

RESTRICTED

GENERAL AGREEMENT ON TARIFFS AND TRADE

G/18
21 August 1952

General Distribution

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UNITED KINGDOM PURCHASE TAX

Memorandum by the United Kingdom Government
dated 16 August 1952

1. The United Kingdom Government have pleasure in informing the Contracting Parties of the new arrangements with regard to Purchase Tax on textiles, clothing and footwear which were provisionally introduced in March 1952 in the Budget, and which, with certain subsequent modifications, are now in force under the Finance Act, 1952. These arrangements remove the discrimination in regard to Purchase Tax between domestically-produced and imported textiles, clothing and footwear, thus bringing the administration of Purchase Tax into full conformity with the provisions of the General Agreement.
2. The new arrangements are described in the Notice of August 1952 by the Commissioners of Customs & Excise which is attached as Annex I¹: this includes the modifications made since the introduction of the Budget. In brief, all the textiles, clothing and footwear specified in the Appendix of the Notice, irrespective of whether they are domestically produced or imported, will be exempt from Purchase Tax if the wholesale value does not exceed the appropriate "D figure". On goods of higher value, Purchase Tax will be charged only on the excess of the wholesale value over the "D figure". The rates of Purchase Tax have, moreover, been reduced, and are now 25 per cent on clothing (other than fur garments), footwear and bedding, 50 per cent on cloth and household textiles and 100 per cent on fur garments, as compared with the previous rates of 33⅓ per cent, 66.2/3 per cent and 100 per cent respectively formerly charged on the whole value of non-Utility articles. The existing exemptions from Purchase Tax, including those for children's clothing and footwear and for certain types of industrial textiles and footwear, will continue unchanged. (The new arrangements will not apply for the time being to furniture, for which, pending further consideration, the existing Utility scheme will continue. As the Contracting Parties are aware, arrangements have for long been in force for the importation, free of Purchase Tax, of furniture complying with the Utility specifications).

¹ "Notice by the Commissioners of Customs & Excise: Purchase Tax: D Relief" (Notice No. 78D Revised); a printed copy has been sent to each contracting party.

3. These arrangements have been decided upon in the light of the Report (copy attached as Annex II)² of the independent Committee appointed last summer to review the operation of Purchase Tax in regard to those classes of goods within which Utility schemes operate. The Contracting Parties may be particularly interested to note Chapter 5 (especially paragraph 81) of the Report, which explains the difficulties which made it impracticable to effect the general removal of the discrimination against imports except by the radical step of severing the link between the Utility specifications and Purchase Tax exemption. The impracticability of effecting the general removal of the discrimination at an earlier date will be readily understood in the light of these circumstances.

4. The United Kingdom Government are glad that it has now been possible to take this action to remove the Purchase Tax discrimination. They wish to avail themselves of this opportunity of expressing their appreciation of the understanding attitude on this matter which had been shown, both by those individual contracting parties who have had bilateral discussions with the United Kingdom Government and by the Contracting Parties collectively when the matter was discussed at their Fifth and Sixth Sessions.

² "Report of the Purchase Tax/Utility Committee" (Cmnd 8452); a printed copy has been sent to each contracting party.

This Notice, which should be read in conjunction with Notice No. 78, supersedes Notice No. 78D (March, 1952) and incorporates changes made during the passage through Parliament of the Finance Bill, 1952, and decisions published by the Commissioners up to 30th June, 1952.



NOTICE BY THE COMMISSIONERS OF CUSTOMS AND EXCISE

PURCHASE TAX

D RELIEF

WEARING APPAREL, CLOTH, DOMESTIC TEXTILE ARTICLES, SOFT FURNISHINGS AND BEDDING

1. **Deductions from value.**—In the case of the goods comprised in the list in the Appendix to this Notice, a deduction from the statutory wholesale value of the amount shown against the appropriate item may be made in determining the amount of Purchase Tax payable; i.e. tax is payable only in respect of the excess, if any, of the statutory wholesale value over the deduction, called the "D relief", or "D" for short. Thus, if the statutory wholesale value of a particular type of shirt is less than 17s. 6d. (see item M.8), no tax is payable. If, on the other hand, the statutory wholesale value is 23s. 6d., tax is payable only on the difference between that value and the D figure, viz. on 6s.

These arrangements in no way affect the existing statutory exemptions, e.g. for young children's garments and footwear, nor the rules for determining the rate of tax to which particular goods are liable (see Notice No. 78). Nor do they affect their statutory wholesale value, which may differ from the invoice price. After the rate of tax and the statutory wholesale value have been determined, the effect of the scheme is merely to permit the D relief to be deducted from that value in calculating the tax.

NOTICE No. 78D (REVISED)

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2. Goods falling under more than one heading.—In such cases, the article is deemed to fall within the heading carrying the lower or lowest D figure for the goods concerned, irrespective of the rate of tax to which they may be liable.

3. Goods of a value not exceeding the D figures.—Such goods are treated for general Purchase Tax purposes as "chargeable goods". Sales between registered traders as stock for resale or materials for manufacture should be covered by a Statement or General Letter in the usual manner as provided in paragraph 19 of Notice No. 77. The position as to registration is governed by paragraph 6 of that Notice; manufacturers of goods of a value at or below the D figure are liable to registration.

4. Imports.—Importers of goods in respect of which D relief is claimed must, in addition to the usual particulars, furnish in columns 4 and 5 respectively of the Form P.T.9 the description and the relative code number shown in the Appendix, whether or not any tax is in fact payable. Paragraph 61 of Notice No. 77 should be interpreted accordingly.

5. Accounting arrangements.—

(a) The code number in the Appendix should be shown on the invoice against each item in respect of which D relief is claimed, whether or not any tax is in fact payable.

(b) If a registered trader is selling two or more different qualities or lines of a particular article for which he would normally charge different prices, he must treat each different quality or line separately for the purpose of calculating D relief. It is not open to him to lump them together at an average price for the purpose of reducing the net margin of value on which tax is payable.

APPENDIX

(Certain general provisions governing this list are printed at the end)

I. WEARING APPAREL (INCLUDING HANDKERCHIEFS)

A. ARTICLES OF MEN'S OR BOYS' WEAR OF ANY OF THE FOLLOWING DESCRIPTIONS:—

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
M.1	Overcoats, cloaks and raincoats, being garments exceeding 42 inches in length:	
(a)	of Class A material, fully-lined or lined at least down to the waist (including the sleeves, if any), or of sheepskin	£6 10s. 0d. each
(b)	of Class A material, not so lined	£2 5s. 0d. each
	This item deals mainly with ordinary wool overcoats, but it covers also such articles as wool gaberdine raincoats and duffle coats over 42 inches in length. (Shorter duffle coats fall under M.3(b)). M.1(a) is regarded as including garments which are lined in the sleeves, the buggy, and the foreparts at least down to the tops of the side pockets.	
	This and some of the following items cover a wide range of academic, ecclesiastical, legal, etc., garments, e.g. cassocks, surplices and gowns, and also of uniforms and industrial protective clothing.	
M.2	Overcoats, cloaks, raincoats, mackintosh coats, oilskin coats, fishermen's oilskin frocks and overall coats, being garments exceeding 42 inches in length and of Class B material:	
(a)	fully-lined	£4 15s. 0d. each
(b)	of double-texture cloth and not fully-lined	£3 10s. 0d. each
(c)	not of double-texture cloth nor fully-lined	£2 5s. 0d. each

This item covers in general all non-wool overcoats and rainwear over 42 inches in length.

"Double-texture" cloth in this connection means fabric consisting of two layers of cloth stuck together by an interposed layer of rubber or other proofing. "Reversible" cloth woven in one operation is not for this purpose regarded as double-texture.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D</i>	<i>Figure</i>
M.3	Coats, cloaks and overall coats, being garments not exceeding 42 inches in length, jackets (not including blouse-type jackets or pyjama jackets), blazers, overall jackets, waterproof capes and fishermen's oilskin skirts:		
(a)	of Class A material, fully-lined, or of sheepskin	£4	0s. 0d. each
(b)	of Class A material, not fully-lined	£2	5s. 0d. each
(c)	of Class B material, fully-lined or of double-texture cloth	£2	0s. 0d. each
(d)	of Class B material, but not of double-texture cloth nor fully-lined	£1	5s. 0d. each
	This item covers in general jackets and analogous articles. It may be taken as including frock coats, morning coats and evening dress coats with tails.		
	Cycling capes may be regarded as within this item unless they are obviously suitable only for women (in which case they fall under W.3).		
M.4	Blouse-type jackets, waistcoats, cardigans, jerseys, sweaters, pullovers, slipovers and bedjackets	£1	1s. 0d. each
	"Blouse-type jackets" includes lumber jackets, wind-cheaters, blouse-type cycling jackets, blouse-type golf jackets and industrial overall blouses.		
M.5	Trousers (not including pyjama trousers), overall trousers, oilskin trousers, plus-fours, breeches, jodhpurs, kilts and bib-and-brace overalls:		
(a)	of Class A material	£2	5s. 0d. each
(b)	of Class B material	£1	15s. 0d. each
	"Breeches", in this connection, are articles which fasten below the knee.		
M.6	Shorts and knickers:		
(a)	of Class A material	£1	12s. 0d. each
(b)	of Class B material		10s. 0d. each
	This item includes football, running and other athletic shorts.		
M.7	Thigh-length leggings:		
(a)	of double-texture cloth	£1	3s. 0d. per pair
(b)	not of double-texture cloth		15s. 0d. per pair
	This item is regarded as covering painters' slips.		

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
M.8	Shirts (with or without collar attached) This item includes T shirts and cricket, tennis and other sports shirts. It does not relate to undervests, which are sometimes called "shirts".	17s. 6d. each
M.9	Shirt collars and shirt neckbands	1s. 9d. each
M.10	Dressing-gowns and bath-robés: (a) of Class A material	£3 15s. 0d. each
	(b) of Class B material	£2 0s. 0d. each
M.11	Aprons (with or without bib): (a) of leather, rubber or asbestos	£1 10s. 0d. each
	(b) of material other than leather, rubber and asbestos	12s. 0d. each
M.11(b)	covers such articles as butchers', chefs' and carpenters' aprons.	
M.12	Overall boiler suits, overall gowns and overall smocks, being garments exceeding 42 inches in length	£2 5s. 0d. each
M.13	Pyjama jackets and pyjama trousers	10s. 0d. each
M.14	Nightshirts	£1 0s. 0d. each
M.15	Undervests, singlets, pants, trunks and drawers: (a) of Class A material	14s. 0d. each
	(b) of Class B material	4s. 0d. each
M.16	Combinations: (a) of Class A material	£1 5s. 0d. each
	(b) of Class B material	7s. 0d. each
M.17	Bathing costumes, bathing trunks and swimming drawers: (a) of Class A material	10s. 0d. each
	(b) of Class B material	2s. 0d. each
M.18	Stockings and socks: (a) of Class A material	5s. 6d. per pair
	(b) of Class B material This covers three-quarter hose.	2s. 6d. per pair

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
M.19	Boots and bootees This item covers football boots and cricket boots.	£3 0s. 0d.* per pair
M.20	Shoes (including sandals, but not including slippers): (a) with uppers of leather (b) of rubber or with moulded rubber soles and uppers of fabric (c) of any other description This item covers golf shoes and tennis shoes.	£2 0s. 0d. per pair 15s. 0d. per pair £1 5s. 0d. per pair
M.21	Slippers	£1 5s. 0d.† per pair
M.22	Articles of headgear, of woven cloth, being either articles suitable only for infants' wear or caps, berets, sou'westers or industrial hats, and articles of headgear of knitted cloth or wholly or mainly knitted This item includes Service and other uniform cloth caps with or without peaks, sou'-westers, bakers', chefs', and other industrial cloth hats, and woven headgear suitable for wear <i>only</i> by infants, i.e. babies and children up to about five years of age. Men's felt and straw hats are not included.	8s. 0d. each
M.23	Gloves: (a) articles which apart from any stitchings, fastenings or trimmings are wholly knitted or made wholly of woven or knitted cloth (b) articles of any other description "Gloves" includes mitts, mittens and gauntlets.	3s. 0d. per pair 12s. 0d. per pair
M.24	Scarves, knitted or woven: (a) of Class A material (b) of Class B material This item covers stoles. As regards square articles of the kind which may be used as either scarves or handkerchiefs see note under item H.2.	10s. 0d. each 3s. 0d. each
M.25	Braces	4s. 0d. each

* Prior to 14th May, 1952, the D for men's boots and bootees made wholly or partly of fur or imitation fur, or lined otherwise than with cotton fabric or leather, was £2 per pair.

† Prior to 14th May, 1952, this figure was 15s. per pair.

**B. ARTICLES OF WOMEN'S OR GIRLS' WEAR OF ANY OF
THE FOLLOWING DESCRIPTIONS:—**

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
W.1	Overcoats, coats, cloaks and raincoats, being garments exceeding 42 inches in length:	
(a)	of Class A material	£6 10s. 0d. each
(b)	of fur skin	£12 0s. 0d.* each
W.2	Overcoats, coats, cloaks, capes (but not including cycling capes), raincoats and macintosh coats, being garments exceeding 42 inches in length and of Class B material:	
(a)	fully-lined	£4 0s. 0d. each
(b)	of double-texture cloth and not fully-lined	£3 0s. 0d. each
(c)	not of double-texture cloth nor fully-lined	£2 0s. 0d. each
	See notes under M.1 and M.2 as regards the scope of the items and the meaning of "double-texture".	
W.3	Jackets (not including blouse-type jackets or pyjama jackets), blazers, coats, cloaks, capes (not including cycling capes) and overalls with sleeves, being garments exceeding 20 inches in length but not exceeding 42 inches in length; cycling capes exceeding 20 inches in length, waistcoats with sleeves, blouses, shirt-blouses, shirts (with or without collar attached), cardigans of woven or knitted cloth and jumpers of woven or knitted cloth:	
(a)	of Class A material, fully-lined	£4 0s. 0d. each
(b)	of Class A material, not fully-lined	£2 0s. 0d. each
(c)	of Class B material, fully-lined or of double-texture cloth	£1 15s. 0d. each
(d)	of Class B material, but not of double-texture cloth nor fully-lined	16s. 0d. each
(e)	of fur skin	£8 0s. 0d.† each

As regards cardigans and jumpers see note under W.5.

As regards cycling capes see note under M.3.

* Prior to 14th May, 1952, this figure was £6 10s. 0d.

