

several new companies established for the purpose of manufacturing television tubes (and in some cases special types of industrial valves) have not joined the BVA. We asked the BVA why they thought there should be this difference. They told us that it is easier to begin making television tubes than receiving valves because a manufacturer can operate successfully on a restricted range with common components, thus reducing considerably the amount of capital required and the production problems. A new entrant to the industry can therefore successfully conduct a business with only one or two types of tubes, particularly if it also manufactures television sets, whereas it could not enter the receiving valve field successfully unless it could offer a wide range of types from the start which would require a greater capital outlay and a much wider technical ability.

114. We also noticed that the manufacturers whose inquiries about membership have been sympathetically considered or who have been granted distribution facilities for their products by the BVA have been set makers or associated with important set makers. The Association however considers that any apparent discrimination in favour of applications from user manufacturers as distinct from purely valve makers is fortuitous. The Association's policy is to consider favourably applications from genuine manufacturers but the BVA interprets this as meaning manufacturers of a "reasonable" range of types falling within the scope of the Association. Only three manufacturers have satisfied these conditions: Lissen Ltd., E. K. Cole Ltd. and British Tungsram. Of these only Lissen Ltd. became a member.

CHAPTER 5. THE BVA'S SELLING SYSTEM

115. Over the years the Association has evolved a supply policy which is based fundamentally on the sharp distinction made throughout the industry between valves and tubes sold for "equipment" and those sold for "maintenance" purposes. In 1954 the number of valves and tubes sold by BVA members for equipment purposes was between seven and eight times the number sold for maintenance; the preponderance of equipment supplies was even greater in 1955.

Equipment supplies

116. Equipment valves and tubes for the first equipment of new apparatus are supplied to manufacturers of domestic radio and television receivers, radiograms, etc., and of industrial and other non-domestic equipment. The members and such associated companies as are equipment makers themselves also use large quantities of equipment valves and tubes. Terms for equipment supplies vary widely and the bulk of the trade is at freely competitive prices.

117. In February, 1955, there were 317 firms on the BVA's approved list of equipment makers, and these manufacturers are broadly divided into two main groups—those engaged primarily in the manufacture of domestic radio and television receivers, and those manufacturing primarily electronic equipment other than domestic radio and television receivers.

Competition

118. The BVA members compete for the business of the smaller set makers, who tend to draw their supplies from several sources. The larger set makers, on the other hand, have mostly bought all their valves and tubes from the

same manufacturer for many years. In many circuits and perhaps particularly in modern television sets, comparable valves and tubes made by one member are only partly interchangeable with those of another and once a set maker has chosen the make of tube or valve he will use in any particular set he is likely to continue to buy that tube or valve from the chosen supplier. The competition for the business of the larger set makers, though intense, therefore operates within limits set by technical circumstances. The three members who sell a substantial proportion of their production to set makers not associated with them, and who therefore compete for the business of the larger set makers, are Mullard, Edison Swan and Standard. The larger set makers do not seem to be prepared to rely on imported valves and tubes, nor to embark on the manufacture of their valve requirements although in the past a few set makers have done so for a time. No manufacturer who is not a member or the subsidiary of a member of the BVA supplies the range of valve types required by the larger set makers. The BVA members therefore meet with no effective outside competition in their valve trade with set makers. In post-war years three set makers have acquired independent sources for some of their tube requirements, in the form of subsidiary or associated companies outside the BVA, but even on tubes the dependence on BVA members is only slightly less than on valves. In 1954 the 220 firms listed by the BVA as manufacturers of non-domestic equipment, e.g. hearing aids, computers, telecommunications apparatus, laboratory equipment, public address systems, etc., purchased just over one million valves and about 3,500 tubes from members of the BVA. The demand in this field is too small to warrant these manufacturers making their own valves except in special circumstances.

Maintenance supplies

119. The following table shows the distribution of BVA members' sales of maintenance valves and tubes in 1954:

	Valves		Tubes	
	Quantity (thousands)	Percentage of total maintenance sales	Quantity (thousands)	Percentage of total maintenance sales
Wholesale Distributors	4,180	75	153	70
Retailers, Service Engineers and Cine Dealers	319	5½	22	10½
Chain Stores	131	2½	6	2½
Special Buyers	481	8½	19	9
Set and apparatus manufacturers' maintenance	200	3½	11	5
Miscellaneous including sales to members	302	5½	8	3½
Total maintenance sales ...	5,614	100	219	100

It will be seen that about three-quarters of these supplies are distributed through wholesale channels. All maintenance supplies, even if sold to set makers, are sold at fixed prices, and the discounts granted to the different classes of traders vary according to the Association's price fixing policy. Valves for maintenance purposes are also supplied by the non-BVA company, British Tungfram. In addition some valves are imported, mainly from the Continent. Certain wholesalers specialise in the distribution of these non-BVA supplies.

