THE MONOPOLIES AND RESTRICTIVE PRACTICES COMMISSION

Report on the Supply of Dental Goods

Presented to Parliament in pursuance of Section 9 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948

Ordered by The House of Commons *to be Printed 1st December 1950*

LONDON
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PRICE 3*s*. 6*d*. NET

18

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CONTENTS

PRINCIPAL ABBREVIATIONS IN THE REPORT

A.D.M.T.	Association of Dental Manufacturers and Traders of the United Kingdom.
D.T.F.	Dental Traders' Federation Ltd.
A.D. Co.	Amalgamated Dental Company Ltd.
A.D. Group	Amalgamated Dental Company Ltd.'s Group, as defined in para. 139.
D.M. Co.	Dental Manufacturing Company Ltd.
I.C.I.	Imperial Chemical Industries Ltd.

THE SUPPLY OF DENTAL GOODS

INTRODUCTION

I. Terms of Reference and Procedure

(i) On 1st March, 1949, we received the following reference from the Board of Trade:—

"Whereas it appears to the Board of Trade that it is or may be the fact that conditions to which the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, applies prevail as respects the supply of instruments, appliances, equipment, apparatus, materials, and accessories (including artificial teeth), [wholly or mainly]* used in dentistry. Now, therefore, the Board in pursuance of Section 2 (1) of the Act hereby refer to the Monopolies and Restrictive Practices Commission for investigation and report the matter of such supply.

The Commission shall as respects such supply investigate and report on—

(1) whether conditions to which the Act applies in fact prevail and if so in what manner and to what extent,

(2) the things which are done by the parties concerned as a result of, or for the purpose of preserving, those conditions, and

(3) whether the conditions in question or all or any of the things done as aforesaid operate or may be expected to operate against the public interest."

(ii) Section 3 of the Act provides that "the conditions to which the Act applies" prevail in two circumstances. They prevail when one person or group supplies at least one-third of the United Kingdom market for the goods which are the subject of the reference; and they prevail also when two or more persons taken together supply at least one-third of the United Kingdom market *and* "so conduct their respective affairs as in any way to prevent or restrict competition in connection with the production or supply" of the goods.

(iii) In addition to the factual part of our inquiry (items (1) and (2) of our terms of reference) and to our consideration of the bearing of the facts upon the public interest (item (3) of our terms of reference) a further duty devolves upon us under Section 7 (1) of the Act which requires the Commission to include in their report "such a survey of the general position in respect of the subject matter of the investigation, and of the developments which have led to that position, as [is] in their opinion expedient for facilitating a proper understanding of the matter". In short, we have also had to make a thorough examination of the structure and history of the dental goods industry, both manufacturing and distributing. As there has been no recent enquiry into this industry this examination has involved the Commission in a great amount of research.

(iv) After preliminary informal talks with the trade associations concerned, in March, 1949, we issued questionnaires to them for the factual part of our inquiry. We issued questionnaires also to a number of concerns in the industry and to representative users, at the same time advertising our readiness to receive in writing the views of anyone interested. In July, 1949, we invited the main trade association to submit any evidence on prices, costs, and profits, which they might consider relevant to the second part of our enquiry (item (3)

* These words were deleted by a variation in the reference made on 1st September 1949.

of our terms of reference). We had a statistical and costing investigation made of the industry (in which the bulk of the figures related to 1948, since this was the latest year for which detailed figures were at that time available); and members of the Commission and of the staff made a number of visits to manufacturers' and distributors' premises. Having received answers to our questions, we took oral evidence from a number of those who had supplied written evidence. In addition, members of our staff made a full examination of the records of the main trade association, the Association of Dental Manufacturers and Traders of the United Kingdom (referred to in this report as the A.D.M.T.) and of the predominant concern, the Amalgamated Dental Co. Ltd. (referred to in this report as the A.D.Co.). A summary of the matters extracted in this way was given to the two bodies for examination and comment. We did not rule out the possibility of taking evidence in public, although it seemed to us unlikely (and we have seen no reason to change this view) that such a hearing would be advantageous.

