

## PART IV

### THE PUBLIC INTEREST

#### CHAPTER 13: CONCLUSIONS AS TO THE CONDITIONS DEFINED IN THE ACT

190. We are required by our terms of reference to report whether conditions to which the Act applies in fact prevail. For reasons which are apparent from the preceding chapters and are summarised below we conclude that the conditions prevail as regards supply by manufacturers of both filament lamps and discharge lamps.

##### Filament Lamps

191. During the four years up to the end of 1950 the proportions of the total output of filament lamps in the United Kingdom produced by the E.L.M.A. members, the Controlled Companies and the Independent Manufacturers respectively were as follows:—

	1947	1948	1949	1950
	Per cent.	Per cent.	Per cent.	Per cent.
E.L.M.A. members... ..	62	62	61	60
Controlled Companies ... ..	16	14	12	13
Independent Manufacturers ... ..	22	24	27	27
	100	100	100	100

The percentages relate to numbers of lamps produced, irrespective of the size or value of the lamp. It will be seen, however, from the table in paragraph 3 that in 1950 the E.L.M.A. members produced more than 50 per cent. of each of the four classes of filament lamps into which the production figures are divided, and that their share was lowest (53 per cent.) in the least valuable class, namely flashlamps.

192. The proportions we quote are of production in the United Kingdom, whatever the destination of the product, while our concern for the present purpose is with supplies of filament lamps in the United Kingdom market. After taking into account, however, the possible effects of imports and exports and of variations in stocks, we are satisfied that the E.L.M.A. members supplied at least 60 per cent. of the total supplies of filament lamps in the United Kingdom market in 1950 and we have no reason to suppose that there has been any substantial change in the position this year.

193. We find that the members of E.L.M.A. restrict competition in the supply of filament lamps in a number of ways\* which we have described in detail in Chapters 3 to 12. All the members of E.L.M.A. are parties to these practices, except that B.E.L.L. and Aurora are not parties to the policy on patents, which in any case is of small importance at present in the field of filament lamps. We find, accordingly, that the members of E.L.M.A. so conduct their respective affairs as to restrict competition in the supply of filament lamps.

\* The restrictions on competition are less extensive in the case of flashlamps—see paragraph 145.

### Discharge Lamps

194. We show below the proportions of total output of discharge lamps in the United Kingdom produced by the E.L.M.A. members and the Independent Manufacturers in each of the four years up to end of 1950 :

	1947	1948	1949	1950
E.L.M.A. members... ..	Per cent. 88	Per cent. 83	Per cent. 56	Per cent. 62
Independent Manufacturers ...	12	17	44	38
	100	100	100	100

The percentages again relate to numbers of lamps produced. The Controlled Companies do not make discharge lamps.

195. The value of sales of discharge lamps in the United Kingdom in 1947 and 1948 by all the E.L.M.A. members and by three Independent Manufacturers, who between them produced all but a negligible proportion of the total output, was disclosed to us during the inquiries about costs and profits which we describe in Chapter 14. E.L.M.A.'s proportion, by value, of supplies of discharge lamps in the United Kingdom was, in those years, approximately the same as its proportion of output shown in paragraph 194. The situation has altered considerably since 1948 partly by reason of the rapid increase in the output of certain Independent Manufacturers and partly by reason of a fall in the production of E.L.M.A. members, but we are satisfied that in 1950 E.L.M.A. members supplied more than 60 per cent. of the total supplies of discharge lamps in the United Kingdom. We note that a future radical change in this respect appears more possible in the case of discharge lamps than of filament lamps, but we have no reason to suppose that there has been so large a change this year as to reduce E.L.M.A.'s share of supplies in the United Kingdom market below one-third.

196. The supply of discharge lamps is affected by the restrictions on competition which we have described in Chapters 3 to 12, although it should be noted that the Controlled Companies do not make discharge lamps. We find accordingly that the members of E.L.M.A., except B.E.L.L. and Aurora who do not make discharge lamps, so conduct their respective affairs as to restrict competition in the supply of discharge lamps.

#### The Situation as regards individual suppliers

197. We are satisfied that no individual manufacturer or group of "inter-connected bodies corporate"\* supplies more than one-third of the supplies of filament lamps in the United Kingdom. In the case of discharge lamps, there are fewer manufacturers concerned and the situation is more changeable, but we again conclude that no individual or group supplied more than one-third of the lamps in 1950 or the years immediately preceding. It is conceivable, however, that in the near future one-third or more of the United Kingdom market for discharge lamps may be supplied by an individual or group, by reason of the share of the market enjoyed by an E.L.M.A. member, namely G.E.C., or by a group of "inter-connected bodies corporate" which are members of E.L.M.A., namely the A.E.I. Group, or by a group of "inter-connected bodies corporate" which are Independent Manufacturers, namely Thorn and Ekco-Ensign. It is possible

\* See Sections 3 (1) (a) and 20 (2) of the Act.

that one, or even two, of these three concerns may at the present time each enjoy such a share. In view, however, of the uncertain and rapidly changing position we have not felt it necessary to make any special and additional inquiry into the affairs of any of these concerns on the ground that one or other of them may now supply one-third or more of the discharge lamps supplied in the United Kingdom.

#### Other Parties to the Practices

198. It is clear to us that the initiative for all the restrictive practices we have described comes from E.L.M.A., but there are other persons who must be formally regarded as parties to some of them, including British Luma and every distributor or user who has a written agreement with E.L.M.A., and indeed every distributor who maintains the selling prices prescribed by E.L.M.A. As regards the distributors, we find that, while some of their associations are no doubt very willing to co-operate with E.L.M.A., from whom they receive over-riding commissions, they are not, as associations, parties to the restrictive practices. The distribution of lamps, as we have said, is not a specialised function, and it appears to us extremely improbable that a price ring could be maintained by the distributors without the backing of the manufacturers, since new distributive outlets could always be found.

### CHAPTER 14 : PRICES, COSTS AND PROFITS

199. The only earlier published information about costs and profits in the United Kingdom lamp industry of which we are aware is that contained in the report made in 1920 by the Sub-Committee on Trusts to which we have previously referred. It appears that the prices of general service filament lamps were drastically reduced in 1922, though we are not aware whether there was any connection between this action and the findings of the Sub-Committee. There is little information about the relation between prices and costs in the years that followed up to 1938 but, according to information submitted by E.L.M.A., retail prices were further reduced as shown by the following index figures:—

<i>Year</i>	<i>Retail Prices*</i>
1924 ... ..	100
1931 ... ..	69
1938 ... ..	58
1945 ... ..	42
1949 ... ..	36

The index is based on the prices of 60 watt, 230 volt, clear, single coil general service filament lamps, which became increasingly popular, as compared with lamps of lower wattage, during the period covered. E.L.M.A. also submitted some index figures of manufacturing costs for the same period which show a more gradual fall pre-war and a rise between 1938 and 1945; the increased manufacturing costs after 1938 were partially offset, however, by a reduction of administrative and selling costs (see paragraphs 211 and 212).

200. The retail prices of all lamps fell steadily up to 1938. Since the war the prices of general service filament lamps have been reduced twice, in

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\* Retail prices are given exclusive of Purchase Tax in this chapter and elsewhere in the report.