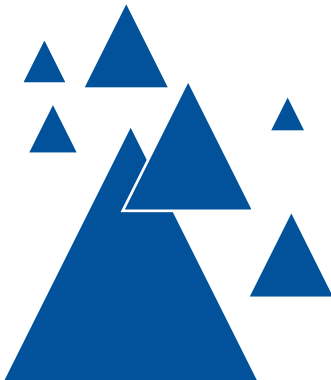


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Interview with Dr Stanley Dixon

by Michael Mumford



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DR STANLEY DIXON
INTERVIEWED BY
MICHAEL MUMFORD

6TH APRIL 1979 AT HIS HOME IN STOURBRIDGE

You qualified with a firm of chartered accountants before the [Second World] War?

Yes, With Peat's. Well, it was not Peat's then: it was Leather and Veal, in Leeds in 1927.

Was this because there was a family tradition of accountancy?

No, no. I'd read Mods and Greats at Queen's College, Oxford. I had a classical scholarship, and when I finished I didn't know what to do, and it was suggested to me that the best opening into administration in industry was to qualify as a chartered accountant. I went to Mr Leather and said I couldn't afford to pay a premium, but I reckoned that as a graduate I should be able get value for what I gave him. And he accepted that. In those days, premiums of 300 guineas were the rule, and so I felt very pleased. I did the three year articles and I qualified in 1927, and then I stayed with them until they merged with Peat's in about 1931 - and I stayed with Peat's until 1935.

Right. So in fact you were in the profession for some eight years or so after qualifying?

Eight years, yes.

Doing a variety of audits?

Yes. One of our main audits, of which I was in charge, was the Yorkshire Tar Distillers. In 1935 I asked the [company] secretary there about a job. In fact, I had been offered the Secretaryship of Scottish Tar Distillers two or three years earlier, but I had just agreed to stay with Leather for another three years and so he didn't want to release me and I wasn't too keen on going. At the end of that time, 1935, I did start looking around. Of course, it was extremely difficult to get jobs in those days - it was very different from today, my goodness me!

I spoke to the Yorkshire Tar Distillers' secretary and he said that Midland were looking for somebody because their secretary was very ill, and the negotiations took up - they were terribly dilatory - it took about four months, but in the end I was appointed. Actually, the very day of my interview, I think it was the 4th of July 1935, on which day I went to Birmingham and was appointed, on that very day, the secretary died. He'd had cancer and gone quietly. And so I started there in 1935, as company secretary.

Did that have responsibility for the accounts as well?

Oh, yes - definitely.

And so responsibility for the accounts would cover the financial accounts and filing with the Companies Registrar. What about any management accounts? Was there a system of management accounting or cost accounting in those days?

We used to get out what we called 'Yields'. You can see that in a chemical works, crude tar contains all these various products, and the efficiency of tar distillation really depends on extracting the maximum amount of the more valuable products in the tar. Some products were worth four

pence or five pence a gallon, some about two shillings a gallon, and some two pounds a gallon. And the efficiency of your distillation really was to see how much of the two pounds product you could recover. There was very little, and it was very easy for it to go in the creosote and just be lost. Those [yield] figures were got out from the very beginning.

From the founding of the works?

Well, I wouldn't know earlier, but certainly they were got out in Midland Tar Distillers. They were being got out when I went in 1936, and then during the war of course we were just all out, getting all we could, obviously.

The products had a military significance did they?

Oh, yes. Everything was of importance. The creosote we sent to ICI, and it was made into the high octane petrol, in those days for the air force - the very best petrol. The pitch was a fuel. Pitch and creosote together go on the roads. And then the Ministry of Supply erected a Benzole plant for us. Benzole is to coal tar as petrol is to oil. The finest product we got out of coal was Benzole. We worked the crude Benzole into refined Benzole, and of course that meant that Benzole was home produced petrol - obviously a tremendous step forward. And all the naphthas were used. Everything was of use in the war - everything.

And that meant clearly that the Ministry of Supply would have been very interested in your works?

They were, yes.

And you had a lot of price controls?

There was a Coal Tar Controller appointed, and he asked for a vast amount of statistics - some of which we had got, some of which we hadn't got previously, and we had to supply these monthly. And that amount of statistical information was never lost in the Midland Tar Distillers, certainly.

What about the question of price controls and things? Did you have to produce economic figures for prices?

Yes. Price controls were certainly in existence, and I think they were fixed by the Coal Tar Controller, with the government. It was the Minister of Fuel and Power, and the Coal Tar Controller was part of his staff. I think they fixed the prices, and then of course we had to fall in. But, again, from one point of view, as a company, prices didn't very much matter to us. It mattered much more to the Gas Board or the gas companies, because it went back onto the price of the crude tar. That didn't mean to say we didn't do our best to get better prices for them, because we had a monthly meeting - a monthly committee on which the leading gas companies' representatives sat. The chairman was Alderman Lloyd, from Stewarts and Lloyds, who had been one of the city fathers of Birmingham - one of the most highly respected figures in Birmingham. They were used for all matters of policy questions of price. Prices were always reported to them monthly. They knew what was going on, and they could - theoretically, at least - advise us, and urge us to do this or that. It was really advice, more than anything else. The price didn't really matter to Midland Tar Distillers because we bought at no price at all.

Tar was a by-product. They were waste products. It was a question of your taking it away and doing something with it?

