

## CHAPTER 6. THE AGREEMENTS

### Number of agreement holders

128. The various forms of BVA agreements, under the terms of which approved buyers of Association valves and tubes for equipment and/or maintenance purposes obtain their supplies on preferential terms, all contain clauses of a restrictive nature. Agreements of this kind have been made by the BVA since its formation in 1926 (see paragraph 65). A supplementary agreement, in the form of a letter of authorisation, is issued in conjunction with the valve agreements to cover the handling of tubes, and this also contains restrictive clauses. There are separate agreements for the categories shown in the following table:

Trading Category	Number of Agreement Holders		
	1954	1955	1956
Set Makers ... ..	90	101	108
Apparatus Manufacturers ... ..	219	241	281
Wholesalers ... ..	120	123	129
Chain Stores ... ..	7	7	7
Rental and Relay Companies ... ..	23	24	26
Car Manufacturers ... ..	9	9	10

There are also some individual agreements with certain "Special Buyers" (see paragraph 123).

129. The agreements covering the various trading categories are reproduced in Appendix 5. Common to them all are conditions relating to exclusivity, guarantees, resale price maintenance and the validity and termination of the agreements.\*

130. (i) *Exclusivity*. The agreements require that the holders must purchase BVA valves and tubes direct from a member of the Association and they may only sell, deal in or use, either for first equipment or maintenance purposes, those valves which are authorised by the BVA. These are as follows:

<i>BVA member</i>	<i>Authorised valve</i>	<i>Authorised tube</i>
Cossor	Cossor	Cossor
Edison Swan	Ediswan, Mazda	Ediswan, Mazda
Ever Ready	Ever Ready	—
Ferranti	Ferranti	Ferranti
G.E.C.	Osram†	G.E.C.
Marconiphone	Emitron, Marconi	Emiscope, Emitron
Mullard	Mullard	Mullard
Philips	Philips‡	—
Standard	Brimar	Brimar

Exceptions are sometimes made, the BVA says, for set makers and apparatus manufacturers who for experimental purposes may require to use other types of valves and tubes, and it tells us that "in cases of exceptional difficulty, the Association is always prepared to consider particular requests

\* New trading agreements were introduced on 1st September, 1956, and these have taken into account the changes to which we have referred in the Introduction, paragraph (vii).

† General Electric Co. Ltd. has recently announced that its valves will be branded as G.E.C. and no longer Osram.

‡ Rectifying valves only.

and usually dispensations are effected where members have not a valve or tube of the equivalent types". Certain wholesale distributors have permission from the BVA to deal in tubes manufactured by E.E. Valve and Cinema-Television, neither of which is a member of the Association. The question of dispensation from the exclusive dealing requirement is discussed in paragraph 149.

(ii) *Guarantees.* The BVA standard guarantees operate from the date of purchase by the final user and apply to all valves and tubes handled by agreement holders except the rental and relay companies. Despite the fact that set makers usually guarantee their equipment for one year, agreement holders may not in any circumstances extend the period of guarantee for valves and tubes beyond those prescribed by the Association. The effect of these guarantee arrangements on other traders is dealt with in paragraph 269. The procedure in the case of rental and relay companies is described in paragraph 135.

(iii) *Resale Price Maintenance.\** BVA valves and tubes used for replacement or maintenance purposes, whether sold separately or as part of a repair service, may only be sold at the price laid down by the Association, and discounts must not exceed those permitted by the Association. Wholesale distributors holding the agreement are required to ensure that their retailer customers observe the Association's list prices. The manner in which this is done is explained in paragraph 190.

(iv) *Validity and Termination of Agreements.* All agreements are on an annual basis and expire on 30th June each year when a review takes place before renewal. Wholesalers can usually enter into an agreement only at the time of the annual review but approved firms in the other trading categories can enter into agreements at any time during the year. The Association may terminate any agreement forthwith if the holder contravenes any of the agreed conditions, or becomes bankrupt, or, in the case of a company, there is a court order for its winding up. Agreements may also be terminated either by the Association or by the holder without specifying the reasons. The length of notice varies with the type of buyer. In the case of set makers and apparatus manufacturers three months' notice is required, but with wholesalers notice may be given to terminate the agreement forthwith.

131. The following paragraphs summarise the provisions in the agreements which are special to the different categories.

#### **Set makers and apparatus manufacturers†**

132. There are separate forms of agreement for set makers and apparatus manufacturers but with the exception of a slight difference in the text referring to the undertakings given on orders for maintenance valves, both agreements are the same.

(i) For the first equipment of new apparatus, valves and tubes are sold to set makers and apparatus manufacturers on terms which vary according to the classification on the BVA's lists.\* Those on the main list, comprising most of the larger manufacturers, are supplied at uncontrolled nett prices which in practice frequently represent discounts of 70 to 80 per cent. We are told that the proportion of uncontrolled valve and tube business covers at least 80 per cent. of the sales to set makers. Those on the other lists are supplied at nett prices which must not be lower than list prices less 50 or 60 per cent. discount.

