

unknown manufacturer might have to do so in any event to meet the distributor's argument that the goods would be more difficult to sell, but there is no doubt that the general adoption of this practice by Independent Manufacturers on its present scale is due to the need to overcome the exclusive features of the E.L.M.A. system. At the same time it has been emphasised to us that it is useless for the Independent Manufacturer to fix retail prices below those fixed by E.L.M.A., since higher rates of discount and rebate based on lower end prices offer no net inducement to the distributor to transfer his custom, particularly as public demand is said not to be responsive to small differences in price.

174. We consider it relevant to compare conditions today as described above with those existing in 1920, when the Sub-Committee on Trusts reported that "the Association, for good or for ill, can exclude the non-Association manufacturer from all but the fringes of the distributing trade". The situation is different in this respect today since the chain stores, not committed to dealing in E.L.M.A. lamps exclusively, have become large retailers of lamps, and more recently B.E.A. has refused to sign an exclusive agreement. The Sub-Committee also reported, however, that "whilst non-Association manufacturers allow greater discounts to the middleman, their lamps are bought by the general public at the same prices as Association lamps". In the period between the wars some Independent Manufacturers did fix retail prices for general service filament lamps lower than E.L.M.A.'s, but the gap between the prices has been closed since 1939 by reductions in E.L.M.A.'s prices.

## CHAPTER 12 : THE DISTRIBUTORS

175. The distribution of lamps generally requires no special knowledge or technical service. We are told by E.L.M.A. that there are approximately 35,000 retail outlets for general service filament lamps. These distributors vary greatly in size and character. The smaller retail shops naturally tend to buy through the wholesalers, but this manufacturer-wholesaler-retailer pattern of trade is not by any means universal, since on the one hand the larger manufacturers deal directly even with small retailers through their wholesaling branches,\* and on the other certain large retailing concerns, such as B.E.A. and the chain stores, dispense with the services of the wholesaler, or, as in the case of the co-operative societies, have their own wholesaling affiliates. Moreover, large users may buy direct from manufacturers or from wholesalers or from retailers.

### Large Distributors

176. We estimate that purchases by B.E.A. represent between 4 per cent. and 5 per cent. of all manufacturers' sales of lamps,† over two-thirds of all lamps purchased being for resale. Before B.E.A. took them over in 1948 there were between 500 and 600 electricity supply undertakings buying lamps both for their own use and for resale by retail, over 90 per cent. of them buying E.L.M.A. lamps on exclusive terms.‡ Since vesting day the

\* The addresses of nearly 200 branches of the members are listed in E.L.M.A.'s Rules.

† B.E.A. covers a considerably higher proportion than this of the retail trade in general service filament lamps.

‡ In 1947 the discount rate allowed by E.L.M.A. to all electricity undertakings was the same, the rate of 27 per cent. on general service filament lamps being that then generally allowed to retailers with exclusive agreements: supply undertakings which confined their purchases to E.L.M.A. lamps, however, received a more favourable scale of rebates than either those without agreement or the ordinary exclusive retailer (the rebate for supply undertakings which were exclusive purchasers in fact started at 5 per cent. for annual purchases under £50).

lamp retailing interests of these undertakings have been absorbed in the 14 autonomous Area Electricity Boards with their numerous district offices and showrooms. B.E.A. has refused to sign an exclusive agreement,\* but is nevertheless allowed the same discounts on E.L.M.A. lamps as retailers with exclusive agreements: in addition, rebate on the aggregate value of purchases of general service filament and discharge lamps (Groups I, VIII and IX) by each Area Electricity Board and by the Central Authority taken separately is calculated since 1st June, 1950 on a scale the top limits of which are higher than those allowed to ordinary retailers according to their agreements† (see Appendix 15 (Table 5)). In practice purchases are made almost entirely from E.L.M.A. members and from the two largest Independent Manufacturers, the proportion of E.L.M.A. lamps being lower in the case of lamps bought for use than in the case of those for resale, though the proportions vary widely from one section of B.E.A. to another. B.E.A. observes on resale the prices fixed by E.L.M.A. and the Independent Manufacturers. Since the retail prices are identical there is no price inducement to the public to demand one lamp rather than another; and B.E.A.'s refusal to enter into exclusive agreements has not so far greatly altered the proportions in which it sells E.L.M.A. and other lamps.