That's right. We had a formula. We first of all charged the tar at a penny ha'penny a gallon, which was the minimum price. We then charged all our working expenses. We had interest on our capital. We had, I think

it was, £300 per million gallons, towards our own company expenses as it were. And then the balance was divided on a sliding scale, but very much largely towards the Gas Companies. The higher the price, the more went to the Gas Companies, and the less to us. But something like this. The first ha'penny would be divided as to 4/11ths and 7/11ths; the next ha'penny was 3/11ths and 8/11ths; the next ha'penny was 2/11ths and 9/11ths; and the final was 1/11ths and 10/11ths. Or it may have been 16ths - I forget the precise figures.

This was in the days when the gas companies were private companies?

Yes, it was. But that sort of agreement was kept up to the end [i.e. after nationalisation in 1947].

Yes, and that means too that the costs of your equipment had to be recovered out of these prices. And, presumably, having got the plant installed in the first place, there would be some finite life on that equipment, would there? Or was it expected that once you've built your plant, it could be maintained indefinitely?

The original agreement had renewals. We charged renewals as a charge in the accounts. And this was a matter of considerable contention. When I say contention, I mean friendly contention as to how much. You see, you very rarely put up a piece of plant which was an exact replica of the one which it replaced. It was either a better method, or it was larger. The auditors - the company auditors and the tar account auditors - and ourselves sat round a table every six months. And we hammered out each piece of expenditure in turn, to decide how much was replacement, in which case it was charged to revenue, and how much had to be capitalised. And we would have 75% to revenue, and 25% to capital - or 80%, or anything like that: sort of arbitrary figures. That was how it was dealt with, the replacement.

Well, the reason that that is an interesting question is that there were during, the whole period of the 1940s, several debates on replacement costing. Mr [Lawrence] Robson was talking about these to me the other day, and the objection to replacement cost accounting always used to be that, well, you can't separate out how much of your capital expenditure is simply maintenance and how much is enhancement of your capital.

No, no.

But you were in fact doing this. You were doing it by negotiation.

And, moreover, we had it accepted by the Inspector of Taxes. Ledson was our auditor, and they got a letter [from the Inland Revenue] and they asked us. They said: 'please give us particulars of all purchases over £50' - you know the sort of silly thing that they used to write. And we said: 'look, this is absolutely absurd; we buy joists, we buy pipes, piping, cocks and glands and valves. They all go into stores, and then we use them - maybe capital, maybe revenue'. And we went to the Inspector and we said: 'We will give a job number to every item of major repair; we will give a job number to every capital item; and we will undertake to charge properly and sincerely everything to those job numbers. We will go through those job numbers at the end of every year, and consider with the auditors - the tar auditors and the company auditors - the amount of capital included in those items - whether they're major repairs or not'. As I say, this session would probably last a couple of days, maybe three days, all of us sitting round with the engineers.

And when that was finished, Freddy Ledson used to go to the Inspector, before the year end, with this list and say: 'This is what we've done'. And he'd go through it and accept it. He accepted it for revenue purposes without any question.

What sort of things were the engineers looking for, talking about? If you were taking out one piece of plant and putting in another, would you then talk about the capacity of the plant? Would you put it in terms of how many 100 tons an hour [it could process] or something?

Partly capacity, but usually because it did something else. It was more efficient; it probably got out another product, or got it out in a different way. And of course you can see that they were terribly difficult arguments, but we solved them. A lot of it was compromise, but we solved them and accepted it.

The interesting thing here is that you are probably in one of the most difficult conceivable industrial areas for this matter of technical change.

Yes.

And if you can solve it there, then it seems reasonable enough to assume that it can be solved anywhere else.

Yes. If everybody is determined to solve it - that's the great point. You see, we were all, as it were, searching for truth. It sounds a little bit pretentious, [laugh] but we were in fact. Everybody wanted get the truth. The gas board wanted to get a proper price for their tar; the Inspector wanted to get it right. And we had professional men on each side, and between us if anything had gone badly wrong, you see, one or other of those two would have objected. So we were able to do it.

And, at the ultimate, if the objections ever became strong enough, it could have meant closing the establishment down?

Well, I suppose so, yes. But it never even got anywhere like that. I mean it wasn't - to use a fashionably modern term - there was no contention at

all. It was a genuine search for what was in fact the truth: it really was quite genuine. And it was most enjoyable.

And there were no particular circumstances affecting the company. It was registered under the Companies Act?

Oh, yes.

What about the period after the War, coming after 1945 or 1946? There was a period in which there was a tremendous amount of concern within the profession, and within government and elsewhere, over the need to re-equip British industry. There were a number of articles written, for example, saying: 'Look, with taxes as high as they are, and with dividends being paid out at the rate they are, there are no real profits left to re-equip British industry, and the capital is running down'. Now, you wouldn't have been confronted with quite that of problem, would you?

Yes, we were. Before the war, we hadn't got the Four Ashes Works, the works that you see around here. And the Gas Boards were formed - what was it, around 1948 wasn't it? Well, I think it was about 1947/48 the Gas Boards were formed. And our great fear, our constant fear, the spur which always kept us to the mark, was that the Gas Boards would put down their own tar distillery. And in fact the West Midlands Gas Board was really determined either to take us over or to build its own distillery. We had many, many arguments. We finally decided that a lot of new money was needed, because we had to put up a new distillery altogether. The equipment and plant we had was really quite out of date. Also, it didn't go far enough. It did the basic stuff all right, but it was the extraction of the more valuable products which was needed.