(v) In February, 1950, when we had reached provisional conclusions on the factual part of our inquiry, we informed the A.D.M.T. and the A.D. Co. that in our view the conditions of the Act appeared to prevail in each case. We listed the statutory conditions, including the rules and arrangements restrictive of competition with which each was primarily concerned, asked for their written comment and invited each to a formal (and separate) hearing—in April and May, 1950, respectively—so that we might fulfil our further duty of judging whether the conditions conformed to the public interest. At these hearings the two bodies were represented by Counsel. During the first two weeks of August, 1950, we examined our tentative findings and invited further observations from the two bodies about those matters on which it seemed to us that they might not have previously had sufficient opportunity to comment. We then held a further hearing of the A.D.M.T., who were again represented by Counsel.

(vi) Evidence, written or oral, has also been taken from the British Dental Association, the Ministry of Health, the Trades Union Congress, the Dental Laboratories Section of the Surgical Instrument Manufacturers' Association, and 32 hospitals and local authorities. A more detailed list of those who gave evidence is given in Appendix 1.

(vii) Much of the information obtained, particularly in connection with the costing investigation, has necessarily related to the intimate business affairs of those concerned. In preparing our report, we have been at pains to limit the disclosure of information of this kind to matters which we have considered essential for the proper understanding of the issues and in such cases we have refrained wherever possible from mentioning names.

(viii) Some of the organisations concerned have had to undergo a prolonged and detailed examination of their present and past activities. We appreciate that this has involved them in very considerable trouble and expense and we wish to pay tribute to the willing spirit in which they and their officials have assisted us in our inquiries.

II. Outline of the conditions and practices which have been found to exist

(ix) The conditions to which the Act applies have been found to prevail in this industry in the case of the members of the A.D.M.T. (being two or more persons who supply at least one-third of the United Kingdom market for dental goods and who so conduct their affairs as to prevent or restrict competition) and in the case of the A.D. Group (being a group which supplies at least one-third of the United Kingdom market for dental goods). The Companies* in the A.D. Group are members of the A.D.M.T.

* Except the two manufacturing Companies referred to in Note (1) in Appendix 22.

(x) The A.D.M.T. is an association of manufacturers and distributors who supply about nine-tenths of the dental goods sold in the United Kingdom market, and the obligations of membership are set out in 19 Rules and 70 Regulations (given in full in Appendix 2). There is also a body of practice which has been gradually developed out of the administration of the Rules and Regulations, particularly as regards the election of members. The Rules lay down the objects, basic qualifications for membership, organisation and administration, and the penalties for breach of the Rules and Regulations. The objects of the Association are very widely drawn so as to cover anything the Association might wish to do; the first of these, which reads "to impose such restrictive conditions on the conduct of the trade as may be deemed expedient by the Association" was, we were informed, framed in this way to ensure that the Association could be certified as a Trade Union under the Trade Union Acts—see Chapter 3, para. 45. The Regulations record the trading obligations of members and therefore contain the main provisions with which we are concerned.

(xi) The primary object of the Association as stated to us by its representatives is the collective enforcement of resale price maintenance; but we have come to the conclusion that the Association has a more general concern with the protection of the business of its members by various means, the most important of which, besides the collective enforcement of resale price maintenance, is the limitation of entry into the industry. There is no agreement in this industry to maintain common prices either at the manufacturing or at the retail level—that is, manufacturers are free to compete with each other in the prices they maintain for their goods and in the margins they fix.

(xii) The Regulations provide for exclusive dealing and for the collective boycott of non-members. Thus manufacturer members must sell exclusively to dealer members (except for sales at full retail prices), and dealer members must buy nearly all important types of dental goods exclusively from manufacturer members. Members are, therefore, held to the rules of the Association and deterred from leaving it by the threat of exclusion from nine-tenths of the trade.

(xiii) The A.D. Group is the largest manufacturer, the largest retailer, and the largest exporter of dental goods. It supplies nearly a half of the dental goods sold in the United Kingdom market.

III. The Arrangement of the Report

(xiv) In Part I we provide a preliminary survey of the Dental Goods Industry. Chapter I of this Part covers various general matters, such as the description of the users and the goods, the value of retail sales of dental goods and the effect thereon of the introduction of the National Health Service, and the import and export position. Chapter 2 contains a description of the industry's structure with particular emphasis on the channels of supply to the home market.

