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GENERAL AGREEMENT ON TARIFFS AND TRADE

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COTTON TEXTILES COMMITTEE

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The British Cotton Textile Industry

1. The broad history of contraction and reorganization of the British cotton industry over the past decade is well-known: it is illustrated in the attached chart. This was a continuation of a process of contraction but has continued over a large period of time.
2. Since the Long-Term Arrangement was negotiated the processes of contraction and reorganization have continued and this note briefly indicates the nature of the changes which have been occurring.
3. The Cotton Industry Act, 1959 provided Government financial assistance for scrapping of excess capacity and for re-equipment. The Government contributed two thirds of the compensation for scrapping excess capacity in the spinning, doubling and weaving sections of the industry and about a quarter in the finishing sector. The remainder was borrowed from the banks who are being repaid out of the proceeds of a levy on firms remaining in the industry. The total amount of compensation paid was £21.2 million of which £11.5 million has been paid by the Government and £9.7 million by the industry.
4. The Government also agreed to pay one quarter of the cost of approved re-equipment schemes, the remainder being paid by the firms concerned. Although purchase and installation of machinery had to be completed by 8 July 1964, not all claims for grant have yet been received. We believe that the total cost to the Government for re-equipment will be about £12 million.
5. In addition, there was a levy on firms remaining in the industry in respect of compensation payable to employees who became redundant as a result of scrapping and re-equipment under the Act. The cost so far is £4.5 million but it may be higher in the end.
6. Although the main schemes under the 1959 Act are now complete, firms in the industry have been continuing the reorganizing and rationalizing production and marketing. Productivity has been increasing and multiple shift-working has become more common. The contraction in production capacity has continued as the following figures indicate:

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	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Spindles in place (million ring equivalent)	8.7	8.0	6.7	5.9 ⁽¹⁾
Looms in place in Lancashire (thousands)	150	140	126	119 ⁽¹⁾
Production units closed (number)	72	61	73	38 ⁽²⁾
Persons at work (thousands)	194	178	165	162 ⁽³⁾

(1) Second quarter.

(2) From beginning of year until end September.

(3) Mid-year.

7. These trends are likely to continue but prediction is very difficult partly because allowance has to be made for increases in production and because assumptions which may be fragile have to be made about trends in consumption in cotton textiles. Over the past year or two major producers of synthetic fibres have acquired substantial interests in the British cotton textile system and this is designed to bring about further modernization of both production and distribution.