† Prior to 14th May, 1952, this figure was £4 0s. 0d.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
W.4	Boleros, jackets and capes, being garments not exceeding 20 inches in length, and fur stoles containing not less than 2 square feet of fur skin measured on the leather:	
	(a) of fur skin	£4 10s. 0d.‡ each
	(b) of any other description	£1 0s. 0d. each
	In general this covers "short coats" and analogous articles. Marabout feather capes sometimes known as "feather boas" are included.	
	Tails, paws and heads should not be included in the area of fur stoles.	
W.5	Blouse-type jackets, sleeveless waistcoats, knitted jumpers, knitted cardigans, jerseys, sweaters and bed-jackets	£1 0s. 0d. each
	This item covers cardigans and jumpers for which the main components, e.g. the body and sleeves, are made individually as such on a knitting machine. It also includes hand-knitted articles although in most cases these will be exempt under Group 1(k) (see Notice No. 78). All other cardigans and jumpers are within W.3.	
	As regards "blouse-type jackets" see note under M.4.	
W.6	Skirts, kilts, divided skirts, shorts, slacks, breeches, jodhpurs and bib-and-brace overalls:	
	(a) of Class A material	£2 0s. 0d. each
	(b) of Class B material	£1 5s. 0d. each
	"Shorts" in this item means articles clearly distinguishable from the kinds worn by men. "Slacks" covers jeans.	
	The item includes skirts with braces or with a bib on the front only.	
	As regards "breeches" see note under M.5.	
W.7	Dresses, pinafore-dresses, gym tunics, house-coats, dressing-gowns and bath-robés:	
	(a) of Class A material	£3 15s. 0d. each
	(b) of Class B material	£2 0s. 0d. each
	This item includes skirts on bodice or with bib back and front.	
W.8	Overalls exceeding 42 inches in length, boiler suits and overall gowns	£2 0s. 0d. each

‡ Prior to 14th May, 1952, this figure was £1 0s. 0d.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
W.9	Aprons (with or without bib) and pinarettes This includes pinafores.	5s. 0d. each
W.10	Shirt collars and shirt neckbands "Collars" covers only collars of a type similar to those worn by men.	1s. 9d. each
W.11	Pyjama jackets and pyjama trousers	10s. 0d. each
W.12	Nightdresses	15s. 0d. each
W.13	Slips, petticoats and cami-knickers "Petticoats" includes waist-petticoats.	8s. 6d. each
W.14	Undervests, spencers, camisoles and bodices: (a) of Class A material	9s. 0d. each
	(b) of Class B material Blousettes, modesty vests or blouse-fronts are not covered by this list.	3s. 0d. each
W.15	Knickers, pantees and briefs: (a) of Class A material	6s. 0d. each
	(b) of Class B material	4s. 0d. each
W.16	Combinations: (a) of Class A material	0s. 0d. each
	(b) of Class B material	7s. 0d. each
W.17	Corsets (not including roll-on elastic belts) and corselettes This item does not include:— (i) articles not exceeding 10 inches at the deepest part. (These are regarded as suspender belts under W.18) (ii) articles falling within the following definition (these are regarded as roll-on elastic belts under W.18):— Belts which, apart from finishing at top or bottom or the addition of suspenders or crutch piece, are wholly made either— (a) from tubular knitted, netted or crocheted elastic material, or (b) from one or more pieces of identical knitted, netted or crocheted elastic material sewn together in tubular form.	£1 £1 0s. 0d. each

The addition of a crutch piece to a corset or a roll-on elastic belt does not cause such a garment to be classified as a pantee under W.15.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
W.18	Brassieres, suspender belts and roll-on elastic belts This does not include ordinary body-belts without suspenders.	5s. 6d. each
W.19	Bathing costumes (including two-piece and three-piece bathing costumes)	11s. 6d. per costume
W.20	Stockings and three-quarter hose: (a) of Class A material (b) of Class B material W.20(a) covers bedsocks provided that they are more than ankle length.	5s. 6d. per pair 3s. 6d. per pair
W.21	Ankle socks: (a) of Class A material (b) of Class B material	2s. 0d. per pair 1s. 3d. per pair
W.22	Boots and bootees	£3 0s. 0d.* per pair
W.23	Shoes (including sandals and slippers): (a) with uppers of leather (b) of rubber or with moulded rubber soles and uppers of fabric (c) of any other description This item covers golf shoes and tennis shoes.	£1 17s. 0d. per pair 15s. 0d. per pair £1 8s. 0d. per pair
W.24	Articles of headgear, of woven cloth, being either articles suitable only for infants' wear or articles forming part of a matching set with a coat not exceeding 42 inches in length or caps, berets, hoods, sou'westers or industrial hats, and articles of headgear of knitted cloth or wholly or mainly knitted The effect of this item is to give D relief to the following goods:— 1. All headgear which is wholly or mainly knitted or of knitted cloth. 2. Woven articles for infants' wear. This covers articles suitable only for infants, i.e. babies and children up to about five years of age. 3. Woven articles forming part of a matching set with a coat not exceeding 42 inches in length.	8s. 0d. each

* Prior to 14th May, 1952, the D for women's boots and bootees made wholly or partly of fur or imitation fur, or lined otherwise than with cotton fabric or leather, was £1 17s. 0d. per pair.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
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W.24 Articles of headgear, etc.—contd.

4. Woven caps, berets, hoods, sou'westers and industrial hats.

In this item "caps" covers Service and other uniform caps, and nurses' storm caps. Apart from these it covers *only* the plain type of cloth cap which is sometimes worn by industrial workers and is of the kind similar to those worn by men. "Berets" covers only the plain untrimmed basque type of beret.

It should be noted that (apart from knitted goods and articles of knitted cloth) the item does *not* cover women's millinery whether of felt, straw or any other material.

W.25 Gloves:

(a) articles which apart from any stitchings, fastenings or trimmings are wholly knitted or made wholly of woven or knitted cloth

(b) articles of any other description
"Gloves" includes mitts, mittens and gauntlets.

3s. 0d.
per pair

12s. 0d.
per pair

W.26 Scarves and shawls, being knitted or woven articles:

(a) of Class A material

10s. 0d.
each

(b) of Class B material

3s. 0d.
each

This item covers stoles.
As regards square articles of the kind which may be used as either scarves or handkerchiefs see note under item H.2.

C. HANDKERCHIEFS OF THE FOLLOWING DESCRIPTIONS:-

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
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H.1 Handkerchiefs of Class C material:

(a) exceeding 256 sq. in. in area

1s. 6d.
each

(b) not exceeding 256 sq. in. in area

9d. each

H.2 Handkerchiefs of material other than Class C material:

(a) exceeding 256 sq. in. in area

1s. 0d.
each

(b) not exceeding 256 sq. in. in area

6d. each

Square articles of the kind which may be used as either handkerchiefs or scarves should be treated as handkerchiefs when measuring not more than 24 inches square.

II. CLOTH; PLASTIC SHEETING WHICH IS OF A KIND SUITABLE FOR MAKING GARMENTS OR CURTAINS, TABLECLOTHS AND SIMILAR SOFT FURNISHINGS; DOMESTIC TEXTILE ARTICLES, SOFT FURNISHINGS AND BEDDING; (BUT EXCLUDING FLOOR COVERINGS AND MATERIAL FOR FLOOR COVERINGS)—OF ANY OF THE FOLLOWING DESCRIPTIONS:—

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
T.1	Cloth exceeding 3 inches in width, in the piece or in cut lengths, including cloth which has been dyed, printed, coated or otherwise treated:	
(a)	Class A material	14s. 6d. per sq. yd.
(b)	Class C material	6s. 0d.†‡ per sq. yd.
(c)	Class B material of a weight* per square yard of not less than 6 ounces, other than Class C material	6s. 0d.† per sq. yd.
(d)	Class B material of a weight* per square yard of less than 6 ounces, other than Class C material	4s. 0d. per sq. yd.
	This item does not cover cloth which has been shaped or partly made up, or floor coverings and material for floor coverings.	
	As to the measurement of cloth, see provision 5 below.	
T.2	Plastic sheeting, in the piece or in cut lengths....	4s. 0d. per sq. yd.
	In general, this covers plastic sheeting up to and including .015 of an inch in thickness. For further information, see note under Group 7 in Notice No. 78.	
T.3	Blankets, travelling rugs, pram rugs, bed-spreads, counterpanes (not including filled quilts), curtains and curtain panels:	
(a)	of Class A material	14s. 6d. per sq. yd.
(b)	of Class C material	6s. 0d.†‡ per sq. yd.
(c)	of Class B material of a weight* per square yard of not less than 6 ounces, other than Class C material....	6s. 0d. per sq. yd.†
(d)	of Class B material of a weight* per square yard of less than 6 ounces, other than Class C material	4s. 0d. per sq. yd.

* exclusive of non-permanent loading

† Prior to 3rd June, 1952, this figure was 4s. 0d. per sq. yd.

‡ From 3rd June to 17th June, 1952, inclusive, this figure, in respect of material weighing less than 6 oz. per sq. yd., was 4s. 0d. per sq. yd.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
T.4	Bed sheets, table cloths and table covers:	
	(a) of Class A material	14s. 6d. per sq. yd.
	(b) of Class C material	6s. 0d. per sq. yd.
	(c) of Class B material of a weight* per square yard of not less than 6 ounces, other than Class C material....	6s. 0d.† per sq. yd.
	(d) of Class B material of a weight* per square yard of less than 6 ounces, other than Class C material	4s. 0d. per sq. yd.
	This includes sheets of plastic, rubber or proofed cotton and table runners.	
T.5	Pillows	10s. 0d. each
T.6	Bolsters:	
	(a) not less than 45 inches in length	£1 0s. 0d. each
	(b) less than 45 inches in length	15s. 0d. each
T.7	Overlay mattresses, soft filled:	
	(a) not less than 45 inches in width	£7 10s. 0d. each
	(b) less than 45 inches in width....	£5 0s. 0d. each
T.8	Upholstered overlay mattresses with spring or cellular rubber interior (not including box-spring mattresses or spring-bases):	
	(a) not less than 45 inches in width	£10 10s. 0d. each
	(b) less than 45 inches in width....	£7 10s. 0d. each
T.9	Filled quilts:	
	(a) not less than 53 inches in width	£2 10s. 0d. each
	(b) less than 53 inches in width....	£2 0s. 0d. each
T.10	Pillow cases:	
	(a) of Class C material	6s. 0d. each
	(b) of other material	4s. 0d. each
T.11	Bolster cases of Class C material:	
	(a) not less than 53 inches in length	16s. 6d. each
	(b) less than 53 inches in length	10s. 6d. each

* exclusive of non-permanent loading

† Prior to 3rd June, 1952, this figure was 4s 0d. per sq. yd.

<i>Code No.</i>	<i>Description of Goods</i>	<i>D Figure</i>
T.12	Bolster cases of material other than Class C material: (a) not less than 53 inches in length (b) less than 53 inches in length	11s. 0d. each 7s. 0d. each
T.13	Pillow ticks	3s. 6d. each
T.14	Mattress ticks: (a) not less than 45 inches in width £1 (b) less than 45 inches in width.... £1	10s. 0d. each 0s. 0d. each
T.15	Table napkins, tray cloths and table mats, being articles not exceeding $\frac{1}{2}$ sq. yd. in area: (a) of Class C material (b) of other material This includes doyleys. Tray cloths and table mats exceeding $\frac{1}{2}$ sq. yd. in area will in most cases be eligible for relief under item T.4.	3s. 0d. each 2s. 0d. each
T.16	Towels and tea towels, being articles of Class C material, and terry towels of other material: (a) exceeding 1 sq. yd. in area (b) exceeding $\frac{1}{2}$ sq. yd. but not exceeding 1 sq. yd. in area (c) not exceeding $\frac{1}{2}$ sq. yd. in area	7s. 6d. each 5s. 3d. each 3s. 0d. each
T.17	Towels (not including terry towels) and tea towels, being articles of material other than Class C material: (a) exceeding 1 sq. yd. in area (b) exceeding $\frac{1}{2}$ sq. yd. but not exceeding 1 sq. yd. in area (c) not exceeding $\frac{1}{2}$ sq. yd. in area This and the preceding item include face towels and face cloths.	5s. 0d. each 3s. 6d. each 2s. 0d. each

GENERAL PROVISIONS GOVERNING THE FOREGOING LIST

1. Definitions of materials:—

“Class A material” means textile material containing more than 15 per cent. by weight of fibre (whether or not subjected to any process of manufacture or recovery) from the coat or fleece of alpaca, camel, goat, hare, lamb, llama, rabbit, sheep, vicuña or yak, or of horsehair.

“Class B material” means material other than Class A material and other than fur skin.

“Class C material” means cloth of which the textile content comprises not less than 80 per cent. by weight of flax.

In general, woollens and worsteds are Class A; all other materials (except fur) are Class B. Thus cotton, silk, rayon, nylon, linen, leather, rubber and asbestos are all Class B.

Class C is confined to linen (cotton-linen union is Class B).

Where it is intended that a D shall apply to any kind of Class B material *except* linen, the definition reads "Class B material other than Class C material" (see e.g., item T.1(d)).

"Fur skin" includes any skin with fur, hair or wool attached.

"Of" any material means, unless the context otherwise requires, made wholly or mainly of that material, any lining or interlining being disregarded, except that anything fully-lined with fur skin is regarded as being of fur skin.

"Sheepskin" covers the kinds of lambskin which are indistinguishable from sheepskin. It does not extend to lambskin such as Indian or Persian.

"Rubber" includes compounded rubber, synthetic rubber, balata and gutta percha, but not polyvinyl chloride (P.V.C.).

"Moulded rubber soles" means rubber soles moulded on to an upper by a process of vulcanisation.

"Shoes" includes overshoes; "boots" includes overboots.

2. Linings.—"Fully-lined" means with lining extending the full length (with an allowance of 3 inches at the hem) under back, front and, except in the case of fur garments, sleeves.

3. Measurement of Garments.—Where any definition includes a reference to measurement, the article should be measured in accordance with the rules laid down in Notice No. 78A (Young Children's Garments).

4. Single gloves, shoes, etc.—Where a D is specified in the list as "per pair", single articles are eligible for one-half the figure specified.

5. Calculation of areas.—

(a) Where the D varies according to the area of an article, tax should be calculated on the superficial area of the finished article, and not on the area of the cloth actually used. Tassels, fringes and other trimmings should be disregarded.

(b) In the case of table cloths and table covers which are circular, oval, or of irregular shape, the area may, as an administrative concession, be assumed to be the area of the rectangle from which the article is finally cut.

(c) The D for tubular fabrics such as stockinette may be taken as double the area measured on the flat. Similarly, in the case of reversible articles, such as pram rugs, consisting of two separate layers of the same material, both sides may be included in assessing the square yardage; this does not, however, apply to backings or linings of material different from the main cloth.

(d) Where it is recognised trade practice to supply cloth within limits of width (e.g. cloth measuring between 54 and 56 inches under the description "54/56 inches") the average of these figures (55 inches in this example) should be used in calculating the D per linear yard.

6. Aggregation of D's.—In the case of the following goods, and provided that (a) the constituent items are made of the same body cloth,

and (b) the goods are invoiced and sold as one entity at one inclusive price, the D's specified for the separate components may be aggregated:-

Men's and boys' wear—

- 3-piece suit
- 2-piece suit
- Shirt with separate collars
- Pyjama suit

Women's and girls' wear—

- Coat with detachable hood
- 2-piece costume (jacket and skirt)
- 3-piece costume (jacket, skirt and coat)
- 2-piece set comprising dress with jacket, bolero or coat
- Slip and knicker set
- Twin set (knitted jumper and cardigan)
- Nurse's cloak with matching hood
- Pyjama suit

Domestic textile articles—

- Bolster sets and pillow sets (but *not* sheet sets)
- Dressing table sets
- Duchesse and luncheon sets
- Tray cloths and trolley cloths with napkins

The following is an example:—

Man's 3-piece worsted suit

Jacket	£4 0s. 0d.	£7 6s. 0d. total D.
Waistcoat	£1 1s. 0d.	
Trousers	£2 5s. 0d.	

A coat with hood *permanently* attached is entitled only to the D provided for the coat.

In the case of infants' and young children's matching sets consisting of a coat (exempt from tax) and a hat of the same body cloth it will, for the present, be sufficient if the invoice bears a statement to the effect (where such is the case) that all the hats are of a wholesale value not exceeding 8s. 0d.

7. **Liability of certain articles.**—The following articles do not fall within any of the headings of the list:—

Sports requisites, *i.e.* articles such as boxing gloves, batting gloves, wicket-keeping gloves and fencing helmets, which are suitable only for use as sports requisites and cannot properly be described as wearing apparel

- Athletes' one-piece track suits
- Bolster ticks
- Quilt cases
- Chair and settee backs
- Cushions and cushion covers
- Ironing board covers
- Mattress covers and pads
- Oven gloves
- Air beds.

H.M. Customs & Excise,
King's Beam House,
Mark Lane,
London, E.C.3.

August, 1952.

NOTICE No. 78D (REVISED)



REPORT OF THE PURCHASE TAX/UTILITY COMMITTEE

*Presented by the Chancellor of the Exchequer to Parliament
by Command of Her Majesty
February 1952*

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REPORT OF THE PURCHASE TAX/UTILITY COMMITTEE

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REPORT OF THE PURCHASE TAX/UTILITY COMMITTEE

TO THE CHANCELLOR OF THE EXCHEQUER.

