

PART II

THE MANUFACTURING SIDE

CHAPTER 3: THE ELECTRIC LAMP MANUFACTURERS' ASSOCIATION

(i) Objects, Organisation and Functions of E.L.M.A.

31. E.L.M.A. fixes common prices at all stages for each type of lamp made by members, decides which types shall be made, settles the scales of discounts and quantity rebates to be allowed to purchasers, classifies purchasers into various categories and enters into individual agreements with exclusive wholesalers and retailers and with some users. E.L.M.A. as such does not fix or administer the quotas and is not directly concerned with patent policy, but new members since 1933 have only been admitted under arrangements which establish quotas for them and we are informed that it would now be a necessary condition for membership that an applicant should become a party to the 1948 Lamp Agreement (which establishes quotas for the parties) and should be acceptable as a licensee under the members' patents.

32. We now consider the nature of E.L.M.A.'s current Objects, Regulations, Bye-laws and Rules (see Appendices 3, 4, 5 and 6 respectively) and the structure and functions of the organisation operating under these provisions. In brief the Regulations lay down the constitution and rules of conduct of business of E.L.M.A., the Bye-laws contain disciplinary provisions for distributors, and the Rules contain disciplinary and other provisions for the members (not published) and published prices, terms and conditions of sale for distributors.

33. The principal declared Object of E.L.M.A. is to promote and protect in the United Kingdom market "the interests of the public, the trade and the Manufacturers of Electric Lamps" and to impose such conditions on the conduct of the trade as, in E.L.M.A.'s opinion, may be conducive to those ends (Object 1). Subsidiary aims include:—

(a) the making of agreements between lamp manufacturers for securing "more advantageous utilization of their manufacturing facilities", high quality, "more economical arrangements" for distribution, more efficient methods of illumination and economical production "with advantage to the public" (Object 2);

(b) the making of agreements between the members, individually or jointly, and the distributors and users of lamps, particularly for the maintenance of the manufacturers' prices and terms and conditions of sale (Object 3);

(c) the making of Regulations, Bye-laws and Rules and their enforcement, and the enforcement of agreements, by penalties (Objects 1 and 4);

(d) the prevention, as far as legally possible, of the sale of lamps of low quality (Object 5);

(e) the provision to the members of information about the industry and generally the promotion of their interests (Object 6).

34. The Regulations lay down the constitution and procedure of E.L.M.A. They set out the names of the first members* (Regulation 3) and cover *inter alia* the terms of membership (Regulations 2 and 4 to 12), the procedure for General Meetings (Regulations 13 to 31) and the constitution, powers and

* These were identical with the members of the so-called "British Group" for the purposes of the Phoebus Agreement—see Chapter 6.

procedure of the Council of Management (Regulations 38 to 53). Expenses are shared by members in proportion to their voting power (Regulations 7 and 8): the voting power of the original members had to be determined by the Council (on which they were all initially represented), but subsequent adjustments due to changes in membership are determined by the General Meeting (Regulations 32 and 39). In practice the original voting powers were based on the "local participating percentages", i.e. the quota percentages, for the United Kingdom as determined for the purposes of the Phoebus Agreement: the voting powers of the present members, as determined by the General Meeting, still correspond with the quotas, except that Aurora has no vote. G.E.C. and the A.E.I. Group together have slightly less than two-thirds of the voting power. Voting powers in the Council are in the same proportions as for General Meetings, decisions being by two-thirds majority except in the case of decisions on prices, terms and conditions of sale where a three-quarters majority is required* (Regulation 45).

35. In practice, the business of E.L.M.A. is managed by the Council, the proceedings of the General Meeting being almost entirely formal. At the present time all members of E.L.M.A. are represented on the Council except the two smallest (B.E.L.L. and Aurora) and Stella, which is indirectly represented through the British Philips Company. Besides the Council there are six principal Committees and many sub-committees and joint negotiating committees with other trade organisations and technical and official bodies.

