

signatory at a price not exceeding the net selling price quoted to the enquirer. Similar provisions are contained in the Marine Motor and Generator Agreement and also in the Large Electric Machine Agreement, the Electrically Driven Winding Engine (Electrical Parts) Agreement, and the Electrically Driven Rolling Mill (Electrical Parts) Agreement, except that in the last three named agreements there is no obligation on a signatory to supply machines not of his own manufacture if he has previously declared that he does not wish to supply them. The Alternator Price Agreement, the Generator Price Agreement and the Dynamo and Motor (Export) Agreement do not include similar obligations, but permit intertrading at prices to be agreed between the signatories.

### (3) General Consultation

417. All the Group agreements include among their objects that of general consultation and co-operation between signatories (see paragraph 57). In the case of the two agreements covering electrical equipment for rail traction and electrical equipment for trolleybuses consultation is the main object, since there are no provisions for common minimum prices, notification or compensation for tendering expenses. Under the Railway Traction Electrical Equipment Agreement little or nothing has in fact been done, but the signatories of the Trolleybus Electrical Equipment Agreement have tried to combat the competition from other methods of road passenger transport by publicising electric traction.

418. There is sometimes consultation on technical matters between the body of signatories of an agreement and buyers. One of the purposes of the notification arrangements is to enable manufacturers to collaborate on the interpretation of specifications for individual enquiries, in particular for large machines and complicated equipment. As examples of such co-operation the Groups have mentioned certain discussions on standardisation of motors which have taken place between an association of manufacturing resellers and signatories of the Dynamo and Motor Agreement, and discussions on specifications for the electrical equipment of winding engines which the signatories of the Electrically Driven Winding Engine (Electrical Parts) Agreement have had with both the National Coal Board and the Winding Engine Makers Association.

## CHAPTER 20. THE NON-GROUP MANUFACTURERS

### (1) The Manufacturers

419. Sales of machinery in class (b) in 1952 by manufacturers who were not signatories of any of the agreements relating to this machinery amounted to more than £11 million, or nearly 30 per cent. of the total net sales of such machinery. Most of these non-signatory manufacturers are either small concerns or small producers of this class of machinery. Although more than 100 non-signatory manufacturers are known to us, six of them were responsible for 64 per cent. of their total sales and another ten for a further 20 per cent. Some of these manufacturers are mainly interested in goods which are outside our reference, such as mining or railway equipment or marine engineering products. The non-signatory manufacturers as a whole are principally concerned with the smaller machinery in class (b), that is with the types which, so far as the Groups are concerned, are covered by the Dynamo and Motor Agreement, the Alternator Price Agreement and the Marine Motor and Generator Agreement. More than 80 per cent. of

their sales in 1952 were of small motors and D.C. generators, and nearly all the rest was divided between small alternators and marine equipment.

420. Some of the non-Group manufacturers specialise in making machinery for particular uses, such as coal cutter motors, flameproof motors and train lighting sets. Others concentrate mainly on the manufacture of standard A.C. motors. One of these is the largest manufacturer of electric motors in the country and some others are substantial manufacturers.

421. Apart from obtaining information about turnover we took evidence from only a few of the larger of the manufacturers.

### (2) Determination of Prices

422. The manufacturers who concentrate mainly on making standard A.C. motors generally issue price lists. The basis of these price lists varies, but in several cases prices are related to frame sizes, each frame size covering a number of different horsepowers and speeds. This is a different arrangement from that adopted by the Groups, who relate prices to horsepower and speed, and not to dimensions.

423. Of seven manufacturers who gave evidence about their methods of pricing six told us that they based their prices on ascertained or estimated costs of production, though several of them also said that they took market conditions into account. One of them, for example, told us that "the calculated selling prices are adjusted to meet the competition, which means that quite often . . . reduced overheads and . . . profits have to be included to bring the prices in line with the very keen figures being named in this country, and more so with prices being quoted by Continental firms to overseas buyers". Those manufacturers who have given evidence on the point deny that they fix their prices to bear any general relationship to the Group prices. One important manufacturer said: "as far as we can determine from studying our competitors' price lists . . . [members of the Dynamo and Motor Group] appear to obtain their prices from some pre-determined graph structure . . . Whilst on the whole we are below them in price by as much as approximately 5 per cent. on motors between 1 h.p. and 15 h.p. and from 12½ to 15 per cent. on motors from 16 h.p. up 50 h.p. there are exceptional cases where the difference in price is considerably less or more than the average prices indicated above, and these differences particularly apply to special classes of motors." Another manufacturer said that his prices were generally "a little lower than equivalent machinery purchased elsewhere", and another that his prices were "generally some percentage below our main competitors".

### (3) Discounts

424. Two of the seven non-signatory manufacturers of machinery in this class from whom we have received evidence sell all their products at net prices ex works, but the remainder allow certain discounts. Two of them allow substantial quantity discounts for a number of motors when covered by a single order. Several allow trade terms which vary according to the size of machine and the status of the buyer. Electrical contractors and manufacturing resellers generally obtain trade terms; but some users can also obtain a discount in some cases. The practice of one of the manufacturers is to allow a uniform rate of discount off list price to approved buyers employing electricians, because of the savings in cost of installation and maintenance; if such buyers are resellers they may be allowed an additional discount. One of the manufacturers allows a discount and annual quantity rebate to wholesalers who undertake to maintain a stock of over £500 worth of his products.