I should explain that Midland Tar Distillers was largely owned by a family called Robinson. The Robinson Brothers were the directors of Midland Tar, and they still own a very flourishing chemical business at West Bromwich.

And finally the Gas Boards decided that so long as Robinson Brothers held 11% of the shares, they would not insist on control. So we had 40% of the shares of a much larger shareholding as a lot of new money came in. 40% was held by the Gas Boards - chiefly West Midlands and East Midlands - 11% was retained by Robinson Brothers, and 49% was held by the general public. The Robinson Brothers couldn't sell their holding without offering it to the Gas Boards.

Yes. I wasn't sure, when you talked about the 11% limit, whether the Gas Boards wanted them to hold no less or no more than that 11%.

No less. In fact, they [the Robinsons] could neither buy nor sell without the consent of the Gas Boards, and if they wanted to sell they had to offer it to the Gas Boards. And with that assurance, because they trusted Robinson Brothers, the Gas Boards were prepared to allow Midland Tar Distillers to go ahead as a separate company. And they provided, as I say, a lot of the money.

We bought a site first at Pelsall. After having made every conceivable enquiry, we were urged to make one more - and we found that, in fact, it had been riddled with underground workings, so we couldn't use it. We had to look again. And we found this man Mountain, anxious to sell this site at Four Ashes. But he wanted to have his cake and eat it. He put up every conceivable objection and difficulty, and we were negotiating for quite twelve months before we actually got the site. And then we built that new refinery on the site, and we entered into new agreements with the Gas Boards. So when it was finally erected, it was in fact the most up to date tar refinery in Europe, I would think, if not in the world probably. But by that time we wanted a new agreement.

You see, the original agreement was for the distillation of tar, and, as I said, we had all our working costs. We had £300 per million gallons for working, and we got a capital allowance based on a percentage of a

capital sum, calculated as so much per ton of tar distilled. It sounds a bit complicated.

This allowance for tax purposes?

No. An allowance for our capital. You see, our profit as a company came from three sources really: £300 per million gallons for salaries of directors and that sort of thing. And we got interest on our capital on a hypothetical sum which was calculated by reference to the tonnage of tar. Now you can see, can you not, that as we went further into distillation, that wasn't adequate because that was only intended to provide capital for the first distillation.

Certainly, and to maintain a very large through tonnage.

Yes - a very large through tonnage.

Without doing anything very complicated.

Without going further along. And most of our grievance - most of our discussions at that time with the Gas Boards, apart from this question of security and Robinson Brothers holding 11% - the other [part of the grievance] was the new sort of tar agreement, because we said that there was absolutely no inducement for us to go further ahead. We got nothing for it at all. We get no more capital allowances. We are supposed to put up capital for nothing.

Because all the benefit from the prices of these better products went straight through to the Gas Board?

15/16ths, yes.

And so we had a new agreement, and this basis of capital allowance was scrapped altogether and we had an allowance in terms of an agreed rate of interest. I don't know whether it was fixed or whether it fluctuated with interest. No; it was fixed. It must have been fixed. I forget - I think it was 6% but I'm not sure - but on the capital value of the plant as we put it up.

But we still had these discussions about repairs - maintenance and replacement - because we then came into the question of replacements of parts or replacement of a whole piece of plant. Because if it was a whole piece of plant, we had to write it off, get the balancing allowance, and start getting interest on the new plant. But if it was part of a plant, we claimed that it was renewals of that part. That again the Inspector accepted, because you can see that a piece of plant which was worth perhaps £200,000 you could replace with something costing £30,000, £40,000 or £50,000 and still it is only a part of the plant. And actually we got the Inspector to come and walk round and see for himself. Once or twice, we said: 'Look, if you are bothered about this come and look at it, and you'll see what we mean'. And they did.

We then agreed that we could differentiate still more; we could differentiate between activities which were pure distillation of tar - which would be generally accepted as tar distillation. Then there were processes which used the products from distillation and went outside the realm of distillation of tar, which used the product in some chemical process which was really partly tar distillation but partly not. And we agreed that the profits of those should be shared 50/50 with the tar. 50% went to the distillers, that is, it went to us as a company, and 50% went into [reducing] the price of tar.

And, thirdly, there was a third category which couldn't conceivably have had anything to do with tar, and yet it was a tar product which was used as its raw material. And the profit from that went wholly to the distillers.

Now, those were the sort of discussions we had. We charged a fair price. We credited the tar account with a fair price for that product at that stage - for some product which was a proper tar product. But the use we made of that was something which was really nothing to do with tar. If it had something to do with tar, we shared it 50/50; if it had nothing to do with tar, we didn't share it at all. It was all to their advantage, because we allocated overheads and allocated all the expenses you see. The more we got on that site, the better it was for them.

Yes. You anticipated my question. I was going to ask about the transfer prices of the products of the tar, from one step to the next, by referring to the fair price. That would be a negotiated price? Or would it be related to a market price? There wasn't a market.

I think that we could always find something on the market which would be sufficiently near to make it possible to agree. Again, the auditors would come in on both sides, and they would accept it. Or this was the sort of thing where we came into contact with Hyde. There was a man called Hyde, and there was a man from the East Midlands [Gas Board] who was very friendly. He was a chartered accountant. Hyde was a Cost and Works Accountant.

[He was a Chartered Institute of Management Accountants (CIMA) and Association of Chartered Certified Accountants (ACCA) member. He later chaired the discussions for the CCAB that led to a replacement for Exposure Draft 18 *Current Cost Accounting*.]

