

## CHAPTER 12 : CONCLUSIONS ON THE PUBLIC INTEREST AND RECOMMENDATIONS

### I. Introduction

273. The annual production of the hard fibre cordage industry in this country is of the order of 80,000 tons, of which about 85 per cent. is sold in the home market. Prices have fluctuated very widely since the war, but at their present level the annual value of home sales is about £12 million. Apart from the Admiralty, there are twenty-two manufacturers ("spinners") in the United Kingdom who make hard fibre cordage from the raw fibre. They range in size from large public companies with factories in different parts of the country to small family businesses with only a few employees. The small businesses for the most part produce only a limited range of cordage; some specialise mainly in packing cords and twines and others retain the traditional maritime connection which has had a determining influence on the location of the industry generally. Most of the larger manufacturers produce all the main types of hard fibre cordage. No single manufacturer or group of inter-connected bodies corporate supplies as much as one-third of the hard fibre cordage supplied in the United Kingdom.

274. All the spinners of hard fibre cordage, except the Admiralty, are members of the Hard Fibre Cordage Federation (H.F.C.F.). The Federation was formed early in the war. There had previously been separate organisations representing sectional interests which were loosely federated with several organisations of makers of soft fibre cordage, but the present close co-operation between manufacturers of hard fibre cordage evolved and was consolidated in the period during and after the war when prices and the marketing of raw materials were controlled by the Government and imports were virtually prohibited.

275. The products of the industry fall into four main classes, corresponding to the four Sections of the Federation; namely ropes, largely for the shipping industry, packing cords and twines for industrial and commercial use, binder and baler twine for agriculture, and trawl twine for fishing nets. Ropes and agricultural twines are the kinds in greatest demand; the relative importance of agricultural twines, which are much simpler products than ropes, has been increasing in recent years.

276. Neither cordage made from soft fibres nor wire ropes at present compete significantly with hard fibre cordage, since each product has its distinctive uses. Further development of cordage made from synthetic fibres may eventually provide effective competition, but we have received no evidence to suggest that the change is imminent. Most manufacturers of hard fibre cordage also make other kinds of cordage or wire ropes. Hard fibre cordage represents rather less than half of the aggregate turnover of all the members of the Federation, and most of the balance is accounted for by other types of cordage and wire ropes.

277. The principal arrangement with which we are concerned is the system of common minimum prices\* operated by the four Sections of the Federation. This system is supported by arrangements which govern distribution and limit and control imports, and by a number of subsidiary arrangements which regulate the practice of manufacturers in matters of detail. There is also the quota system which is outside the scope of the Federation but is operated by 16 of its members through Cordage Manufacturers Association Ltd. (C.M.A.) and affects about four-fifths of the total supplies of hard fibre cordage in the home market.

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\* The system includes the reporting of, and agreement of prices for, certain enquiries (see paragraph 117).

## II. Common Minimum Prices

278. We have set out the Federation's arguments in favour of the common price system in some detail in Chapter 11. Briefly, it claims that the industry is particularly vulnerable to excessive price competition; that in conditions of price competition there would be no sufficient increase of demand to make the lower prices economic; and that the industry would then be unable to maintain its conditions of labour, the quality of its products would deteriorate and some manufacturers would be forced out of business. The Federation therefore believes that competition in price would lead to a concentration of the industry which would be undesirable because it would eventually reduce the degree of competition, and also from the strategic point of view. The Federation further argues that the system is in the public interest because it gives the buyers the benefits of stable prices, of technical co-operation and of enhanced competition in quality and service. The Federation recognises that none of these arguments is valid unless the common prices are reasonable, and it claims that the methods its Sections use to fix prices ensure that they shall be so and that our own investigation of costs has confirmed this.