Sir,

We have the honour to present the following Report :—

1. On 31st July, 1951, the then Chancellor of the Exchequer announced the setting up of a committee with the following terms of reference :—

“ To review the present system of Purchase Tax affecting those classes of goods within which Utility schemes operate (*i.e.* cloth, garments, footwear, household and furnishing textiles, furniture and bedding) in relation to international agreements bearing on the internal taxation of imported goods, and to the interests of the export trade, consumers and manufacturers ; to consider possible adjustments of that system with a view to removing or reducing any difficulties to which it gives rise ; and to submit recommendations on these matters, having due regard to the need to maintain the advantage of the Utility schemes to consumers, the expansion of the export trade, and the yield of Purchase Tax revenue which would accrue, under the existing arrangements, from the classes of goods in question.”

2. Interpretation of the phrase “ classes of goods ” was an early difficulty, since it was not clear how far we were permitted to consider the position of articles which cannot at present be produced as Utility, but which nevertheless fall within the classes of goods for which there are Utility schemes. We sought official guidance on the meaning of this phrase, and as a result have interpreted our terms of reference to mean that our function was to consider the relationship between the existing Utility schemes and the existing Purchase Tax arrangements ; that proposals to extend the Utility schemes beyond their present frontiers would be out of order ; but that we were not precluded from drawing attention to anomalies or from proposing adjustments where an article outside the Utility schemes was directly competitive with, or could be substituted for, an article already within the schemes.

3. We have held sixteen meetings at which we have considered written and oral representations from two overseas Governments and from fifty-seven United Kingdom and overseas organisations. A list of these organisations is attached as an Appendix to this Report. We have also considered a few written submissions from private persons.

4. We present our report in four Parts. Part I (paragraphs 5 to 34) describes the history of the Utility schemes, and their present state. Part II (paragraphs 35 to 66) is an analysis of the problems created by the present arrangements. Part III (paragraphs 67 to 128) describes the various proposals which we have had under consideration. Part IV (paragraphs 129 to 132) contains our conclusions and recommendations.

PART I

CHAPTER 1

HISTORY OF THE UTILITY SCHEMES

5. We think that it is very desirable to begin our Report with some account of the history of the Utility schemes, since many of the difficulties which we encountered have an historical explanation. The strains and stresses to which the Utility schemes are at present subject and which, over the last few years, have wrought so great a change in the character of these schemes, can only be fully understood if it is realised that there has inevitably been a constant process of adjustment and improvisation in an attempt to fit a war-time system of control into a peace-time economy, and to use it for purposes often quite different from those for which it was first introduced. This short account may also help to show that many of the anomalies and weaknesses of the Utility schemes are accidents of history, and cannot now be defended as flowing from any logical, or even consistent, line of policy. These developments have led to the present vast complex of specification orders, price orders, and special orders permitting individual exemptions from the general law, which has been aptly called "the Utility patchwork."

6. The Utility schemes were introduced under the pressure of war. With a declining turnover due to decreasing supplies of raw materials and labour, manufacturers tended to concentrate their production on higher quality goods which showed a greater profit in relation to materials and labour employed. This tendency was reinforced by the introduction of consumer rationing in which the coupon value of an article was based on its type instead of its money value. By June, 1941, supplies of clothing were such that a critical situation was developing, with serious shortages being felt in the cheaper lines and in children's garments. To meet the situation, the Government adopted a two-fold policy. The first—a short-term policy announced in July, 1941—was to prepare what was known as the Essential Clothing Programme, which aimed to relieve the immediate shortages of children's and working class clothing. This can be regarded as having been the first experiment in planning Utility production. Before it had become effective, however, it was superseded by the second, longer-term policy, for Utility clothing. This was announced in September, 1941.

7. The Utility clothing programme was introduced to ensure that production of low and medium grade clothing for sale at reasonable prices reached the highest possible level consistent with the restrictions on raw materials, productive capacity, and labour which were made necessary by the war. The method used to achieve this object was the manipulation of various controls to divert the bulk of production into low and medium grade lines, combined with a closer price control over these goods than was generally practicable over the whole field of production. To divert production into these lines, many different measures were adopted. At first, the main inducement was to allow Utility clothing bigger quotas under the Limitation of Supplies Order (which restricted the quantities of clothing which could be supplied to the home market by registered wholesalers and makers-up to a percentage of the

supplies in some previous period). When this inducement proved to be inadequate, and the demand for labour for war production became even greater, "nucleus" or "concentrated" firms were offered guaranteed allocations of Utility cloth and protection for their labour if they would undertake to produce a stated percentage of Utility clothing.

8. Utility clothing had to fulfil three main requirements :—

- (i) it had to be marked with the Utility mark (C.C.41).
- (ii) the price at which it was sold had to fall within certain defined price limits.
- (iii) it had to conform with certain descriptions and had to be made from "Utility cloth." The first Cloth and Apparel Order specified 40 cloths (cotton, rayon and wool) which could be labelled "Utility" and gave a brief description of them. The cloths were simply those in the low price ranges which were most commonly in production at that time.

The third requirement really arose out of the second, since price control could only be fully effective in the case of clearly defined goods. The descriptions and specifications were thus not prescribed primarily as a means of quality control, but as a necessary adjunct to price control. Definition by specification necessarily implied some element of quality supervision (e.g. as to sizes or materials) but in drafting the specifications, the main object was to make the most economic use of the limited supplies of labour and raw materials available.

9. The feature of the Utility schemes with which we are mainly concerned—namely, exemption from Purchase Tax—did not appear until August, 1942. Although this was a year after the announcement of the Utility clothing programme, the effective delay was not as great as this since it was naturally some time before supplies of Utility clothing (which had to wait for production of Utility cloth) began to move from the wholesale houses to the shops. The main purpose of the Purchase Tax exemption for Utility clothing was to keep the price of these essential goods as low as possible so as to offset rises in the cost of living from other causes.

10. Other schemes followed the general pattern set by the clothing scheme. Discussions with the footwear industry began in 1941, and in 1942 detailed specifications were drawn up in consultation with the trade and the British Standards Institution. As in the clothing scheme, Utility footwear had to be marked with the Utility mark, and Price Control Orders fixed manufacturers' maximum prices, and the gross margins of distributors, as well as overriding maximum prices for each specification. The scheme was closely linked with the grades and prices of leather allocated to manufacturers by the Leather Control, which purchased all hides and leather on Government account. It did not, therefore, make provision for any classes of rubber footwear, such as plimsolls or Wellington boots.

11. Control over the production of domestic furniture was more complete than in clothing or footwear. The dominant theme was the utmost economy in the use of timber. From 1943 until 1946, the entire output of furniture for civilian use consisted of Utility designs produced by the Directorate of Furniture Production of the Board of Trade, and the specifications fixed not only minimum standards of construction, but also the design of the furniture. Demand was also strictly controlled; only certain classes, e.g. bombed out families and newly married couples, were eligible to buy at all.

12. Utility schemes were also introduced during the war for hosiery and knitwear, bedding, household textiles, gloves, braces, furnishing fabrics, and

fur garments ; and after the war for linen apparel cloth, lace curtain net, and blankets. Generally, these followed the pattern of the earlier schemes, but the scheme for fur garments was exceptional : this has been used to encourage exports by permitting a manufacturer to sell on the home market at a lower rate of tax (33½ per cent. instead of 100 per cent.) Utility fur coats in proportion to his export sales.

Peacetime development of the Utility schemes

13. In their earlier years, the Utility schemes for the most part laid down precise manufacturing specifications which did give some assurance of satisfactory quality, although this was never true of wool apparel cloth, nor of the making-up process of most garments (as distinct from the cloth used). During recent years, however, these specifications have been modified so that the whole basis of the schemes is now fundamentally changed.

14. The earlier range of precise specifications was far from comprising all the possible ways in which a manufacturer could produce Utility-type goods of satisfactory quality and at reasonable cost. They were framed in the light of such manufacturing machinery and such varieties of raw material as were then available for supplying the home civilian market, and frequently they were not suited to machinery or to varieties of raw material which were then devoted to war production or other essential needs, or which were unobtainable. Even within the scope of the machinery and raw materials then available for the home civilian market, these earlier specifications were frequently restricted to a narrow "austerity" selection from among many possible methods of manufacture so as to obtain the greatest possible economies from long production runs.

15. Although the general idea had been that the dividing line between Utility and non-Utility goods should be that between necessities and less essentials, in practice the line drawn was often illogical. With the return of peacetime conditions, and as the need for extreme economy of resources passed, the Board of Trade came under very great pressure from manufacturers and consumers alike for ever wider ranges of goods to be introduced into the Utility schemes. Since the granting of Utility status in practice involved preferential taxation treatment of the goods (the only exception to this being fully fashioned stockings), and since the schemes could be shown to discriminate unfairly as between one section of an industry and another, as between one manufacturer and another, and as between goods in the same range produced by the same manufacturer, the pressure for extensions to the Utility schemes was very difficult to resist. The subjection to Purchase Tax (by exclusion from the Utility range) of closely competing alternatives, which provided assurances of satisfactory quality and reasonable cost not inferior to those given by goods made to the existing specifications, could not be justified. Equally there was strong pressure, often based on the argument that a flourishing export trade required an assured home market basis (which we consider in Part II), for the extension of the schemes to cover more expensive qualities of goods, involving many alternative methods of manufacture. On grounds of equity in the former type of case, and in the national interest in the latter, the Board of Trade have been forced to make the schemes ever wider and more flexible.

16. At first, the schemes were widened by introducing into the specification and price schedules more and more variants. In some of the schemes, this process has continued until at the present time there are, for example, well over 1,000 specifications for non-wool cloth, 539 specifications for boys' knickers, and 781 specifications for men's shirts. Even extensions of this

magnitude were quite unable to keep pace with the huge list of hard cases and anomalies to which the arrangements gave rise, and so the Board of Trade were obliged to give individual manufacturers special permission to apply the Utility mark to goods which were not included in the general Orders. Thus, for example, permission was given to individual manufacturers to mark as Utility certain items of essential industrial clothing such as pit pants, tacklers' vests, loom overlookers' overalls, and fishermen's jumpers. Similar permission has been given for men's nightshirts, football shirts, wool sports shirts and many other items of ordinary civilian clothing. Another practice has been to permit individual manufacturers to make a Utility garment from cloths not included among those which are specified in the Order as being appropriate for that particular garment. Many hundreds of these special licences have been issued.

17. In 1948, the Board of Trade ended the requirement that Utility furniture should be made to standard designs. Another major step in increasing the range of the Utility schemes, which is of much greater significance, was also taken in 1948, when specifications for footwear were discarded altogether (except for infants' and children's shoes and certain heavy footwear) and replaced by broad descriptions of the different types of footwear, together with a grading symbol which depends on the manufacturer's basic costs. For example, in men's shoes, if the manufacturer's basic costs are 32s. 6d. he may mark them Grade I ; if they are 22s. 6d. he may mark them Grade II ; if they are less than 22s. 6d. he may mark them Grade III, for which no minimum cost is laid down. A similar discarding of the old specifications and their replacement by broad general descriptions (e.g., "vest (athletic), not less than 30 per cent. wool with other fibre") was carried out for hosiery and knitwear in October, 1950. And 1951 has seen the introduction of the so-called flexible specifications for cotton cloths and cloths made from continuous filament rayon : these flexible specifications allow a very great variety of construction within the maximum prices laid down. The thousand and more rigid specifications referred to in paragraph 16 still remain side by side with the flexible specifications.

18. As the range of the schemes has been extended in this way, so the significance of the Utility mark as an indication of a certain standard of quality, or of value for money, has diminished. When the specifications were more detailed, there was less room for variation in the quality of a particular article; similarly the price control could be more closely related to the manufacturer's costs. Now, in many if not most of the schemes, the only effective guarantee of quality or value for money is provided by the competition between one manufacturer and another which takes place below the Utility ceiling prices. We would quote, as a typical example, the specifications for a child's or boy's wool jersey or pullover of Size 7. Until October, 1950, the Utility scheme provided the following alternative specifications (against each is quoted the retail equivalent of the manufacturers' maximum prices at the *beginning of 1950*, the manufacturers' prices being in the same proportions one to another):—

H 117 (boy's) wool and cotton

Yarn : not less than 45 per cent. wool (50s) one or two ends, singles, not finer than 1/12s. Cotton to suit. Bottom and cuffs to have drawn or turn-up welt forming an integral part of the garment

H 636B (boy's) wool and cotton

Yarn: not less than 45 per cent. wool (50/56s) two fold or two ends. Cotton to suit. Bottom and cuffs to have drawn or turn-up welt forming an integral part of the garment ..

8s. 5d.

9s. 3d.

(a) There is no special significance in the figure of 50 per cent. as against the former 45 per cent. We understand that it was desired, for the sake of simplicity, to quote the same round figure in this and many other cases.

CHAPTER 2

THE SITUATION TO-DAY

20. One feature of the schemes which struck us forcibly at a very early stage in our work was the very wide variation in the percentages of Utility supplies for different classes of goods. For some of the more important classes of goods we understand that the proportion of Utility production to total home supplies during April to June, 1951 (the latest period for which figures are available), was as follows :—

Non-wool furnishing fabrics ..	..	..	50
Cotton and linen apparel cloth ..	..	..	54
Pillowcases ..	..	..	77
Sheets ..	..	..	83
Wool cloth ..	..	..	87
Furniture ..	..	..	over 90
Footwear (non-rubber)	..	..	98

Many factors no doubt contribute to these differing proportions—the degree of effectiveness of the price control, the extent to which the goods are closely specified, and the greater impact of Purchase Tax on those goods which involve a greater outlay (*e.g.*, furniture). Whatever the reasons, however, the figures demonstrate that the Utility schemes are not consistent as a means of providing tax exemption, even for these classes of goods, for the main body of consumers in the lower income groups. It is clear, for example, that a large number of them are unable to buy non-wool dresses free of tax, whereas persons in the higher income groups are able to buy footwear free of tax. This is, in our view, a weakness of the present Purchase Tax/Utility arrangements as a social measure designed to provide tax-free essentials for the lower income groups.

21. Two characteristics are present in most of the Utility schemes to-day—exemption from Purchase Tax and an upper price limit to what may be sold as Utility. A few of the Utility schemes also require some minimum standards of quality.

22. Nearly all Utility goods are exempt from Purchase Tax. The only exceptions are Utility fully fashioned stockings and Utility fur garments, both of which are taxed at the rate of 33½ per cent. We understand that the main reason why Purchase Tax exemption was denied to Utility fully fashioned stockings was to restrict demand for them since they could not be produced in sufficient quantities to meet home demand and the potential export market. The tax on Utility fur garments is at the preferential rate of 33½ per cent., non-Utility fur garments being charged at 100 per cent. Conversely, nearly all non-Utility goods falling within the classes of goods for which Utility schemes exist are subject to Purchase Tax. The main exceptions to this are non-Utility clothing and footwear for young children.

23. We have pointed out above (paragraph 8) the link between price control and quality control. We therefore consider these two aspects of the Utility schemes together for the most important classes of Utility goods—non-wool cloth, wool cloth, clothing, footwear and furniture.

