

Europe price agreements were generally legal, and often officially approved, until after the Second World War, but there, as in Britain, public opinion and the statute books have recently undergone much change. Whether this has brought to an end the practice of agreeing prices, however, is another matter and one on which an outsider cannot easily form an opinion.

It is safe to conclude, even on this most cursory review of past experience, that the circumstances of the heavy electrical industry must be such as put firms under pressures towards price agreements, pressures strong enough to overcome the reluctance of managers both to accept restrictions on their commercial freedom and (in the United States) to run the risk of criminal prosecution. One of our tasks must be to enquire how these pressures are generated. We should also note, at this point, the great difficulty in arguing either for or against price competition merely by reference to the way in which it has in fact worked. Such an appraisal of price competition would need to examine its effects when sustained over a long period without the degree of mitigation that agreements, of varying legality and effectiveness, have always exercised in the past. In this respect the protagonists as well as the opponents of competitive pricing are in the same boat: they must endeavour to predict, with the help of theory and limited experience, what would happen in a hypothetical situation.

The pricing of heavy electrical equipment, in this country, has already received the attention of the Monopolies Commission, the Restrictive Practices Court and the Select Committee on Nationalised Industries.

The Monopolies Commission took the view that prices, in the markets we shall be considering, ought to be determined by competitive tendering.<sup>1</sup> It saw no merit whatever in agreements or arrangements between the manufacturers, who were urged 'to refrain from any kind of collaboration in matters of price and tendering'. Nor were they prepared to give any support to the manufacturers' suggestion that agreements might be operated with safeguards designed to ensure that prices and profits were reasonable; free competition, they insisted, was the proper regulator for these markets. Price notification agreements, in so far as they would apply to the home market, were also condemned, on the ground that understandings on prices might follow them.

The Restrictive Practices Court was called upon to declare whether a particular price agreement, operated by the transformer manufacturers at the time of the hearing, was contrary to the public interest; it did not have to give an opinion on the wider issue of the appropriateness of competitive tendering for all three types of equipment. Nevertheless, the judgment of the Court may be regarded as in line with the views of the Commission.<sup>2</sup>

The Select Committee, reporting six years later than the Commission, does not show the same enthusiasm for competitive tendering.<sup>3</sup>

While maintaining that 'competition is still realistic between firms making smaller equipment', it clearly has doubts as to its appropriateness for markets in which 'both the Board and the manufacturers of larger equipment at higher

<sup>1</sup> *Report on the Supply and Exports of Electrical and Allied Machinery and Plant*, 1957.

<sup>2</sup> *In re Associated Transformer Manufacturers' Agreement*, LR, 2 RP, 295.

<sup>3</sup> Report from the Select Committee on Nationalised Industries; the Electricity Supply Industry, Vol. 1 Report and Proceedings. Chapter 16.