Yes. And we used to have meetings with them about twice a year and put these problems before them. And we'd agree a price. Obviously we had to give a lead, but they were terribly helpful. Then, we found a problem that if there was a replacement of a whole piece of plant, then we had lost compared with the old agreement, because the old agreement was that you got nothing for wear and tear at all; we got a capital allowance and

nothing for wear and tear. But whole replacements were charged as a charge against the tar accounts, at whatever price. The prices were going up, of course, and you got the new price.

But those were the days when tar was all done in little stills - like little boilers. The tar was put in, and it was heated up and then run out, and you replaced a tar still. But then we moved to these large continuous stills. I think the answer was that in fact we never did replace a major piece of plant! It was always patched up. We would replace a half of it, or a column. The column might well cost £50-£60,000, but that would be a revenue charge. That was the sort of thing we were arguing about.

But there was a problem when you came to move to Four Ashes. There was the problem that you needed to find further capital, and so you had a new share issue.

Yes.

You obviously couldn't finance the whole thing out of reserves.

No, no, and the Gas Boards put up 40% - a large amount. And we also had a debenture.

I see. So from that point of view, you weren't really a party to the debate which was taking place more generally. People were arguing that because profits were measured on a historical cost basis, the profits were being over-stated, and taxes were being paid and dividends were being paid - and yet the profits were not sufficient to buy capital equipment at current prices. And so the amount of capital - the quantity of capital - employed was going down between 1939 and say 1949. And now you solved that problem by having a new share issue?

Yes, we did, and put up a new plant.

Yes, and there was every incentive for people to invest on that basis because the people who were investing had a pretty direct and material stake in the proceeds, in the profits which were coming out of the end?

Very much so. They would have liked to have had 50%; they would have liked to have the whole lot, or at least a controlling interest. It was with considerable reluctance, I think, that they agreed not to, simply because they trusted the Robinsons.

They would presumably have built it, if they had gone ahead, at Coleshill?

I think they would. In fact, there was a piece of land at Coleshill which was known as 'the tar site' ever since I went to the company in 1936. Midland Tar Distillers had done very badly and they were under threat. Robinson had just died, and it was in the hands of the younger two, the next generation. And they were under threat that if they didn't improve the price within a given period - a couple of years - Midland [Gas Board's predecessor] would erect their own tar works on this tar site in Coleshill. And it was from that that we put in the first continuous plant at Oldbury.

I should explain that Four Ashes is wholly refining the products which come from the actual distillation of the crude tar, for which the major works was at Oldbury, over at Nechells. And we put in continuous plants. They were just going up when I joined the company, and they were working about 1938 I would think.

As a side question, how on earth does one transport the tar from Nechells up to Four Ashes? Don't you need to keep it warm?

It was never tar, no. It's the crude oils - the intermediate oils. Of course, the crude tar differs according to whether it comes from a coke oven or

a gas works. Now I think I'm right in saying that it is about 40% pitch, which is a solid, 30% creosote which is a liquid, and the pitch was sold largely for making briquettes abroad for the railways. The creosote went to America in large quantities for wood preserving purposes. They had all sorts of things. Combined pitch and creosote in certain proportions makes road tar which goes on the road.

And then, combined again, it can be a fuel in competition with the fuel which we get from the petroleum people. And that was our last safety valve. I said that we had to take in crude tar whether we wanted it or not. Of course it was very constant, obviously, as the gas works produce roughly the same amount, but we had to take it in whether we could sell it or whatever happened to the market. But in the very last resort, we made a pitch and creosote mixture and burned it as our own fuel or sold it for fuel. We sold an awful lot to Stewarts and Lloyds.

That accounted for 70% of the tar. The final 30% is in the form of what we'd call crude oils or distillates. And that can be moved; that doesn't need to be kept hot. It was that that was shipped to Four Ashes, and that's the stuff which makes chrysillics and chrysillic acid, carbolic acid, disinfectants. We get saccharin, aspirin, it's a form of bakelite plastic and, then, pyridine. Pyridine is very valuable stuff; I forget what they make it for. But these are the things the naphthas, the pyridines, the benzoline - that come out.

You don't have to heat these up?

You don't have to heat them, no.

Again, a little off the point but I find it fascinating here; now that the town's gas has virtually ceased, where is the raw material coming from now as this starting point?

We realised in about 1964 that our supply of crude tar was utterly finished, although it [town's gas production] didn't actually close down for a large number of years. We had about a ten year breathing space, and they were devoted to producing our same finished products from other materials - from other sort of feed-stocks. You see the petroleum industry - petrochemicals - they themselves do very much the same sort of thing and they produce the same sort of thing. It is also possible by chemical processes - I'm not a chemist sufficient to understand how - to use other feed-stocks in order to get the same raw material to use. So all those plants in Four Ashes are in full production, largely with other sorts of feed-stocks. Also, crude tar hasn't completely disappeared because it still comes from coke ovens, and that is why we merged with Yorkshire [Tar Distillers], largely.

I see, yes.

Because their supplies of crude tar had been maintained, and they have two or three quite large tar works in Yorkshire which are still operating as distilleries. And then they have another works at Nottingly, which is like our Four Ashes works in which they have put their more refined activities. And, there again, they have some supply of crude tar which helps us.

Would this come from the Electricity Council in their generating?