(a) Non-wool cloth

24. Until 1951, all Utility non-wool cloth had to conform with a number of detailed specifications : there were requirements as to the minimum number of threads per inch in warp and weft, the highest counts and lowest schedules

(i.e., quality) of yarn, the minimum weight of cloth per square yard, the maximum percentage of foreign matter, the maximum washing shrinkage, the quality of dye, and the type of finish (e.g., bleached, printed, etc.) The room for manoeuvre between complying with these specifications and selling at or within the maximum price for each cloth was very restricted, so that the non-wool cloth Utility scheme then gave a reasonable assurance of "value for money". It was, however, felt to be distorting production and hampering the export trade. In 1951, therefore, on the recommendation of a Committee under the Chairmanship of the then Parliamentary Secretary, the Board of Trade introduced flexible specifications for a number of cotton and cotton and rayon mixture cloths, and cloths made from continuous filament rayon. Proposals to extend these arrangements to spun rayon cloths woven in Great Britain are, we understand, held up for the time being. These flexible specifications contain broader descriptions than the earlier specifications and allow greater variety of construction. With the possible exception of the curtain fabric scheme, the schemes now leave considerable room for competition below the maximum selling price. To this extent, these flexible schemes no longer provide any assurance of "value for money".

(b) *Wool cloth*

25. Apart, possibly, from the one upholstery fabric containing wool, there is, so far as we have been able to ascertain, no effective control of the price or quality of wool cloth. The specifications consist only of very general descriptions of the cloth (e.g., woollen tweed, or worsted) together with a minimum weight (and often a maximum weight) per yard. The grading of the cloth for clothing, and the price at which it may be sold, depends on the cost of production. Thus, for example, a cloth of specification number 209F made by one manufacturer may be of much worse quality than that made by another, though both may be sold at the same price. Again, as the costs of production or of materials increase, so the manufacturer may mark the cloth with a higher grading number and the consumer may think that he is obtaining a better cloth. Far from offering any assurance of "value for money," therefore, the wool apparel cloth Utility scheme may well deceive the uninformed consumer on this very point.

(c) *Clothing*

26. The main requirement in the specification of a garment is that it should be made from one of the Utility cloths listed as suitable. As we have seen, the new flexible specifications for non-wool cloths, while retaining some of the elements of the earlier constructional details, leave a considerable margin for competition, especially on finishing, and there never were any effective specifications for wool apparel cloth. As to the making-up of Utility garments, there are no specifications at all for heavy outerwear for men, women and children, only a very loose definition of sizes. For a Utility overcoat or a suit, for example, there are no minimum standards. For other articles of clothing, e.g., overalls and women's underwear, there are minimum requirements for seams and stitching, and sizing specifications based on B.S.I. standards. The principal garment manufacturers' organization concerned with these kinds of clothing states, however, that some of these provisions have not received general technical support, and that in high fashion goods these provisions are actually a hindrance to the manufacturer and no safeguard to the public. Where production specifications are laid down, the price control can be reasonably effective, but the introduction of the flexible specifications for non-wool cloths has made it less so. Again, instead of a maximum price for each garment from each type of cloth, grouping systems have been devised which link together, under the same

maximum price, a range of cloths for the production of a particular garment. In other cases, especially women's wear, maximum prices allow considerable latitude in make, style and fashion, and only perform the function of marking the limits of the tax-free field.

(d) *Footwear*

27. The footwear Utility scheme affords the best example of the tendency inherent in the Utility schemes for an ever widening range of articles to be included. All but an insignificant proportion (less than 2 per cent.) of all supplies of leather footwear to the home market are Utility. We have described the scheme in paragraph 17 above. The general effect is that the scheme has become solely a means of tax exemption, and the exemption goes so far up the quality range that it gives freedom from tax to virtually all but hand-made shoes. Since the grading of the shoes depends entirely on the basic costs of the individual manufacturer, there is no assurance of either quality or price control.

(e) *Furniture*

28. Although, since 1948, manufacturers have been given freedom to choose their own designs for Utility furniture, the scheme is still restricted in two main ways. Firstly, it is limited to a number of basic kinds of furniture, e.g. it includes a bookcase, but does not include a china cabinet or a gramophone record cabinet. Secondly, it lays down minimum dimensions for each type of article and for many component parts of articles, such as plywood thickness ; it makes rules about the type of materials which may or may not be used for various purposes and lays down methods of construction for some purposes, e.g. joints in cabinet goods ; and it incorporates one or two B.S.I. standards, e.g. for upholstery fillings. The manufacturers' maximum prices set, for each broad description of article, a price limit to what may be sold tax-free, e.g. a 2 ft. 0 in. wardrobe must be sold by the manufacturer within £12 to be tax-free, whereas a 4 ft. 0 in. wardrobe leaves the tax-free field at £25. These prices leave a wide margin for competition, and we understand that a perfectly serviceable 4 ft. 0 in. wardrobe made in accordance with the specifications is being sold for under £16. There is thus no effective price control. Enforcement of the specifications has, however, set a minimum standard of quality and has undoubtedly eliminated much of the very low quality cheap furniture which was made before the war.

29. To return to our consideration of the Utility schemes generally, one of the main arguments in their favour was that they were an indispensable technical adjunct to an effective system of price control, particularly in the textile field. This was never true of some Utility schemes, but where there were closely defined specifications they were an essential reinforcement to price control. As we have seen, however, specifications of this kind are now very much the exception. Where they have been abandoned or substantially relaxed, it appears to us that the price control no longer gives any assurance of "value for money". A manufacturer, if hard pressed, can nearly always keep within the maximum price by debasing quality. The maximum Utility price has thus become, for the great majority of Utility goods, merely an upper price limit below which articles of the class for which that price has been prescribed may be sold free of tax.

30. It is, we think, significant that although there has been the considerable relaxation in the Utility schemes which we have described, they are still popularly assumed to guarantee the quality or limit the price of Utility goods. The virtual abandonment of specifications over most of the Utility field has passed almost

unnoticed except by the manufacturers and traders directly concerned. The consumer would probably not believe that it has taken place, because he has detected no parallel deterioration in the general quality of Utility goods, and of course there has been none. The quality has been maintained because of the good established standards of the general run of manufacturers and distributors catering for the popular market, and because of the restoration during the past two or more years of a sufficient balance between supply and demand to enable consumers to exercise the weapon of choice. These two reasons would probably not have guaranteed the maintenance of satisfactory quality if there had been widespread poverty. The real danger to quality standards in peacetime arises when (as between the two wars) purchasing power is so depressed that quality standards are undercut to reduce prices and so maintain sales. That is the situation in which consumers have the greatest need for effective advice to enable them to distinguish between cheapness that is good value and cheapness that is bad economy.

31. We conclude this section of our Report with a brief reference to two topics of some importance which arose on several occasions during our discussions—the benefits of long production runs, and the administrative burden imposed on trade and industry by the Utility schemes.

Long production runs

32. The preferential tax treatment of the narrow range of goods in the early Utility schemes forced manufacturers to concentrate their production on these goods. These long production runs enabled them to secure economies in materials and labour. As the schemes developed, and more freedom was given to manufacturers to produce tax-free articles of their own design (subject to an overriding price limit for tax exemption) the Utility schemes exerted less influence on standardisation and long production runs. Nevertheless, until as recently as the introduction of the flexible specifications for non-wool cloth, many manufacturers and finishers found that the standardisation of manufacture in the non-wool Utility cloth schemes enabled them to procure long runs which they had not always had before the war, and some manufacturers even opposed the introduction of the flexible specifications on this account. We would only comment that the existence of long runs may be as much a feature of the sellers' market which has existed in recent years as of the Utility schemes. Under conditions in which supply falls short of demand, the manufacturer can consider first his own convenience and be assured that the consumer will be forced to take those standardised lines which he can produce most economically. Under conditions in which supply broadly meets demand, there is a strong tendency for a manufacturer to study more closely consumers' preferences.

The administrative burden

33. Many of the submissions made to us stressed the complicated nature of the Utility schemes and the great trouble which they caused to manufacturers and traders who have to try to interpret the vast body of delegated legislation on which they are based. We have been informed that there are 88 Utility price and manufacture Orders in force at the present time which comprise some 1,021 pages. Much of this consists of provisions about registration of manufacturers, the marking of goods, the costing of goods, the margins allowed to distributors, and the many other infinitely varied activities in which manufacturers and traders engage, but most consists of lengthy schedules of specifications and their related prices. Many thousands of these specifications are still in force.

The preparation of these regulations must occupy a good deal of the time of a fairly considerable number of officials, and their interpretation must require the services of many people in trade and in industry.

34. The law is now so complicated that it has, we are told, become difficult for firms to be quite sure of their ability to interpret the regulations which affect them. Specific instances of such difficulties have been quoted to us by several trade organisations. It has also become increasingly difficult, as the Board of Trade have admitted, to police the system adequately. The result has been that the less scrupulous traders have taken advantage of any ambiguity in the Orders, and so obtained a trading advantage over those who have tried to abide by the spirit of the law. We cannot help thinking that this situation may, if unchecked, lead to a diminished respect for this body of the law and an undue strain upon the maintenance of the high standards of business morality for which this country is reputed.

PART II

CHAPTER 3

PROBLEMS ARISING FROM THE PRESENT PURCHASE TAX/ UTILITY ARRANGEMENTS

35. In the previous chapters we have outlined the development and present scope of the Utility schemes. It has been shown that the original narrow restrictions on variety and design which were tolerable under war conditions could not be maintained in time of peace, that the extension of the schemes and the institution of flexible specifications have led to a corresponding weakening of quality and price supervision, and that the principal effect of the Utility schemes at the present time is to define the field of exemption from Purchase Tax. The result of these developments has been to accentuate the problems inherent in the automatic link between Utility status and tax exemption to the point at which they present serious consequences both in the home market and in our export trade.

Import Discrimination

36. We understand that, in point of time, the most urgent of the problems put to us is the removal of the tax discrimination against imported goods comparable with home-produced Utility goods.

37. Purchase Tax is of course levied upon imports of chargeable goods in addition to import duty to put them in the same position as home-produced goods. But (apart from some special arrangements outlined in Chapter 5 in respect of furniture imported by a limited number of traders, wool cloth for making into Utility garments, and cotton and rayon cloth and hosiery imported for processing in this country) it has not proved possible to bring imported goods within the Utility schemes as at present constituted, or to give them the benefit of the Utility tax exemption. The result has been that all finished non-wool cloth, wool cloth imported by wholesalers and retailers for sale over the counter, household textiles, furnishing fabrics, made-up garments and footwear of Utility types, which together account for the greater part of the import trade in the classes of goods for which there are Utility schemes, have been subjected, over and above the import duties (20 per cent. *ad valorem* on the average), to an additional tax at the rate of 66½ per cent. or 33½ per cent. *ad valorem*, which is not borne by the corresponding home-produced goods, and which severely prejudices the competitive position of imported goods.

38. The following example, based on evidence furnished to us, will make this clear.

Cotton Seersucker for Women's and Children's Dresses

	(a) U.K. non-Utility.	(b) Imported non-Utility.	(c) U.K. Utility.
Manufacturer's price (per yd.)	42d.	42d.	42d.
add Duty and freight ..	—	8d.	—
U.K. delivered price ..	42d.	50d.	42d.
add Wholesale mark-up ..	9d.	11d.	6d.
Wholesale selling price ..	51d.	61d.	48d.
add 66 2/3 per cent.			
Purchase Tax ..	34d.	41d.	—
Price to Retailer ..	85d.	102d.	48d.
add Retail mark-up ..	25d.	30d.	14d.
	110d.	132d.	62d.
Price to Public ..	(9s. 2d.)	(11s. 0d.)	(5s. 2d.)

Before the introduction of flexible specifications for cotton cloth, British (a) and imported (b) cloths were both selling as non-Utility. Since the institution of flexible specifications, British cloth can be sold as Utility (c), but imported cloth remains non-Utility (b).

39. We have been advised that this unintended additional protection is in breach of the United Kingdom's long-standing obligations, under a number of commercial treaties with individual countries and under the General Agreement on Tariffs and Trade, to grant "national treatment" to imported goods in matters of internal taxation, that is to say, not to subject such goods to any taxation (other than import duties) which is not equally applied to like goods produced in the United Kingdom. The breach has been aggravated by the fact that most of the rates of import duty at present charged under the United Kingdom customs tariff on the classes of goods here in question are rates which the United Kingdom has negotiated under the General Agreement as concessions (the benefit of which has, of course, been almost entirely nullified by the persistence of the Purchase Tax discrimination) in return for tariff concessions granted by other countries which have assisted United Kingdom exports. In other words, the United Kingdom, having undertaken, as a part of a mutually advantageous bargain under the Agreement, not to impose import duties on goods of these descriptions in excess of certain maximum rates, is, in effect, defaulting on its side of this bargain.

40. The exporting countries adversely affected by the present Purchase Tax/Utility arrangements have naturally pressed strongly and frequently for a solution to the problem which would give them their due rights. This pressure has increased as Utility production has come to occupy a larger and larger portion of the home market. On the initiative of the Netherlands Government, strongly supported by the Canadian Government, the matter was formally raised at the Fifth Session of the Contracting Parties to the General Agreement, held at the end of 1950. The United Kingdom representative was authorised to state that this country was very hopeful that it would be possible for the

discrimination to be removed with no great further delay, but, at the Sixth Session of the Contracting Parties, held at Geneva in September, 1951, the then President of the Board of Trade was obliged to ask for a further period of grace on the understanding that His Majesty's Government would "abolish as early as possible next year the discrimination against imports arising from the Utility schemes."

41. We have received forcible representations from the Governments of France and Switzerland and from Canadian, French and Italian trade organisations, and believe that there is a serious possibility, should the tax discrimination continue, of retaliatory action on the part of these and other countries, which might have serious results upon the United Kingdom's export trade and consequently accentuate the pressure upon the balance of payments. There is little doubt that the United Kingdom, because of her relatively much greater dependence on exports of manufactured goods and the greater susceptibility of the trade in such goods to attract taxation of this kind, would suffer most from such a development.

42. We have therefore taken as our starting point the overriding need to propose a solution which will enable His Majesty's Government fully to carry out the undertaking given at Geneva in September, 1951.

Production and Design

43. From the evidence which we have received, we are satisfied that the division of production into Utility and non-Utility goods, accentuated by the sudden jump from complete exemption to an *ad valorem* tax levied on the full value of the article, and the necessity to secure a substantial revenue from the small range of non-Utility goods, have produced serious anomalies, distorted the pattern of production in the industries concerned, and hampered craftsmanship and design.

44. The production and design problems are of three kinds: (a) anomalies arising from limitations on the varieties of article included in the Utility schemes, (b) the existence of a "blind spot" in which production is uneconomic and (c) the effect of the burden of taxation on the production of quality goods.

(a) Anomalies

45. In Part I, we have described how the Utility textile and footwear schemes were progressively widened to cover virtually the entire range of lower and lower-medium priced goods. The scheme which expanded least was that for furniture which is limited to a relatively narrow range of conventional articles. It is understood that in contrast there has been a rapid development since the war of built-in unit and combination kitchen furniture, which is untrammelled by differential taxation.

46. The Board of Trade's well-meaning efforts to remove marginal anomalies have merely created new anomalies and accentuated the difficulties for competitive and equally essential goods which have remained outside the schemes. One instance is table oilcloth (oil baize), which is a cheap hygienic covering for tables and shelves, much used in canteens, hospitals and schools, but above all in the kitchens of the lower income households, yet is subject to tax at the rate of 66½ per cent. Given a policy which has sought to provide tax exemption for cheap goods in everyday use, we can see no justification for the continued imposition of Purchase Tax on this product which, tax apart, is cheaper than the cheapest corresponding cotton cloth (Specification No. 7615) and which, it is understood, was not included in the Utility range because the very small number of firms in this industry made unnecessary this form of statutory

control as a means of ensuring the production of cheap goods of reasonable quality. Similarly polyvinyl chloride plastic sheeting, which also is cheaper to produce than an equivalent cotton cloth, is chargeable with Purchase Tax at the rate of 66½ per cent. Again, virtually the entire range of production of leather footwear (including evening and dance shoes) and certain types of rubber footwear are included in the Utility range, but Wellington boots and plimsolls are not.

