

251. For all goods within our inquiry taken together the profit averaged 32.7 per cent. on capital in 1951 and the rate declined to 18.1 per cent. by 1954. Mullard made 47.2 per cent. on capital in 1951 falling to 36.8 per cent. in 1952 but thereafter increasing to 39.6 per cent. in 1954. The rate fell again in 1955. For some manufacturers the rates have varied widely from year to year whereas for others this is not so: on average however the profits of manufacturers, other than Mullard, have declined considerably in the period 1951 to 1954. In considering these figures it should be borne in mind that although the general trend in demand in this industry is in an upward direction, it is subject to considerable fluctuations in the short term. Owing to the credit squeeze and the restrictions on hire-purchase, profits may well average less in 1955 and 1956 than in 1951 to 1954.

252. The profit on capital employed in all years except 1951 was much higher for valves than tubes. On valves Mullard made the highest rate of profit on capital employed in each year but only in the last two of the four years did Mullard make the highest rate of profit on tubes. Losses on tubes were common, two of the manufacturers making losses in all four years.

## CHAPTER 10. IMPORTS

253. A desire to limit imports has always been a major feature of the BVA's policy and to a considerable extent its trading arrangements and in particular its exclusive dealing agreements are directed against imports. We are told by the Association that the substantial quantities of valves and tubes available for export to the United Kingdom from other large producing countries are a constant threat to the stability of the home industry. It says that Holland, for example, regards the whole of Europe, including the British Isles, as its natural market and plans its production accordingly; exports from the U.S.A. represent only a very small proportion of its total production; in both cases, we are told by the BVA, valves can consequently be exported to Britain at "uneconomic" prices. The Association's policy has been that such importation as is necessary on supply or technical grounds should only take place under the control of the Association. Without prejudice to this policy, however, the Association modified its arrangements somewhat towards the end of 1954 and amended its bye-laws to permit a greater measure of imports by members.

254. The agreements with the set makers' association\* have always been directed against imports, whether from the Continent or from the U.S.A., and BVA wholesalers have from the very beginning been unable to deal in imported valves because of the exclusivity clause in their agreement. Until 1936 retailers were given a rebate or higher discounts if they signed exclusive dealing agreements and had therefore a strong incentive not to deal in imported valves. Despite these arrangements imports, especially from the U.S.A., continued at a high level throughout the 1930s, and in both 1934 and 1937 are said to have equalled in number the total sales of maintenance valves by BVA members—i.e. the total number of valves sold to distributors, which has always been the more profitable trade for the members.

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\* See paragraph 68.

255. The following figures\* showing the U.S.A.'s share of the total valve imports between 1933 and 1939 indicate the rapid increase which took place in the mid-1930s.

	1933	1934	1935	1936	1937	1938	1939
U.S.A. imports as a percentage of total imports	per cent. 20	per cent. 33	per cent. 60	per cent. 80	per cent. 70	per cent. 60	per cent. 54

At the end of 1936, when some members were contemplating making American-type valves, the BVA submitted a case for the Key Industry Duty on valves to be increased from 33½ to 50 per cent. with a minimum specific duty of 2s. per valve. In submitting its case it said:

“American valves are sold in England by leading importers at list prices from 7s. 6d. to 12s. 6d. They are also offered for sale from indiscriminate sources in English Wireless Journals in great variety at 3s. 6d. to 5s. 6d. each retail, and at 1s. 6d. upwards to the trade inclusive of duty. The list prices for corresponding English valves are 9s. 6d. to 15s. each.”

256. Imports reached their pre-war peak in 1936-37. According to BVA figures total sales of valves in 1937 were 13,353,000 of which

the BVA accounted for 9,860,000 of which 20 per cent. were for maintenance,

Imports accounted for 2,341,000 of which 40 per cent. were for maintenance,

Tungram accounted for 1,000,000 of which 60 per cent. were for maintenance,

Others accounted for 150,000 of which 100 per cent. were for maintenance,

Imports thus accounted for almost one-fifth of the total trade and one quarter of the total maintenance trade.

257. During the war imports were controlled by licence. In 1940 the Association made representations to the Board of Trade that, in order to ensure that no imports were made unnecessarily, all imports should be made either by the BVA itself or by individual members, but the Board did not agree to this suggestion. In November, 1942, the members protested because the Board licensed imports by non-members without prior consultation with the Association.