No, no. The sources of crude tar now are coke ovens coal in Yorkshire, and there are two or three patent fuels. The National Carbonising Company, Rexco. Have you heard of Rexco?

I don't think so, no.

National Carbonising Company - they make crude tar, and there's a company just south of Yorkshire. They also make a patent fuel. And that's the oldest

Coalite, of one of those ...?

That's National Coal Board, I think. Crude tar from that, I think, goes to Yorkshire because that's the National Coal Board. Oh dear, no - I can't remember their name.

Right. Now, moving onto a rather different area, your involvement with the Institute [of Chartered Accountants in England and Wales] really stemmed from the article in *The Accountant* in 1950.

This is where Jack Clayton, I think, will come into it as being much more reliable than I am. But there was a vast amount of agitation on the part of the members in industry to be recognised. The Council first of all decided on this joint technical committee - now, what did they call it? The Taxation and Financial Relations [T&FR] Committee, I think it was.

1942.

1942. I'm sure you will find it in the book [Howitt's 1966 history of the ICAEW]. That came from agitation for accountants in industry to have some say. They wouldn't let them go on the Council, but they formed this committee to be half and half - Council and industry - as a purely advisory committee, you see. And then that wasn't sufficient. And in about 1950, the Council decided to have four members in industry on the Council. I think it is 1950.

And at the same time, instructions went out to the District Societies that they were to so arrange things that they had two members in industry on all the District Society Committees. And I was one of the first two on the Birmingham Committee. I think both our auditors actually were on that committee, so that I had had contact with them. The other industrial member was Bill Fea. Have you heard of Bill Fea?

I know the name, but I know nothing about him.

No? He lives abroad now. He was in Birmingham with GKN, and he was a very, very good chap indeed. He was the first one on the Birmingham Committee, and I was the second. But I think I started off on the Birmingham Taxation and Financial Relations Committee. After this one had been formed in London, they formed district branches of it, and I went on that first, that's right. And then I went onto the Birmingham Society Committee. And then I was invited to go onto the London T&FR, which I did about 1951 or 1952. Fortunately, Richard Robinson, who was my chairman [at Midland Tar Distillers], was very broad minded. He thought it was a very good thing for people to serve their profession, whether they were engineers or chemists or accountants. He encouraged everybody, and so I had no problems. I was always encouraged to do it.

Well, that's a funny situation isn't it?

Yes, it is.

There's a lot of people in industry would find it very difficult to give up the time.

Very difficult, and actually it's a mystery which I still cannot understand. You see there's only been one other President of the Institute from industry, and that's the present one.

Oh, yes.

What's his name? I know him very well; he was from Birmingham actually. Yes - Eric Sayers. Now, we have been the only two. I know other people have been approached. And yet the Institute of Cost & Works Accountants, as was, and the Association and the [Chartered] Secretaries

- they have no problem in getting people in. I cannot understand it. There is something wrong; it has always worried me.

In banking - I quote banking and insurance - people say: 'Yes, but you will remember that the whole essence of the job is banking, and they will let somebody go and be a member in the Institute of Bankers because banking is their job. But with a firm of tyre manufacturers, accountancy isn't their job - they hire him as a servant. And they just lose him'. And I say: 'Yes, but what about the Cost and Works Accountants? It applies there?' I cannot get out of the way calling it 'Cost and Works Accountants'; it is the 'Chartered Institute of Management Accountants' now. I think in the Institute, I think those in practice are to blame somehow.

The first non-practising members to be involved were on the Taxation and Financial Relations Committee. There was de Paula, of Dunlop, and there was somebody else.

Yes, yes, a man called Moore whom I followed on the Institute. Are you talking about who went on the Council?

I am talking about involvement.

Oh, involvement generally ...

General involvement came through the T&FR.

Yes, it did. Well, you'll find that Jack Clayton was very much involved in that. He was a man who pressed - oh, he went all out - to get the FCA recognition for men in industry. You'll find him very interesting, I am sure.

Yes. And he was involved, Mr Clayton, he was involved in the 1940s.

Was he?

Well, he was in **The 1949 Group**: he must have been fairly well known by them.

He would be, yes, I'm sure he would be.

So, by 1951 you went onto the **Taxation and Financial Relations Committee in London**. Who would have been the leaders of the T&FR at that stage; who were the early people?

It's funny that I am a little bit hazy about that. One person who got on just before me was Wilks from -

Deloitte's?

Imperial Tobacco. He was from Deloitte's, but then he went to Imperial Tobacco. He got on the committee a good deal before me, and he was involved. And then - I can't remember. The man at the Institute was Wilkinson: now you must have heard of [F. R. M.] Wilkinson?

Yes.

The man who did so much - so very much!

The secretary.

He was the secretary, but he did all the work himself. He came on the Taxation and Financial Relation Committee. They got a young man who was there full-time - but still very much under Wilkinson's thumb.

It was about that time that the committee really broadened its range of interests. It got interested in cost accounting.

Yes.

It published a paper, in the late 1940s I think, on cost accounting.

Yes, we did that.

Now, what was behind this? Was it all part of the same move to bring the non-practising members in?

Yes, I think it was. There was a work on standard costing, wasn't there? It was for that that this young chap was engaged, particularly. He did a lot of work. There was a lot of work on standard costing at that time. Now that was to bring in the people in industry. You see, the people in industry were fighting a battle all the time. It was they who were up against a fairly solid stone wall. And the defences crumbled one by one.

Picked off, yes.

