

on sales is adequate, while S.C.W.S. mentions 15 per cent. The two co-operative societies estimate that their costs are between 11 per cent. and 12 per cent. on sales.

Retailers. N.E.C.T.A. considers that a retailer's minimum discount should be 25 per cent. without an exclusive agreement, but in that case would not expect as large a differentiation as at present between the exclusive and the non-exclusive retailer.* N.F.I. considers that the discounts offered by non-E.L.M.A. manufacturers, which are higher than E.L.M.A.'s, are more closely in accord with present distributive costs. Several of the retailers' associations think the discounts which retailers have to allow to trade users are too high. The Co-operative Union considers a retail margin of 20 per cent. to 22½ per cent. would be reasonable and mentions that costs of distribution are estimated at 15 per cent. of sales. B.E.A. has no objection to E.L.M.A.'s terms. Chain stores have mentioned figures varying from 25 per cent. to 33½ per cent. as a reasonable margin on sales.

Motor Lamps

Wholesalers. M.F.A. regards E.L.M.A.'s terms as fair.

Retailers. M.A.A. considers that E.L.M.A.'s terms are no more than reasonable: the wider margins offered on non-E.L.M.A. lamps are thought to be justified by reason of the greater effort required to sell them and the greater risk of faulty lamps. A chain store which sells both motor and other lamps and is satisfied with a margin of 25 per cent. on the latter, considers a margin of 33½ per cent. reasonable on motor lamps.

221. As far as we have been able to ascertain, distributors' margins for lamps have been determined by custom, modified within limits through negotiation, rather than on the basis of an objective estimation of costs. Whether such an estimation is possible is very doubtful since lamps are invariably a sideline to other distributive activities. We have no reason to suppose that the margins offered by E.L.M.A. on lamps other than motor lamps are out of line with those given on other electrical goods; we have no means of judging whether there is scope for any reduction. No real justification for the much higher level of margins offered on motor lamps has been given to us. The margins offered by the Independent Manufacturers for all kinds of lamps are higher than those offered by E.L.M.A. As we have explained in Chapter 11, this method of competing has its roots in E.L.M.A.'s system of exclusive agreements, and it appears to us possible that, as a result, all parties are maintaining higher margins than the distributors' own bargaining powers would obtain for them.

CHAPTER 15 : VIEWS OF USERS AND COMPLAINANTS

222. The general public are probably the largest users of lamps. To obtain representative views from ordinary consumers, or even from the many thousands of small commercial and industrial users, would have been an exceedingly arduous task of doubtful value and we have made no attempt to do so, but we have obtained evidence from a number of large users by circulating questionnaires to them. We have received more than eighty replies from Government Departments, Local Authorities, nationalised industries, cinemas and theatres, shipping companies and various other industrial and commercial concerns, including certain manufacturers of equipment incorporating lamps:

* The exclusive retailer's discount on general service filament lamps is 25 per cent., the non-exclusive retailer's 20 per cent.

the aggregate value of the annual purchases of lamps by all these witnesses amounts to more than £1,000,000.*

223. As we have explained in Chapter 11, a few very large users negotiate individually with E.L.M.A. and obtain terms on a non-exclusive basis: these include Government Departments and such nationalised industries as we have approached.† Some other users have had at one time or another agreements to buy E.L.M.A. lamps exclusively or as to a high proportion of their purchases, but the majority are not contractually bound to E.L.M.A. Rather less than half the users we have approached buy some non-E.L.M.A. lamps, principally, as far as general service filament lamps and fluorescent lamps are concerned, from Thorn and Ekco-Ensign. We have found very few large users buying most of their lamps from Independent Manufacturers, however, and only two or three—one of them a Government Department—buying any lamps from the Controlled Companies.

224. Views favourable to the products and service of E.L.M.A. members predominate on the whole, but it is apparent that in some cases the users have very little knowledge of any lamps other than E.L.M.A. lamps, and that users with experience of non-E.L.M.A. lamps generally agree that there is little difference of quality to be detected between the products of E.L.M.A. members and those of the best Independent Manufacturers. Moreover, the net prices of the latter to large users are lower by reason of the higher discounts allowed; it is notable, for instance, that lamps made by Independent Manufacturers form a higher proportion of the purchases of B.E.A. for its own use than of its purchases for re-sale, which are partly determined by the demands of the general public to whom the price is the same.

225. The prices of motor lamps are criticised by manufacturers of motor lighting equipment: the criticism is directed against all manufacturers of these lamps, although it is agreed that higher discounts are allowed by non-E.L.M.A. than by E.L.M.A. manufacturers. One equipment manufacturer submitted in support of his opinion a table comparing the retail prices of different types of motor lamps in the United Kingdom and the United States before the devaluation of sterling: after allowing for devaluation, the American prices for the least expensive types are little more than half the British prices: for other types, the prices are not so far apart although the American is in most cases appreciably the lower.‡ Users have also drawn comparisons with the American prices of fluorescent lamps and photographic lamps which are unfavourable to the British manufacturers.