(xv) Part II contains the description of the statutory conditions and restrictive practices which we have found to exist in the industry. It is concerned primarily with the A.D.M.T. and the A.D. Group (as defined in para. 139). A separate chapter (Chapter 3) is allotted to the origins of the A.D.M.T. for reasons which are explained at the beginning of that chapter. In Chapter 4 the present rules of the Association are described and commented upon; and in para. 71 of that chapter we draw the first of our statutory conclusions, namely that the conduct and operations of the members of the A.D.M.T. are such as to fulfil the conditions of the Act in relation to the supply of dental

goods. In Chapter 5 we examine several aspects of the working of the Association. Chapter 6 gives the history of dental acrylics and of the part played therein by the A.D.M.T. and Imperial Chemical Industries Ltd. (referred to in this report as I.C.I.). Chapter 7 opens with a second statutory conclusion, namely that the conditions to which the Act applies prevail in relation to the A.D. Group. We then proceed later in that chapter to examine the working of this Group. Part II as a whole constitutes our report on " the facts " as defined in items (1) and (2) of our terms of reference. In order, however, to avoid an artificial division of the subject matter, it has been necessary to include in this Part an examination of the A.D. Group's price policy which is primarily relevant to the question of public interest.

(xvi) In Part III we discuss further matters which we have had to take into account in order to assess the bearing of " the facts ", in particular those relating to the A.D.M.T., on the public interest. Chapter 8 is concerned with price, profit, and cost matters other than those which have been dealt with in Chapter 7. In Chapter 9 we review the evidence submitted by users and complainants, and in Chapter 10 the case for the existing regime is summarised. Chapter 11 contains our conclusions on the bearing of the restrictive practices and conditions on the public interest.

PART I

Preliminary Survey of the Dental Goods Industry

CHAPTER 1: THE GENERAL BACKGROUND

The users of dental goods

1. Dental goods are supplied to three main classes of users in the United Kingdom. By far the largest class is composed of the dentists engaged in general dental service who number about 12,000. This number includes both those working under the National Health Service and those wholly engaged in private practice. The vast majority of these work independently or in conjunction with one or more professional partners.* Many dentists employ their own mechanics, who make or repair dentures and orthodontic appliances in accordance with the instructions of their employers. The dental hospitals and teaching schools and the local authorities' clinics (the second main class of users) are buyers of all types of dental goods but their total demands are very small compared with those of the dentists in general service. The third class consists of the "dental laboratories". These do the same work as the privately employed mechanics, but they are independent concerns each carrying out the instructions of a numerous clientele of dentists. In 1949, 340 of these were members of the Dental Laboratories Section of the Surgical Instrument Manufacturers' Association and there are probably many more who are not members of that Association and whose existence cannot readily be traced. Undoubtedly there has been a large increase in the number of laboratories since the introduction of the National Health Service.† The laboratories are not purchasers of articles or equipment for use in the surgery, but they buy laboratory equipment and are also large buyers of teeth and of dental materials.‡ Some laboratories manufacture and deal in dental goods as well as buying them for their own use.

The goods

2. The great majority of the goods used in dentistry are highly specialised, a small proportion only consisting of goods, such as disinfectants or laboratory tools, which are also used outside the dental profession. The variety of goods used is also very great and includes articles akin to those manufactured by mechanical and electrical engineers, surgical instrument makers, chemical firms and goldsmiths. We have classified the goods under seven main headings and we give these below, together with the relative value of manufacturers' sales of each class of goods. It is likely that approximately the same distribution of value between the classes would be found at the retail stage:—

Class	*Per cent. of Total Value of Sales*
Teeth, porcelain	11
Teeth, acrylic (plastic)	15
Precious metals	10
Equipment	22
Hand instruments	5
Consumable sundries	33
Other dental goods	4
	100

* There are a certain number of multiple surgeries, one of the largest of which employs some 70 dentists operating in 43 surgeries.

† It has been stated in evidence, for example, that the number of laboratories operating in Cardiff rose from 8 in 1948 to 30 in 1949.

‡ It has been estimated that between 20 per cent. and 25 per cent., by value, of all retail sales of teeth and consumables in the home market are sales to the laboratories.