177. The conditions under which the Co-operative Wholesale Societies trade in lamps have been governed by agreements with E.L.M.A.; S.C.W.S. still has such an agreement but the agreement of C.W.S., which was on similar lines, was brought to an end in 1949. S.C.W.S. is bound by its current agreement with E.L.M.A. to buy only lamps made by E.L.M.A. members and by British Luma (in which it is a large shareholder), to observe the E.L.M.A. Rules, to confine its sales to associated co-operative societies, and to insert the standard E.L.M.A. price maintenance clause in all invoices to retailers. The terms of the agreement, which was renewed in 1949, are otherwise generally the same as those of the standard E.L.M.A. wholesaler's agreement then in force. C.W.S. and S.C.W.S. between them account for all but a very small proportion of British Luma's sales in the home market. About two-thirds of the lamp purchases of S.C.W.S. are from British Luma. C.W.S., while it had an agreement with E.L.M.A., bought E.L.M.A. lamps and British Luma's lamps roughly in equal proportions. The agreement of C.W.S. came to an end in 1949 because it had acquired an interest in an Independent Manufacturer of fluorescent lamps and wished to buy and sell those lamps: although there were negotiations, it proved impossible to arrive at terms mutually satisfactory to E.L.M.A., C.W.S. and the Independent Manufacturer. This Independent Manufacturer has since gone out of business and C.W.S. now buys some lamps from other Independent Manufacturers.

178. Over 1,000 shops of the retail co-operative societies sell lamps. They do not necessarily buy through C.W.S. or S.C.W.S., and we have been unable to obtain reliable estimates of their total trade in lamps though we think it is probably much smaller than that of B.E.A. Many retail co-operative societies have signed exclusive agreements with E.L.M.A. under which they get the same terms as the ordinary exclusive retailer on condition that they sell only E.L.M.A. lamps and British Luma's lamps. The Co-operative Union is opposed in principle to resale price maintenance "because this prevents the efficient retailer passing on the results of that efficiency to the consumer", but in practice the retail societies have accepted

\* B.E.A. has said that at early meetings the E.L.M.A. representatives tentatively suggested terms involving 85 per cent. exclusive purchase, but that B.E.A. refused any discussion on this basis.

† We are informed that rebates would be allowed to other retailers on the same scale if their turnover were large enough to warrant it.

the obligation to maintain the prices of E.L.M.A. lamps and also of British Luma's lamps, the latter obligation being imposed on them by British Luma in pursuance of the terms of the licence agreement between British Luma and E.L.M.A. members (see Chapter 5). E.L.M.A., as an exception to its general rule, allows the retail co-operative societies to pay "dividends" to their members in respect of sales of lamps.

179. Although some chain stores sell E.L.M.A. or other price-maintained lamps, the bulk of their trade is in lamps marked with brands peculiar to the particular store. These lamps are sold at prices fixed by the chain store, prices which are usually lower than E.L.M.A.'s. The chain stores are responsible for the distribution of most of these lower-priced lamps. E.L.M.A. members do not directly compete for their custom which is at the present time enjoyed almost entirely by the Controlled Companies. The price gap which existed before the war is now much reduced, as a result of price reductions by E.L.M.A. and increases by the chain stores. Before the war lamps were sold by the chain stores at various prices, the chief levels being 6d. and 1s. The share of the lamp market held by the chain stores is now less than pre-war. Representatives of one chain store have told us that in their view the former difference in price did not reflect a corresponding difference in the quality of the lamps and that the price gap between the two markets was largely artificial. On the other hand E.L.M.A. has stressed to us the superior quality of its members' lamps.

180. In the field of motor lamps,\* Joseph Lucas Ltd. has an extensive distribution system for its own products. In 1948 Joseph Lucas Ltd. bought over 40 per cent. of the total United Kingdom production of motor lamps; approximately three-quarters of them were for incorporation in lighting set equipment for sale to vehicle and aircraft manufacturers; the balance was sold for replacement purposes in the home market and overseas through wholesalers and the company's agents, and ultimately through motor and cycle retailers. Under an agreement with E.L.M.A. and its members (referred to in paragraph 98) the company formerly bought at preferential prices and undertook to buy exclusively from E.L.M.A. members. This agreement expired in 1948, since when purchases have been made from both Independent Manufacturers and E.L.M.A. members, orders being in all cases placed against individual quotations by manufacturers, though a common price is quoted by E.L.M.A. for all its members.