47. Provision is made in the Utility schemes for dress gloves, but not for most industrial gloves nor for rubber washing-up gloves; for knitted scarves, but not for woven scarves; for chests of drawers but not for blanket chests; for cabinets to hold books, but not for cabinets to hold china or gramophone records. The exclusion from the Utility furniture scheme of spring bases (box spring mattresses) has resulted in the substitution of Utility divans with removable legs with a consequent waste of material and labour; it is understood that for this reason removal of this last anomaly is receiving active consideration. We have received no satisfactory explanation of some of the anomalies which have been brought to our attention.

48. One particular class of anomaly which has caused much criticism is that, whilst most clothing, including many less essential articles such as evening dresses, dinner suits, dance shoes, etc., can be made as Utility and sold tax free, essential industrial protective clothing is subject to Purchase Tax at the rate of 33½ per cent. With the exception of certain industrial overalls, gloves and leather footwear, protective clothing is ineligible for inclusion in the Utility schemes. We understand that the possibility of relief from Purchase Tax has been exhaustively considered by the responsible Departments but that it has not been possible to frame a general relief which would exclude other articles of ordinary use, and that it was felt to be invidious to relieve only those articles which happened to be definable.

49. We have by no means mentioned all the anomalies which have been brought to our attention, and we realise that removal of the very large number which must exist might have repercussions on revenue. We conclude, however, that any reorganisation of the Purchase Tax/Utility arrangements should be such as to enable the removal as far as possible of anomalies of the kind we have mentioned, particularly those which result in the subjection to Purchase Tax of articles largely bought by the lower income groups.

(b) *The "blind spot"*

50. As our examination of the trade evidence has progressed, we have become increasingly conscious of a far more serious inherent defect of the Purchase Tax/Utility arrangements. This is the virtual absence of a range of goods at prices immediately above the top Utility prices. This "blind spot" in production is caused by the sudden jump from tax exemption to tax on the full wholesale value of the goods. For instance, assuming the maximum wholesale price of a Utility shirt to be 20s., a shirt value 21s. would, under present arrangements, bear a tax of 7s., making a wholesale price of 28s. including tax. Except where there is an extreme shortage of Utility goods, nobody will pay 8s. to get 1s. worth of extra quality. It is not until a point well above top Utility qualities is reached that the additional cost (including tax) appears to the consumer sufficiently commensurate with the additional quality to enable the goods to find a market. As a result, consumers who would have been prepared to pay, say, 24s., even if this included some tax, inevitably tend to buy tax-free goods presumably of lower quality and perhaps of less durability.

51. The size of the "blind spot" is governed by the proportion of the quality range covered by the Utility scheme, the rate of tax applicable, and the cost of the article. It is biggest in furniture where production of goods of a superior quality to those for which provision is made in the Utility scheme is now limited to a few very expensive articles. It is difficult to estimate its extent precisely, but it is probable that, for goods chargeable at 33½ per cent, it reaches in general at least as far as 25 per cent. above top Utility prices. For goods chargeable at 66⅔ per cent., the area covered by the "blind spot" is of course correspondingly greater; indeed one Association in its evidence considered that for furnishing fabrics it extended to twice top Utility prices.

52. Almost every section of the trades concerned has drawn our attention to the existence of this "blind spot" in production, and common experience suggests that it has seriously affected the production of medium grade non-Utility goods, with adverse reactions on exports and on the revenue which are dealt with later in this chapter. To mention only one case, the wool textile industry has stated to us in evidence that the present arrangements have involved "the virtual disappearance of the traditional medium priced cloth, formerly produced in great volume, and still under normal market conditions in considerable demand both at home and abroad."

53. We are agreed that the existence of this artificial "blind spot" in the production and price range, which is obviously undesirable from the point of view of consumers, is having a distorting effect upon production which must seriously prejudice the efficiency and competitive strength of the industries concerned. We consider that the Purchase Tax on medium priced goods should be more smoothly graduated in relation to the tax-free sector of production.

(c) *Quality goods*

54. The existence of the "blind spot" obviously places the main burden of providing revenue from these classes of goods on to a relatively small range of high-grade goods. Some idea of this concentration of the tax may be obtained from the table in paragraph 20. Unfortunately it is not possible to give a comparable table of the proportions of the quality ranges covered by the Utility schemes. They vary to a considerable degree from one scheme to another, and are not necessarily correlated with the proportions of Utility to total output. For instance, although Utility accounts for more than 90 per cent. of both furniture and leather footwear production, it is known that in furniture the proportion of the quality range covered is less than in leather footwear, where the maximum price is so high as to permit the tax-free sale of virtually all machine-made boots and shoes.

55. The high price of expensive non-Utility goods does not necessarily make them any less essential than Utility goods. In many cases it is due primarily to better materials and workmanship which may make them better value for money than cheaper and less durable goods. The evidence submitted to the Committee has satisfied us that the effect of the present tax is to make such non-Utility goods excessively dear in relation to the best qualities of tax-free Utility articles, although we realise that other factors, such as a redistribution of incomes, may have also contributed to the fall in the demand for the more expensive grades. We have been told, for example, that home market sales of textiles made from West Indies Sea Island Cotton and from silk have fallen to such a low level that the outlook for these industries, if the present taxation arrangements continue, is very serious indeed. It has also been represented to us that, since the rate of Purchase Tax on clothing and piece goods was increased in November, 1947, the proportion of non-Utility wool textiles

produced by the West of England industry has dropped from 73 per cent. to 19 per cent. of total production. Part of this fall is no doubt due to the extension upwards of the Utility scheme since 1947. We have sympathy with the fears which have been expressed by many industries that a change of this order in the pattern of production might very soon discourage recruitment of the skilled craftsmen on whose efforts the quality and prestige of many British products, particularly in the export markets, have in the past depended. (The same forces tend equally to discourage the small craft industries whose products are, in the nature of things, different from and more expensive than the machine-made goods which the Utility schemes were devised to cover.) We think that any adjustments in the present system of Purchase Tax, should, as far as possible, reduce the tax differential between these classes of goods and the highest priced tax-free Utility goods with which they have to compete.

Exports

56. One of the purposes for which Purchase Tax has been imposed in the past is to restrict home demand for the goods on which the tax is imposed, so as to induce manufacturers to find alternative outlets for them abroad. In a sellers' market, *i.e.* when supplies are insufficient to meet both the home and export demand, the imposition of Purchase Tax will obviously damp down the home demand and thereby release resources for exports. The case which has been put to us that the present Purchase Tax/Utility arrangements have serious consequences for the export trade rests mainly on the proposition that, with the passing of the sellers' market and the extension of the Utility schemes, the home market for non-Utility goods has been so depressed as no longer to provide the necessary basis on which a flourishing export trade can be built.

57. It appears that a substantial export trade in certain types of goods, particularly standardised articles, can be carried on without a large home market. The watch industry of Switzerland and, since the war, the United Kingdom motor vehicle industry are well-known examples. It has been represented to us, however, that the textile trade is carried on under different conditions. Low and lower-medium grade textiles are relatively easy to manufacture, and the establishment and protection of a textile industry is usually among the first steps taken by a hitherto undeveloped country wishing to strengthen and diversify its economy. With the growing industrialisation of primary producing countries, international trade in textiles may become increasingly confined to high quality and speciality articles. This consideration is even more important so far as British exports are concerned.

58. Many Associations have stressed in their evidence the interdependence of the home and export trade. The point has been particularly well brought out in the evidence of the Cotton Board which has described the present trade in cotton textiles as follows :—“The exports are sold to a great number of countries which have widely different tastes and demands. They are not, therefore, of a uniform type. They are the aggregate of numerous separate ‘parcels’ of different kinds and qualities of cloth, few of a volume separately sufficient to permit economic production for export alone. It is for this reason that they need to be part of a production programme catering for both the home and export trade at the same time. In pre-war days, they always were an integral part of a complete programme. The general method of carrying out this trade (*i.e.*, the trade in dress and apparel cloths, furnishing fabrics and domestic textiles) is for producers and exporters at the proper season of the year to prepare a range of cloths and designs which their

knowledge and experience of the market lead them to believe will prove attractive to the buyers they have in view. A considerable proportion of their financial resources is put on risk in providing these ranges in varied designs and colours. The goods are offered to buyers through local houses, agents and all the various channels normally employed. Firms, of course, try to keep ahead of competitors by including in each season's range certain new creations which are offered along with established popular lines and it is upon this element of up-to-dateness and novelty that leadership is secured by individual firms over their competitors and by Britain over other countries. This is the class of trade which has been most damagingly affected by Purchase Tax and the Utility scheme. In any range of goods which may be created it generally happens that some items prove successful, some are moderately so and some turn out to be unpopular. As soon as a firm realises that certain lines are not going to sell in that particular market it must at once make strenuous efforts to dispose of them elsewhere if they are not to remain as stock on hand and seriously embarrass the business. It goes without saying that exporters with a wide knowledge of markets will try to counterbalance failure to sell goods in one market by vigorous efforts to sell them in another. Even so it frequently happens that some lines will not be taken in quantity by any export market."

59. From this and much other evidence submitted to us the following main points emerge :—

(a) For any article, there is a minimum quantity which it is economic to produce. Unless a manufacturer can be reasonably assured of selling that quantity, he will not make it at all. If it is unreasonable to expect that the whole of that minimum quantity can be exported, and the Purchase Tax is likely to prevent the sale at home of the unexported balance, then the goods will not be produced. We have been told, for instance, that the minimum quantity of printed fabric which can be produced is 4,800 yards for a four-colour design, but that even in the U.S.A. customers are not prepared to buy more than 2,000 yards of a particular design. Unless the fabric can be made as Utility so that the balance can be sold tax free, manufacturers are reluctant to produce it. Another example is taken from the evidence submitted to us on furniture. A firm recently produced chairs of a completely new design which are being used in the Royal Festival Concert Hall. Although this chair could have been sold within the Utility price for competitive chairs, it was not constructed in accordance with the general specification for such chairs, and so could not be included in the Utility scheme. Purchase Tax would have prevented it being sold on the home market and so it could not be made in large enough quantities to make sales overseas a possibility.

(b) The home market is used, under normal conditions, to try out new designs on the home customer before the manufacturer becomes too deeply committed. If lines prove popular at home, then that popularity is a selling point abroad. Sometimes trial runs on the home market reveal miscalculations or defects which can be remedied before the export effort is fully launched.

(c) If a sudden change of fashion overseas, or a sudden imposition of import restrictions, leaves an exporter with goods on his hands, he relies on the home market to absorb them, often at reduced prices. If he cannot sell these "frustrated" exports, he is left with stock on his hands and with no fresh financial resources with which to undertake new production.

(d) As we have seen, there is a minimum quantity of an article which it is economic to produce. Above that quantity, a manufacturer may be able to reduce prices by spreading the initial costs of design, setting up

machinery, etc., as well as general overheads, over a larger turnover. As far as the home market is concerned, the present arrangements exclude any such possibility for goods falling within the "blind spot", and severely restrict the possibility for higher quality goods.

(e) The home market serves as a permanent showplace in which the reputation of the goods is maintained; our export trade in many items of men's wear has been built up on the Englishman's reputation of being the best-dressed man in the world.

60. In the years immediately following the war, the sellers' market for textiles was so strong, both at home and abroad, that the above considerations did not apply. In this period, Purchase Tax, in so far as it restrained home demand, diverted production to exports. Since early 1951, however, first the export market and then the home market for textiles have begun to weaken and the adverse effects of the present arrangements, which we have listed above, are increasingly showing themselves. Particular instances have been quoted to us of export orders already having been lost, because there was no parallel home market to absorb the balance of the minimum economic production run. Clearly, if the present state of the textile markets were to persist, the loss of exports would become greater with the passage of time. We are satisfied that, in particular, actual and potential exports of goods falling within the "blind spot" are undoubtedly being lost as a result of the present arrangements. This may be all the more serious since, in the immediate future, any substantial increase in textile exports must probably come mainly from the medium range of goods which at present is often not being produced at all. It is unlikely that this country, with its comparatively high standard of living, will be able to recapture the cheapest markets in the world, while it would probably be unrealistic to count on a large increase in trade from the relatively small, though important, market which remains for the very highest quality goods.

Revenue

61. So far, we have considered the difficulties created by the present arrangements for manufacturers, traders and consumers. The arrangements also pose a serious problem for the Departments concerned. Many developments in the Utility schemes which were required to adjust them to changing conditions or to meet new needs were checked because the loss of revenue which would have been involved could not be accepted. This has resulted in some of the anomalies which we have mentioned. Nevertheless, as we described in Part I, the link between Utility status and tax exemption created a strong pressure for new goods to be brought into the schemes and inevitably resulted in a continual extension of the schemes. Each extension had, of course, its impact on revenue, and this, we understand, was a major cause of the doubling of the rates of Purchase Tax on non-Utility textiles in 1947/48. We have gained the impression that both the Board of Trade and the Customs are concerned at the difficulties created by the fact that a non-Revenue Department is largely responsible for administering a very important fiscal concession.

62. The yield of the Purchase Tax on non-Utility goods (£96 million in 1950-51) amounts to nearly one-third of the total Purchase Tax revenue. The following table shows the estimated receipts of Purchase Tax in the six-month periods ending 30th September, 1949, 1950 and 1951 (representing tax charged in the periods January-June inclusive) from non-Utility apparel (other than furs) and piece goods, which together represent the bulk of non-Utility sales.

The first half of the financial year has been chosen in each case to avoid the abnormal buying which occurred in the late autumn of 1950 in expectation of price increases and shortages.

<i>Goods</i>	1949	1950	£000 1951
Apparel (33½ per cent.) ..	26,920	25,770	24,333
Piece goods (including plastic sheeting) (66⅔ per cent.) ..	10,326	9,609	9,613

The recent introduction of flexible specifications for cotton and rayon cloths, the full effect of which will not be felt until the middle of 1952, will of course still further affect the revenue from non-Utility goods. When it is remembered that the past year has been one of rising prices it is clear that the relative stability of the revenue has masked a fall in the volume of goods sold.

63. In the preceding sections of this chapter we have pointed out the smallness of the proportion of non-Utility to total output and the danger that non-Utility goods will be priced out of the market relatively to their tax-free Utility competitors. Should this occur the Revenue will inevitably be the loser.

64. Our terms of reference enjoin us to have "due regard to the yield of Purchase Tax revenue which would accrue, under the existing arrangements, from the classes of goods in question". We feel that, without some alleviation of the tax burden on non-Utility goods relatively to tax-free Utility articles, the volume of sales and tax receipts will continue to decline, and that the long-term interests of the Revenue may well be best served by reducing the effective rate of tax on such goods.

CHAPTER 4

INTERIM CONCLUSIONS

65. It is convenient to summarise at this stage the conclusions we reached after reviewing the evidence :—

(a) expansion of the Utility schemes was largely inevitable, as it would, in time of peace, have been neither equitable nor economic to have continued to confine tax-free production to the war-time range ;

(b) this expansion has, however, necessarily weakened price and quality controls, so that they are to-day far less effective than is commonly assumed ;

(c) with the passing of extreme shortages and the sellers' market, the principal guarantee of "value for money" has been competition among manufacturers. In the economic circumstances which have ruled during the last few years, this competition has not led to debasement of quality ;

(d) with the principal exception of furniture, where the Utility scheme sets a minimum standard of construction, the only essential "advantage of the Utility schemes to consumers" is exemption from Purchase Tax ;

(e) the Utility schemes give effect to this exemption by a vast and complicated apparatus of control which makes a lot of work for manufacturers and traders, and presents many opportunities for evasion of different kinds ;

(f) the social advantage conferred by the tax exemption for Utility goods is weakened by numerous anomalies, and by the considerable variation in the proportion of Utility available for the main classes of goods. This has

resulted in insufficient tax-free supplies of some articles, though at the same time, many of the Utility schemes now extend well beyond the normal run of purchases of the lower income groups, so that a large part of the Purchase Tax burden now falls on a relatively small range of goods ;

(g) one striking result of these arrangements is the virtual disappearance of goods at prices immediately above top Utility prices, resulting from the sudden jump from tax exemption to tax on the full wholesale value ;

(h) so long as there are tax-free Utility goods of the present relatively high qualities, the tax on non-Utility goods severely impairs their competitive position in the home market with adverse consequences for the recruitment of skilled craftsmen and the maintenance of the highest standards ;

(i) in the case of those textiles where design is of great importance, a home market of reasonable size is necessary for the development of new lines and as a means of disposing of " frustrated " exports. The present arrangements virtually preclude any possibility of home market sales for those classes of goods which fall within the " blind spot " immediately above the maximum permitted Utility prices, and this is directly limiting actual or potential export sales of medium grade goods ;

(j) the effect on the revenue of the fall in recent years of non-Utility sales on the home market has been masked by rising prices with the result that the yield of the tax has remained relatively stable. Should the volume of sales continue to fall, however, the revenue may suffer ;

(k) the present tax discrimination against imports of goods of Utility type must be removed.

