

CHAPTER 2

The Amalgamated Dental Company Ltd.

41. The Amalgamated Dental Company Ltd. (ADCo.) was formed in 1924 through the amalgamation of Claudius Ash & Sons Ltd. and de Trey & Co. Ltd., after there had been severe competition between the companies against a post-war background of uncertainty and depression in the industry. Although they were competitors, the interests of the two companies were in many respects different, and this partly accounts for ADCo.'s comprehensive range of interests within the dental goods industry.

42. Claudius Ash, a family business of London silversmiths and goldsmiths, entered the dental industry at the beginning of the nineteenth century by making denture parts to order. By the end of the century the dental business had prospered and a manufacturing, wholesale and retail organisation had been developed in the United Kingdom with supporting retail organisations in many other parts of the world. Ash porcelain teeth were developed about 1837 and soon occupied a substantial part of the European market. Ash also made dental rubber, waxes and other materials, burs, hand instruments and equipment.

43. The de Trey brothers started making filling materials in Zurich in 1904. The business prospered and companies were formed elsewhere, including London. The business of the London Company consisted of the distribution of Swiss de Trey products—golds, alloys and cements, and of teeth made by The Dentists' Supply Company of New York (DSCo.). The connection initiated between de Trey and DSCo., and since continued between ADCo. and DSCo., dates from about 1900 when de Trey obtained an exclusive franchise for the sale of DSCo. teeth in Europe and certain other territories.

44. Today ADCo. possesses net assets worth over £9m., nearly all of which are employed in the manufacture and sale of dental goods and 85 per cent. of which are in the United Kingdom. These assets are about 10 times larger than those employed in the dental goods industry by the next largest United Kingdom company (The Dental Manufacturing Co. Ltd.). The dental goods side of ADCo. operates at three levels: manufacturing, wholesaling and retailing. It is estimated that of the dental goods sold in the United Kingdom, ADCo. makes about one-fifth and retails about one-fifth.

45. In the United Kingdom ADCo. has three manufacturing companies, in London and at Weybridge and Walton-on-Thames; a London wholesale and export company; and a London based retail company with a retail network consisting of sixteen branches. Overseas, there are fourteen subsidiary companies (and two approximately half-owned associated companies, one of which is mainly on the medical side). Between them these sixteen companies make dental chemicals in France, Switzerland, Germany, South Africa, Australia and India, dental mouth mirrors in France, and hypodermic needles in Australia; they wholesale dental goods in France, Germany, Australia, Canada and the USA; and they retail dental goods in France (with eight branches), Australia (with six branches), South Africa and Rhodesia (with seven branches)

and Canada. Sales in about 100 other countries are effected by the London wholesale company through independent agents.

46. Other overseas dental companies in which ADCo. possesses smaller minority shareholdings are DSCo., in which it holds about 8 per cent. of the common stock (this proportion was about one-third between 1924 and 1958); and two continental teeth producing companies, in both of which a 50 per cent. holding is owned by DSCo.

47. The non-dental part of the ADCo. group consists of two British subsidiaries dealing in medical and ophthalmic equipment (both at home and in the export markets), a British publishing subsidiary and two French property subsidiaries.

48. The names of the companies in the ADCo. group are listed in Appendix 5.

49. ADCo. makes most types of dental goods. The main exceptions are artificial teeth and air turbine handpieces. Of the new products which it has introduced in recent years, the most successful has been an air powered dental chair. The following table shows the main types of dental goods produced by ADCo. in the United Kingdom and sold in 1964.

Sales of dental goods produced in the United Kingdom by ADCo., 1964

	<i>Per cent.</i>
Units	27
Chairs	10
Other surgery equipment	3
Hand instruments	9
Burs	10
Filling materials	9
Impression materials	9
Denture base materials	4
Spare parts and repairs	4
Other	19
	—
	100

50. To some extent the distributive pattern and to a lesser degree the manufacturing activities of ADCo. are influenced by its close association with DSCo. The most important link between the two derives from the agreement (circa 1900) mentioned earlier, which has been continued by successor agreements until the present time. The current agreement was signed in 1960 and gives to ADCo. the sole right to sell DSCo. artificial teeth and certain associated products outside the Americas and part of the Far East, conditional upon the purchase from DSCo. of a stipulated minimum quantity of teeth per annum. The agreement runs for ten years and, provided its conditions have been fulfilled by ADCo., may be renewed for a further ten years.

