

408. Under the Alternator Price Agreement and the Generator Price Agreement signatories may by unanimous agreement quote prices below the normal minimum prices in order to meet outside or foreign competition. It has also recently been agreed by the signatories of the Alternator Price Agreement that they may reduce the schedule prices for certain alternators by not more than a specified percentage when they have definite proof that one particular United Kingdom manufacturer who is not a signatory of the agreement is competing for the order. The Group has told us that this is not a provision directed against the non-signatory manufacturer but is intended to avoid placing one particular signatory, who has a licensing arrangement with the non-signatory, at a disadvantage. Under the three Group agreements for large machinery, prices below the normal minima may be quoted if 70 per cent. of the signatories agree. A loose arrangement is found in the Marine Motor and Generator Agreement. Signatories of this agreement "may without notice depart from the minimum prices derived from the price schedules" in order to facilitate business, but such cases must be reported to the Secretary, and other signatories are then released from their obligations.

409. Since all prices for machinery in class (b) which are covered by IEA arrangements are in any event agreed *ad hoc*, there are no formal safeguarding arrangements.

## CHAPTER 19. OTHER GROUP AND INTERNATIONAL ELECTRICAL ASSOCIATION LTD. ARRANGEMENTS

410. Provision is made under certain Group agreements for common conditions of contract and the terms of intertrading amongst signatories. General consultation on both technical and commercial matters is one of the objects of all Group agreements. The International Electrical Association Ltd. (IEA) agreements do not provide for common conditions of contract, but conditions are in practice agreed for those enquiries for which *ad hoc* price arrangements are made. The IEA itself provides the opportunity for general consultation (see paragraph 87).

### (1) Conditions of Contract

411. The model conditions of contract contained in the BEAMA "Brown Book" and issued to members have been described in paragraphs 96 and 97. The extent to which the Groups have adopted these conditions and made them obligatory has also been described generally in paragraphs 99 to 102, and as applying to machinery in class (a) in paragraphs 252 and 253.

412. The Group price agreements relating to the larger machinery in class (b) impose obligations on signatories generally similar to those in the agreements relating to machinery in class (a), except for the provisions about performance guarantees, bonus and penalties, which are inappropriate to machinery in class (b).<sup>\*</sup> Arrangements under the IEA are the same for machinery in class (b) as for class (a). The obligations relating to conditions of contract in the Group agreements relating to the smaller machinery and in the Generator Price Agreement, however, have certain special features.

413. The most important of these is the permission given to quote firm prices. The Dynamo and Motor Agreement, the Dynamo and Motor (Export)

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<sup>\*</sup> D.C. turbine driven generators are in a different category and are covered by the agreements relating mainly to machinery in class (a) (see Chapter 11).

Agreement and the Alternator and Generator Price Agreements permit the quotation of the price at the time of contract for delivery up to 12 months ; for longer deliveries the price at the time of contract must be increased by specified percentages if a firm price is to be quoted. The price ruling at date of despatch or the price at the time of contract subject to the contract price adjustment clause may be quoted as alternatives. The Marine Motor and Generator Agreement allows the quotation of firm prices without enhancement for direct export contracts. For other contracts it permits the quotation of the price at time of contract for delivery up to 12 months, with a percentage increase for delivery between 12 and 18 months: thereafter the price ruling at the date of despatch must be quoted or the contract price adjustment clause included. In general, the provisions limiting the quotation of firm prices have tended to become less stringent than they were some years ago.

414. Signatories of the Group price agreements covering the larger machinery in class (b) are obliged to stipulate progress payments during the course of manufacture for all contracts to the value of £50,000 or more. The provisions are similar to those laid down in the Group agreements concerned with machinery in class (a) (see paragraph 254). The intercontracting agreement between the signatories of the Electrically Driven Winding Engine (Electrical Parts) Agreement and members of the Winding Engine Makers Association (see paragraph 400) extends the obligation regarding progress payments\* to any engine maker acting as the main contractor. The Groups have told us that since either party may act as main contractor for the machinery concerned it is necessary that similar contractual conditions should apply in the event of both parties tendering for the same enquiry. There are no provisions for progress payments in the agreements relating to the smaller machinery in class (b).

415. No express provision is made for uniform conditions of contract in any of the IEA agreements ; but where there is an *ad hoc* price arrangement tenderers also agree on conditions of contract, though the arrangements are more flexible than those of the Groups. Normally, where a purchaser submits reasonable conditions they are accepted. Where conditions are not submitted or are thought to be unreasonable, the appropriate Institution of Electrical Engineers' (IEE) Conditions set out in the "Brown Book" are used. In any case the BEAMA contract price adjustment clauses have generally been used, though the manufacturers say that they are tending increasingly to comply with requests from the buyers for the quotation of firm prices, or at least for a ceiling to contract price adjustment.

## (2) Intertrading

416. In the Dynamo and Motor Agreement it is stated that "it is the intention of signatories to encourage intertrading between themselves". Machines may be sold to another signatory for resale or for his own use at agreed prices. Any signatory not manufacturing a particular machine "not being . . . protected by Royal Letters Patent or built under licence" may call upon a signatory who is a regular manufacturer to supply at an agreed price. This price should be lower than the usual selling price, with delivery and service equal to that given to other purchasers. Moreover, when a signatory offers any machine covered by the agreement, or associated control gear or switchgear, for a particular enquiry, he may be required to supply the same machinery, whether or not of his own manufacture, to another

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\* The intercontracting agreement also extends the obligation to use the BEAMA contract price adjustment clause and formula to the engine makers, except that three of the engine makers are exempted from this obligation at their own request.

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