Yes. The first was the central Taxation and Financial Relations [Committee], and then the four people on the Council. And then that was extended to ten, I think, wasn't it?

When the merger with the Society [of Incorporated Accountants and Auditors] came about in 1957, the Council was reconstituted, and I think then the non-practising members were increased.

That's right, I think they were. I know I replaced Moore, who had been on from the beginning, and I think there were only four on when I joined. And then after that, a little later, they widened it.

You joined the Council in - ?

I think it was 1958. But I'd just been Chairman of the Taxation and Financial Relations Committee, and I was also the President of the Birmingham [District] Society, and they started looking for somebody else and, you see, there is so much luck in these things, isn't it? I just happened to have been chairman of the T&FR Committee. And then I was invited to go on [to Council].

Yes; it was Taxation and Research by then, wasn't it?

That's right, yes, it was. Though of course their documents were only a first stage, weren't they? They couldn't publish things of their own. They went to the Council. Because [laugh] when I joined the Taxation and Financial Relations Committee, in I think it was 1951, the work was all done in sub committees. There were two main sub committees, and I was put on a committee which was dealing with a paper on the measurement of efficiency. I remember, we each wrote a section. And this was in front of the T&FR Committee, I suppose, for a couple of years, because it was all very leisurely. It was far too leisurely! And it was about 1952 or 1953 that we finished it.

And I joined the Council in I think 1958, and on the very day on which I joined, this document, which had left our hands at least five years before, was before the Council for final approval, having been lost on the way. I created something of a furore because it was my first day on the Council, but - Council or not - I got up and spoke about five times, objecting to alterations which they had made [laugh]. I was button-holed afterwards by the President, who said: 'You really want to press these points?'. I said: 'I don't really want to terribly strongly, but this is what we intended at the time'. You see, they went to some technical thing - it was called a Technical, or Parliamentary and Law Committee or something.

Parliamentary and Law.

Yes. And this was very small beer to them; they weren't really interested. I hadn't thought of it in this way before, but now I think about it, I would think that that is possibly an indication of the lack of importance which they attached to something which was purely for people in industry. It was how to measure efficiency in various things, in labour, in purchasing materials and so on. It was divided into eight sections, I remember. And it took five years before they had considered it and it had come to the Council. And that was sort of a measure of how slowly views and interests of people in industry were accepted as important.

There would have been another couple of tests of that, wouldn't there? First of all, whether industrial matters were given a look-in at the Summer Schools, and then a rather minor illustration would have been the response to National Productivity Year, which must have been about 1952 or 1953, in which the Institute I think was involved in some measure.

It hasn't registered with me very much, no. Now, the Summer Schools - yes. I myself was invited to write a paper on the general problems of an accountant in industry. I don't know what year that was. It would be about 1956, probably. Our chief chemist gave me some materials, and I performed a little chemical experiment in Christ Church Hall [laugh]. It was really rather fun. [Bill] Fea had read a paper before me, and Norman Lancaster. He had written a paper a couple of years before, a very good paper. I think that was the connection which was in my mind when I suggested it.

He was with a textile company, wasn't he? I've forgotten who he was.

Norman Lancaster. Of course, he is Chancellor or something at Birmingham University.

Pro-Chancellor yes, until recently.

He is a big man there. Yes, he signed the certificate for my [honorary] doctorate.

I think that at the Summer School, people attending were perhaps 75% practice, 25% industry, I would think. And you tended to see the same faces. But I think that they would encourage people from industry. I think, certainly, by the time I wrote my paper, people like Lancaster, and Clayton who also wrote a paper, and Bill Fea who wrote a paper for Oxford - I think that those people did an immense amount of good in widening the view of the more conservative members of the Institute, and making people in industry feel that they did belong, but it was very slow.

So the Summer Schools were something of a bridge; they were something of a meeting place?

And then of course didn't they start one at Cambridge?

Yes, they did.

Now wasn't that stated to be more specifically for members in industry? I have a feeling that it rather developed on those lines, but I may be wrong.

Then, having gone onto the Council in something of a blaze of notoriety [laugh], did you then take on certain committees?

Yes. Automatically, you must go on committees. I suppose I started right away on the Finance Committee, which I think you tended to if you were in industry, I think, to go on the Finance Committee. You were supposed to be able to run things, I suppose. I think I was on the Parliamentary and Law Committee from the beginning. And then the next development was this Consultative Committee of Members in Commerce and Industry, wasn't it?

Well you referred to that at lunch-time, didn't you. Now how did that come into being?

I would advise you to try and look it up [indicating my copy of Howitt's history of the ICAEW] because I think that was of some significance. Is it referred to there?

No. Oh - wait a minute: [reading] 'Accountants in Commerce & Industry' - pages 43 and 125; there is something on it here. Page 43 - good gracious: that's in the period 1890 to 1914.

Oh well, that wouldn't be it [laugh].

Page 145: that sounds more like it.

I think this was a committee which was set up specifically to concern itself with the problems of industrial accountants. We did have members on it who were in practice, I'm quite sure, but I think the chairman was somebody in industry. Now whether we co-opted a number of people to that from industry - I think we did. But it was significant because it was set up specifically to deal with the industrial accountants' problems. I cannot think in what year, but, again, you could trace from the year books when it appeared, if you just looked at the annual year books. Each gives the committees.

[Reading]. No, it is not being very helpful. It says that it refers on page 125 to this, and then it doesn't say anything about it [laugh].