3. A brief description of the main articles will give some idea of the variety of manufacturing techniques involved. Before the war *porcelain teeth* were in universal use for dentures. Some of these teeth are porcelain throughout, others include a precious metal pin which has to be soldered, or baked, into the porcelain. During the war progress was made with the development of *acrylic (plastic) teeth* and their production has steadily increased in relation to that of porcelain teeth. *Precious metals* include alloys of gold, platinum, and palladium. They are supplied in wire, bar, plate, disc, and pellet form and are used principally in the manufacture of certain types of crowns, metal denture plates, metal inlays, lingual bars, and orthodontic appliances. *Equipment* consists chiefly of the heavy apparatus and fittings, much of which is electrically operated. Equipment for use in the dental surgery includes electric motors (known as "engines", which drive drills, polishers, and other instruments used in the mouth), running-water spittoons, sterilisers, and the "dental unit" in which the engine, the spittoon, and other equipment are often combined. It also covers the "dentist's chair" and the X-ray and anaesthetic appliances. The main items of laboratory equipment are apparatus and flasks for processing acrylic plastic dentures, vulcanisers for processing rubber dentures, and electrically operated lathes or polishing motors. *Hand instruments* include forceps, excavators, probes, plastic filling instruments, syringes, and other instruments used by hand in the mouth. *Consumable sundries* is a class covering all articles and substances, other than teeth and precious metals, which are consumed in use by the dentist or laboratory. These include cements, alloys and mercury for fillings; drugs, anaesthetics and disinfectants; waxes, plaster-of-Paris, and impression materials for preparing denture casts, and rubber and acrylic materials for the manufacture of dental plates or, to use a more correct term, "denture bases". The "bur" or small drill operated from the unit for use on the tooth also comes under this head. Some dentists use each bur only once, others more often, but in any event burs are rapidly expended. *Other goods* include repairs to equipment and items such as towels and small laboratory tools.

Retail sales of dental goods

4. We have obtained from the industry figures of retail sales* in the calendar years 1948 and 1949, the totals of which are set out in Appendix 3. In 1948 retail sales amounted to £3,558,000. The National Health Act came into force in July, 1948, and, mainly no doubt as a result of the increased demand for dental treatment that followed, retail sales rose to £5,695,000 in 1949 representing an increase of 60 per cent. over the figure for 1948. The monthly sales figures given in Appendix 3 show that a level of sales greatly in excess of that for 1948 was maintained consistently throughout 1949. The Ministry of Health have stated in evidence that under the National Health Service a further slight but steady increase in the home demand for dental goods is to be expected for some years to come.

5. The following information has also been given to us by the Ministry of Health. The cost of dental goods purchased by dentists to provide treatment under the National Health Service (approximately 90 per cent. of dentists in general practice participate in the Service) is borne indirectly by the Exchequer, since the scale of dentists' fees has regard to the cost of materials used and also of laboratory charges which in turn reflect the cost of goods purchased by the laboratories. The cost of dental goods purchased by clinics maintained by local authorities is shared between the Exchequer and local

* These are sales to retail customers defined as "persons who buy for their own use, e.g. dentists, dental mechanics, hospitals, teaching schools". In this definition "dental mechanics" denotes the laboratories described in para. 1.

rates. The cost of dental departments in hospitals (including teaching hospitals) falls directly on the Exchequer.* There is no centralised purchase for hospitals, laboratories, local authorities, or individual dentists, so that there is no very large-scale buyer of dental goods.

Relation of the cost of dental goods to that of dental service

6. The total amount spent on all dental service can only be estimated, as no accurate figures are available. Figures provided by the Ministry of Health and the Scottish Office show that the total of fees authorised by the appropriate Dental Estimates Boards over the twelve months ended 1st April, 1950, for General Dental Services in England and Wales, and Scotland, was £46,752,700. This, we are informed, represents the cost of the services provided by 10,500 dentists operating within the National Health Service, who are estimated to be 76 per cent. of the total of practising dentists in the United Kingdom (excluding those in the Forces). The remaining 24 per cent. includes those practising under the National Health Service in Northern Ireland, as well as those operating in hospitals and school dental service clinics throughout the United Kingdom and those wholly in private practice outside the National Health Service. If, as seems reasonable, it may be assumed that the remaining 24 per cent. of dentists provided services approximately proportional in value to those of the dentists for whom the figure is known,† the total cost of all dental services for the year ending 1st April, 1950, would be about £62,000,000. The value of retail sales of dental goods in the nearest comparable period, the calendar year 1949, was just under £5,700,000. Dentists' scales of remuneration under the National Health Service were reduced in 1950, which would have lowered the total cost for the same amount of work but not necessarily that of the materials, and it is estimated that the cost of dental goods is currently about 10 per cent. of the cost of dental service.‡

Value of United Kingdom production, imports and exports

7. Figures of manufacturers' sales for the year 1948 which we have obtained from the industry are shown in Table I of Appendix 4. It will be seen that the total value of these sales was £3,151,000.