279. The Federation says that price is a minor consideration for buyers, and this is largely confirmed by the evidence we have received from other sources. Hard fibre cordage is not normally bought by the general public, and, with the possible exception of the fishing industry, there are no industrial and commercial users whose total costs are significantly affected by the price of this item. We do not find it possible to reconcile this state of affairs with the Federation's contention that the manufacturers are particularly vulnerable to excessive price competition. We think on the contrary that, when the manufacturer is relieved of the normal pressure from the buyer to obtain his products at the lowest possible price, it is all the more desirable that other influences should be brought to bear on him to provide him with an incentive to produce his goods as cheaply and efficiently as possible. Price competition from other manufacturers is clearly one of the most important of the influences which might operate in that way.

280. We therefore attach considerable importance to the facts that in this industry the manufacturers who observe common prices are not faced with any independent competition and that there is no satisfactory substitute for the bulk of their products. The Federation not only comprises all the commercial spinners in the United Kingdom, but has also taken steps to ensure that imports from the Irish Republic and St. Helena shall be brought within its price system and to discourage imports from other sources. The members of the Federation are therefore in a position where they can determine their common prices in the knowledge that the market they serve is largely insensitive in matters of price and has no other source of supply.

281. The evidence we have obtained from the manufacturers, including the results of our costing investigation, does not indicate that they have taken advantage of their position to fix prices which are unreasonable in relation to average costs. For reasons we have given in paragraph 230, we have not been able to determine the profits earned on total business accurately, but our investigation of unit costs and of the Federation's methods of price-fixing leads us to believe that the level of average profits has been moderate. It must be remembered, however, that the industry was subject to Government price control until July, 1954, since when it has been under scrutiny for the purposes of our own inquiry. Although we do not question the Federation's good faith when it tells us that it recognises its responsibility for maintaining prices at a "reasonable" level, we are not convinced that prices fixed

by the methods it uses would always bear the same relation to average costs as they do at present. We find it difficult, too, to accept the argument that a group of manufacturers who are for all practical purposes free from competition are qualified to judge what is a "reasonable" price from the standpoint of the public interest. We think that the Federation would come under severe strain unless its Sections' prices taken as a whole were high enough to enable the members with the highest average costs for all specifications to stay in business profitably within the common price system; and we believe that this consideration must influence its judgment of what is a "reasonable" level of price.

282. The Federation suggests that, since its methods of price-fixing are on the whole those that were used for the purpose of Government price control, they must be accepted as reasonable now. We cannot accept this argument. Government price controls were imposed and maintained as a rough and ready means of retarding inflation during and immediately after the war, and there is no justification for regarding the methods used to calculate maximum prices under Government price control as suitable in other circumstances, and still less for adopting the prices so calculated as minima.

283. We have pointed in paragraphs 217-224 to some criticisms which might be made of the Federation's price-fixing methods. In so far as prices are based on costs obtained from certain members, the omission of the costs of one of the largest manufacturers from all calculations and of those of the largest manufacturer of baler twine from the calculations for baler twine is a serious defect. In any event the calculations rely on a number of assumptions and estimates which are derived from the methods used for Government price control; whilst they may have been satisfactory for that purpose the passage of time and changed conditions have diminished their validity. The Federation has said that, although the spread of costs between its members is not wide, the price-fixing formulae do not afford a profit to the highest cost producers of particular types of cordage. The main reason why the spread of costs is not very wide is that raw fibre, for which costs can vary only within narrow limits from member to member, is the preponderant element: the spread of conversion costs, that is of those costs which are most likely to vary with manufacturing efficiency, is in fact very much wider (see paragraph 226). Although, therefore, we accept that according to the Federation's calculations the highest cost producer of any particular specification must often incur a loss, it is also true that for almost every specification examined the common price yields a profit to manufacturers whose conversion costs are considerably above the lowest.

