

PART V

DUNLOP RUBBER COMPANY LTD.

CHAPTER 18. HISTORY OF THE COMPANY

372. Dunlop Rubber Company, Ltd. (sometimes referred to in this Part of the Report as "the Company") had its origin in the Dunlop Pneumatic Tyre Co. Ltd., formed in Dublin in 1889 with a capital of £25,000 to acquire and develop on a commercial basis the Dunlop pneumatic tyre patent. By 1954 it had become the centre of a world-wide group of 135 manufacturing and selling companies in fifteen countries with an annual sales turnover of some £250 million, utilising a total capital of about £110 million. Originally founded to develop commercially the Dunlop pneumatic tyre patent as applied to cycle tyres, the Company with its subsidiaries is now not only producing every size and category of tyre on a scale exceeded only by the largest tyre manufacturers in the U.S.A. but is also manufacturing a wide range of rubber and other products, including footwear, clothing, belting, sports goods and latex foam* products. In addition, it owns cotton mills in Lancashire and substantial rubber plantations in Malaya and Ceylon. The organisation has grown up over a period which included two world wars and which saw spectacular advances in road transport. These circumstances have determined the pattern of the Company's policies.

373. In the first period of its existence, from 1889 to 1900, the Dunlop Pneumatic Tyre Co. did not manufacture cycle tyres but purchased the component parts of the tyre from already established rubber manufacturers, including the Byrne Bros. India Rubber Co. Ltd. This company was acquired by the Dunlop Pneumatic Tyre Co. in 1898. In addition, the Dunlop Pneumatic Tyre Co. was licensing to other manufacturers at home and abroad various patents which included those for beaded edges, valves and weltless fabrics. This was the period of the bicycle boom with its rapidly expanding demand for tyres all over the world. Selling companies were formed in France and Germany in 1893 and in South Africa in 1896. Manufacture was licensed in Canada in 1894 and in 1898 patent rights were granted to a locally-owned Australian company. A factory at Kobe in Japan first started to operate in 1909.

374. The manufacture of car tyres was begun in 1900 and a complete range was in production by 1902, but keen competition came from the Continent, where the motor car industry was developing rapidly. It was at this point that Byrne Bros., already established in Birmingham, was reorganised as Dunlop Rubber Co. Ltd. Dunlop Pneumatic remained responsible for all selling activities and the control of patents until 1912, when it became entirely a holding company and all trading activities were vested in the Dunlop Rubber Co. Ltd. In the period before the first world war the Company increased its share capital several times to meet the heavy plant expenditure involved. It also strengthened its position as regards raw materials and components by the purchase of a wheel manufacturing company at Coventry in 1906 and by the acquisition of rubber estates in Malaya and Ceylon.

375. Expansion continued during the 1914-18 war, when the Company's manufacturing capacity was devoted mainly to war requirements. A cotton mill in Lancashire was acquired in 1916, and building began on the Fort Dunlop estate of some 300 acres near Birmingham in the same year.

* See Glossary.

376. In the post-war boom the Company's expansion both at home and abroad was even more rapid. Production began at Fort Dunlop in 1918, the wheel factory at Coventry was expanded and, to ensure a supply of materials, the Company acquired control of a steel rolling mill at Tipton in Staffordshire. Abroad, further rubber estates were purchased in Malaya, making a total acreage of some 68,000 of which 39,000 acres were planted. The French Company was reorganised in 1918 and an American factory at Buffalo was established the following year. By 1920 separate selling companies wholly owned by the Company were operating in South Africa, South America, Holland, Belgium, Italy, Denmark, Sweden and Spain, with a branch selling organisation in India. In 1921 the German Company, which had been taken over by the Germans during the war, was restored.

377. A slump in rubber and cotton prices in 1921, however, caused the Company a loss of £8 million, and a committee of investigation was appointed in 1922 to enquire into the Company's financial position. In the light of the committee's report new directors were appointed, policies reviewed and economies in production effected. In 1924 a large capital reconstruction was carried through, the issued capital being written down from £19,891,314 to £9,363,771. Additional finance was provided in 1925 by the issue of further ordinary shares and £5 million of debenture stock.

378. These financial measures were adopted against a background of intense American competition both at home and abroad. The post-war slump in the domestic market in the U.S.A. drove American tyre manufacturers to seek every possible outlet overseas, and the United Kingdom offered attractive prospects in the early '20s, because there was no protective tariff until 1927 and no large-scale manufacturer except Dunlop.

