

112. The supply of lamp components is dealt with in all its aspects in Chapter 10. Briefly, most Independent Manufacturers rely principally on E.L.M.A. members for the supply of components, and none of them makes its own components to the same extent as the two principal members of E.L.M.A. One Independent Manufacturer, Thorn, has a subsidiary company which produces sufficient lamp caps to meet the needs not only of the parent company but also of some other Independent Manufacturers and some E.L.M.A. members: certain other components, including tungsten and molybdenum wire and glass tubing for fluorescent lamps, are produced by independent manufacturers who are not themselves manufacturers of lamps: one Independent Manufacturer of lamps draws its own tungsten wire but only for its own use. There is at present in the United Kingdom no independent supply of machine-blown glass bulbs for general service filament lamps or the glass tubing and rod used in the production of filament lamps. Independent Manufacturers have told us that in view of the productive capacity already existing in the United Kingdom they do not feel justified in incurring the considerable capital expenditure necessary to instal plant for the manufacture of glass components on a large scale.

CHAPTER 8: THE CONTROLLED COMPANIES

113. Members of E.L.M.A. own the following lamp-manufacturing companies in the United Kingdom, none of which is a member of E.L.M.A.:—

Splendor Lamp Co. Ltd. (Splendor)
Britannia Electric Lamp Works Ltd. (Britannia)
Ismay Lamps Ltd. (Ismay)
Gnome Electric Lamp Works Ltd. (Gnome)
Evenlite Tube Lamp Developments Ltd. (Evenlite).

Practically the whole of the share capital of Britannia, Ismay, Splendor and Evenlite is owned jointly by the E.L.M.A. members (except Stella, B.E.L.L. and Aurora): Gnome is a wholly-owned subsidiary of Britannia. Splendor was until recently a wholly-owned subsidiary of N.V. Splendor of Nijmegen, Holland: nearly 40 per cent. of the share capital of N.V. Splendor of Nijmegen was owned jointly by certain E.L.M.A. members and an ex-member, A. C. Cossor Ltd., the remaining, majority, interest belonging to Philips (Holland). An arrangement has recently been made by which these holdings in N.V. Splendor of Nijmegen have been sold to Philips (Holland), while the share capital of Splendor has been acquired by those E.L.M.A. members who already owned the other Controlled Companies. The present financial relationships are shown in the diagram in Appendix 7.

114. The circumstances in which Splendor, Britannia, Ismay and Gnome came under the control of E.L.M.A. members are explained later in this chapter. The fifth company, Evenlite, is in a special position. It manufactures architectural and other tubular filament lamps. It applied to join E.L.M.A. in 1946 but after negotiation was acquired by E.L.M.A. members. The production of this type of lamp by E.L.M.A. members has since been largely concentrated in Evenlite; similar lamps are, however, also produced by B.E.L.L. Evenlite's plant and machinery has been modernised and extended, and the whole of the company's output is supplied to the owner-companies under their brand names.

115. The other four Controlled Companies produce, under their own brand names, lamps which used to be cheaper than E.L.M.A. brands but which are now sold at the same retail prices. They also produce lamps marked with customers' brand names, the customers being mainly chain

stores; nearly the whole of Britannia's output and much of Ismay's is supplied to F. W. Woolworth & Co. Ltd. under a brand which is peculiar to that store. Some unbranded lamps are also made. Gnome specialises in motor lamps, Britannia and Ismay make general service filament lamps, and Splendor makes both kinds. None of the companies makes discharge lamps, and in the field of filament lamps they concentrate on the kinds in most general use.