258. The heavy post-war demand for valves coupled with production difficulties associated with the switch-over from large-scale production of special types for the Government gave rise to acute shortages which members endeavoured to meet by supplementing their production with imported valves. The need for these imports was recognised by the BVA although they were contrary to Bye-law 5 of the Association's constitution.† In 1946 some apprehension was expressed by members about the danger to the industry if imports on a large scale continued after this shortage, which was then not expected to last beyond the end of 1947. In the course of the discussion at the Board of Management

“The principle of not importing valves if at all possible was stressed and the general desirability of collective action where applications were essential was confirmed”.

\* Details of valve and tube imports are shown in Appendix 9 D.

† See Appendix 4.

Despite increased production by the BVA manufacturers the shortage of valves continued. The quantity of valves imported steadily increased, and in 1954 the BVA suspended Bye-law 5 and substituted a temporary arrangement which permits any member to import, sell or deal in valves and tubes up to 10 per cent. of his home sales in any period and a further amount up to the level of his exports subject to a maximum of a further 10 per cent. This arrangement was due to be reviewed in June, 1956 (see paragraph 90).

259. Before the war the bulk of imported valves came from the United States but from the end of the war until 1950 most of the foreign valves imported into the United Kingdom came from Holland. Since 1951, however, Germany, France, Italy and Austria have exported significant quantities of valves to this country and the following table shows that Holland no longer occupies the dominant position it held formerly. The table also shows imports of valves from the Continent and the U.S.A. as a proportion of the valves manufactured in the United Kingdom by the BVA members :

TABLE I  
Imports of Valves (1)

Country of Origin	1950 Quantity	1951 Quantity	1952 Quantity	1953 Quantity	1954 Quantity	1955 Quantity
	000's	000's	000's	000's	000's	000's
Holland ... ..	2,156	4,638	4,285	3,158	5,786	6,578
Germany ... ..	—	37	109	571	2,904	5,924
Italy ... ..	—	535	219	27	104	168
France ... ..	—	—	—	60	129	548
Austria ... ..	—	—	—	—	47	162
U.S.A. ... ..	14	65	235	96	177	103
Total Imports ...	2,283	5,481	5,044	4,095	9,309	14,121
Total United Kingdom production (2)	26,315	39,662	44,071	41,148	50,209	64,330
Imports as a percentage of United Kingdom output	8.6	13.8	11.4	9.9	18	22

(1) Obtained from Trade and Navigation Accounts and Annual Statements of Trade.

(2) Obtained from BVA statistics.

260. The better known brands of foreign valves imported into the United Kingdom from the Continent come from Germany (Telefunken, Siemens), Holland (Philips, Dario) and France (Cifte) and all are used mainly in domestic radio and television receivers. Valve imports from the U.S.A. since the war have been of more specialised types used in research and experimental apparatus, sound equipment for cinemas etc. and are not normally disposed of to equipment makers or through distributive channels.

261. The rapid increase in valve imports from Germany is noteworthy, and it will be seen that in 1955 almost as many valves were imported from Germany as from Holland. This was chiefly due to the introduction of frequency modulation broadcasting in this country early in 1955. Most of the valve manufacturers have told us that the introduction of F/M transmission by the B.B.C. was timed rather unfortunately from their standpoint since the production of the special types of valves required for F/M was only in the experimental stage. Consequently United Kingdom valve makers were forced to obtain supplies of F/M valves from Germany where this type of broadcasting had been in use for about seven years. A further reason

for the increase in imports from Germany was the introduction of commercial television in 1955 since the valves used in television tuners are similar in type to those used for F/M reception.

### Imports by members of the BVA

262. Most of the foreign valves have been imported by members of the BVA and chiefly by Mullard which obtains its supplies mainly from its associated companies in Holland and Germany. Recently, however, Edison Swan and Standard have imported substantial quantities. BVA statistics for 1954 show that Mullard imported over 6½ million valves, and Edison Swan and Standard each imported slightly less than half a million. Mullard's imports rose to over 7 million in 1955 and Standard's to 1½ million, while Edison Swan's showed a slight reduction. The members of the BVA obtained some of these imported valves from United Kingdom importers and agents. All the valves either directly or indirectly imported by members of the BVA are stamped with the BVA monogram and distributed through the trade as BVA valves with the member's guarantee. The following table shows the total number of imported valves obtained by BVA members in each year since 1950 and the number retained by importers and agents for disposal by other means. The latter category includes the valves which are incorporated in imported radio receivers, radiograms, tape recorders and other apparatus (see paragraphs 162 to 164).