#### **The Distributors' Associations and their relations with E.L.M.A.**

181. Apart from the large distributors described above there are many distributors who belong to various associations of wholesalers or retailers, of which E.W.F., M.F.A., N.E.C.T.A., E.C.A.S. and N.F.I. negotiate individually with E.L.M.A. Many other retailers of lamps are members of R.T.R.A. or, in the case of motor lamps, of the Motor Agents' Association (M.A.A.), but these bodies carry on no negotiations with manufacturers affecting the supply of lamps.†

182. The relations between some of these associations and E.L.M.A. are influenced by their common membership of the Electrical Fair Trading Council, to which E.W.F., N.E.C.T.A. and E.C.A.S., with E.L.M.A., all belong. The Council's Fair Trading Policy, first issued in 1936, aims at securing "the regulation of business between all sections of the electrical industry, so as to ensure that the function of each is defined and understood, and that each receives the fair reward of his labour, to the end that equity and fair dealing prevail throughout the industry, that the public be well

\* Our use of the term is explained in paragraph 1.

† According to recent reports in the electrical trade press R.T.R.A. is proposing to form a new section for electrical retailers, while N.F.I. has suggested the setting up of a joint council or committee representing all existing associations of electrical retailers.

served, and the cause of electricity advanced." Supporters of the Policy undertake:

"(i) To maintain list prices nett when selling to any purchaser not entitled to a discount under this Policy, and the discounts defined in the various schedules when selling to any purchaser entitled to such discounts."

(We are informed that E.L.M.A.'s Rules and agreements with distributors and others are accepted by the Council as embodying its principles, and the Policy accordingly contains no schedule for lamps.)

"(ii) To use every endeavour to prevent supplies, except at the list prices nett, reaching any purchaser known to be violating the provisions of this Policy."

"(iii) To trade, so far as is reasonably practicable, with fellow supporters of this Policy and to assist them in maintaining the conditions of this Policy."

We are told that the Policy represents a code of ethics rather than a binding system and that in practice the comprehensive boycott which the wording of these clauses suggests has never been carried out.\*

183. E.L.M.A. maintains closer relations with the three associations of distributors who are fellow members of the Electrical Fair Trading Council than with any others. We note that approximately 90 per cent. of the members of E.W.F., 80 per cent. of the members of N.E.C.T.A., and 95 per cent. of the members of E.C.A.S. have exclusive agreements with E.L.M.A. For two other associations which, as explained in paragraphs 184 and 185 below, have a special relationship with E.L.M.A., namely N.F.I. and M.F.A., the proportions are respectively 37 per cent. and 75 per cent. The other main association to which retailers of general service filament lamps belong, R.T.R.A., informs us that although it has no relations whatever with E.L.M.A. 74 per cent. of its members have exclusive agreements. M.A.A. which includes many retailers of motor lamps was unable to form any corresponding estimate.

184. E.L.M.A. pays to certain associations of distributors, as shown in the table below, over-riding commissions calculated as percentages of the net value of the members' annual purchases of E.L.M.A. lamps. †

Association	Rate of	Amount of
	Commission (a)	Commission for
	Per cent.	12 months ended
		31st May, 1950
		£
E.W.F. ... ..	$\frac{3}{4}$	12,580
N.E.C.T.A. ... ..	$1\frac{1}{2}$	11,730
E.C.A.S. ... ..	$1\frac{1}{2}$	1,928
N.F.I. ... ..	1	1,500
M.F.A. ... ..	$2\frac{1}{2}$ (on purchases by factors) (b)	4,775
	$4\frac{1}{2}$ (on purchases by whole- salers) (b)	

(a) The commissions are paid on purchases of certain types of lamps, as follows:—

E.W.F. } general service filament and discharge lamps and motor lamps  
N.E.C.T.A. } (Groups I, II, VIII and IX).  
E.C.A.S. }

N.F.I. } general service filament lamps (Groups I and VIII).

M.F.A. } motor lamps (Group II).

(b) The smaller wholesalers of motor lamps have factors' agreements with E.L.M.A.—see paragraph 149 and Appendix 15 (Table 5).

Small lump sums have been paid in addition to some of these associations from time to time.

\* More details about the Electrical Fair Trading Council and its Policy will be found in the Lloyd Jacob Committee's Report on Resale Price Maintenance (Cmd. 7696: 1949, pp. 81 to 86).