66. Taking all these considerations into account, we formed the conclusion that the adjustments required in the present Purchase Tax system should, as far as possible, take account of the need to :—

(a) remove the tax discrimination against imported goods ;

(b) maintain the tax exemption for lower-priced goods ;

(c) remove the " blind spot " ;

(d) reduce the tax differential between non-Utility and the highest priced tax-free Utility goods ;

(e) avoid discrimination between closely competing goods of equivalent value.

PART III

CHAPTER 5

AN IMPORT MARKING SCHEME

67. In view of the undertaking given by His Majesty's Government in Geneva in September to abolish as early as possible next year the discrimination against imports arising from the Utility schemes, and the consequent urgency of finding some method of placing on the same basis as domestic goods, imported goods of the kind which are exempt from Purchase Tax if manufactured in this country, we considered first a suggestion put forward specifically to deal with this problem although we realised that it would do nothing to solve the other problems before us.

68. The suggestion was that there should be introduced (if need be under new legislative powers) a scheme for marking imported goods of Utility type as a means of enabling them to qualify for tax exemption. Before we give our views on this suggestion—which certainly appears to be the most direct approach to the import discrimination problem, and one which would least interfere with the existing Purchase Tax/Utility arrangements—we would comment that there are already in existence schemes of this kind for a limited range of Utility goods. We shall begin, therefore, by describing the arrangements which are already in force to enable imported goods to qualify for exemption from Purchase Tax in the same way as domestic Utility goods.

69. The first arrangements specifically made to deal with imported Utility-type goods were in respect of furniture. In 1946, when supplies of furniture were still quite inadequate to meet the demand which had built up over the war years, the Board of Trade made an Order under which a limited (but now enlarged) number of importers were permitted by licence to apply the Utility mark to imported Utility-type furniture. The importers have to be firms registered with Customs for Purchase Tax purposes. It was, we understand, for the following reasons that it was technically possible to make these arrangements for furniture :—

- (a) the specifications for Utility furniture relate entirely to the physical characteristics of the furniture, and the marking of a piece as Utility does not depend on such factors as the cost of production, which cannot be recognised in the finished article ;
- (b) the importers were (and for the most part continue to be) a small number of specialists able to recognise whether the furniture they imported was or was not made in accordance with the specifications ; and
- (c) the importers had the knowledge and the facilities to repair the imported furniture, or alter it to fit the specifications, before marking it as Utility.

70. The only other instances of arrangements being made specifically for imported goods is in the present scheme under which Utility-type wool cloth imported tax-free for use as materials by clothing manufacturers registered for Purchase Tax may be made up into Utility garments, so avoiding tax. This was possible because the specifications for wool cloth amount to no more than broad descriptions of the cloth, together with a minimum weight. A panel of wool trade experts was set up to advise the Board of Trade on whether samples of the cloth to be imported were comparable with Utility cloths of the same price.

71. These are the only kinds of finished imported goods which may come within the Utility schemes. Some kinds of imported goods which have undergone a process of manufacture in this country may, however, be marked Utility. Thus, the Utility scheme for cotton and rayon cloth has always allowed cloth imported "in the grey" (*i.e.*, still requiring some finishing process such as bleaching or dyeing) to be made by converters in this country into Utility cloth. Similarly, we understand that knitwear may be imported for processing in this country (*e.g.*, by dyeing) and then be sold as Utility. Blanket cloth has also been imported, cut into lengths and hemmed, and then marked and sold as Utility blankets. This practice of carrying out a final process on imported goods to obtain tax exemption probably cannot be extended under the existing law to other classes of goods. It could not, for instance, be extended to clothing where the main requirement is that the garment must be made from Utility cloth, or to footwear where the costs of production would be difficult to ascertain.

72. We have been told that the arrangements for including imported furniture in the Utility scheme are on the whole working satisfactorily, but that a number of complaints from overseas countries have been made to the effect

that the panel set up to advise on the suitability of imported wool cloth for admission to the Utility scheme was rejecting a high proportion of the cloths submitted to it. The arrangements which we have described in the previous paragraph by no means satisfy the overseas manufacturer who, having paid the import duty, is entitled to sell his own finished product in this country on equal terms with the home manufacturer. Finally, the present arrangements completely exclude the following imported goods—all finished cotton, rayon, and linen cloth, all wool cloth for sale over the counter, all household and furnishing textiles, and all clothing, footwear, and gloves—which together comprise by far the greatest part of all the goods coming within the Utility schemes.

73. We have considered whether arrangements similar to those in force for furniture and wool cloth could be adopted to cover all the remaining kinds of imported Utility-type goods which at present bear Purchase Tax. Since the overseas manufacturer would be outside the jurisdiction of our Courts, it would be necessary to place any legal obligations under any such scheme on the importer in this country. An importer wishing to take advantage of the scheme would have to apply to the appropriate Department for a licence permitting him to apply a distinctive mark to goods imported by him which complied with the standards laid down in the Order. For control purposes, it would probably be necessary for him to have the goods marked also with the appropriate specification number, and with the number of his licence. Checks against abuse of the scheme would be on the same basis as for British manufacturers, *i.e.*, mainly by investigation of complaints about the goods. If it were found that the goods to which the mark had been applied were not in accordance with whatever standards had been laid down, the importer would in theory be liable to prosecution on the grounds that he had supplied the goods otherwise than in accordance with the terms of his licence, but in practice he would tend to blame the supplier for having made a mistake, and it would seldom be possible to obtain sufficient evidence of fraudulent intent to justify bringing a prosecution. It might be necessary, as a measure of protection for consumers, for the Department concerned to take power to withdraw the licence of an importer who had been shown by Court proceedings to be unreliable.

74. In addition to several minor questions of some complexity (*e.g.* the kind of mark to be applied, and whether it should be permissible for the overseas manufacturer to apply it as agent of the importer) which we think we need not discuss here, a scheme of this kind presents one major problem. How is it possible to ensure that imported goods will be admitted for tax exemption on terms no less favourable than those for home-produced goods (otherwise the international obligations will not be satisfied) and no more favourable (otherwise United Kingdom manufacturers will be placed at a competitive disadvantage)? The difficulties of precisely matching present Utility rules in the field of imports are twofold: (*a*) many of these rules are by their very nature incapable of direct application to imported goods, and (*b*) how are the rules to be enforced?

Nature of specifications

75. It is, as we have seen in the case of furniture, possible to treat imported goods on the same basis as home manufactures where the specifications deal wholly with physical characteristics. The difficulty is that few of the other schemes retain specifications of this kind and in none of them (with the exception of those non-wool cloths for which flexible specifications have not yet been adopted) are the specifications in our view of any real significance in determining the quality or value of the article. Of course, where specifications

have been abandoned altogether (e.g. the following from the Knitted Goods Schedule M—"L.109: knitted scarves sold by the manufacturer at not more than 124s. 4d. per dozen") it should not be difficult to put imported goods on the same basis. But the process of modification over the past few years has produced a situation in which there are now not merely the two extremes of the furniture specifications and the knitwear specifications, but also a great variety of intermediate kinds of rules embodying all sorts of features of such a nature as to be quite incapable of direct application to imported goods. Examples are:—

- (a) the "basic cost" provisions which determine the grade of Utility footwear (para. 17);
- (b) the "minimum cost" provisions which determine the specification number and selling price of Utility wool cloth (para. 25);
- (c) provisions which limit the supply of Utility fur garments to a percentage of export sales (para. 12);
- (d) the variations from published specifications which are permitted by special licence (para. 16).

76. In cases of this kind it might be possible simply to impose on the importer a general obligation to ensure that the goods were comparable with, and in any case not inferior to, the Utility article of the specification number which he applied to the imported article. We consider, however, that a vague obligation of this kind would be most unfair to consumers, traders and manufacturers. The honest importer would have a very difficult judgment to make on each import, while the less scrupulous trader would be tempted to take a risk and so sell, tax-free, an article of a kind on which both his competitors and United Kingdom manufacturers were paying tax. An alternative might be to devise in each case different rules for imported goods providing a check roughly equivalent to that imposed by the rules for the home manufacturer. But the task of keeping the two sets of rules in step, so as to give offence neither to overseas countries nor to our own manufacturers, would be a tremendous administrative burden, and would inevitably lead either to the Utility schemes remaining exactly in their present form, with no adjustments to meet the special cases which are constantly arising, or to the abandonment of specifications throughout the Utility schemes and their replacement by broad descriptions of goods.

Enforcing the rules

77. Since the mark to be applied to the goods would carry with it the very valuable right of tax exemption, it would be essential to ensure that it was applied only to those goods which were qualified for it. The difficulty here is that there is virtually no inspecting staff to enforce the rules of the Utility schemes. Generally speaking, a manufacturer who misapplies the Utility mark is discovered only if a complaint is made about the goods. There is, however, a satisfactory standard of observance of the Utility rules because the traders involved all need to continue in business if they are to maintain their livelihood, and a quite small danger of having a complaint about their goods investigated is a sufficient deterrent.

78. In the import trade conditions are different. Most importers carry on a regular business and are thus in a similar situation to manufacturers. There is also, however, the casual importer (who goes in and out of business as an importer, or who deals first in one class of goods and then another) and there is the casual overseas supplier (who only occasionally makes shipments to

this country and who depends for his livelihood on his home market or a number of export markets). Moreover, a great deal of the import trade in textiles is carried on by means of periodical visits from a representative of the overseas supplier who, after securing orders, leaves this country. The goods are subsequently dispatched by a forwarding agent (often a railway or shipping company) direct to the purchaser (often a retailer) on "free delivered" terms. It is difficult to see how this pattern of trade could be fitted into an import marking scheme. We share the view put forward in evidence by Customs that serious abuses would undoubtedly occur if casual importers were permitted to take part in the scheme. On the other hand, any measure to limit the number of importers who might take part would involve a formidable and invidious task of selection. In practice, it would often be impossible to decide whether a man had been rightly licensed until it was too late, and the system would give rise to constant complaints, since it would place those on the register of importers in a privileged position. There might also be complaints from overseas countries that the channels of import were being unnecessarily restricted.

79. We have considered whether it would be possible to overcome these difficulties of specifications and enforcement, by adopting a system of prior sampling under which an importer would have to submit to an expert panel a sample of the goods he proposed to import, and obtain approval in advance for the import. This would be extending to all goods for which there are Utility schemes the very limited arrangements for wool cloth. Apart from the weakness that there is no means of ensuring that the consignment will match the sample, this proposal seems to us to be quite impracticable. The checking of each sample in this way would impose an enormous administrative burden on the large number of manufacturers and traders who would be needed to advise on the samples. In 1950, in spite of the limiting effect on imports occasioned by the Utility schemes, imports of cotton, linen and rayon piece goods (other than grey cloth) amounted to 70 million square yards; imports of wool cloth were 27 million square yards; imports of apparel including knitwear were valued at over £8 millions; and imports of footwear were valued at £2·3 millions. If the discrimination were removed imports might be considerably bigger unless balance of payments considerations required the application of quantitative restrictions. Apart from the objection (however unfounded) which overseas suppliers might make to a panel which would necessarily include their competitors in this country, we are satisfied that it would not be possible to set up expert panels capable of dealing expeditiously with the volume of work which might be involved. (It is significant that one foreign Chamber of Commerce has complained to us that even the imported wool cloth panel, with its limited responsibilities, is slowing down business activity.)

80. A slight variation of this proposal would be to make optional the submission of a prior sample. If the importer felt uncertain about a particular import he could get the opinion of the appropriate panel on it. We are very doubtful, however, whether this would substantially reduce the work imposed on the panels. The reputable importers who, of course, form the vast majority, would not wish to incur the risk of prosecution and would want, as a matter of ordinary commercial prudence, to obtain the panel's approval before going ahead with the import. On the other hand, the less reputable traders, whose goods most needed checking, would be just those importers who would not submit samples. The situation would therefore, in our view, be even worse than if compulsory sampling were adopted.

81. We have come firmly to the conclusion that, with the Utility schemes in their present state, there is no practicable means of removing the discrimination against imported goods by permitting those of Utility-type to be marked with

the Utility mark and so qualify for tax exemption, which would not be a source of constant complaint from overseas countries, or our own manufacturers, or both, and which would not involve considerable danger of tax evasion on a large scale. It seems to us, therefore, that since the discrimination must be removed, some other criterion for tax exemption has to be adopted. To avoid discrimination against our own manufacturers, the same test for tax exemption must be applied to goods produced in this country. This involves breaking the nine-year link between Utility status and tax exemption.

CHAPTER 6

ALTERNATIVE PURCHASE TAX ARRANGEMENTS

82. In this chapter, we discuss those proposals which we had under consideration and which we are unable to recommend for adjusting the present system of Purchase Tax as it relates to those classes of goods for which there are Utility schemes.

An intermediate rate of tax

83. The Committee under the Chairmanship of the former Parliamentary Secretary of the Board of Trade, which recently examined the Utility scheme for cotton goods, has drawn our attention to its interim Report in which it described the difficulties created for the export trade by the present Purchase Tax Utility arrangements. It recommended the introduction of a lower rate of tax on a suitable range of articles immediately above the Utility grades.

84. We have carefully considered the arguments for and against such an intermediate rate of tax. We agree that an arrangement of the kind which we understand the Committee had in mind would reduce the difficulties for export trade resulting from the "blind spot" to which we have referred. We feel, however, that it would not be a satisfactory solution to the problems which we were invited to consider. A scheme of this kind would in effect replace the present "blind spot" by two smaller areas in which production would be inhibited by the jump in tax incidence. These subsidiary "blind spots" would arise at the upper and lower limits of the value range to which the intermediate rate of tax applied. For instance, assuming the intermediate rate of tax to be 16½ per cent., the range covered by it to extend to 50 per cent. above top Utility prices, and the top Utility wholesale price for shirts to be 20s. (as in the example quoted in para. 50), then a 21s. shirt would still bear a tax of 3s. 6d. and therefore be poor value for money compared with a tax-free 20s. shirt. Similarly, a shirt costing 31s. would bear a tax of 10s. 4d. compared with a 5s. tax on a 30s. shirt. We believe that this scheme would also place the most expensive goods in an even worse position than at present since they would inevitably be in competition with some of the goods to which the intermediate rate of tax applied. Finally, this scheme would obviously do nothing to solve the import discrimination problem and would indeed aggravate that problem, particularly if the goods to which the intermediate rate of tax applied had to be Utility. We have accordingly rejected this line of approach to our problems.

A restricted Utility scheme

85. Several organisations suggested in evidence that the Utility schemes should be restricted to goods of the qualities used by the lower income groups, so that the revenue could be balanced by the levying of a much lower rate of tax (e.g., 16½ per cent. and 33½ per cent., the wartime rates, instead of 33½ per cent. and 66½ per cent. as at present) on a broader field.