TABLE II

Quantities in thousands

	1950	1951	1952	1953	1954	1955
Total United Kingdom valve imports <sup>(1)</sup> ... ..	2,283	5,481	5,044	4,095	9,309	14,121
Direct and indirect valve imports by BVA members <sup>(2)</sup> ... ..	2,166	4,477	4,169	3,654	7,719	9,003
Remainder of imported valves either retained by importers or included in imported equipment	117	1,004	875	441	1,590	5,118
BVA imports as a percentage of total imports ... ..	95	82	83	90	83	64

<sup>(1)</sup> Annual Statements of Trade and Trade and Navigation Accounts for the United Kingdom.

<sup>(2)</sup> BVA statistics: these figures include imported valves obtained by BVA members from independent importers.

263. We have been in touch with seven firms engaged in importing valves, and their evidence on the whole suggests that none of them finds the BVA's trading arrangements a hindrance to their business. Four have been regular importers of substantial quantities whilst the remainder only began importing in 1954 and during 1954-55 bought relatively small quantities. Two of the four larger importers are engaged mainly in exporting valves from the United Kingdom, and they buy foreign valves mainly to supplement purchases from BVA members for export purposes. Most of the relatively few imported valves which they sell at home are bought by the valve manufacturers, and the remainder are sold to non-BVA wholesalers and to large retailers: practically none of the non-BVA imports are sold to set makers. The third large importer is the main supplier in this country of valves manufactured by Telefunken G.m.b.H. and we are told that although most of the larger set makers are advised by him of the full range of valves available from

this manufacturer few, if any, purchase these valves direct from the importer ; almost the whole of his sales of the valves are to members of the BVA who resell to set makers, and only very small quantities are handled by the distributive trade. The fourth large importing company is the owner in the United Kingdom of the trade mark "Dario", and it imports Dario branded valves made by N.V. Philips at Eindhoven. The Dario valves are mostly sold through non-BVA wholesalers.

### Competition offered by imports of valves

264. Table II (paragraph 262) shows the approximate number of imported valves remaining in the hands of importers (i.e. not sold to BVA members). In order to assess the competition they offer it is necessary, however, to make allowance for valves included in imported equipment and for imported valves which are re-exported by import/export agents. The number of imported valves sold by non-BVA wholesalers and retailers was probably of the order of 2 per cent. of the total supply in 1954 and probably of the order of 5 per cent. in 1955. As, however, they are all sold for maintenance purposes, their competition was confined to the maintenance market, which represented about a tenth of the BVA members' production in 1954 and 1955. These imported valves would appear to have accounted for about one-fifth of the total supply to the maintenance market in 1954 and about two-fifths in 1955.

### Imports of Cathode Ray Tubes

265. The only important source of imported tubes is Holland and practically the whole of the domestic picture tubes imported have been brought in by Mullard. Mullard appears to be the only British tube manufacturer making substantial quantities of tubes similar in type to those made on the Continent. We are told that with the exception of certain types made by Mullard, the differences between British and Continental television tubes are such that it is almost impossible to use them interchangeably. The following table shows the proportion of tubes imported into the United Kingdom to the production of BVA members since 1950:

TABLE III  
Imports of Cathode Ray Tubes

Country of Origin	1950 Quantity	1951 Quantity	1952 Quantity	1953 Quantity	1954 Quantity	1955 Quantity
Holland ... ..	000's 170	000's 222	000's 171	000's 266	000's 408	000's 276
Germany ... ..	—	—	—	4	2	6
Total Imports (1) ...	174	224	171	274	412	286
Total United Kingdom production (2)	626	778	875	1,177	1,617	2,065
Imports as a percentage of United Kingdom production ... ..	29	29	19	23	26	14

(1) Annual Statements of Trade and Trade and Navigation Accounts.

(2) According to BVA statistics.

NOTE.—From statistics provided by the BVA, Mullard accounted for the import of 404,183 tubes out of the total of 412,320 tubes imported into the United Kingdom in 1954.

266. We have had little criticism of the BVA from the valve importers referred to in paragraph 263. In fact several told us that such an Association was necessary and that even without some of the Association's restrictions BVA members could on price alone withstand competition from foreign valves. The BVA for its part seems content to let these importers pursue their own course; indeed, it would appear that the BVA members are the importers' best customers. An importer of electronic equipment other than valves has complained that although his customers would like to purchase foreign valves from him they are prevented from doing so by the terms of their BVA agreements. A large non-BVA wholesaler who imports foreign valves on his own account has told us that he believes that some of the members of the Association have brought pressure to bear on his suppliers and made it difficult for him to obtain certain brands of foreign valves and tubes and have also prevented him from obtaining a full range of Dario valves. A few of the larger set makers would like to be free to import, and one said that in 1955 it met with strong objections from the Association before it was permitted to import direct from Germany tuning units containing a valve which was not available in quantity from manufacturers in this country. The principal objection seems to have been to direct importation by the set maker. The BVA, however, stated that the Association "raised no opposition to this but in fact left the matter with Members individually to assist the company in any way they could". Ultimately a BVA member made arrangements for the set maker to obtain these supplies from a German valve manufacturer. The valves were supplied to the set maker marked "BVA—Foreign". The Association has informed us that it is the members' usual practice to import valves unbranded but already stamped with the BVA monogram and for the importing member to stamp the company's trade mark on the valves before distribution—this procedure, it is said, enables the user to be sufficiently assured that the foreign valves are adequately guaranteed.