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

† See paragraph 14 for the distinction between set makers and apparatus manufacturers.

(ii) Valves for maintenance purposes are obtained by set makers at list prices less 45 per cent., and tubes at list prices less 28 per cent.\* Certain apparatus makers who are listed by the Association receive 45 per cent. on valves, but only the basic trade discount on tubes. All other listed apparatus makers receive the basic discounts only on maintenance valves and tubes as do the equipment manufacturers who have not been approved. All other firms purchase valves at list prices less 33½ per cent., and tubes at list prices less 20 per cent.\* The distinction between the prices of equipment and maintenance supplies to set makers is referred to again in paragraphs 213 and 214.

(iii) The Association does not permit an Agreement holder to sell valves or tubes separately for any purpose; they must be used only as part of complete sets or apparatus of his own manufacture, or for the repair of such equipment.

(iv) Only BVA valves and tubes may be fitted into equipment made or assembled by the manufacturer, who is also required to include in all literature and instructions issued with his equipment the following statement:

“Our sets/apparatus have been designed and tested for use with Electronic Valves/Cathode Ray Tubes manufactured by Members of the British Radio Valve Manufacturers’ Association who mark their Valves/Tubes with the letters ‘BVA’ which is a guarantee of quality and efficiency. No responsibility can be accepted for the performance of our sets/apparatus if Electronic Valves/Cathode Ray Tubes other than those marked ‘BVA’ are employed.”

(v) Where the equipment is guaranteed for a period exceeding ninety days the BVA insist that all publicity relating to the equipment must clearly state that the incorporated valves and tubes are subject only to the BVA standard guarantees.

(vi) Agreement holders are required to undertake on each order for valves and tubes that (a) the supplies are required for inclusion in complete sets, chassis or apparatus and will not be re-sold except as part of such products, or (b) they are required for repairs to their own products returned to them for servicing.

### Wholesale distributors

133. (i) There is no limitation as to area or number of trading depots, but the wholesaler must undertake to maintain a minimum stock of BVA valves to the value of £250 nett at each depot.

(ii) Approved wholesalers purchase valves on a turnover/discount basis under which the aggregate nett purchases from all BVA manufacturers in any one year determine the preferential discount to which the distributor is entitled in the following year. The scale of discount, which is known to agreement holders, is related to turnover as follows:

Annual turnover in valves in any one year	Preferential discount to operate in the following year
Over £10,000 ... ..	33½ per cent. (basic) + 20 per cent. (46½ per cent.)
£5,000-£10,000 ... ..	33½ per cent. (basic) + 17½ per cent. (45 per cent.)
£2,500-£5,000 ... ..	33½ per cent. (basic) + 15 per cent. (43½ per cent.)

All newly approved firms commence at 15 per cent. discount on valves and can advance to 17½ per cent. but do not attain the 20 per cent. discount until after three successive years as agreement holders.

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

(iii) There are no turnover qualifications for tubes, and since July, 1954, all approved wholesalers have received a preferential discount of 15 per cent. except that new firms receive only 12½ per cent. during the first year on the list. These discounts are in addition to the basic trade discount. Thus the total discount received in the first year is 30 per cent. and in subsequent years 32 per cent.\* Before July, 1954, all approved wholesalers received a preferential discount of 12½ per cent. only.

(iv) The wholesaler must not appoint an agent and may only sell to the types of customers specified in the agreement, namely, radio retailers, motor traders, service engineers and cine dealers, who must be bona fide traders capable of providing adequate service facilities and operating from premises assessed by local authorities for rates as business premises.† In some circumstances a wholesaler is permitted to supply valves and tubes to certain industrial users provided specific written authority is obtained from the Association.

(v) The wholesaler must not contract with a customer to supply valves and tubes other than for immediate delivery.

(vi) If requested, the wholesaler must furnish particulars of the total nett value of valves and tubes supplied to any buyer, and must also keep complete records of all transactions relating to their sale. On request, the wholesaler, must allow the records to be inspected by a chartered accountant appointed by the BVA.

#### Chain stores

134. The main conditions peculiar to this agreement are that the holder will issue all orders for valves and tubes from one department, and deliveries will be made only to one central depot in the case of valves, and to not more than three depots for tubes. The BVA agreed in 1951 that there should be a maximum of three delivery points for tubes since members had from time to time received complaints from various chain stores about the difficulties of operating with only one. The BVA stipulated, however, that the three addresses must be remote from each other and each must cover a specific area. The agreement also provides that:

- (i) The holder must maintain a minimum stock of BVA valves to the nett value of £500.
- (ii) The holder's aggregate nett purchases of valves in any one year determine the preferential discount in the following year, on the scale shown below:

Annual turnover in valves in any one year	Preferential discount to operate in the following year
Over £7,000 ... ..	33½ per cent. (basic) + 17½ per cent. (45 per cent.)
£2,500-£7,000 ... ..	33½ per cent. (basic) + 10 per cent. (40 per cent.)