51. The teeth and associated products sold by ADCo. under the agreement are manufactured by DSCo. or its subsidiaries in the United States, United Kingdom (Dentsply Ltd. of Brighton), Germany, France and Australia, and the teeth sold amount to about one-quarter of DSCo.'s total production of teeth. The origin of the DSCo. teeth purchased by ADCo.'s United Kingdom

and overseas companies in 1964 was as follows :

Origin	Per cent.
Germany	54
United Kingdom	21
France	17
Australia	6
United States	2
	—
	100

Most of the teeth purchased from DSCo.'s German, French and Australian factories were sold in the countries in which they were made or nearby countries by ADCo.'s subsidiary wholesaling companies and in two cases accounted for most of their total sales. Of the purchases from DSCo.'s factory at Brighton, nearly two-thirds were exported.

52. Another important agreement between ADCo. and DSCo. was signed in 1957 when ADCo. received a non-exclusive licence (also granted to five other manufacturers of dental equipment) to distribute outside the United States and Canada the then revolutionary Borden Airotor high speed ball bearing air turbine handpiece and to manufacture and distribute in the same area (but including Canada) control equipment for this handpiece. ADCo. had earlier experimented with various types of high speed ball bearing air turbine handpieces, but discontinued this work in favour of other development projects upon the advent of the Borden Airotor. Since 1957 ADCo. has purchased many thousands of Borden handpieces, the greater proportion of which have been re-exported together with control equipment manufactured by ADCo. in the United Kingdom. ADCo.'s purchases of Borden handpieces have been exceeded by only one of the five other licensees, the German company Kaltenbach and Voigt (KaVo). KaVo is in fact the manufacturer of most of the handpieces purchased by ADCo., having been licensed by DSCo. to produce the Borden for sale outside North America. DSCo. has explained to us that KaVo was chosen for this purpose because of its location within the European Economic Community and its experience as the world's largest manufacturer of belt-driven dental handpieces. A later development of the ball bearing air turbine handpiece has been the air bearing air turbine handpiece, in which ball bearings are dispensed with and the rotating parts rest on a cushion of air. ADCo. has not attempted to develop its own air bearing air turbine, although this was not excluded by the terms of its agreement with DSCo. In 1963 it agreed with the British company Micro Turbines Ltd. to distribute large quantities of its Silentair air bearing air turbine handpiece but there was a subsequent dispute which is at present the subject of legal proceedings.

53. A third important agreement between ADCo. and DSCo. was signed in 1964 and relates to the products of the L. D. Caulk Company, a US manufacturer of dental chemicals and other consumables, which DSCo. acquired in 1963. Under this agreement ADCo. received the sole right to distribute most of the products of this company outside the Americas and part of the Far East. The agreement runs for five years with provision for extension provided that ADCo. purchases from DSCo. an agreed minimum quantity in 1969.

54. Other agreements made between ADCo. and DSCo. and relating to territories outside the Americas and part of the Far East confer upon ADCo.:

- (a) the sole right to distribute an ultrasonic dental cleaning and polishing device produced by a third company and for which DSCo. itself has the main franchise;
- (b) the sole right to manufacture and distribute DSCo.'s articulator (a piece of apparatus used by the dental technician for mounting dentures in order to simulate jaw movement);
- (c) the right to manufacture and distribute a L. D. Caulk crown and bridge material.

There is in addition an agreement whereby ADCo. gives to DSCo. the right to manufacture and distribute in West Germany an alginate material under ADCo. patent.

55. The effect of the possession of the various distribution rights for DSCo. goods is that of ADCo.'s total sales (excluding internal sales and transfers, i.e. transactions between the companies within the ADCo. group) these goods, mainly artificial teeth, account for over one-quarter. The importance of DSCo. goods is greatest in ADCo.'s wholesale companies: in 1964 they accounted for about a quarter of the sales of the United Kingdom wholesale company, over four-fifths of sales of the German wholesale company, two-thirds of those of the French and about a third of those of the Australian. In the retail companies the highest proportion was reached in South Africa—about one-sixth of total sales.

56. ADCo.'s retail companies all sell dental goods of other manufacturers as well as those of ADCo. and DSCo. In the United Kingdom retail company (which accounts for almost one-half of the group's retail sales) the goods of other manufacturers account for about one-half of all sales, in the French company (the next largest retail company) about three-quarters and in all ADCo.'s retail outlets over one-half.

57. The following table shows the proportions in which ADCo.'s total sales in 1964 (excluding internal sales or transfers) were divided between the three main categories of goods and the main types of trade.