267. Several equipment makers would like to be able to obtain foreign valves at competitive prices. One said that if the Key Industry Duty were reduced to the level imposed on other radio components\* BVA prices to set makers would be reduced. One large equipment maker called our attention to the regulations imposed by BREMA† restricting to 5 per cent. the foreign content in radio equipment displayed at the annual trade exhibitions. The general opinion of those BVA wholesalers who have provided evidence is that they are satisfied with the present arrangements which do not permit them to handle imported valves and tubes either separately or in sets. A few of them refer to the purchase of foreign valves by members of the BVA. One leading wholesaler stated:

"We prefer to sell British valves . . . and regret the importation of large quantities of Continental valves through BVA sources . . ."

whilst another said:

"BVA members market foreign valves in BVA cartons but have refused us dispensation to handle Braun‡ receivers."

Another large radio wholesaler said:

"While British set manufacturers fit only BVA valves there is comparatively little demand (but, nevertheless, a growing one) for non-BVA valves. Should this demand substantially increase and our service to the retail trade continue unimpaired, then we must be free to purchase non-BVA valves."

(By this he clearly means that as a wholesaler he must be in a position to supply whatever types of valves his customers require.)

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\* In general 20 per cent.

† British Radio Equipment Manufacturers' Association.

‡ An imported set fitted with German manufactured valves.

268. Most of the chain stores which have submitted evidence have no desire to handle imported valves mainly because they wish to avoid carrying similar ranges of valves in a multiplicity of brands, thus increasing the dangers of overstocking and obsolescence. One agreement holder, however, told us that he would "like to have a free hand for the importation of valves as foreign valves are much cheaper and therefore would help to keep prices down" (see paragraph 191). Two more would like to handle imported equipment containing foreign valves in the same way as radio retailers without an agreement who are free of any obligation to sell only BVA valves. Furthermore, the knowledge that BVA members themselves import valves and tubes is an added irritation to these two chain stores. Three rental and relay companies respectively made the following comments about imports:

"At present we are purchasing from BVA companies tubes and valves known to be made in Holland . . . labelled with the name of a British company, e.g. Mullard and Mazda and sold under the terms of the BVA agreement. It would appear that these companies are doing exactly that from which we are restricted by our BVA agreement."

"Some types of current television and radio valves are being supplied from the Continent but [we] are unable to identify them."

"We have no means of knowing whether any of the valves supplied to us by these [U.K.] manufacturers are in actual fact imported from other countries or not."

We have received several complaints of a similar nature from members of the public who have been chagrined to discover that receivers bought in good faith as "British made" contained either valves or tubes of foreign manufacture. All imported valves and tubes are, however, marked with the country of origin or marked "foreign". Imports handled by the BVA members also bear the BVA monogram and the members' trade names; they are sold alongside valves and tubes of British manufacture and, apart from the mark indicating foreign origin, undistinguished from them. They carry the BVA members' guarantee.

## CHAPTER 11. GUARANTEES

269. The BVA has told us that valves and tubes are subject to faults in spite of every possible precaution taken during manufacture and subsequent tests before the products leave the works, and consequently some claims from users are expected and are provided for by its guarantee system. We understand that Edison Swan was the first BVA valve manufacturer to give a 3 months' guarantee on valves. This it began to do towards the end of 1933, and in 1934 a common form of 3 months' guarantee on equipment valves, offering free replacement if valves were found faulty, was introduced by the Association. In 1935 the Association's guarantee was extended to valves sold for maintenance purposes. Cathode ray tubes were originally sold subject to the same guarantee but in 1946 the Association extended the period to 6 months.

270. We were told that in the case of valves the period of guarantee of 3 months from date of purchase by the ultimate user "is not an arbitrary one but is based on technical or engineering experience over many years which leads to the belief that failures due to bad workmanship or material will almost certainly be revealed within that period." The Association told us that a similar argument applied to tubes but "the period was deliberately