116. We estimate that the Controlled Companies supply from one-quarter to one-third of the United Kingdom market for general service filament lamps, but the evidence shows clearly that the proportion was considerably higher before the war.* Prices, before the war and since, are discussed in Chapter 14: the following comparison between the retail prices (exclusive of Purchase Tax) for 60 watt general service filament lamps fixed by E.L.M.A. and by a large chain store indicates the extent by which the pre-war difference in price between lamps made by the Controlled Companies and by the E.L.M.A. members has been reduced:—

	1939 Price	1950 Price (<i>ex-tax</i>)
E.L.M.A.	{ 1s. 9d. (Clear) 1s. 7d. (Pearl) }	1s. 1d.
Chain Store	6d.	{ 8·8d. (Clear) 9·2d. (Pearl) }

117. It is the policy of the Controlled Companies to fix the retail prices and trade terms for lamps sold under their own brand names, but they have no arrangements for collective enforcement of these prices and terms. Lamps marked with the customers' brand names and unbranded lamps are sold at negotiated prices, and prices and terms of resale are thereafter the responsibility of the customers. The Controlled Companies also sell lamps to large users including, in the case of Ismay, Government Departments.

118. This policy of taking over lamp-manufacturing businesses started as a consequence of the regulation of the market by the Phoebus organisation. From the outset the Phoebus organisation experienced considerable competition from cheaper lamps made by outside companies in Europe (and later in Japan), and it became its policy to meet this competition by acquiring some of these factories on the continent to make and sell cheap lamps bearing special brands in the territories affected. Special committees of the Phoebus organisation were set up to direct these fighting companies,† first the "Meteor" Committee and after 1932 the appropriately-named "Hydra" Committee, on which two of the six members represented the British parties. We have examined the minutes of the Hydra Committee for 1935 to 1939. Until the introduction of the tariff in 1932 the United Kingdom was a market for these fighting companies, one of which was N.V. Splendor of Nijmegen, whose subsidiary, Splendor, was then a selling company only. Under the rules of the Hydra Committee any Local Meeting of the Phoebus parties could decide when Hydra lamps should be sold in their territory at a loss. The extent to which sales were made at a loss is

* In a letter to the Board of Trade in 1945 (which we found recorded in E.L.M.A.'s minutes) E.L.M.A. estimated that at that time about 30 million lamps per annum were being sold to domestic users, of which the members were responsible for only one-third, the remainder being non-E.L.M.A. lamps sold through the chain stores. This situation was abnormal, since the chain store trade appears to have remained relatively stable, during the war, while the E.L.M.A. members' supplies to domestic consumers were curtailed.

† See footnote to paragraph 264.

not clear ; on the one hand the policy was to fight competitors but on the other the parties wished to see a return for the substantial investment they had made in the businesses, and the conflict between these two aims was never satisfactorily resolved.

119. In 1935 Splendor built a factory in the United Kingdom. This was the first Hydra factory in the United Kingdom. The development was financed by N.V. Splendor: the British Group preferred this arrangement which, according to the minutes, "would give it a neutral character", but technical management was placed in the hands of the British Group who guaranteed a minimum sale in the United Kingdom. Commercial control was to be in the hands of the Hydra Committee in consultation with the British Group. The British Group could authorise sales below cost provided it refunded the loss, but does not appear to have acted in this way. Apart from the first year of operation of the new factory the company has always made a profit on its total business.

120. It was hoped that Splendor would be able to compete successfully with the Japanese who were then supplying the lamps retailed by F. W. Woolworth & Co. Ltd. at sixpence. In 1935, however, Britannia, then an independent company, obtained this business, and by 1938 was the largest independent lamp manufacturer in the United Kingdom. It was for a short time in the ownership of Ismay Industries, Ltd., who also owned another lamp manufacturing company, John Ismay & Sons Ltd. All the lamp interests of Ismay Industries Ltd. (consisting in effect of the present businesses of Britannia, Ismay and Gnome) were acquired by E.L.M.A. members in 1938 when they came on the market. The purchase was substantially in the form laid down by the Phoebus Agreement (see Appendix 8, Article 14) and was made only after the approval of the Phoebus organisation had been obtained. A Management Committee of three, on which both G.E.C. and B.T.H. have always been represented, was set up. Splendor is now managed in a similar way.