8. The classifications of the official trade accounts do not make it possible to extract total import and export figures for the goods covered by the reference, the only dental items separately identified in the accounts being artificial teeth and dental instruments. Even for these individual items, the trade accounts do not provide complete figures since we understand that considerable consignments are sent by parcels post.§ We are informed that there were considerable imports of many types of dental goods from the United States and the Continent in the years immediately before the war, but from 1939 until recently imports from these sources have been excluded, except under the token import scheme or under special licences. Members of the trade appear to believe that the removal of restrictions on imports from soft currency areas which took place in October, 1949, will result in renewed

* Teaching schools are outside the scope of the National Health Service, although they may be financed in part by grants from the University Grants Committee.

† We understand that a comparison made by the Ministry of Health of the work carried out in one week by two sample groups of dentists, one group operating within the National Health Service and the other outside, showed remarkably close results, in the number of sittings, the number of completed operations, and the time expended.

‡ It is interesting to note that in the report of the enquiry which he had carried out into the supply of dental goods in Canada in 1946 and 1947, the Canadian Commissioner under the Combines Investigation Act estimated the cost of dental goods in Canada at some 12 per cent. of the total cost of dental service in that country.

§ A leading export concern has stated that the proportion of its own exports sent by parcels post is quite possibly as large as 20 per cent.

competition from abroad. The evidence shows, however, that the United States, Germany and Switzerland were the principal countries of supply before the war and, although the restrictions on imports from Western Germany were relaxed in September, 1950, imports from the United States and Switzerland are still restricted.* We have obtained from the industry total export figures for the year 1948, and these are set out in Table II of Appendix 4. In 1948 about one-third by value of home production went to export and the value of re-exports† was substantial. We have no comparable figures for the trade as a whole for any other year, but one concern, the A.D. Group, was responsible for about two-thirds of total exports and re-exports in 1948 and we have been able to obtain information about the export and re-export trade of this concern in 1938 and 1949. In 1938 the value of the A.D. Group's export and re-export trade was far smaller than in 1948, but this value represented approximately the same proportion of the concern's total turnover in both years. In 1949 although the value of its export and re-export trade appears to have been about the same as in 1948, this represented a considerably smaller proportion of the concern's total turnover, which reflected the great increase in home demand referred to in para. 4.

Employment in the industry

9. Manufacturers and distributors have given the numbers of their employees towards the end of 1949, and the following information has been compiled from their replies:—

Principal Duties	*Number*	*Per cent. of Total*
Selling and distribution	1,107	17
Administration and office	758	12
All others	4,546	71
	6,411	100

Our request for information on this point did not include concerns whose trade in dental goods was only a small part of their business. As will be explained in the next chapter, such concerns produce an appreciable proportion of the total United Kingdom output of dental goods, and the inclusion of their figures, had it been practicable to obtain them, would no doubt have reduced the percentage of those employed on selling and administration, since these concerns are not dealers. There is no one special trade union of which the workpeople in the dental goods industry are members. They belong to various unions representing large sections of industry.

CHAPTER 2: THE STRUCTURE OF THE INDUSTRY

General

10. It has been shown in the preceding chapter that the great bulk of dental goods at present supplied to the home market is now home produced and that the dentist requires a very wide variety of goods involving for their production a great number of different manufacturing techniques. The bulk of the industry, including the two largest manufacturers, specialises and confines itself almost exclusively to the manufacture and distribution of dental goods alone, and the two largest manufacturers aim to supply the whole range of goods used by the dentist (with one or two important exceptions

