

only three producers, rather than the dozen found in transformer production, strengthens the chances that mutual accommodation might serve not merely to stop prices falling to an unduly low level but to keep them permanently higher than they should be. We need not take a view as to whether firms would in fact choose to exercise any joint monopoly power; the point to be noted is that there would be no automatic competitive force sufficiently strong to *ensure* that they did not.

These considerations seem to me to suggest that competition would fail to be an efficient regulator of prices in this market irrespective of the alternative assumptions one may prefer to make as to the outcome of abandoning the practice of agreement.

6. *Switchgear.*

The market for switchgear differs little, in basic structure, from that for turbines, but it is marked by a more developed system of co-operation between the four producers and between them and the Central Electricity Generating Board.

Let us begin by noting that the cost of supplying electricity must depend upon the rapidity with which potential gains from improved technology can be realised through their embodiment in equipment actually in use. There are in fact substantial gains to be had in particular from increasing the power load with which a transmission system can deal, and the rate at which this can take place depends on the time taken to get the more advanced types of switchgear into service. This circumstance creates in itself the need for close co-ordination between the investment plans of the Generating Board and its suppliers.¹

Under the current arrangements, the plans of the two sides are co-ordinated at several stages. A forecast of the Board's switchgear requirements is made known about a decade in advance, thus enabling the manufacturers to take certain steps—such as acquiring factory space—that are an essential preliminary to future production plans. The second and most important stage is reached when the Board makes a bulk allocation of work between the manufacturers and thereby enables them to make their own production plans as well as to inform their own suppliers (the makers of porcelain and bushing) of their projected needs. The point to note here is that the arrangement permits firms to go ahead with their programmes without having to wait for the Board's requirements to be articulated in detail. Binding contracts are entered into only later and on the basis of prices listed on a schedule agreed between the manufacturers.

I find it hard to conceive that this procedure, or any other procedure equally able to save time, would be fully compatible with competitive price tendering. If the allocation of work were to be determined by competing bids, then the Board would have to be in a position to specify its needs in appropriate detail. The producers would then take longer to learn of the amount of work for which they had to prepare, with a resultant delay in dates of commissioning. It may be

¹ The reader will recall that Scotland and Northern Ireland have their own separate electricity generating authorities. What is said, for brevity, about the Central Electricity Generating Board should be taken as applying to these bodies also.