

(b) Sole sourcing is permitted even though there may be other qualified suppliers. The utility can negotiate with a given supplier without notification to any other. This practice is frequently used when one supplier has established its competence in a particular rating or design.

(c) The utility may make a bulk allocation whereby it commits itself to quantity requirements for the expected life of a particular design at a particular rating. Production schedules may be spread over a term of years and prices subject to later agreement between buyer and seller. This arrangement has the advantages of completing a single, early procurement at which no firm orders are placed and no prices quoted; enabling the utility to distribute its purchases in a series of large commitments to a predetermined group of suppliers, or to only one; and, excluding potential competitors from bidding at a later date, even if they might offer superior designs or lower prices, because the selection decision will not be reopened at the time a firm order is placed.

3. *Design competitions and development programs for new classes of equipment are restricted to domestic manufacturers.*—The utility will disclose to selected suppliers its advanced plans and engineering requirements. Lead time in research and development is thereby assured, perhaps as much as ten years. Moreover, the public authority will frequently fund design competitions and development programs which are restricted to domestic manufacturers. Participating manufacturers are given extensive use of test facilities operated by the public authority, as well as use of the system itself. CEGB operates the U.K.'s biggest test facility in Leatherhead at its own cost, making results known only to specified manufacturers. EDF has a similar facility outside Paris. In Sweden, the development of high-voltage direct current techniques was conducted by a Swedish manufacturer, ASEA, on the State Power Board's transmission lines.

Compare these publicly financed programs with the U.S. system of research and development on a risk-basis. General Electric, for example, developed, at its own expense and with no purchase commitment of any sort involved, a 500 KV-class power transformer in 1948 (no orders were placed for this equipment until 1962) and a 765 KV transformer in 1958 (no orders placed until 1966).

4. *Utilities and domestic suppliers agree in advance on prices, quantities and contract terms.*—There is no doubt that this practice exists in the United Kingdom,³ and, General Electric believes, it exists also in France, Sweden, Switzerland and Germany. If so, the purpose is obvious: to forego competition in favor of limitation to a single supplier or a closed association of manufacturers.

5. *Outside solicitations or bids are deliberately discouraged or ignored.*—U.S. manufacturers do not receive notice of or a request to bid on a European public authority requirement where domestic capability exists. Moreover, on the occasions that General Electric Company has, on its own motion, sought to bid on or initiate preliminary discussions, it has been ignored or discouraged from pursuing the matter.

One critical point must be made here. General Electric cannot submit to the Trade Information Committee a comprehensive list of specific instances when it has unsuccessfully attempted to bid or be considered for an offering to a European public authority. Such a list would, of course, be helpful to the Committee and to U.S. trade officials. The fact is, however, that the preparation of a bid on heavy electrical equipment—a large steam turbine generator or a power circuit breaker procurement, for example—costs many thousands of dollars, and

³ Exhibit III: G. B. Richardson, "The Pricing of Heavy Electrical Equipment: Competition or Agreement?", *Bulletin of the Oxford University Institute of Economics and Statistics* (May, 1966), pp. 73-92; and Exhibit IV: Agreement between Central Electricity Generating Board and the Grid Switchgear Manufacturers, 1967. See also, Model Conditions of Contract for Turbo-Generators and Associated Plant of CEGB/BEAMA for 1963, plus Extended Form and Supplementary Clauses and Formulae Governing Contract Price Adjustments, and CEGB contract with English Electric Company, Ltd. General Electric has not reproduced these documents because of bulk but will make them available on request.