ADCo: sales* 1964
(percentages)

	Total	ADCo. goods	DSCo. goods	Other goods
Sales by all companies—total ...	100	40	27	33
of which:				
UK companies—total ...	47	26	7	15
of which:				
Wholesale in UK ...	13	9	1	3
Retail in UK ...	20	9	1	10
Exports to non-ADCo. group companies ...	14	8	4	2
Overseas companies—total	53	14	20	19
of which:				
Wholesale ...	29	10	17	2
Retail ...	24	4	3	17

*About 5 per cent. of total sales were of non-dental goods (mainly medical goods) nearly two-thirds of which were of ADCo. manufacture. The figures exclude internal sales and transfers. Any discrepancies between totals and constituent items are due to rounding.

58. The table above shows that just over half of total sales were made by ADCo.'s overseas subsidiaries and that of these subsidiaries' sales just over one-quarter were of 'ADCo. goods'. It is important to appreciate, however, that a considerable portion of ADCo. goods sold by the overseas subsidiaries was made overseas by them, not in the United Kingdom by ADCo. Hence, of the overseas subsidiaries' sales of all goods (whether ADCo. or not) in 1964, ADCo. British-made goods accounted for only 8 per cent. with another 1 per cent. accounted for by sales of goods made in the United Kingdom by DSCo. and other manufacturers. The overseas subsidiaries are not a large outlet for British goods.

59. Hence approximately 90 per cent. of the trade of ADCo.'s overseas subsidiaries is in goods manufactured overseas (about one-fifth of these being the products of the overseas subsidiaries). It does not follow, however, that ADCo. is a small exporter of its own United Kingdom products. Besides some exports to its overseas subsidiaries, it exports considerable quantities to independent customers all over the world. It is estimated that its exports of its own United Kingdom products to all destinations (including subsidiary companies) amount to about two-fifths of its total sales of such products, besides which it exports large quantities of dental goods made in the United Kingdom by DSCo. and other manufacturers. The following table shows the extent to which ADCo. exports some of its own products to all destinations (including transactions with its overseas subsidiaries).

Proportion of various ADCo. products exported, 1964

Export sales as approximate percentages of total sales of ADCo. product

	<i>Per cent.</i>
Units	20
Chairs	25
Handpieces (imported) and control equipment	60
Hand instruments (including forceps) ...	60
Impression materials	60
Filling materials	50
Burs, steel and carbide	50

ADCo. exports two-thirds of its purchases of teeth from DSCo.'s factory at Brighton.

60. At 31st December 1961 ADCo. had net assets of £7,282,000; at the end of 1965 net assets had grown to £9,301,000, i.e. a growth of 28 per cent. in four years. The following table gives the annual figures.

ADCo: net assets, 1961-5

	(£'000s)				
	1961	1962	1963	1964	1965
Net assets ...	7,282	7,496	7,601	8,767	9,301

61. The following table illustrates the growth of ADCo. sales of all goods between 1961 and 1965. In the latter year about 95 per cent. of all sales were of dental goods.

ADCo: sales* of all goods, 1961-5
(1961=100)

1961	...	...	...	...	...	...	100
1962	...	...	...	...	...	...	100
1963	...	...	...	...	...	...	103
1964	...	...	...	...	...	...	117
1965	...	...	...	...	...	...	128

*Including internal sales and transfers.

62. Net profit as a proportion of capital employed (at historic costs) was 13 per cent. in 1961, 11 per cent. in 1962 and 1963, 12 per cent. in 1964 and 13 per cent. in 1965.

63. The source of profits can be expressed only in gross terms for one year. The following table gives the source of gross profits in 1964 according to activity and the make of the goods sold.

ADCo: gross profits,† 1964
(per cent.)

(a) By activity

Dental goods:

UK companies:

manufacturing and wholesaling	...	...	...	...	...	...	23
retailing	...	...	...	...	...	...	17

Overseas companies:

manufacturing and wholesaling	31
retailing	26

Non-dental goods	3
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TOTAL 100

(b) By product

Dental goods:

ADCo. goods:

UK manufacturing and wholesaling companies	16
overseas manufacturing and wholesaling companies	13
retailing companies	12

DSCo. goods	27
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Other makers' goods	28
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Non-dental goods	4
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TOTAL 100

†Gross profit is the difference between sales (including internal transfers) and the cost of sales and is before charging indirect expenses.