284. We have pointed out in paragraph 279 that price is a minor consideration for most buyers of hard fibre cordage, and in paragraph 280 that the members of the Federation have not to face any competition either from similar products made by independent manufacturers or to a significant extent from substitutes. We have found it impossible to obtain any direct evidence of the effect of the Federation's arrangements upon the level of costs and the efficiency of the industry, but we consider that in these conditions price competition would be an incentive to maintain and increase efficiency and that its absence must have the effect of lessening the stimulus to reduce costs. We have set out in paragraphs 281 to 283 certain considerations which lead us to believe that the Federation's common prices must be, and are in fact, fixed at a level which enables higher cost producers to stay in business. We are required by Section 14 of the Act to take into account, inter alia, the need to achieve the organisation of industry and trade in such a way that their efficiency is progressively increased and new enterprise is encouraged, and for the reasons given above we consider that the Federation's common

price system must tend to discourage efforts to achieve these objects. It follows that we regard the absence of price competition among the manufacturers as prima facie against the public interest unless the common price system produces any effects which are so beneficial as to outweigh the harmful ones. It remains for us to consider whether there are any such beneficial effects.

285. The Federation believes that the system prevents "cut-throat" competition which would lead to harmful deterioration in the quality of the product and in the working conditions of the industry's labour force. Its arguments against unrestricted price competition are drawn from its members' experience, during the inter-war years, of economic conditions that were entirely different from those that prevail at present or are likely to occur in the foreseeable future. The evils it depicts as inevitable concomitants or consequences of price competition seem to us much more likely to arise as a result of conditions of general trade depression and shrinking total demand. It is doubtful whether in slump conditions the present arrangements would effectively prevent their recurrence, and we do not believe that they would occur as a result of price competition in a period of increasing or steady demand. Even if, as the Federation argues, such competition should result in concentration of ownership, it does not follow that the number of factories would be reduced having regard to the need to give service at all important ports and to supply twines to agricultural and commercial users spread all over the country, and also to the availability of labour in different localities. A number of factories in the industry have in fact been taken over by bigger concerns without being closed down in past years. If, however, concentration of production could increase efficiency to such a degree as to outweigh the additional costs of distribution then it would mean on balance a more efficient use of resources and lower prices and might well be in the public interest. The strategic argument for a dispersal of production capacity is a matter for the Government, and the Departments concerned have not suggested that special consideration should be given to the industry in this respect.

286. We are not impressed by the argument that without the common price system there would be competition of a kind that would lead to deterioration in the quality of the product. We find difficulty in reconciling this with the insensitivity of the market to considerations of price on which the Federation itself has laid some emphasis. Hard fibre cordage is not normally bought by the general public; the shipping industry which buys most of the rope is knowledgeable on the subject, and defects in other kinds of cordage are bound to become evident in use very quickly. Since price is not a primary consideration for the buyers, we cannot believe that cordage of inferior quality would become readily marketable simply because it was sold at a lower price; and it appears to us that the manufacturer who maintained his reputation for high quality would be more likely to retain or increase his share of the market than the competitor who cut both prices and quality. We are strengthened in this belief by the statements the Federation and its members have made to us from time to time that British manufacturers enter their very competitive export markets on the basis of the high quality of their goods. In so far as quality may exceed the true requirements of the customer, on the other hand, there is no justification for making him pay for such an excess.

287. The Federation has suggested that the general level of quality and service provided by its members is further enhanced by technical co-operation between them of a kind which would not be possible without co-operation on prices. Some technical co-operation between manufacturers may well be desirable and in the interests of the industry as a whole and of its

customers. We believe that, as experience in other industries shows, co-operation of this kind is feasible without any common price system; and we have seen nothing to suggest that the manufacturers in this industry have co-operated to any unusual degree on such matters.

288. We also find difficulty in accepting the argument that the manufacturers in this industry must co-operate in order to hold their own in the face of strong or highly organised buyers. We have already referred to the comparative unimportance of the cost of hard fibre cordage for most users. Apart from this the market for the industry's products is widely dispersed, and there is no single user or organised group of users which takes a large proportion of its output. As far as dealers are concerned, the discounts they are allowed on most types of hard fibre cordage are too small to enable them to sell at prices lower than those fixed by the manufacturers, who themselves sell direct to users in competition with the dealers; the manufacturers are, therefore, in a stronger position than in many industries. This is not true of agricultural twine, which is mostly sold to users through dealers; but the dealers in that case handle many other goods of more importance to them, and there is no evidence that they have exerted strong pressure on the manufacturers. There remains the National Association of Rope and Twine Merchants (N.A.R.T.M.), whose members handle less than half of the packing cords and twines, and less than 10 per cent. of the hard fibre cordage, sold by the Federation's members in the home market. This Association has only recently become, with some encouragement from the Federation, a fairly comprehensive organisation of dealers in packing cords and twines, and we can again find no evidence that it has been, or is likely to be, able to exert abnormal pressure on the manufacturers.