The minimum qualifying turnover figure is £2,500 nett a year and agreement holders are aware both of this minimum and of the turnover/discount scale.

- (iii) The discount on tubes shall be the basic trade discount plus 5 per cent. (i.e. 24 per cent.)\*; turnover is not taken into account in the case of tubes.
- (iv) The holder must not appoint an agent for the sale of BVA valves and tubes.

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

† See Appendix 4D.

### **Rental and relay companies**

135. The chief difference between the agreements held by rental and relay companies and all the other agreements is that the standard guarantees do not apply. They provide instead that all valves or tubes which are found to have failed, however long they have been in use, shall be returned in bulk to the manufacturer who will allow free replacement of those that have failed through a manufacturing defect. The BVA has recommended members to restrict the number of free replacements to certain maximum percentages of the numbers of valves and tubes returned as faulty. We are told that these maxima have been determined in the light of experience gained in operating the normal guarantees and that they are in practice sometimes exceeded by the members. The following arrangements also apply to the rental and relay companies holding agreements:

- (i) There are discounts related to turnover in the same way as for wholesalers and chain stores, but the scale is not communicated to the agreement holders. The scale of discount is:

£7,000 or over per annum 45 per cent. off List Price

£2,500—£7,000 per annum 42½ per cent. off List Price

£1,000—£2,500 per annum 40 per cent. off List Price

The minimum qualifying turnover is £1,000 nett a year. (One firm receives 47½ per cent. because of its exceptionally high level of purchases).

- (ii) The agreement holder must on request inform the BVA of purchases, returns and free replacements.

### **Car manufacturers**

136. This Agreement is available to any car manufacturer who wishes to undertake the maintenance of radio sets installed in cars of his own manufacture. It provides that:

- (i) Valves must be purchased specifically for maintenance use and all orders must bear the car manufacturer's "representation" to this effect. Sales are at list prices less 33½ per cent. and 15 per cent. i.e. a total discount of 43½ per cent.
- (ii) On invoices to customers the car manufacturer must include the cost of the valves in the total charge for the repair and "wherever possible should not invoice valves separately".

### **Summary**

137. These agreements\* both implement the BVA policy of common discriminatory prices and provide for the following other restrictions on competition:

- (a) *All Agreements.*

Exclusivity.

Resale price maintenance.

Uniform guarantees.

- (b) *Set makers, apparatus manufacturers and car manufacturers.*

No separate resale of valves.

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

(c) *Wholesalers.*

Minimum stocks.

Sales limited to defined classes of purchasers.

No agents to be appointed.

(d) *Chain Stores.*

Minimum stocks.

Centralised delivery.

No agents to be appointed.

(e) *Rental and Relay Companies.*

Limitation on free replacement of valves and tubes.

### Special buyers

138. Individual agreements or arrangements are in force with a number of special buyers who do not fit into any of the BVA's general categories.

(i) *Individual agreement holders.* For some years there were five concerns that held special agreements: Marconi's Wireless Telegraph Co. Ltd., Westrex Co. Ltd. (formerly Western Electric Co. Ltd.), Telephone Rentals Ltd., Belchers (Radio Services) Ltd., and until October, 1955, R.C.A. Great Britain Ltd.

(ii) *Individual arrangements.* The British Broadcasting Corporation has for many years had special arrangements with the BVA and, since the formation of the Independent Television Authority, the BVA has made special arrangements with it and with five other concerns associated with commercial television.

139. *Marconi's Wireless Telegraph Co. Ltd.* This company's purchases of BVA types of valves and tubes form a relatively small proportion of its total valve and tube purchases; by far the greater proportion of its purchases (89 per cent.) are transmitting valves and industrial valves and tubes obtained mainly from its associate in the English Electric group, E.E. Valve. Marconi's present agreement with the BVA dates from November, 1949, and is a revised version of a former agreement held by the company. The agreement relating to the purchase of tubes was concluded in January, 1950. The main conditions of these agreements are:

(a) Marconi is required to deal direct with BVA members under an exclusive dealing arrangement for both valves and tubes. The company is also permitted to purchase certain essential tubes from Cinema-Television. Marconi may include in its orders the requirements of its associated companies, Marconi Instruments Ltd. and Marconi International Marine Ltd., but of none of its other associates in Great Britain.

(b) Marconi is entitled to 50 per cent. discount on its valve purchases and 28 per cent. on tubes. When ordering quantities of more than 5,000 valves or more than 200 tubes of any one type on any one invoice the company is free to negotiate the best possible terms with the supplying member.