However, there must be something of a problem, I think clearly there is, in persuading members in industry that the Institute is doing things for them, justifying an annual fee. It must be rather tempting for people to say: 'Well, I've qualified and I've got my training. I've now secured

an industrial appointment, and I don't really see much point in paying each year'.

A lot of people did say that. I think they are terribly wrong of course. As I used to say when we were going round talking to these members, in connection with the proposals for the integration, the value that they feel they've got obviously depends upon the standing of the Institute. And that depends on the quality of the work which it does. It could disappear if it isn't kept up - it could disappear almost over night, and their qualifications are then of no value. I have no use for talk along those lines.

Moving forward to your year as President, did you make a special effort to talk to people in industry or did you not consciously do so?

Well, you remember it was the one year when we were urging for integration. I was lucky in one way. You have to make 16 speeches at 16 District Society dinners, and there was a subject, or at least some aspect of it, which was to hand, and we had these meetings in addition. We had meetings in large halls, and one had just as much opposition, I think, from those in industry as from those in practice.

Really, yes.

Some of them took the extraordinary attitude that they were chartered accountants and everybody else was dirt, and it was so stupid. I used to tell them that by that time already all the advertisements in the papers were for an accountant in industry - not 'for a chartered accountant', but 'for an accountant'. And already in those days, the Cost and Management Accountants and the Association [of Certified Accountants] - they were producing some first rate people.

The great advantage, of course, of the Institute for our graduates [from Lancaster University] is that they know that they are going to get a

well developed training programme. Whereas if one doesn't go into a professional firm, the training could be very good or it could be very poor. It is very, very difficult to know what you are going to get. That's why most of our people go into professional firms, 75% of them.

But that's changed an awful lot, hasn't it?

I think it is changing.

Over the last 12 years, because you could sign articles and go into a small provincial practising firm and get a shocking training - no training at all. I did hear - I think I heard - of somebody who got as far as his Final [examinations] and he had never had any contact at all with a limited company. He worked wholly with just small traders; it was frightening. And, of course, there's an awful hoo-ha at present about our own examination results.

There is rather, isn't there? I'm not sure what the answer to that is. I know there's a conference next week that's looking at this. The Association of University Teachers of Accounting is spending a day looking at the professional links. I think it is rather a pity that there wasn't a greater response to the Solomons' Report.

Yes, I think so too. I think, myself, that the Institute attaches too little significance to academic training. It may be changing now. Ten years is a long time, and people's views may have changed, but the idea that you can educate people by merely their serving articles is, I think, fundamentally wrong. You don't educate them that way, you just give them experience. Many of them are in the hands of just a clerk. Mine was all theoretical training; I went out [on audit] with people who weren't even qualified in many cases. It has not changed, as far as I know.

Well, of course, you'd expect me to hold that view! [laugh].

I expect anybody who has been to a university would be inclined to hold that view, but I'm sure it is right.

I did not study accountancy formally at university, but I soon came up against ideas once in practice. I was very impressed by the argument that once you departed from historical cost you were in the realms of telling anybody anything; you'd gone from something which was certain to something which depended on your own opinions. That was the main argument, I think. You should, as it were, take cognisance of the difference between the effect of historical accounting and some other sort of accounting in a broad way, and make provision for it in some way or other. But to prepare accounts on a basis which was really open to anybody to interpret as he thought fit was too dangerous; it wasn't really right. That, it appealed to me and I think it appealed to a lot of people. And I'm not sure I don't still agree with them. I am not sure.

Yes. Well, there was a debate along these lines between Lawrence Robson, and I think it was Mr Lawson, - W. B. Lawson, Sir William Lawson.

Sir William Lawson - that's right, yes.

He took that view, that such subjective information could be manipulated in any way one wanted.

That's right, yes.

It was partly with that in mind that I was asking you earlier about the capital maintenance problems at the Yorkshire and Midland Tar.

At Yorkshire Midland Tar, yes.

Which was by negotiation. It wasn't for publication. It wasn't for published accounting purposes that you were making these distinctions between maintenance and enhancement.

In your time on the Council, you weren't very much involved with tax? You have never really been very personally involved with tax matters?

No, I've never been a tax expert, no.

And what about relations with government?

No, I didn't have much to do with that. I did go to see the Chancellor [of the Exchequer]. I headed a deputation to the man who is now in the EEC.

[Roy] Jenkins?

Jenkins. There's a photograph of me somewhere shaking hands with him. But having done that, I sat back and let the experts do all the talking [laugh].

Were you involved in the expansion of support for academic work? The Institute became more involved with the universities during the 1960s.

Yes.

Was there a ground swell of opinion that there should have been more research done? The P. D. Leake experience had been, perhaps, a little bit of a damp squib. They had set up the chair at Cambridge, which has been occupied by a very eminent econometrician. But Professor Stone has not really been terribly interested in the practice of accountancy. It

really took, it seems to me, quite some years before the Institute began to get interested in research and so on.

And then they formed a research committee didn't they? And I was on that from the beginning of that committee, not that I made a big contribution. Now I think Sir William Carrington was very keen on that.

Now I wrote to him in February, by one of the letters similar to the one I sent to you, and I've had no acknowledgement.

He is dead.

Oh, is he?

Yes, he died. And another one, Guy Densem, died too didn't he? William Carrington was very conscious of the need for research. I would have said he was one of the more enlightened members of the Council.

And then someone else who I just missed, unfortunately, was Mr Sewell Bray.