289. The Federation also argues that the common price system produces more stable prices than a fully competitive system and that this is of benefit to the buyers. The force of this argument is weakened by the general insensitivity of the market to the level of prices and, therefore, to changes in price. Moreover, stability of price is not necessarily desirable when the prices of the manufacturers' principal raw materials are liable to fluctuate; and we see no reason why a manufacturer should not be free to change his selling price at any time in the light of changes in his costs. The Federation has also advanced the argument that common prices, based on averaging periodic quotations from hemp merchants rather than on actual prices paid for raw material, reduce the manufacturer's incentive to buy and sell fibre speculatively. Whether this practice would be desirable or not, the marketing of sisal and manila fibres—much the most important materials used by the industry—is so organised at present as to render speculative buying and re-selling very difficult; but if the manufacturer had a greater incentive to buy his materials at the cheapest price, it is possible that the fibre market itself might become rather more competitive, and the benefits of skilful buying of fibre could be shared with the purchaser of cordage.

290. It follows from what we have said in paragraphs 285 to 289 that, in our opinion, the Federation has not shown that its common price system produces any effects beneficial to the public; and we have received no evidence of such effects from other sources. Having regard, therefore, to the harmful effects which we have dealt with in paragraphs 279 to 284, we conclude that the common price system operates, and may be expected to operate, against the public interest. We recommend that it should be brought to an end and that each manufacturer should be free to determine his own selling prices. We also recommend that the Federation and its Sections should cease to concern themselves with questions of prices and that no other organisation should be set up or used by hard-fibre cordage manufacturers for this purpose.

### III. Distribution

291. The principal arrangements operated by the Federation in connection with the distribution of hard fibre cordage are those concerned with the common discounts and aggregated rebates to be allowed to specified buyers, with resale price maintenance and with exclusive dealing. Some of these arrangements are integral parts of, and all of them support, the common price system, and it follows from our conclusion in paragraph 290 that we consider that in this respect they operate against the public interest. We have, nevertheless, also considered whether these arrangements are against the public interest in themselves, and should not be allowed even in conditions of price competition.

292. The Federation has argued that, while common discounts are essential to a common price system, they are also a feature of many industries which do not observe common prices; the pre-war experience of its members suggests that the discounts would tend to be uniform in any event. They also say that the lists of persons entitled to these discounts are intended to cover all *bona fide* traders and cannot hamper new entrants to the field of distribution. In the absence of common prices we should see no objection to common discounts if they were merely recommended and in no way obligatory: it is in our opinion desirable that the individual manufacturer should be free not to accept the recommendations and to settle and vary his discounts according to his own view of the requirements of his business. There are also certain other features of the present arrangements for discounts which seem to us objectionable apart from the support that they give to the common price system. Whether or not common selling prices are observed, we think it undesirable that the manufacturers should collectively agree to allow uniform rates of discount to listed dealers whom they select as eligible and only to those dealers. We think this practice particularly undesirable when, as in the case of the N.A.R.T.M., the qualification for selection is membership of a particular association of dealers; in such circumstances it is the immediate competitors of the new applicant for dealer's terms who decide whether or not he may compete with them on an equal basis. The N.A.R.T.M. has told us that it is its wish to bring into its arrangements "all those firms who are considered to be engaged in the trade as genuine rope and twine merchants" and that any non-member can work up a business of a kind entitling him to admission by trading in small lots. We cannot accept these arguments. The question whether or not a particular dealer is a "genuine rope and twine merchant" must ultimately be a matter of opinion, and, however scrupulous the Association may be in intention, it is most undesirable that the newcomer should be judged by those with whom he wishes to compete. Trading in small lots is not, in any event, the normal business of a cord and twine merchant, and the N.A.R.T.M. itself has told us that "even though merchants can and do justly obtain higher prices [than the list price] for small quantities on occasion, they very often lose such business to manufacturers". It appears to us, therefore, that the Federation's arrangements for discounts to listed dealers, including the agreement between its Cord and Twine Section and the N.A.R.T.M., must hamper the entry of newcomers to the field of distribution and make for rigidity in the trade; and we conclude that they may be expected to operate against the public interest even if there is no common price system.