36. The Bye-laws provide for the setting up of the "N/T" List (referred to in this report by its common name of the "Stop List") (Bye-laws 2 to 6) and the submission of returns by the members for the purposes of E.L.M.A.'s system of rebates (Bye-law 7): we deal with both these matters in Chapter 11. The Rules lay down in detail the terms and conditions of sale of the members' lamps by the members themselves and by the distributors: they also prescribe for the members a code of conduct in such matters as standardisation, packing, advertising, and the employment of agents. They provide in the greatest detail for a system of strict maintenance, at all stages of distribution and to each of several defined classes of purchaser, of an appropriate common price for each type of lamp manufactured to common minimum standards, and the rules of conduct applied to members of E.L.M.A. in effect prevent any form of competition between members which could, by any stretch of the imagination, be regarded as competition in price whether or not price-cutting is its main effect or purpose. The control of claims in advertisements is described in paragraph 133. We describe the E.L.M.A. selling system, including the standard agreements in which distributors of the members' lamps bind themselves to observe the Rules, in Chapter 11.

37. A large proportion of the work of E.L.M.A. is connected with the administration of the selling system, including the determination of the prices and terms applicable to the various classes of buyer,† the appointment of individual distributors, the classification and listing of users, adjudication on complaints or breach of the Regulations, Bye-laws or Rules and the allocation among members of their share of the cost of the rebates paid by E.L.M.A. to distributors and users. E.L.M.A.'s functions cover also problems of lamp design and standardisation, technical and production problems arising from the requirements of large buyers, the exchange of technical and marketing experience between members, and relations with other industries, particularly with associations of distributors and fittings makers,

* This is in accordance with the procedure for the "Local Meetings" set up by the Phoebus organisation to control prices and terms of sale in particular territories—see Chapter 4.

† See also Chapters 11 and 14 where the method of fixing prices is more fully described.

and with government departments, scientific and technical bodies and the electrical industry generally. Public relations on an even wider scale are maintained through the Lighting Service Bureau, an organisation operated by the Electric Lamp Manufacturers' Association of Great Britain Ltd. with the advice of E.L.M.A., whose principal function, we are told, is education in the proper use of lighting.

38. E.L.M.A. employs a full-time Director and a permanent staff of thirty, while the Lighting Service Bureau has a staff of twenty-five. The expenditure of E.L.M.A. in 1948, excluding the payment of rebates to distributors and users, was nearly £50,000, more than twice that in pre-war years, the principal item being £22,000 for publicity as compared with less than £1,000 before the war; in addition the Electric Lamp Manufacturers' Association of Great Britain Ltd., spent £25,000, practically the whole of which was presumably devoted to the Lighting Service Bureau. These figures do not, however, represent the total cost of E.L.M.A.'s activities since they do not include the cost of the work regularly carried out by the directors and employees of the individual members who constitute the Council and the various Committees and sub-committees of E.L.M.A. Furthermore E.L.M.A. does not concern itself with the division of the total business among the members, which is arranged by other means and involves additional expenditure (see Chapter 6).

(ii) Membership of the Association

39. Since the expenses of E.L.M.A. are borne by members in proportion to their voting powers there is no annual subscription or entrance fee.

40. The basic qualification is that members "must be persons manufacturing electric lamps" (Regulation 2). The Council has the power "to elect new members of the Association and from time to time to determine the eligibility of and the conditions under which any applicant for membership shall be elected, and the Council may in their discretion refuse any application for election without giving any reason for such refusal" (Regulation 41). We are told that the Council considers each application on its merits and that there is no right of entry; an acceptable applicant must have achieved the high technical standard set by E.L.M.A., be capable of carrying out the common obligations of membership, be acceptable as a licensee under members' patents and adhere to the 1948 Lamp Agreement* (which has replaced the Phoebus Agreement so far as the members are concerned—see paragraph 24); in addition the Council would consider whether the applicants were "the type of people we want or not" and indeed whether any increase at all in membership was desirable.