Oh, yes.

From the Society, who died a few weeks ago.

Oh, did he?

Yes. I was just about to send a letter off when I heard the news. I wrote to Tansley Witt and they wrote back a very nice letter saying that there were a number of their retired partners who were very familiar with his work, and they would ask whether there would be any of them interested in pursuing the matter. I think we'll probably get a biography, because he was certainly very influential, from 1935 up to certainly 1950.

Yes he was. He was always writing, wasn't he?

Yes. He held the Society's professorship. They set up the Stamp-Martin Chair.

Yes.

I'm not sure who Martin was; I've come across the name Martin. Stamp was Lord Stamp - Sir Josiah Stamp. Martin was involved in setting up the Accounting Research Association, and I don't know much about him. I don't know who he was, but this was would be in the early 1930s. I'm pretty sure he was in one of the firms.

I don't think he was ever a President. He certainly was never a President of the English Institute ...

I can check that very quickly in the book I think (Garrett's history of the Society of Incorporated Accountants, 1962). [The history of the SIAA.] It does seem to me from a distance something very regrettable that once the Society and the Institute merged, the Society's research journal *Accounting Research* was dropped.

There was a lot of argument about that.

Was there?

It wasn't dropped light-heartedly. And then, wasn't it revived again?

Well, of course it was revived in the form of *Accounting & Business Research* in about 1970.

Yes, yes, that's right. And that was part of the new Research Committee.

Yes, it was.

But there were some very interesting and important papers in that journal during its life. It must have been going for about 8 years.

Yes.

[Looking at the list of past Presidents in the history of the ICAEW] Now - Martin. It's a very distinguished list. It starts off with William Turquand, and then a couple of names later there's Arthur Cooper, then Frederick Whinney and William Deloitte. [laugh] They were all there.

Yes, they were.

And then after the [First World] War, Sir William Plender and Sir Woodburn Kirby, who gave a paper to the International Conference at that time. And Sir Edward Cecil Moore. Now that wasn't the Moore that you followed - he was far, far earlier?

No, it certainly wasn't.

But I don't see any Martin.

No, I'm sure there wasn't.

Cutforth was there, Arthur Cutforth. Now, I thought that he was from Manchester.

Manchester. He was.

But he is shown here as 'Arthur Cutforth, London'.

Oh well, his son was in Manchester, and I'm pretty certain he was in Manchester sometime.

That was my impression, yes. But there is very definitely no, there was no mention of Martin. This document finishes just before you served your year, doesn't it? [laugh] The last name here is 1964/65 - Densem - because the book was published in 1966.

Yes, that's right. Yes well then I should think Henry Benson must have come next, and then Parker and -

Wright?

No, the man you were talking about, from Peat's.

Ronnie Leach?

That reminds me. Do you remember there was a booklet published by the Research Foundation and the Institute - *Accounting for Stewardship in a Period of Inflation*, 1968.

Yes. Who wrote it?

That's what I was wondering. It wouldn't have been Sir William Lawson because I don't think he believed in CPP accounting - in current purchasing power accounting. It would have been W.E.Parker - Sir Edmund Parker. Did you know he was a proponent of current purchasing current accounting?

I think it was Parker; it certainly was Parker. It was only quite a thin volume, quite slim.

Yes, but it was very similar to the thing which the ASC [Accounting Standards Committee] later published.

Surely, somebody picked it up. I think Ted Parker picked it up and re-wrote it himself. I'm almost certainly he did, there was something of that sort. I wouldn't like you to use this as definite evidence.

Oh, no.

But I'm inclined to think that you are right that he did write it. I have a feeling that nobody would handle it.

Sounds a familiar argument [laugh].

Yes, and he took it and almost re-wrote it.

The American Institute of Certified Accountants had published the *Accounting Research Study No. 6* in 1963 or 1964 or 1965 - I can't remember which year. But that had been a very, very, well researched and thorough argument for current purchasing power accounting. And then this document - quite a slim paper - came out from the English Institute in 1968.

Yes, that's right. I think there were two people involved. I'm not sure that Fea didn't have a hand in that, too.

Oh, really! Now that would be interesting, wouldn't it, because there would be pressure from the industrial side because historical cost accounts were not -

Yes. I think there was a lot of pressure from certain industrial members of the Council to do this, and I'm pretty certain Fea was a proponent of it.

And his company was ?

Guest Keen and Nettlefold [GKN]. If you care to write to him on this subject, I'm sure he would be interested. I don't know what his address is, but the Institute would know. Or Guest Keen would know, because he was here in Birmingham. He was a big man here. I think you'd find he would react if you wanted to write to him.

On this particular point. It wouldn't be terribly onerous.

No. Well, you could mention my name, and introduce it by saying that we were discussing this and that I thought this was a matter on which he was very much involved. I'd probably refer to this slim volume and ask for his broader views. I think you'll find you will get a reply.

Mr W. Fea.

William Wallace - W. W. Fea.

I'll look him up. Thank you very much.

If you are couldn't get it any other way, I'm sure you could write to Guest Keen and Nettlefolds: 'Please forward'. I'm sure they would do that.

Yes. Mr Custis is much in the news these days. [Paddy Custis was by then Finance Director of GKN.]

[laugh] Yes.

This group, the Midland group of finance directors, is quite recent [on which Custis was active]. It has only arisen in the last 2 or 3 years.

Yes. Since my time.

Well, my warmest thanks for all your help.



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