86. This would undoubtedly reduce the burden of taxation on high-grade goods and encourage exports of goods falling within the present blind spot. It would also mitigate the discrimination against imports, but we are advised that this discrimination has gone on for so long and reached such proportions that nothing less than its complete removal will now satisfy the countries affected. (Although much of the complaint we have received has naturally been directed to the most recent extensions of the Utility schemes, many countries have traditionally exported to this country large quantities of the cheaper goods, particularly textiles and footwear.) Furthermore, the setting of the tax exemption point at a lower level in the production range would, we think, result in just as many hard cases and anomalies as at present. Finally, it would place the "blind spot" at a point at which it would seriously affect the production of goods of the kind often bought by the lower income groups. In our view, it would only be a matter of time before history had repeated itself, and the Government was once more confronted with the problems which we have been called upon to resolve.

A flat rate tax

87. A strongly held view was put forward in trade evidence that tax at a flat rate be imposed on Utility and non-Utility articles alike, thus placing them on the same footing as other goods chargeable with Purchase Tax.

88. It was pointed out that such a change would automatically remove both the discrimination against imports and the "blind spot," and that a tax of this kind would be simple to administer, and would avoid discrimination between different sections of trade. It was also argued that the rate of tax required to yield the existing revenue would be so low as to have no very serious effect upon the standard of living of the lower income groups; but we have been advised that, to balance the revenue from these classes of goods (other than children's clothing and footwear which are exempt), the rate would have to be of the order of 10-12½ per cent. (20-25 per cent. on piece goods and household textiles).

89. Notwithstanding its simplicity, we take the view that a flat rate tax does not fall within our terms of reference, which require us to have "due regard to the need to maintain the advantage of the Utility schemes to consumers." As we have pointed out, the main advantage of the Utility schemes at the present time is the Purchase Tax exemption. The imposition of Purchase Tax at the rates suggested above on such prime necessities as those grades of apparel and furniture required by the lower income groups would result in a substantial redistribution of the burden of taxation, with widespread economic, social and political repercussions the consideration of which would take us far beyond our terms of reference.

Tax exemption by value

90. We reached the conclusion in chapter 5 that the breaking of the link between Utility status and Purchase Tax exemption is essential to the complete removal of the present tax discrimination against imports. The only practicable way in which this can be done over the wide field covered by the Utility schemes, while preserving the tax relief for the lower-priced goods, is by an exemption based on the value of the goods.

91. We therefore examined in the first instance the obvious form of such an exemption, *i.e.*, the fixing, for each type of article, of a cash value below which it would not be chargeable with tax and above which it would be liable to the full rate of tax. For example, shirts of a wholesale value not exceeding 20s. would be exempt, and shirts of higher value would bear tax at 33½ per cent. A 21s. shirt thus bearing 7s. tax. The sudden jump from tax exemption to tax

on the full wholesale value would, however, perpetuate the "blind spot" which is, in our view, such an objectionable feature of the present arrangements. It would also provide an exceedingly strong temptation to unscrupulous traders to manipulate their accounts so as to avoid tax. The existing discrimination against imports would disappear, but some overseas countries might feel that they had grounds for complaint if the arrangement operated in practice in such a way as to make it difficult for them to take advantage of the tax exemption enjoyed by United Kingdom manufacturers or other overseas suppliers. For example, footwear imported from France might be cheap enough just to qualify for exemption while the cost of importing a similar article from Canada might be sufficient to subject it to full tax and thus price it out of the market. Even though it were not technically discrimination, an arrangement of this kind might lead to a good deal of friction and evasion.

92. For the reasons which we have given, we do not feel able to recommend any of the proposals which we have described in this chapter, all of which, in our view, offend against one or more of the considerations which we have been asked to observe. The last proposal, however, which would remove the link between Purchase Tax exemption and Utility status and substitute a value test for tax exemption, appeared to us to form the only possible basis from which a solution might be developed, and in the next chapter we describe a modified form of this proposal.

CHAPTER 7

A FIXED DEDUCTION FROM WHOLESALE VALUE— THE D SCHEME

General

93. The simplest way in which the cheaper goods can be relieved of Purchase Tax without creating sudden disproportionate jumps in the amount of tax payable is by charging tax only on the excess, if any, of the value of the article over the tax-free limit, which would be expressed as a fixed deduction (which we will call D for short) from the value for tax purposes of both Utility and non-Utility goods. Under this system, supposing D for shirts to be fixed at 20s., the 21s. shirt cited in paragraph 50 would be chargeable with tax (at 33½ per cent.) only on the excess of its value (1s.) over D; i.e., it would bear a tax of 4d. instead of 7s. Similarly, a 40s. shirt would be chargeable with 6s. 8d. tax (33½ per cent. levied on 40s. minus 20s.) instead of 13s. 4d. as at present. This is the principle underlying the income tax, which is chargeable only on net income after deduction of the statutory allowances. The effect would be that the tax would rise gently and evenly from a very low percentage of the full value of an article costing slightly more than D to just under the nominal statutory rate for the most expensive goods.

The Level of D

94. We considered the level at which D would have to be set to balance the revenue if a scheme of this kind (referred to below as a D Scheme) were to be adopted. It was obvious that the relief from taxation (total or partial according to value) of non-Utility goods would be only partly offset by increased sales in and above the "blind spot" and that the consequent loss of revenue might be substantial. This loss would be further increased if the scheme were to be operated in such a way as to remove some of the anomalies which we have mentioned, e.g., by including rubber boots, blanket chests and table oilcloth (oil baize).

95. To maintain "the yield of Purchase Tax revenue which would accrue, under the existing arrangements, from the classes of goods in question," it would be necessary in a D Scheme either to have rates of tax higher than 33½ per cent. and 66½ per cent. on the margin by which the value of the more expensive goods exceeded D, or to set D below the present tax exemption limits which are marked by top Utility prices, or to employ a combination of both methods. Any increase in the nominal rates of tax would result in more tax than at present being levied on the most expensive goods. The point in the price range at which this took place would, of course, depend on the amount of the increase in the rates and the value of D ; if, for the purposes of illustration, the rate of tax were to be doubled, all articles costing more than twice D would pay more tax.

96. Under present taxation arrangements, demand in the home market for the more expensive textiles is, however, small (that for non-Utility domestic furniture is negligible), and there would be a serious risk that anything more than a relatively small increase in the tax on such articles would so reduce sales as to defeat its own object. This tendency would be reinforced by the psychological effect on consumers of the high nominal rates. In view of the very small range of goods which would bear more tax than at present if D were set at top Utility prices it might even be impossible to balance the revenue merely by increased rates of tax. Apart from this, we think that the production and exports of the highest quality goods would be most adversely affected if the present rates of tax were to be increased.

97. We therefore feel that the loss of revenue would have to be made good by setting D below top Utility prices, *i.e.*, by subjecting the more expensive grades of Utility goods to a gently rising incidence of tax. Several important considerations give support to this view : in particular, the quality standard of "top Utility" varies widely from one scheme to another, and most of the schemes now include articles of grades well above those essentials commonly bought by the lower income groups while excluding some articles which the latter normally buy.

98. These inconsistencies were brought out very clearly when we turned to the problem of how to fix D, on the assumption that the present percentage rates of tax would be maintained, and examined first the consequences of fixing D by reference to top Utility prices. We found that the D's calculated to maintain the revenue on each class of goods bore no systematic relation either to top Utility prices or to the average prices paid for such goods. For example, if a D so calculated is expressed as a percentage of the average price for all purchases, it works out at 35 per cent. for rainwear but at 164 per cent. for vests. The reason for this difference is that at present there is a substantial amount of non-Utility rainwear, whereas the overwhelming bulk of both men's and women's vests are Utility, so that the tax yield from non-Utility vests is very small.

99. We then asked ourselves the question : "What would be the consequences of taking a typical figure, *e.g.* two-thirds of top Utility prices, and calculating the revenue which would be obtained if D were fixed at this figure for all classes of goods ?" It quickly became apparent to us that two-thirds, or, indeed, any other proportion of the top Utility price was an altogether unsatisfactory way of proceeding. It has already been pointed out that the D required to yield the same revenue from each separate class of goods bears no systematic relation to the corresponding top Utility price. Quite apart from this, there are other objections to working from the top Utility price. First of all, for each class of goods there are many different top prices according to fibre and style. Should one take the average of the various types or take the

highest of them ? In the last year top Utility prices have been varied considerably from time to time. Thirdly, and perhaps most important, the top Utility price is high in relation to the average price paid in some classes of goods and low in others. To put the point differently, virtually all purchases of footwear fall below the top Utility price of footwear whereas in men's suits or men's trousers quite a substantial number of purchases are made above the top Utility price. It might be that the fact that the top Utility price falls at different places in the range of prices paid for different kinds of articles corresponded to different degrees of "essentiality" of the classes of article concerned, but we are convinced that this is not so and accordingly are strongly of the opinion that top Utility prices are an unsatisfactory starting point in evolving a principle for the determination of D.

100. A better method would be to fix D so as to leave free of tax a given proportion of the price range of the classes of goods affected, expressed as a percentage of the volume of current purchases of both Utility and non-Utility goods. Such a method would have the advantage of consistency, and would ensure that a given proportion of all purchases of these classes of goods were exempt from tax. It would thus remove the unevenness which characterises the present tax exemptions, related as they are to the Utility schemes.

101. A particular example of this method would be the fixing of D by reference to the *median* price. If all the items of a particular class are arranged in order of the price paid for them, the median is the price of the item half-way along the row. For example, if consumers purchased 25 men's overcoats in 1951 and these overcoats were ranged in order of price from the cheapest at £2 to the most expensive at £26 and the 13th overcoat in the row had a price of £8, then the price of the median purchase is £8. Half of all overcoats purchased would have cost less than this and half more. On the basis of enquiries into the pattern of expenditure conducted by the Social Survey in March/April, 1951, it has been calculated that if D were in fact set at the price of the median purchase in all of the classes of goods under our consideration, the total revenue obtained would not be significantly altered.

102. In certain respects, especially for the purchase of the rarer and most expensive items in any class of goods, the figures obtained by the Social Survey may be subject to considerable error when thought of as representing the purchases of the whole population ; nevertheless, the Survey figures are firm enough to make possible reasonably sound calculations of the order of magnitude of D which would keep the revenue at about the same total as would be obtained if no change in the tax system were made. We understand, moreover, that sufficient information about the pattern of spending would be available to enable the Government to fix the level of D by reference to the volume of purchases ; the precise proportion (and hence the price range) of sales to be left free of tax would have to be settled in the light of the most up-to-date information available about personal expenditure, production and revenue.

CHAPTER 8

PRACTICABILITY OF A D SCHEME

103. Although less complicated in some ways than the Utility definitions, the D Scheme would obviously not be as simple to operate as the system of broad headings chargeable at a flat rate which characterises the rest of the Purchase Tax field. We therefore examined the major administrative and operational problems involved in the scheme in order to judge its practicability.

Tariff Headings

104. Perhaps the most important problem is the extent to which the D's for textile articles should be "according to the material." We are convinced that D figures cannot be quoted satisfactorily unless there is some subdivision of cloth, not merely in the listing of cloth itself, but also in the listing of garments made up from cloth. If all overcoats were to have a common D figure, that figure would be completely inappropriate, either for a woman's overcoat of wool cloth, or for a woman's unlined summer coat of rayon dress cloth. The former is typically a winter garment costing about three times as much as the latter. For the same reasons, if all jackets were to have a common D figure, it would be inappropriate, either for the jacket forming part of a woman's tailored costume, or for the top portion of a woman's "jumper suit" of rayon dress cloth, unlined. The problem can be solved if, and only if, a description of the garment can, where appropriate, be subdivided by reference to the kind of cloth of which it is made.

105. After investigation, it appears to us that it would be both practicable and also suitable for the purpose of classifying garments to distinguish wool and wool mixture cloth from non-wool cloth for the purpose of giving it a higher D, wool and wool mixture cloth being defined for this purpose as being of material containing more than 15 per cent. by weight of wool or animal fibre.

106. The suggested definition of wool and wool mixture cloth was adopted for war-time textile control (and used also for clothes rationing and the Utility schemes), because a wool content of 15 per cent. falls in the middle of what is virtually a no-man's land as regards mixture cloths. The overwhelming bulk of the cloths made by the woollen and worsted industries contains at least 30 per cent. of wool. There are, we believe, only two kinds of cloth which may be made with blended yarn of wool and cotton and in which a proportion of round about 15 per cent. may be technically feasible—(i) cloths intermediate between flannel and flannelette, and (ii) blankets; in both of these cases the 15 per cent. division is used today for distinguishing between different Utility cloths of these kinds. Apart from these special cases, we understand that it is impracticable to introduce small proportions of wool or animal fibre into the weaving of cotton, rayon, linen, silk or nylon cloths; hence there would be little danger of such cloths being made in order to qualify for the higher D figure. It would also be generally necessary, for the fixing of appropriate D figures, to subdivide knitted garments broadly between the wool and non-wool (typically cotton) types. It appears that the proposed 15 per cent. dividing line between wool and wool mixtures and other textile fibres would be satisfactory for knitted goods also, and for much the same kinds of reasons as have been noted above. Subdivision by fibre could not be further extended without raising the gravest administrative problems and serious complications for traders. In particular, although the present Utility schemes do not include silk or nylon cloth, we consider that these fibres should not be treated exceptionally, either by denying them the benefits of the scheme, or by fixing for them special D figures.

107. While the D for most garments would be expressed as so much per article, we consider that the most satisfactory way of dealing with piece goods, whether apparel cloth or not, would be to quote D as so much per square yard. Similarly, the D for household textile articles should in general be quoted as so much per square yard of cloth content. Nevertheless it should be possible, and would certainly much reduce the inconvenience to traders, for the common smaller articles in this last-mentioned category to be listed with individual D's (derived of course from the appropriate "yardage D"), e.g., a pillow-case; a "table-napkin or tray-cloth of area not more than half a square yard" (which would cover all normal articles of this kind); and possibly even towels within certain normal size limits.

108. The Utility furniture scheme covers only certain basic traditional articles of domestic furniture, but the possible descriptions of furniture range over a much wider field (by contrast, clothing is at least restricted by the shape of the human body). Hence the main D headings would have to be on broad and comprehensive lines (e.g., cabinetware, seats, tables), subdivided where appropriate by dimensional or other physical characteristics.

109. We consider that the D headings should all be clear and unequivocal ; in number they would be very much fewer than the lists of Utility specifications. In drafting the D headings, and in fixing the cash value of their D's, particular attention should be paid to the danger of providing incentives to distort production for the purpose of reducing tax liability ; the list for textiles and that for furniture should therefore each be carefully worked out and the D's inter-related in such a way as to avoid, for example, it being more profitable to market two 2-ft. cupboards than one 4-ft. cupboard. We recognise that this would necessarily result in some variation from the competitive relationship between different articles which has resulted from the Utility schemes.

110. In any case, frequent alterations of headings and of D values after a scheme had come into operation would have to be avoided. A major alteration of the level of prices would obviously necessitate a review of D's in the interests of the consumer or of the revenue ; but continual piecemeal tampering would both unsettle industry which must plan some considerable time ahead, and increase the possibility of inadvertently creating loopholes for tax avoidance.

Operational problems

111. We also considered what would be the operational problems involved for traders registered for Purchase Tax selling to unregistered traders. We have surveyed these problems primarily from the standpoint of the general textile wholesale house, which is likely to encounter them more acutely than other types of registered trader, owing to its selling a variety of goods—a factor which already involves the complications of invoices containing some items exempt from tax, some taxed at 33½ per cent., some at 66⅔ per cent., and some at 100 per cent.