121. The purchase was approved by the Phoebus organisation "to avoid the businesses of these companies falling into the hands of non-members". The British Group explained to the Phoebus organisation at the time that it was proposed "to continue these businesses as independent concerns entirely outside the E.L.M.A. organisation and to use them to supply that section of the lamp market in Great Britain and the British Overseas Empire which is not prepared to accept the high quality Phoebus lamp at the Phoebus price". It was hoped that "in addition to retaining the business they now hold these two companies in co-operation with the British Splendor Company will succeed in taking business away from the remaining outsiders and thus controlling this section of the market with the least possible injurious effect on the regular Phoebus business". The companies were expected to yield "a fair return on the capital invested". Sales were not to be reckoned against the quotas of E.L.M.A. members, nor are they so reckoned under the 1948 Lamp Agreement.

122. In general, these aims appear to have been adhered to. We are informed by E.L.M.A. and by the representatives of the Controlled Companies themselves that, notwithstanding the existence of management committees, control is in practice left entirely in the hands of the managements of the individual companies. On the other hand, we have also been told by a representative of E.L.M.A. that their policy is as far as possible "definitely not to compete with E.L.M.A.". The companies have made profits regularly. It is true that the E.L.M.A. members who manufacture

tungsten and molybdenum wire and glass bulbs and tubing (see Chapter 10) charge the Controlled Companies prices below those charged to other E.L.M.A. members and to Independent Manufacturers, but they would still have made profits without this assistance. It has been suggested to us by Independent Manufacturers that the companies are primarily fighting companies whose purpose is to do as much damage as possible to the Independent Manufacturers, a purpose which would be in accordance with the old Phoebus policy. E.L.M.A. has told us that the companies were not, and are not, intended to sell at a loss, but to make a profit. It is an inevitable consequence of E.L.M.A.'s policy of exclusive dealing (see Chapter 11) that the lamp market is largely split in two, and that the lamps of the Controlled Companies (not being E.L.M.A. lamps) are sold mainly in the same markets as those of the Independent Manufacturers. The Controlled Companies offer similar discounts on their own branded lamps to those offered by the Independent Manufacturers (who offer bigger discounts than does E.L.M.A.—see Chapters 11 and 14) but we have received no evidence to support the allegation that these discounts are varied in order to detach customers from the Independent Manufacturers. The selling prices of lamps bearing customers' brands and of unbranded lamps are more variable, and there is some evidence that the Controlled Companies have in the last ten years become increasingly predominant in this market at the expense of such Independent Manufacturers as formerly catered for it. Since the Controlled Companies make lamps which are retailed at prices below E.L.M.A.'s, their products clearly compete with the E.L.M.A. members' for the custom of the general public. So far as sales to distributors are concerned these companies compete mainly with the Independent Manufacturers, and not with E.L.M.A. members, but the evidence does not support the view that they compete by quoting artificially low prices or selling at a loss.

CHAPTER 9 : QUALITY AND STANDARDS

123. The subject of quality and standards of filament lamps is relevant to our enquiry in respect of three matters, namely the proceedings of the Phoebus organisation, the proceedings of E.L.M.A. in relation to the British Standards Institution (B.S.I.) specifications for filament lamps, and the division of the lamp market into E.L.M.A. lamps on the one hand and lamps made by the Independent Manufacturers and the Controlled Companies on the other.

124. B.S.I.'s organisation and constitution and the way in which its standard specifications are prepared are fully described in the Report of the Cunliffe Committee (1950)* which explains that the standards are produced by representatives of all interests concerned, whether as producers or users or both. It has not been the practice in B.S.I. for the staff to initiate projects for standardisation, and in the committees which prepare and consider draft standard specifications the principle of consent broadly applies. Once a standard specification is published, as is the case for many types of lamps, it is open to all manufacturers to comply with it if they wish and to describe their products as complying with it. There are in addition for certain goods, including general service filament lamps, schemes under which B.S.I. owns and administers certain certification trade marks which can be used in conjunction with a specification as evidence that the product complies with the specification, and manufacturers can obtain licences to apply the mark to their products, provided they apply certain tests and keep records of them open for inspection ; B.S.I. requires to be satisfied that the factories are so

* Report of the Committee on the Organisation and Constitution of the British Standards Institution (H.M.S.O.: 1950).