41. Members of E.L.M.A. cannot resign voluntarily until 1955† (Regulation 9), except in cases where they no longer qualify for membership because they have stopped making lamps; they may, however, be excluded or called upon to resign on committing any act considered by the Council detrimental or contrary to the interests of E.L.M.A. (Regulation 10). In no case has any member been excluded under this provision. We have noted, moreover, that one of the present members, Metrovick, although no longer making lamps, has not been called upon to withdraw: lamps bearing this company's brands are made by members who are financially associated.

42. In 1920 the Electric Lamp Manufacturers' Association of Great Britain Ltd. had ten members, including five—G.E.C., B.T.H., Ediswan, Metrovick and Siemens—who are still members of E.L.M.A. By 1933, four of the

* This agreement involves, among other things, acceptance of a quota—see Chapter 6.

† A date which coincides with the expressed date of the termination of the Phoebus Agreement and of the successor agreement of 1948.

other five members had stopped making lamps—three of them under agreements with the principal members—and had dropped out of the Association: the fifth, Pope's Electric Lamp Co. Ltd., was for all practical purposes absorbed by G.E.C. and had also ceased to be a member (see footnote (d) in paragraph 2): and the only new members were Cryselco and B.E.L.L. On the formation of E.L.M.A. in 1933 the seven* members of the former Association were joined by the British Philips Company, Stella and A.C. Cossor Ltd., all of whom had in the meantime become parties, directly or indirectly, to the Phoebus Agreement. Since that date two members have been admitted, Aurora in 1936 and Crompton in 1937, and we describe in Chapter 5 the circumstances of these admissions. A.C. Cossor Ltd. has in the meantime stopped making lamps and withdrawn, so that there are now eleven members, as set out in (a) of paragraph 2.

43. We are told that during the past ten years only two formal applications for membership have been received and that, since neither applicant was making a wide range of lamps, both were refused; on the other hand offers of membership by E.L.M.A. to British Luma have been consistently refused because British Luma objects to some of the principles and methods by which E.L.M.A. operates.

(iii) Financial Links of E.L.M.A. Members

44. We reproduce at Appendix 7 a chart showing the known financial links between the members of E.L.M.A. It will be seen that there are five main companies or groups, namely G.E.C., the British Philips Company (with Stella), the A.E.I. Group, Siemens and Crompton; in relation to these the two independently-owned members, Aurora and B.E.L.L. are very small, while Cryselco, which is jointly-owned by G.E.C. and Philips, is managed commercially by the former and technically by the latter.

45. The only financial link known at present† between any of the five main companies or groups—apart from their common ownership of certain companies—is the American G.E.C. through its wholly-owned subsidiary, the International General Electric Company Inc. (referred to in this report as "I.G.E.C."), which was formed to deal with the interests of the parent corporation outside the United States. I.G.E.C. owns a little more than one-quarter of the ordinary and about 10 per cent. of the preference capital of A.E.I. and it also has, indirectly through Philips (Holland), a small interest in the British Philips Company and Stella. We have seen nothing to indicate that the policy of E.L.M.A. is influenced by these American connections of some of its members.

CHAPTER 4: INTERNATIONAL AGREEMENTS

46. The activities of E.L.M.A. are confined to the United Kingdom market but we find that they have been co-ordinated with and to some extent conditioned by the international agreements of its members, which in effect have created a complementary system. The collective international agreements indeed have set up a succession of virtual international associations of lamp manufacturers which in particular fields have exercised just as close a control as E.L.M.A. over the trade of their members; it is these international associations which have arranged the division between the members of the total business in the markets with which they were concerned,

* B.E.L.L. is not named in the Regulations as one of the first members of E.L.M.A. (see Appendix 4 and footnote to paragraph 34) but was admitted immediately afterwards.

† On the 30th July, 1951, the Board of Trade announced that A.E.I.'s offer to purchase the minority holding of stock in Siemens Brothers & Co. Ltd., now vested in the Custodian of Enemy Property, had been accepted.