112. The first difficulty which would arise for a registered firm under a D Scheme is that its staff would have the additional responsibility of knowing the D applicable to each article offered for sale. The second difficulty which a D Scheme would create for the registered trader is that the D deduction and its extension (*i.e.*, the unit figure multiplied by the quantity purchased) would also have to be shown on traders' invoices, and the tax calculated with the necessary allowance for discounts, value adjustments and carriage charges. We have examined a number of typical invoices of the more complicated kind, which included discounts, etc. We think that traders may have some difficulty in adapting their invoicing systems to meet the changed conditions, and that the scheme would necessarily involve an increase in work for them. We think, however, that this difficulty could be overcome, particularly if a few specimen invoices were published in the explanatory notes which Customs normally issue to registered traders. We are of opinion that, in view of the complications and extra work which the scheme would entail, it would be unfortunate if innocent mistakes made by his staff involved a trader in loss.

113. Finally, provided that the D headings were clear, and that subdivision by fibre were based on the definition recommended in paragraph 105 (which would enable the nature of stocks of Utility goods to be ascertained at a glance from the specification numbers) we think that a D Scheme could be brought into operation at comparatively short notice without causing undue difficulty of classification.

Invoicing and cloth marking

114. Under a D Scheme, the correct assessment of tax would depend upon more precise description of goods than heretofore, including identification of cloth and garments as between the classes which we suggest. The task for wholesalers and makers-up, as also for Customs in checking these operations, would be facilitated by an assurance that the relevant particulars would always be included in written invoices relating to transactions between trader and trader. Regulations should therefore be made requiring such transactions to be duly invoiced as might be necessary. Such regulations would involve only a modest extension of the requirements now contained in the Price-Controlled Goods (Invoices) Order (S.R. & O. 1943 No. 604). The present specification number marking of Utility goods itself indicates to which of the suggested textile classifications they would belong. To facilitate the corresponding identification of non-Utility goods, there should be power to make regulations requiring the goods to be appropriately marked to indicate their classification.

Evasion

115. The point was also made during our discussions that a D Scheme would provide opportunities for tax evasion by manipulation of invoices and loading cheap goods with part of the value of dearer articles. Such a possibility already exists in trades such as ironmongery, which deal in a wide variety of goods, some chargeable with Purchase Tax at various rates and others not chargeable. It is true that, under a D Scheme, with its smoothly graduated tax incidence, the incentive would be far smaller than under the system of tax exemption by value discussed in paragraphs 91 and 92, but we cannot deny that under such a scheme some unscrupulous traders would be tempted to look for new ways and means of avoiding payment of tax.

Conclusion

116. Provided that care were taken in the drafting of the D headings to avoid as far as possible incentives to distort production, we are satisfied that a D Scheme would be practicable.

CHAPTER 9

SOME CONSEQUENCES OF A D SCHEME

117. In this chapter, we measure a D Scheme such as we have described against the five main requirements for any readjustment of the tax system which we listed at the end of Part II of our Report, *i.e.* it should, as far as possible, take account of the need to :—

- (a) remove the tax discrimination against imported goods ;
- (b) maintain the tax exemption for lower-priced goods ;
- (c) remove the " blind spot " ;
- (d) reduce the tax differential between non-Utility and the highest priced Utility goods ;
- (e) avoid discrimination between closely competing goods of equivalent value.

We also examine some of the objections which might be raised to a D Scheme.

Import discrimination

118. Since the liability to tax would depend solely on the value of the goods, a D Scheme would apply equally to Utility and non-Utility, domestic and imported goods, which of course will have borne any duty chargeable. It

would thus remove completely the discrimination against imports arising from the Utility schemes. (Some United Kingdom industries, particularly the glove industry, have expressed concern at the promised removal of the discrimination which will deprive them of a substantial additional protection. This, however, raises questions of tariff policy which are outside the scope of this Committee.)

Tax exemption for lower-priced goods

119. The scheme would preserve tax exemption for the lower-priced goods. It would improve the progressive nature of the tax by providing for a slowly rising incidence of tax above the tax exemption point. This would result in those higher-priced Utility goods which are more commonly bought by the middle income groups bearing some tax. There would thus be a transfer to purchasers of top quality Utility goods of a part of the burden of tax at present borne by purchasers of non-Utility goods. It does not follow that there would be any transference of the burden from one individual to another since many people who can afford top quality Utility goods also buy some non-Utility goods. We have already expressed our opinion that, in a number of cases, the Utility exemptions extend far beyond the essential needs of the lower income groups. If, as we recommend, the opportunity were taken to remove certain anomalies, such as the tax on table oilcloth (oil baize), plastic sheeting and rubber footwear, it might well improve the position of the poorest sections of the community.

"Blind spot"

120. The main feature of a D Scheme would be the gently rising incidence of tax above the tax-free limit. This would permit industry to return to a more normal pattern of production, since manufacturers would be able to produce goods throughout the price range, knowing that at no point in the range would there be a sudden increase in the incidence of tax which would render the goods unattractive to consumers because the extra price was so much greater than the extra value. The re-opening of the home market for goods of rather better quality than Utility would provide a basis on which, subject to favourable market conditions abroad, a substantial export trade in these medium grade goods might be built.

Quality goods

121. If the revenue is to be maintained, there is little room for reduction in the tax on the most expensive goods. A D Scheme would reduce the tax on these goods by the amount of the tax on the fixed deduction. This in itself might not be of much assistance to the home trade, and thus indirectly to the exports of those firms producing high quality goods, but the competitive position of these goods would be further improved by the imposition of tax on part of the value of top quality Utility goods. These two factors together would, we hope, give as much benefit to craftsmanship and quality production as is possible consistently with the need to maintain the revenue.

Anomalies

122. If tax exemption were no longer tied to the Utility schemes, it would be technically possible to remove many of the anomalies which we have mentioned. For example, it would be administratively simple to provide that the deduction from value for non-wool fabrics should be made also for table oilcloth (oil baize) or plastic sheeting, or that the deduction for footwear should be given also to Wellington boots. We are satisfied that many of these anomalies should be removed, not only because it is necessary to relieve from Purchase Tax essential goods bought by the lower income groups and to avoid distortion

of production, but also to make a D Scheme administratively workable. The consideration of individual anomalies does, however, raise a large number of technical, administrative and policy questions which it is not, we think, our function to resolve.

123. There is a different type of anomaly arising out of the uneven development of the Utility schemes. If the Government were to adopt the method of fixing the level of D which we described in paragraph 100 (*i.e.*, so that a given proportion of all purchases were to be free of tax) a D Scheme would also remove the discrimination which exists at present as between one industry and another. At present, footwear yields very little Purchase Tax revenue. Under a D Scheme of this kind, a substantial number of pairs of boots and shoes would be taxed at varying rates. On the other hand, goods of equal essentiality in which the proportion of Utility production has been smallest (*e.g.*, oilskins) would contribute correspondingly less to the total Purchase Tax revenue.

Objections to a D Scheme

124. At what cost would these advantages of a D Scheme be secured ?

First, it might be objected that it would result in a shifting of the burden of Purchase Tax from the more expensive to the less expensive goods. We have dealt with this question in paragraphs 119 and 121 above. A second objection might be the difficulty of administration which the scheme presents, and the additional burden it would place on registered traders, particularly the general wholesale textile houses. We have examined these problems in chapter 8.

125. Thirdly, it might be objected that the adoption of a D Scheme would have adverse effects on the balance of payments, at any rate in the short run, by encouraging imports and by stimulating home-market sales of goods which might otherwise have been exported. Although the removal of the existing tax discrimination would by itself increase imports (except in so far as this was prevented by quantitative restrictions already in force) any adverse effect on the balance of payments could, if it were sufficiently serious, be counteracted by import licensing, which is internationally recognised as a legitimate means of correcting a balance of payments disequilibrium. The short term effects of a D Scheme on exports are more difficult to judge. The probable immediate effect would be a small increase in home demand, but as long as the present slack market for textiles persists, no harm would be done to exports. We hope that, in the longer run, the stimulus to exports obtained by the removal of the "blind spot" would operate swiftly enough to overtake a possible increase in home demand for home-produced goods.

126. Finally, it might be objected that, without the incentive of tax exemption, manufacturers would be reluctant to produce Utility goods. We think that it might well be that some manufacturers would cease to apply the Utility mark to the goods which they produce, although the Utility mark has acquired an undoubted prestige among large sections of the population, and might therefore continue to be in demand for its own sake. (It may be significant that, in the field of young children's clothing, where Utility and non-Utility goods alike are tax-free, demand for Utility goods has been maintained and has been broadly satisfied). Unless conditions were such as to produce severe shortages of goods of the classes falling within our terms of reference, we can see no reason for thinking that the volume, price or quality of goods of the kinds now in the Utility schemes would be substantially different from what is produced at present. As one trade organisation has put it "These (goods) have traditionally been in demand in the home market for many years before the Utility schemes were introduced, and manufacturers will continue to cater for this market."

. 127. Nevertheless, we think that there is a deep-seated desire among consumers to be given some assurance about the quality of the products they buy, and that this was undoubtedly one of the reasons for the popularity of the Utility schemes. However, as we have shown, the fact that Utility status carried with it Purchase Tax exemption created pressures which were largely responsible for the relaxation of detailed specifications, with the result that most of the Utility schemes no longer justify the faith which many people still have in them as providing a guarantee of quality or of " value for money ". At the same time the link between Utility status and Purchase Tax exemption prevented the Board of Trade from developing the Utility schemes as a means of protection for consumers. With the severance of this link by the introduction of a D Scheme, the Board of Trade should encourage industries to adopt minimum standards, worked out in co-operation with the British Standards Institution. We have received evidence from a number of textile trade organisations in which it is stated that standards of making-up and sizing are already being worked out. There are many technical difficulties to be overcome. Once standards have been formulated, however, it would be possible for the trades concerned to administer schemes under which goods would bear a mark indicating that they satisfied the standards laid down. The mark could, we understand, be protected under the Merchandise Marks Act. Arrangements of this kind could give the consumer far more satisfactory assurances about quality than the present Utility schemes provide. Meanwhile, those Utility schemes which do no more than define the field of Purchase Tax exemption should be withdrawn.

128. In the particular case of furniture, the Utility scheme still provides some guarantee against ill-made and inferior articles. Furniture is a type of product for which (because of its high cost and the ease with which serious constructional defects can be concealed) the consumer is in special need of protection. We are therefore of opinion that the Board of Trade should arrange that, with the introduction of a D Scheme, at least the present quality standards should be safeguarded.

PART IV

CHAPTER 10

CONCLUSIONS AND RECOMMENDATIONS

129. Our terms of reference require us to have regard to the need to maintain :—

- (a) the advantage of the Utility schemes to consumers ;
- (b) the expansion of the export trade ;

and (c) the yield of Purchase Tax revenue.

Considerations (a) and (c) together require us to preserve the tax relief for less expensive goods and therefore to maintain a relatively high tax on more expensive goods, while we have found that consideration (b) required us to provide for a smoothly graduated tax incidence to remove the present " blind spot," and give some relief of the tax burden on more expensive goods. These terms of reference are, however, so tightly drawn as to make it virtually impossible to propose any change in the present Purchase Tax/Utility arrangements which would significantly reduce the heavy burden of taxation on the products of the industries concerned, and in particular on the better quality goods which are of such importance to our export trade.

130. If cheaper goods are to be relieved from tax, there is no easy solution to the problem of how the tax is to be levied on more expensive goods. Having considered all the proposals described in Part III of this Report, we conclude that only a D Scheme comes within all the requirements of the terms of

reference laid down by your predecessor. We are conscious that a D Scheme such as we have propounded is not an ideal solution of the many problems confronting British trade to-day. It perhaps offers least assistance to the production of high quality goods. It has, as we have seen, its complexities. It would add some burdens to traders, although lightening others. In particular, a D Scheme would add to the operating costs of the large general wholesale warehouses. On the other hand, the abolition of those Utility schemes which do no more than define the field of Purchase Tax exemption (as suggested in paragraph 127) would relieve manufacturers and wholesalers of the necessity of consulting the large volume of legislation governing Utility goods. For instance, a trader would be concerned only with one or two D's for shirts instead of the present 781 Utility specifications, or with a single D for women's non-wool domestic overalls instead of the present 405 Utility specifications. Again, the introduction of the D Scheme would require some increase in revenue staff, but this would be offset by a reduction in staff administering the Utility schemes.

131. Your Committee has had to weigh up a complex of advantages and disadvantages. But, on balance, we consider that the benefits which a D Scheme would bring to the export trade, consumers and industry would fully justify its adoption in place of the existing Purchase Tax/Utility arrangements. It would, moreover, have the effect of fully meeting the United Kingdom's international obligations in relation to imported Utility-type goods. We therefore recommend :—

- (a) that the present exemption from Purchase Tax of Utility goods be replaced by a system of deductions from wholesale value applying to Utility and non-Utility goods alike ;
- (b) that Purchase Tax at the present rates be charged on the excess (if any) of the actual value of the goods over the appropriate deduction ;
- (c) that the deductions be fixed in such a way that a given proportion of current purchases of goods covered by the Scheme would be free of tax ; this proportion should, as far as possible, be the same for all the classes of goods concerned, and be not less than one-half in each class ;
- (d) that in drawing up the list of deductions, care be taken to avoid perpetuating anomalies of the kind which we have mentioned in this Report.

132. We should like to record our thanks to the officials of the Departments concerned for much factual information and expert advice. We are particularly indebted to Mr. Glaves-Smith and Mr. Alexander, our Joint Secretaries, and to Mr. Chapman, our Assistant Secretary, for their quite invaluable help.

W.M. S. DOUGLAS.

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ERNEST W. GOODALE.

W. L. HEYWOOD.

G. D. N. WORSWICK.

F. W. GLAVES-SMITH }
J. S. ALEXANDER } Joint Secretaries.

21st December, 1951.

APPENDIX

List of Governments and organisations who have given evidence to the Committee

Overseas Governments.

France.
Switzerland.

Organisations.

Apparel and Fashion Industry's Association.
Association of British Chemical Manufacturers.
Association of Master Upholsterers.
Bespoke Tailors' Guild.
Birmingham and District Industrial Safety Group.
Blanket Manufacturers' Association.
British Furniture Manufacturers' Federated Associations.
British Mantle Manufacturers' Association.
British Plastics Federation.
British Rayon and Synthetic Fibres Federation.
Canadian Chamber of Commerce in Great Britain, Inc.
Clothing Industry Development Council.
Co-operative Wholesale Society Ltd.
Corset Trade Association of Great Britain.
The Cotton Board.
Cotton and Rayon Merchants' Association.
Cotton Spinners and Manufacturers' Association.
Counties of Cities Association.
Domestic Textiles Federation.
Drapers' Chamber of Trade.
Federated Associations of Boot and Shoe Manufacturers.
Federation of British Industries.
Footwear Distributors' Joint Council.
French Chamber of Commerce of Great Britain.
Furnishing Fabric Federation.
Furniture Development Council.
Household Textiles Association.
Italian Association of Hosiery and Knitwear Manufacturers.
Italian Clothing Manufacturers' Association.
Italian Cotton Manufacturers' Association.
Italian Wool Manufacturers' Association.
Leathercloth Industry.
Light Clothing Federation Ltd.
Manchester Chamber of Commerce.
National Association of Clothing and Rainwear Manufacturers.
National Association of Glove Manufacturers.
National Coal Board.
National Federation of Merchant Tailors.
National Federation of Women's Institutes.
National Union of Manufacturers.
Overall Manufacturers' Association of Great Britain.
Reconditioned and Salvaged Clothing Merchants' Association.
Rubber Footwear Manufacturers' Federation.
Rubber Proofed Garment Manufacturers' Association.
Scottish Federation of Merchant Tailors.
Shirt, Collar and Tie Manufacturers' Association.
Silk and Rayon Users' Association.
Trades Union Congress.
Union of Industrialists of Naples.
West of England Wool Textile Employers' Association.
West Indian Sea Island Cotton Association (Inc.).
Wholesale Cloth Hat and Cap Manufacturers' Association.
Wholesale Clothing Manufacturers' Federation.
Wholesale Furnishing Textiles Association Ltd.
Wholesale Textile Association.
Women's Co-operative Guild.
Wool Textile Delegation.

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