293. As to aggregated quantity rebates, the Federation defends them on the ground that they are a necessary concession to the large buyers. In its view such arrangements are more desirable than those which individual manufacturers would have to make if there were no common prices, since

the aggregation of purchases from all manufacturers for the purpose of rebate leaves the buyer free to choose his own supplier or suppliers and spread his purchases. Although we see some force in this argument, the objection to aggregated rebates is that they hamper an independent manufacturer in the marketing of his goods, since a relatively small order placed with him may mean a reduction in the rate of rebate allowed on the buyer's orders from manufacturers within the system. This consideration is not weakened by the circumstance that there are at present no independent manufacturers in this industry; we do not see why a newcomer, if there were one, should be forced to join the Federation or existing members be deterred from leaving it. We think it unlikely that the arrangements for aggregated quantity rebates would be maintained without a common price system, but we conclude that, if they are, they may be expected to operate against the public interest.

294. Although the members of the Federation agree to maintain their common prices on resale, they have no machinery for enforcement. The Federation says that resale price maintenance is particularly necessary because the manufacturers sell direct to users in competition with dealers. In fact the margins allowed to dealers by the Federation afford little opportunity for price-cutting and this considerably reduces the need to enforce resale price maintenance. The objection to collective agreement to maintain resale prices is the rigidity which it promotes in distribution, and we conclude that the Federation's arrangements for resale price maintenance may be expected to operate against the public interest even if there is no common price system.

295. As to exclusive dealing by shiphandlers and members of the N.A.R.T.M., the Federation defends its arrangements on the ground that in practice they discriminate only against foreign producers. For reasons which we give more fully in paragraph 298 we think that action to restrict imports should not be a matter for the manufacturers. In any event, we consider that the exclusive dealing provisions, like the aggregated rebates, might tend to deter potential newcomers from entering both manufacture and distribution; and we conclude that they may be expected to operate against the public interest even if there is no common price system.

296. We recommend, therefore, that the arrangements for obligatory common discounts to specified buyers, for aggregated quantity rebates, for collectively agreed resale price maintenance and for exclusive dealing should all be brought to an end. We also recommend that the agreement between the Cord and Twine Section of the Federation and the N.A.R.T.M. should be terminated.

#### IV. Imports

297. It follows from our conclusion about the common price system that the Federation's arrangements for controlling the prices at which hard fibre cordage imported from the Irish Republic and St. Helena is sold in this country are also, in our view, against the public interest. The undertaking given by Irish Ropes Ltd. to observe Federation prices when selling in the United Kingdom is part of a wider arrangement which also affects sales in the Irish Republic by members of the Federation. Since our reference does not cover exports we are not required to judge whether this arrangement brings advantages in the export market to counter-balance its disadvantageous effects in the home market, and we make no recommendation about it. In the absence of a common price system the undertaking to observe Federation prices would cease to have any meaning. We see no objection to the continuance of the arrangement by which cordage imported from St. Helena is

marketed by the manufacturers in this country, provided that each manufacturer who handles it is left free to determine his own selling price.