379. From 1924, however, the position changed with the gradual infiltration of foreign tyre manufacturers into the United Kingdom. By 1929, following the imposition of the 33½ per cent. import duty on all tyres in 1927, Goodyear, Firestone and Goodrich of America, with Michelin of France and Pirelli of Italy, had established factories in this country operated by subsidiary companies, which took the place of their earlier selling organisations. From this time, therefore, Dunlop, although still the largest producers of tyres in the United Kingdom, were meeting intensified competition in the home market, while export prices were becoming increasingly competitive because of the excess capacity in the U.S.A.

380. Dunlop have stated that their policy at this period, when it was essential to maintain their hold in the expanding export market, was to ensure a fair and reasonable return from a stabilised home market. They claim that had they not successfully exercised their influence in this direction they could not have maintained their export business, which was conducted at a loss from 1925 to 1930. Meanwhile, selling companies had been established in China, Malaya and the Dutch East Indies. At the same time, because the scope of the tyre industry must always be linked to that of the vehicle-manufacturing industry and the demand for tyres limited by the number of wheeled vehicles in existence, they found it advisable to widen their field of production by including other products involving the use of rubber. The Chas. Macintosh Group of Companies was, therefore, acquired in 1925 and the Dunlop name became associated with such products as footwear, clothing, belting and rubber hose. This horizontal development made the Company less dependent on tyre production, though the latter has always remained its major interest.

381. The policy of widening activities was maintained and developed in the '30s when other products involving the use of latex* were added to the

*See Glossary.

range. Processing plant was established in Malaya, and from that time the output from the Company's own plantations has been in the form of latex, which is used for a wide range of Dunlop products. For tyres, however, rubber is bought in the open market. During this period the tyre manufacturing side of the Company's business was extended in the United Kingdom by the purchase of India Tyre and Rubber Co. Ltd., and overseas by the setting up of factories in South Africa (1935), Southern Ireland (1935) and India (1936). Reciprocal arrangements were also made with Goodyear for the manufacture by the one company of the other's products in various countries abroad.

382. The outbreak of war in 1939 stopped this process of expansion, and from 1942 the Company was concerned with the problem of how to supply, under Government control, the tyres needed for the fighting services and for essential transport, from dwindling stocks of natural rubber supplemented by reclaimed* and synthetic material. Overseas, the rubber plantations in Malaya, together with the manufacturing and selling companies on the Continent and in the Far East, fell into enemy hands.

383. After the war expansion was resumed. Additional capital amounting to £15 million was invested between 1945 and 1952 and used for increasing manufacturing capacity and for modernising and re-equipping existing factories, though its use related only in part to tyre production. The overseas factories in enemy hands were restored to Dunlop ownership and rehabilitated by additional finance mainly provided locally. A new manufacturing company was set up in New Zealand, coming into production in 1949, and the selling company in Brazil, which had accumulated substantial blocked profits, was turned into a manufacturing company in 1953, with the help of local finance and a cash investment from Dunlop, England.

384. In 1954 the Company made a new capital issue of £7 million, the major part of which is intended for the development of tyre production at home and abroad under a five year plan. This plan provides for increased output at existing factories in the United Kingdom, Canada and the U.S.A., the extension of the Company's overseas retreading business and the possibility of a new factory in Malaya. Additional finance was provided in May, 1955, by a new debenture issue of £12 million.

385. A table showing the consolidated Balance Sheets for the Dunlop group of companies for 1952, 1953 and 1954 is given at Appendix 19.

CHAPTER 19. DUNLOP'S POSITION AS TYRE MANUFACTURER IN THE UNITED KINGDOM

386. In the course of the Company's development, sometimes horizontal, sometimes vertical, tyre manufacture has remained Dunlop's main activity both at home and overseas. Today it is estimated that just over half the Company's productive capacity in the United Kingdom is devoted to tyre manufacture. Dunlop is easily the largest tyre manufacturer in the United Kingdom and, although complete industry figures are not available for the pre-war years, there is no doubt that the Company has always occupied that position. In 1951 and 1952 its sales, together with those of its subsidiary, India Tyre and Rubber Co., represented 47 per cent. of the total United Kingdom tyre industry sales by value.

387. Dunlop themselves produce, in their tyre factories at Fort Dunlop near Birmingham, Speke near Liverpool, Leicester and Stoke-on-Trent, every

* See Glossary.