving the restriction on the use of the premises in question for calico printing.

218. It follows from our finding that the P.Q. scheme is contrary to the public interest that we regard as also contrary to the public interest the provision described in paragraph 216 which prevents members of the scheme from selling printing machinery, except to persons who undertake to adhere to the P.Q. scheme and accordingly to observe the Federation's minimum prices. If our recommendations on these two matters are accepted, however, this provision will automatically lapse.

The C.P.A.

219. C.P.A., as a member of the Federation, is a party to all the arrangements we have dealt with in this chapter. Indeed it is clear that, quite apart from the fact that under the constitution of the Federation and of the P.Q. scheme C.P.A. could veto proceedings, the arrangements in the industry could not in practice work without the support of C.P.A. C.P.A. has in fact given its full support throughout, and appears to have taken an active part in the working out of the present arrangements. Despite its size, C.P.A. is far from having a complete monopoly of the trade and it is clearly sensitive to the dangers of competition from the other printers.

220. In addition, C.P.A. has certain private arrangements with the combines in the other two main finishing sections of the cotton trade—The Bradford Dyers' Association Ltd. and Bleachers' Association Ltd. There are agreements between all these associations by which they undertake to impose covenants on any works which any of them may sell or lease to prevent the use of those works for printing, dyeing or bleaching. It is under these agreements that the 50 sites mentioned in paragraph 215 have been restricted for calico printing. The considerations affecting these agreements appear to us to be similar to those affecting the Federation's arrangements discussed in paragraph 217 and our conclusion is the same—that they operate against the public interest and should be terminated. We recommend that in this case also the parties to the restrictive covenants already imposed should so far as possible remove the restrictions on calico printing.

221. C.P.A. has had agreements, described in paragraphs 115 and 128, with the same two finishing combines, by which those combines undertook not to increase their printing trade beyond a certain yardage except by acquiring existing printing concerns. One of these agreements has lapsed; the other, with Bleachers' Association, has not been formally renewed, but there is still an understanding between the two parties that the provisions of the agreement continue in force subject to 12 months' notice by either party. It seems to us particularly undesirable that by means of such agreements limits should be set to the participation in the printing industry of organisations whose large resources and wide experience in kindred industries might well be of value in that industry. We conclude that the arrangement with Bleachers' Association

Ltd. which is still regarded as being in force operates against the public interest and we recommend that it be discontinued.

222. Apart from the part it has played in the arrangements which we have discussed in the earlier paragraphs of this chapter, we have no criticism to make of the effect on the public interest of C.P.A.'s policy or organisation.

Summary of Conclusions and Recommendations

223. Our conclusions and recommendations may be summarised as follows:

- (i) The Federation's minimum price arrangements and the P.Q. scheme taken together operate and may be expected to operate against the public interest. The minimum price arrangements should be discontinued and the P.Q. scheme abolished. We see no harm in the Federation's publishing, if they wish, a list of prices not enforceable by sanctions provided that this list is freely available to all (paragraphs 192-211).
- (ii) There should be no obligation on members of the Federation to observe uniform terms and conditions of trading, but we see no objection to the publication by the Federation of standard terms and conditions of trading which printers can observe or not as they wish (paragraph 212).
- (iii) The engraving rental scheme in its present obligatory form is against the public interest and should be discontinued, but we should not object to the Federation's issuing a suggested scale of rentals, provided that members are under no obligation to observe it (paragraphs 213 and 214).
- (iv) The agreements to which the Federation or its members are parties (and in particular the agreements between C.P.A. and The Bradford Dyers' Association Ltd. and Bleachers' Association Ltd.) which provide for placing restrictive covenants on premises and water-rights, when they are sold or otherwise disposed of, to prevent their future use for calico printing should be terminated, and the restrictive covenants which have already been imposed and are mentioned in Appendix 10 should so far as possible be removed (paragraphs 215-217 and 220).
- (v) The redundancy agreement should be ended and Print Trade Reorganisation Ltd. be wound up (paragraph 217).
- (vi) The restrictions on the disposal of printing plant contained in the P.Q. scheme and the redundancy scheme should lapse when the agreements giving effect to those schemes are terminated in accordance with our earlier recommendations (paragraphs 216 and 218).
- (vii) C.P.A. should end the agreement which is still informally maintained with Bleachers' Association Ltd. limiting the extent to which that Association may participate in the printing trade (paragraph 221).

G. C. ALLEN
C. N. GALLIE
I. C. HILL
ARNOLD PLANT
H. L. SAUNDERS
GORDON STOTT
R. E. YEASLEY

WILLIAM HUGHES (*Secretary*).

26th November, 1953.