298. Members of the Federation have also adopted certain measures to prevent or discourage the importation of hard fibre cordage. These include the arrangement with Irish Ropes Ltd. under which that company has undertaken not to import some kinds of twines into the United Kingdom without the Federation's consent, the agreements with the manufacturers in Belgium and Holland by which imports from those countries are severely restricted, and the agreement under which members of the N.A.R.T.M. undertake not to buy foreign packing cords and twines. The Federation argues that, since the home industry meets all home needs at reasonable prices, these arrangements save unnecessary expenditure of foreign currency and avoid distress and unemployment in the home industry. We think that such matters cannot properly be decided by the manufacturers. Except for imports from the Irish Republic and the Commonwealth, imported cordage is subject to a tariff; if any further action should be called for to restrict imports it should be undertaken by the Government. The effect of the arrangements is to support the common price system and to provide protection against overseas competition over and above that provided by the tariff. We conclude accordingly that the agreements and arrangements mentioned above, so far as they affect imports, operate, and may be expected to operate, against the public interest.

299. Another measure adopted by members of the Fédération when they were expecting the Belgian manufacturers to enter the British market was to place stocks in Belgium, jointly, "as a demonstration of the fact that United Kingdom spinners are determined to invade their [the Belgian competitors'] market" (see paragraph 72). We think that this action, which was agreed upon in principle at a time when imports from Belgium were strictly limited by a Government quota arrangement, was against the public interest, and that any similar action in future taken for the purpose of deterring any foreign competitors from seeking a market in this country in the ordinary course of their business would be against the public interest.

300. We have recommended in paragraph 296 that the agreement with the N.A.R.T.M. should be terminated. As we have explained in paragraph 297, the arrangement with Irish Ropes Ltd. has a bearing on exports as well as on supply in the home market; and this is also true of the agreements and arrangements with the Belgian and Dutch manufacturers and of the action referred to in paragraph 299. For the reason given in paragraph 297 we make no recommendation about these arrangements.

## V. Other Federation Arrangements

301. The Federation has told us that it regards many of its other supporting arrangements as incidental, but essential, to the common price system. In so far as they are operated for this purpose alone, our general conclusions about the common price system apply to these supporting practices. The Federation has suggested, however, that the arrangements are all justifiable in their own right as a code of good business practice based on informed opinion and practical experience. Although we consider it questionable whether a system of rules designed primarily to buttress a common price system will be likely to form the most desirable code for the industry, we would not regard these supporting arrangements as necessarily all against the public interest if the common price system were brought to an end.

302. Those of the Federation's supporting arrangements which appear to us to operate against the public interest include the prohibition on the manufacture and sale of any manila trawl twine better than the pre-war "second quality" twine, and the prohibition on the sale of cords and twines made from waste fibre. It is contrary to the interests of consumers that individual manufacturers should be prevented from meeting any demand that may exist for cordage of these kinds of very high or of relatively low quality.

303. We consider that the control of prices of roping yarn and the prohibition on spinning for non-members of the Federation on commission also operate against the public interest. Both practices, apart from supporting the common price system, seem to us to be additional deterrents to potential new entrants to the field of manufacture.

304. We consider that each manufacturer should be free to decide for himself, in the light of his own and his customers' available transport, whether to charge delivered or "ex works" prices. We think any collective regulation in this respect makes for undue rigidity which may prevent the most efficient use of transport, and that it, therefore, operates against the public interest.

305. As regards the provisions governing the sizes and runnages of cordage that may be offered for sale and the breaking strains to be quoted, we recognise that economies in manufacture may be obtained through standardisation of sizes, and that it may be desirable to adopt a conservative basis for the breaking strains which are claimed. We see no objection to the Federation's issuing a recommended code of normal practice in such matters but we think that the buyer should be able to obtain the kind of cordage he wants if he is willing to pay for it, and that the Federation's arrangements operate against the public interest in so far as they are obligatory.