226. A number of important users have suggested that they ought to be able to obtain filament lamps of longer life than the standard 1,000 hours, because of the cost of physical replacement of lamps in large establishments or where access is difficult. Such views have generally been advanced somewhat cautiously. The Railway Executive, for instance, told us that "there has for a long time been a feeling that the overall economy would be better if life were increased even at the expense of some loss of efficiency. A steady rise in the cost of labour for re-lamping lends weight to this argument, but on the other hand the effect of increase in cost of current closely corresponds". Similar views have been expressed by two important local authorities and a very large

* See paragraph 3 for the value of total production of lamps in the United Kingdom at manufacturers' selling prices.

† B.E.A., the National Coal Board, the Railway Executive and London Transport Executive.

‡ The equipment manufacturer admits that American and British methods of rating differ but says that the types compared are used for similar purposes. E.L.M.A. on the other hand has told us that American and British motor lamps are not comparable.

industrial concern among others. Users such as these, who employ competent electrical engineering staffs, are aware that "under-running" of lamps (see paragraph 125) is a theoretical solution of their problem, but not all of these witnesses are convinced that it is a satisfactory one in practice, given the existing ratings of lamps. The Ministry of Works has told us that "in the past there was considerable divergence of view between the makers and users represented on the Lamp Standardisation Committee [i.e., the appropriate Committee of B.S.I.]; the makers being desirous to increase efficiency at the expense of life, with consequent larger sales of lamps; some of the users, particularly ourselves, were more concerned with longer life, of at least 1,000 hours and, if possible, up to 1,500 hours or over. The main reason for this was the disproportionate costs of replacing burnt-out lamps in difficult situations. Certain manufacturers were willing to supply lamps of a longer life and slightly reduced efficiency, but ran the risk of heavy fines imposed by the Central Lamp Control, known as Phoebus. It is not known how far this practice operates today but it would appear that the 1,000-hour standard life is now accepted by all parties". This statement is not entirely in accord with the provisions made by the Phoebus organisation or the practice of the E.L.M.A. members: a minimum average life of 1,000 hours has been observed in the United Kingdom at least since 1921, and the Phoebus organisation did not penalise lamps with a life between 800 and 1,500 hours. We quote the Ministry's observations as reflecting the uneasiness of users who without full knowledge are aware that manufacturers observe certain restrictions and are not convinced that the consumers' wishes are sufficiently taken into account. E.L.M.A. has told us that the makers' advocacy of certain standards of life and efficiency has been based on technical considerations. We discuss this problem in Chapters 9 and 17.

227. The General Post Office has described to us how in order to stimulate competition it gave experimental orders to an Independent Manufacturer for a type of filament lamp which was formerly made only by two members of E.L.M.A. Orders were first placed with the Independent Manufacturer in 1947: by 1949 it was quoting a lower price than the E.L.M.A. members and was allotted the largest individual share of orders for that type of lamp. The production of all three manufacturers meets the minimum standards laid down by the General Post Office, the quality of the Independent Manufacturer's product being, in the opinion of the Department, about equal to that of one of the E.L.M.A. members and better than that of the other.

228. In addition to the views summarised in the foregoing paragraphs we have had complaints from a variety of sources. Some of these complaints have already been referred to, as for instance those about the patent practices of the E.L.M.A. members (in Chapter 5), about the effect on Independent Manufacturers of E.L.M.A.'s arrangements for exclusive dealing (in Chapter 11), about the trading methods of the Controlled Companies (in Chapter 8), about the tightening of B.S.I. specifications (in Chapter 9), and about the control by E.L.M.A. members of supplies of lamp components (in Chapters 7 and 10); while the views of distributors—some of them adverse—about the E.L.M.A. system and the margins offered by lamp manufacturers have been summarised in Chapters 12 and 14. Most of these complaints have not been made spontaneously but have reached us in reply to our questionnaires. The main witnesses among those who have taken the initiative in laying complaints before us are various Independent Manufacturers and the co-operative societies. The latter object

in principle to nearly all the features of the E.L.M.A. system but they do not allege any discrimination against co-operative societies, as such, in this industry.

229. We have received a number of complaints alleging, in various forms, some connection between E.L.M.A.'s system of exclusive dealing and (a) membership of certain associations of distributors and (b) systems of exclusive dealing in other sections of the electrical industry. As regards the first part of the allegation, the complaint has generally come from newcomers to the industry—for instance, an Independent Manufacturer trying to find outlets for his product and a number of would-be wholesalers of electrical goods. The complaint of these wholesalers is usually that certain associations refuse to admit them, while E.L.M.A. refuses to enter into a wholesaler's agreement with them, and they believe that the one is a consequence of the other. We have described the relations of E.L.M.A. with distributors' associations in Chapter 12, and we are satisfied that E.L.M.A. does in fact grant wholesalers' agreements to many traders who, for instance, would not qualify for membership of E.W.F. We believe accordingly that complaints of this nature are based on a misconception, though perhaps a very natural one in view of the known relationship between E.L.M.A. and other associations as fellow members of the Electrical Fair Trading Council. We note that the wholesalers in question do not object in principle to a system of exclusive agreements.