425. Some of these seven manufacturers have their own systems of loyalty discounts. One of the largest of them allows a substantial discount in addition to the normal trade discount to certain buyers, mainly electrical contractors, who agree to buy 75 per cent. of their requirements from that manufacturer. Another allows a special discount to registered customers "constantly buying motors of varied horse powers and types, but whose individual orders are never large enough to entitle them to quantity discounts". One small manufacturer allows a discount only to distributors who deal exclusively in his motors.

#### (4) Comparison of Group and Non-Group Prices

426. Evidence about the relative prices of motors made by Group and some non-Group manufacturers has been obtained from buyers and from some of the manufacturers themselves. Most of these buyers have told us that the net prices quoted by non-Group manufacturers are generally lower than Group prices, though one non-Group manufacturer usually quotes prices which are roughly the same as the Group's and the prices of others are higher than the Group's for machines of certain ratings.

427. The evidence as to the general feeling about relative prices is supported by such comparisons as we have been able to make between the manufacturers' list prices and terms for comparable machines and by quotations of actual prices which we have obtained from buyers. Information obtained from two of the largest non-Group manufacturers of standard A.C. motors suggests that in August, 1954, their net prices, after allowing for normal discount or rebate, for protected and totally enclosed fan cooled motors were lower than the Group net prices as calculated from the Dynamo and Motor Agreement. On a sample of six ratings the non-Group prices ranged from 67 per cent. to 88 per cent. of the Group prices in the one case, and from 75 per cent. to 88 per cent. in the other. A larger sample of prices was given by one very large buyer of motors; for the ordinary non-flameproof motors the prices of one non-Group manufacturer were shown to range from 71 to 94 per cent. of Group prices, but those of a second non-Group manufacturer for motors up to 15 h.p. were consistently 95 per cent. of Group prices.\* For flameproof motors, according to this buyer, the difference between Group and non-Group prices was much larger and there was no clear evidence of correlation; the range of non-Group prices in relation to Group prices was as follows:—

manufacturer A from 51 per cent. at 6 h.p. to 73 per cent. at 50 h.p.;

manufacturer B from 55 per cent. at 6 h.p. to 67 per cent. at 12½ h.p.;

manufacturer C from 52 per cent. at 6 h.p. to 70 per cent. at 25 h.p.

428. Prices of non-flameproof motors obtained from other sources show that one manufacturer who at that time was not a signatory of any Group agreement† appears in many cases to have been charging Group prices adjusted to the nearest 5s. 0d. so that his prices ranged from 97 to 101 per cent. of those of the Group. In evidence to us this company stated that its selling prices were based on actual or estimated costs, including normal overheads and profits, subject to adjustment to meet competition.

---

\* This manufacturer has told us that his prices are determined by ascertaining standard costs and adding a percentage for profit which varies according to size and market conditions.

† This manufacturer has since joined one Group agreement relating to machinery in Class (b), but not the Dynamo and Motor Agreement.

### (5) Quality

429. In all the cases we have quoted comparison has been made between machines of the same rating (output and speed) and with the same type of enclosure (such as "protected" or "totally enclosed fan cooled") and winding (squirrel cage, slip ring, etc.) and made to the same British Standard Specification. But the observance of this standard does not preclude differences in design, in the materials used or in workmanship, which may considerably affect the quality of the motor.

430. Evidence as to the relative quality of different motors has been given to us by many buyers but is conflicting. Some consider that there is little to choose between the products of the different makers within the ranges they make. An association of manufacturing resellers has told us that "there does not appear to be any noticeable difference in the quality or performance of motors supplied by different manufacturers. . . ." Another similar association said that "quality and performance of products from Manufacturers vary slightly . . . members appear to have no firm preference for any particular Manufacturer". A very large buyer has told us that he has "no reason to suppose that there is any great variation in actual quality between the products of individual manufacturers".

431. Against these opinions may be set other views. One buyer has "no doubt that the quality and performance of motors made by members of the BEAMA are much superior to those made by other manufacturers". This opinion appears to be supported to some extent by another buyer who says: "a straightforward price comparison . . . is not necessarily a true comparison since [the signatories of the Dynamo and Motor Agreement] pride themselves on a quality product which not only meets the requirements of B.S.S. but affords a safety margin over and above this". And an association of manufacturing resellers has said: "all of us buy [a non-Group manufacturer's] motors. We are just selective in how we use them."

432. We asked one large buyer to tell us whether differences in quality fully justify the differences in price of flameproof motors to which we have referred in paragraph 427. The buyer replied that the difference in price between the Group and one of the non-Group manufacturers was in his opinion fully justified, but that he was not so satisfied if the comparison was between Group prices and those of a second non-Group manufacturer. If more of the latter's motors were available they would be bought.

433. It is not possible to come to any firm conclusion in the face of such conflicting evidence. It may well be that the reason for this conflict lies in the different types of operating conditions in the buyers' factories or workshops. In some conditions non-Group makers' machinery may do the job as well as Group manufacturers' machines; but the non-Group manufacturers do not, on the whole, cater for as wide a range of needs, and some purchasers therefore find their products unsuitable.

## CHAPTER 21. ARRANGEMENTS OF INDIVIDUAL MANUFACTURERS RELATING TO MACHINERY IN CLASS (b)

434. As in the case of machinery in class (a), some manufacturers have arrangements with other individual companies which relate either wholly or in part to machinery in class (b). One such arrangement is more especially relevant to our report. Of the two parties to the arrangement, both of whom are United Kingdom manufacturers, one is a manufacturer of special types of motors and generators and is a member of various Groups concerned with such machines; the other is not a member of any Group and