(c) Marconi may use these valves and tubes only for equipping or maintaining apparatus sold by it and its two associates and may not use such supplies either directly or indirectly for ordinary domestic receivers.

*Marconi Instruments Ltd.* and *Marconi International Marine Ltd.* do not hold agreements but both may purchase Association valves and tubes on their own account direct from members on terms giving a discount of 50 per cent. on valves and 28 per cent. on tubes.

140. *Westrex Co. Ltd.* (formerly *Western Electric Co. Ltd.*), a subsidiary of *Westrex Corporation* of the U.S.A., is engaged in the manufacture and maintenance of sound recording and reproducing apparatus for film studios and cinemas, and it also manufactures hearing aids. It has held a BVA agreement since June, 1951, and the terms provide for the company to:

- (a) purchase all valves, with the exception of certain types which are outside the scope of the Association, from members of the Association and not to sell these valves separately;
- (b) receive a discount of 50 per cent. on valves and 28 per cent. on tubes.

141. *Telephone Rentals Ltd.*, which manufactures and services telephone installations, has held a special agreement with the BVA since 1937. The terms of the agreement provide for the company to:

- (a) purchase all BVA valves from Association members;
- (b) design all new apparatus for hire or sale for equipment with Association valves;
- (c) receive a discount of 40 per cent. on purchases of valves;
- (d) sell valves for maintenance purposes at nett list prices.

*Telephone Rentals Ltd.* does not buy tubes nor does it in practice sell valves: it uses them to maintain its own equipment.

142. *Belchers (Radio Services) Ltd.* carries on a large business as service engineers to the domestic radio trade and has about 20 service stations throughout the United Kingdom. This company trades under a special agreement which was negotiated in December, 1952. Under the terms of this agreement the company:

- (a) is required to purchase all valves and tubes direct from members and may not directly or indirectly stock or deal in valves or tubes other than those authorised by the Association;
- (b) may not sell BVA valves or tubes separately—such valves and tubes may only be used as replacements in apparatus “accepted by the company for repair service from firms with an acknowledged radio trade status”;
- (c) must order only from one central address and must accept delivery of valves at one central depot only and at two depots in the case of tubes;
- (d) receives a discount of 45 per cent. on valve purchases and 30 per cent. on tubes.

143. *R.C.A. Great Britain Ltd.* (formerly *R.C.A. Photophone Ltd.*), which is a subsidiary of the *Radio Corporation of America*, and is engaged in the manufacture and maintenance of sound recording and reproducing equipment, held a special agreement from June, 1951, to October, 1955, when it changed to a set makers' agreement. The agreement provided for the company to:

- (a) use BVA valves and tubes both in first equipment and service work (wherever these valves were available) and as far as possible design new apparatus around BVA valves and tubes;

- (b) purchase all its valves and tubes both for equipment and maintenance purposes direct from members of the Association (subject to the required types being available) and receive a discount of 50 per cent. on valves and 20 per cent. on tubes ;
- (c) receive a dispensation to import its requirements if unavailable from BVA sources ;
- (d) undertake not to sell valves and tubes separately as such.

144. *British Broadcasting Corporation.* Although no formal agreement or undertaking exists between the B.B.C. and the Association we are told that there is an annual exchange of letters under which the B.B.C. receives a preferential discount on its purchases of BVA valves and tubes. As a result of negotiations between the Corporation and the BVA the discount on valves was 50 per cent. until October, 1955, when it was increased to 55 per cent. On tubes the discount has remained 28 per cent. for some years. However, transmitting and industrial valves—the prices for which are freely negotiated between the Corporation and the valve manufacturers—constituted 73 per cent. by value of the B.B.C.'s total valve and tube purchases in 1954 and its purchases of BVA type valves and of tubes are comparatively small.

145. *Independent Television.* The Independent Television Authority and five other concerns which are associated with commercial television have recently been listed by the BVA as special agreement holders as a matter of convenience although, we are told, there is no form of agreement with any of them. In October, 1955, the BVA granted the basic trade discounts of 33½ per cent. on valves and 20 per cent. on tubes to the

Independent Television Authority,  
Independent Television News Ltd., and  
Associated Rediffusion Ltd.

In April, 1956, three other companies were added to the list, namely :

Associated British Cinemas (Television) Ltd.,  
Associated Television Ltd., and  
Kinematograph Equipment Co. Ltd.

At the same time the discount on valves was increased to 40 per cent. and on tubes to 28 per cent. for all six concerns.

146. *Enforcement.* All the agreements can be terminated by the Association at any time if there is a breach of the conditions. None of the agreements makes any other provision for enforcing the conditions on which preferential terms are given (e.g. by imposing fines or other penalties).