## VI. Pool and Quota Scheme

306. The members of C.M.A. have told us that the pool and quota scheme is intended primarily as a safeguard against conditions of falling demand, such as prevailed in the nineteen thirties, and that it is kept in being because it would be difficult to re-start if these conditions returned. The Association argues that the payments into the pool, being small in relation to profits, do not deter individual manufacturers from expanding their trade, but that the compensation paid out of the pool is sufficient to discourage panic price-cutting when an individual manufacturer suffers a disproportionate loss of business. We are unable to accept this reasoning. If the penalties are too small to be a deterrent to expansion, it is difficult to understand how the compensation payments, which are at rather lower rates than penalties, can do much to discourage panic price-cutting. The penalty of £3 15s. Od. a ton, however, represents on average about half the profit on any sale incurring penalty, and in our view is a consideration tending to make managements rather less zealous for sales after they reach a certain point, notwithstanding the subsequent adjustment of quota which such excess sales would eventually earn. From the evidence it seems to us that the pool and quota scheme was evolved on the assumption that post-war conditions in the industry would resemble those in the nineteen thirties when, we are told, "excessive competition had reduced the industry to deplorable conditions". We consider that this assumption is not a reasonable one on which to base industrial policy. We conclude that, in as much as the scheme may tend to discourage the efficient manufacturer from expanding and preserve the less efficient in

business, it operates, and may be expected to operate, against the public interest. We recommend that the scheme should be brought to an end, and that no other arrangement involving the allocation of trade shares or quotas or the payment of compensation between manufacturers should be set up.

### VII. Acquisition of Assets of Former Manufacturers

307. Although it is not a matter in which the Federation itself has taken any action, some of its members have, on two occasions, jointly acquired the assets of manufacturers who were going out of business. The Federation has told us that this action was taken only after the proprietors of the businesses in question had tried and failed to find other purchasers. Any collective action by manufacturers designed to discourage or prevent an existing business from being carried on by a new proprietor would obviously raise some important questions of public interest, but we accept the assurance of the manufacturers that they have not been parties to any such arrangement.

### VIII. Summary of Conclusions and Recommendations

308. Our principal conclusions and recommendations may be summarised as follows :

- (1) The Hard Fibre Cordage Federation's common price system operates and may be expected to operate against the public interest, and should be brought to an end (paragraphs 278-290).
- (2) The Federation's arrangements for discounts to listed dealers, for aggregated quantity rebates, for resale price maintenance, and for exclusive dealing support the common price system but may also be expected to operate against the public interest in conditions of price competition ; they should be brought to an end (paragraphs 291-296).
- (3) The Federation's arrangements for controlling the prices at which hard fibre cordage imported from the Irish Republic and St. Helena are sold in this country, and for preventing or discouraging imports from some sources operate and may be expected to operate against the public interest. The agreements and arrangements with Irish Ropes Ltd. and the Belgian and Dutch manufacturers affect exports as well as supply in the home market and we make no recommendations about them. If the members of the Federation continue to handle cordage imported from St. Helena they should be free to determine their selling prices individually (paragraphs 297-300).
- (4) For the reasons given in (2) and (3) above, the agreement with the National Association of Rope and Twine Merchants operates and may be expected to operate against the public interest, and should be brought to an end (paragraphs 290, 292, 296 and 300).
- (5) Other Federation arrangements which operate against the public interest are:
  - (i) the prohibition on the manufacture and sale of any manila trawl twine better than the pre-war "second quality" twine (paragraph 302) ;
  - (ii) the prohibition on the sale of cords and twines made from waste fibre (paragraph 302) ;
  - (iii) the control of prices of roping yarn (paragraph 303) ;

(iv) the prohibition on spinning on commission for non-members of the Federation (paragraph 303);

(v) the obligation to charge delivered instead of ex works prices for certain kinds of cordage (paragraph 304).

- (6) The Federation's arrangements governing the sizes and runnages of cordage and the breaking strains to be quoted operate against the public interest in so far as they are obligatory, but it would not be against the public interest for the Federation to issue a recommended code of practice (paragraph 305).
- (7) Cordage Manufacturers Association Ltd.'s pool and quota scheme operates and may be expected to operate against the public interest, and should be brought to an end (paragraph 306).

DAVID CAIRNS (*Chairman*).

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1st December, 1955.