230. The suggestion that the system of exclusive dealing for lamps is in some way connected with similar systems for other electrical goods has been more widely made, and especially in relation to fittings for all all kinds of lamps and auxiliary gear for discharge lamps (see Appendix 2). Most of the members of E.L.M.A. are also members of the two main associations of manufacturers of these products, and these two associations are in turn members of the Electrical Fair Trading Council to which E.L.M.A. also belongs. It has been suggested to us that the three associations have systems of exclusive dealing which tend to be complementary: the allegations about this matter are, however, extremely vague and were not supported by any evidence. We have felt that to seek detailed evidence about the methods of sale of electrical goods other than lamps would have taken us far outside our terms of reference. We can only record, however, E.L.M.A.'s assurance that there are no agreements between E.L.M.A. and the associations representing manufacturers of lighting fittings and auxiliary gear and that "the sale of lamps is carried on quite independently by E.L.M.A. members". It appears to us that the Fair Trading Policy of the Electrical Fair Trading Council (see paragraph 182), if strictly applied, would require the member associations to introduce a system of comprehensive boycott, but we are assured that it is not so applied and have seen no evidence to the contrary.

231. We have received no complaints of restrictions on the supply of machinery for the assembly of lamps, but a number of Independent Manufacturers have said that rights in Westlake machines for the manufacture of glass bulbs were before the war controlled by E.L.M.A. members and that the machines were "not available to the Independent Manufacturers": they suggest furthermore that Independent Manufacturers should have been given the opportunity after the war of bidding for the additional machines which had been imported under lend-lease and installed in the factories of E.L.M.A. members. E.L.M.A. has informed us, however, that patents on the Westlake machine expired in 1932 (see paragraph 134 and footnote), and as far as we have been able to discover no Independent Manufacturer

attempted to set up plant for the manufacture of bulbs until the war, when there was, no doubt, very good reason for allocating such machines as could be obtained to those who were experienced in the use of them.

232. The National Union of General and Municipal Workers has stated in evidence that certain of the machinery used in the factories of E.L.M.A. members is obsolete, and in particular that (a) single-mounting machines* are used whereas the use of twin-mounting machines of a type similar to those used in the United States would enable operators to employ both hands in manufacturing processes and so increase their productivity, (b) out-of-date machines are used in the production of tungsten elements and coils for certain special kinds of filament lamps, and (c) more modern machines for wire-cutting would make the process less dirty for the operative. We are informed by E.L.M.A. that machines comparable in design to those used in the United States are used on all ranges of lamps where continuous demand is known, although in a rapidly changing industry it is natural that less up-to-date machines should continue to be used where there is no mass production. As regards wire-cutting, E.L.M.A. contends that its members use the only known process which does not cause serious wastage.

CHAPTER 16 : THE CASE FOR E.L.M.A.

The System as a Whole

233. E.L.M.A. submits on behalf of itself and its members that each of the existing practices described in earlier chapters is individually in the public interest. It asks that the system which the practices support should be judged as a whole. Further, this system should be considered in its present rather than in its past application and regard should be paid to its relation to "the whole of the monopoly policy of Parliament", to the terms of the Patents Act, 1949, and to the existence of increasing competition from Independent Manufacturers.

234. It is the basis of E.L.M.A.'s submission that the common price, the quota system and E.L.M.A.'s trading methods generally together form the basis of "a system of regulated competition" the first result of which is to create stability in the industry. We are told that common manufacturing prices are an essential and fundamental feature of the whole E.L.M.A. organisation without which "the component members of E.L.M.A. would not in fact be prepared to co-operate in the way that they do". Thus, common manufacturers' prices make it possible for E.L.M.A. members to share the results of research and development, which have led also to valuable contributions in other fields. The stability achieved makes possible, it is said, a long-term policy which ensures "a steady production to minimise the danger of gluts and scarcity" and has in practice enabled the members both to build up a skilled labour force and to prevent the subsequent dispersal of this skill through mass migrations of labour.

235. The exchange of technical information among E.L.M.A. members has in turn, we are told, resulted in improved efficiency which, coupled with the development of new undertakings, including the development of common sources of supply of materials and components, has "resulted in a steady consistent and progressive fall in real costs of production . . . which has been reflected in a steady reduction of price"; the quality of the lamps has at the same time been improved and their efficiency increased. As a further result

* This relates to the process of mounting the filament on the filament supports (see Appendix 2).