† Until June, 1949 E.W.F., N.E.C.T.A. and E.C.A.S. enjoyed rather higher rates of commission but they did not cover purchases of discharge lamps (Group IX).

185. The agreements under which these commissions are paid date from the 1930's. Their terms and conditions are not identical. In the case of E.W.F. no consideration is stated but we have noted that E.W.F. simultaneously withdrew its opposition to the grant by E.L.M.A. of wholesalers' terms to a limited number of traders not recognised by E.W.F. as electrical wholesalers. N.E.C.T.A., E.C.A.S. and N.F.I. each agrees to form a joint negotiating committee with E.L.M.A. to deal with breaches of E.L.M.A. agreements and matters of joint policy, and N.E.C.T.A. and E.C.A.S. specifically agree to assist in the classification of trade users for purposes of discount and the approval of new retail agreement holders, while N.F.I., but not the others, agrees to recommend its members to sign exclusive agreements with E.L.M.A. We are informed that no special steps have been taken by N.F.I. to carry out this last commitment. N.E.C.T.A. has, on occasions, circulated such a recommendation to its members of its own volition, the last occasion being in 1947. E.L.M.A. makes no conditions about the purpose to which the commissions are put by the distributors' associations: in practice, they are passed on to the individual members in proportion to their purchases of E.L.M.A. lamps, usually after a small deduction to meet expenses. E.L.M.A. has said that, in general, it intends by paying these commissions to secure the co-operation of the distributors' associations and to make E.L.M.A. "more popular with their members."

#### **Views of Distributors on the E.L.M.A. System**

186. With certain exceptions and qualifications,\* the associations of distributors named above see no objection to common manufacturers' prices and support resale price maintenance by the manufacturers: they also see no objection to exclusive agreements provided that they are freely entered into and that those distributors who do not enter into them can obtain adequate supplies. Some but not all of the associations have rules which formally require their members to observe the terms fixed by the manufacturers and make provision for enforcing them; but we are told that in practice enforcement so far as lamps are concerned is left to E.L.M.A., although the distributors' association may be consulted if a member's actions are in question (see paragraph 170).

187. The large distributors which are outside these associations have somewhat different views on these subjects. Strong opposition has been expressed by the co-operative societies to common prices, resale price maintenance and exclusive agreements, on the grounds that these restrict competition among manufacturers and distributors and tend to result in the fixing of prices in relation to the costs of the least efficient traders. B.E.A. has acquiesced in common prices and resale price maintenance but will not make exclusive agreements. The chain stores which sell their own brands of lamps naturally tend to take a more detached view of these subjects: one of them has expressed views similar to those of the co-operative societies about common prices: another considers that E.L.M.A.'s maintained prices and exclusive agreements have helped to create the cheap market which it serves.

188. There is undoubtedly a large number, probably a majority, of distributors of lamps who neither belong to one of these associations nor form part of a large multiple concern. We have not obtained any information about such distributors but it appears to us probable that their sales of lamps

---

\* N.E.C.T.A. and N.F.I. see no objection to common prices provided the prices are fair to all and related to the costs of production and distribution. M.A.A. is the only one of these associations which objects to the fixing of common prices. R.T.R.A. can express no views on any of these subjects.

are small in proportion to their numbers. It is clear that in the lamp industry distribution can never be specialised, and the Independent Manufacturers are not, and could not be, totally excluded from the channels of distribution. On the other hand, the main associations of distributors include many of the more important outlets and on the whole they are sympathetic to the E.L.M.A. system.

#### **Certain Wholesalers in a Special Relationship with E.L.M.A.**

189. In a special position as wholesalers are three former lamp manufacturers—"Z" Electric Lamp & Supplies Co., Ltd., The Stearn Electric Co., Ltd., and Foster Engineering Co., Ltd. They were formerly members of the Electric Lamp Manufacturers' Association of Great Britain Ltd., and two of them are at present members of E.W.F. Under the terms of agreements with B.T.H., G.E.C., and Siemens due to expire in 1955 these companies are allowed discount terms more favourable than those normally allowed to wholesalers, undertaking for their part not to become directly or indirectly interested in lamp manufacture for the term of the agreement and to confine their purchases to E.L.M.A. members.\* The current agreements are successors of agreements originally made in 1920 or earlier.

---

\* The agreements, made when the Phoebus agreement was still in force, permitted purchases from the selling companies of foreign manufacturers with quotas in the United Kingdom as well as from E.L.M.A. members.