Wholesale distributors

120. There are well over 200 wholesale radio distributors in the United Kingdom and about 120 of these are holders of the BVA wholesalers' agreement. The total sales of maintenance valves to wholesalers with BVA agreements in 1954 were valued roughly at £1,500,000 which was more than double the value of such sales in 1950. Wholesalers with agreements obtain preferential terms on their purchases but other wholesalers in the United Kingdom may only obtain BVA supplies on basic trade terms. Wholesalers without agreements obtain their supplies of non-BVA valves and tubes either from Siemens Brothers Ltd., which is the sole distributor in the United Kingdom of Tungram valves, or from agents and importers of foreign valves and tubes.

Chain stores

121. There are a number of chain stores which specialise in the retailing of radio and television receivers, radiograms and household electrical appliances. In 1954 seven such chain stores enjoyed preferential terms as holders of a BVA agreement (with a clause binding the store to sell only BVA valves and tubes), and during that year the total value of direct sales of valves and tubes to these stores by members of the BVA amounted to over £80,000. Between them the seven agreement holders control almost a thousand retail shops, which is about 7 per cent. of the total number of radio and television outlets in the United Kingdom; thus the BVA has secured a measure of exclusive trading in BVA valves and tubes at the retail stage. Other chain stores receive the basic trade discounts as retailers.

Rental and relay companies

122. Until 1951 only a few concerns were engaged in renting receivers or in relaying radio programmes to the public. The high cost of television receivers and the increase in purchase tax in that year led to an expansion in this type of business. In June, 1956, there were 26 rental and relay companies with which the BVA had concluded agreements, and in 1954 the total purchases of BVA valves and tubes by 14 of these firms were valued at approximately £150,000. Those concerns which do not hold an agreement obtain their supplies of BVA valves and tubes on basic trade terms.

Special buyers

123. The BVA has a category of "special buyers" for certain customers who do not fit into any of the other categories. This group includes the British Broadcasting Corporation, Marconi's Wireless Telegraph Co. Ltd. and two manufacturers of film studio and cinema sound equipment. These special buyers receive preferential terms. In 1954 the total purchases of valves and tubes by these users amounted to roughly £1,000,000. The B.B.C. and Marconi, which mostly buy transmitting and other industrial valves, accounted for most of this amount. Since October, 1955, the Independent Television Authority and five companies concerned with commercial television have also been granted preferential terms as special buyers.

Car manufacturers

124. Some motor car manufacturers service car radio sets returned to their works for repair, and ten firms which offer such a service have been given agreements and are supplied with BVA valves at preferential rates.

Retail distributors

125. The total number of retailer outlets (including those owned by chain stores) for valves and tubes is not known accurately, but it is believed by

the Radio and Television Retailers' Association to be at least 15,000. Unlike wholesalers, radio retailers, other than the seven chain stores we have already mentioned, have no agreements with the Association and may deal in non-BVA supplies, British or foreign, as well as BVA types. The Association, however, insists that members' valves and tubes may only be supplied on basic trade terms to "bona fide traders" within the following categories:

- (a) *Retailers* within the BVA's definition, which is generally accepted in the radio trade. Interpretation of the definition is left to the supplier. The Radio and Television Retailers' Association estimates the number of dealers who fulfil the requirements of a radio retailer as recognised by the trade to be about 12,000.
- (b) *Service Engineers*: as approved and listed* by the Association in accordance with the prescribed definition. The Radio Wholesalers Federation provides independent reports on applicants before the Association gives its final approval. Over 700 firms are on the approved list*. One large company with branches throughout the country has an individual agreement binding the company to buy exclusively from BVA members and is in receipt of preferential terms as a "special buyer" (see paragraph 123).
- (c) *Cine Dealers* within the BVA's definition listed* by the Association. This list* was instituted by the BVA in 1948 and 83 traders are now approved.
- (d) *Motor Dealers and Auto-Electrical Engineers* within the BVA's definition. Interpretation of the definition is left to the supplier.
- (e) *Retailers' Wholesale Purchasing Companies*: a list of companies recognised by the Association was established in 1948 when a number of large retailers formed separate purchasing companies because of purchase tax difficulties, and the Association made special arrangements for their approval. The list contains the names of 15 companies.

126. The BVA's definition of radio retailers, service engineers, cine dealers and motor dealers (see Regulation 6) are generally accepted throughout all sections of the trade. Retail traders not falling within these definitions are not entitled to any discount on BVA valves and tubes, other than the cash discount.

Miscellaneous buyers

127. Certain miscellaneous buyers, such as railways, aircraft and steamship companies, Electricity and Water Boards and hospitals, are listed by category and not individually by the BVA and are supplied with valves and tubes by members of the Association on basic trade terms. Similar terms are given to other buyers specifically approved and listed by the BVA, e.g. technical and scholastic institutions, industrial equipment manufacturers and electro-medical apparatus manufacturers and dealers.

* This was the position up to 1st September, 1956. See Introduction, paragraph (vii).