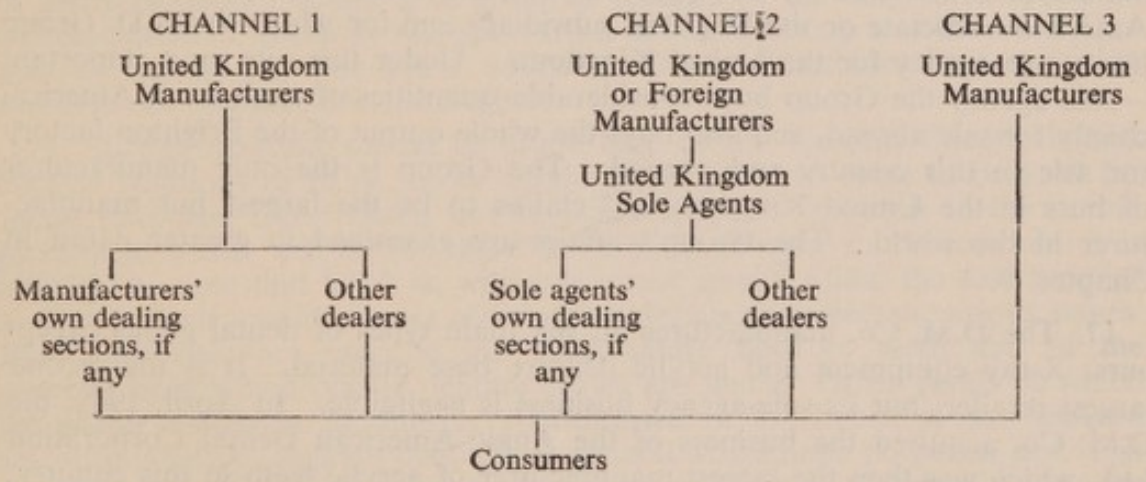
* [*Note by the Board of Trade: In the case of Switzerland the restrictions were relaxed on 1st November, 1950.*]

† The term " re-exports " as used in this report includes goods bought by United Kingdom concerns from overseas suppliers for shipment direct to overseas customers.

in each case), from fillings and dental plaster to dental forceps and dentists' chairs. Important contributions to the supply of dental goods (see para. 18) are also made by manufacturers whose output consists only in part of dental goods and who specialise in particular techniques of manufacture, e.g. chemicals or electrical engineering. The most important of such suppliers is I.C.I., producers of dental acrylic materials.

11. The normal method of retail distribution in this industry is for the goods to be distributed to dentists, hospitals and other users by dental dealers (specialist retailers distributing dental goods only), and it is the general practice of users to obtain all their professional requirements, whether they consist of specialised dental goods or not, from their dental dealers. Some manufacturers distribute goods direct to the profession but the great bulk of supplies goes through the dealers. There are no wholesalers in the ordinary sense in this trade; the goods reach the dealers either direct from manufacturers or through sole agents whose wholesale trade is confined almost entirely to goods of which they are the sole wholesale distributors. In most cases the sole agent takes over all the manufacturer's selling functions, including the pricing of the goods at the wholesale and retail stages. Such an agent is classed under the A.D.M.T. Rules as the manufacturer of the goods and he is the channel through which goods produced by non-members (including imported goods) reach dealer members of the A.D.M.T.

12. The following diagram illustrates the channels of distribution to the home market:—



A rough estimate of the proportion of total retail sales which passed through each of these channels in 1948 is:—

	Per cent.
Channel 1	50
Channel 2	40
Channel 3	10

The diagram is highly simplified and several complications occur in practice. In particular, the function of sole agent is often combined with that of manufacturer or retailer, and the vertical concerns referred to below not only supply both to their own dealing sections and to other dealers, but also acquire supplies for their dealing sections from other manufacturers and sole agents.

13. In describing the industry we shall first discuss the two large vertical concerns and shall then give a general outline of the manufacturing section and the sole agency section. Finally, we shall give a picture, in some detail, of the dealing or retailing section.

The A.D. Group and the Dental Manufacturing Co. Ltd.*

14. These concerns are the two largest manufacturers of dental goods and the two largest dental dealers. The value of supplies to the home market for which each of those concerns was responsible at various stages in 1948 is shown in Appendix 5. Table IV of this Appendix shows that the equivalent of 46½ per cent. of total retail sales in the home market was supplied by the A.D. Group either as wholesalers or retailers and that the corresponding figure for the D.M. Co. was 24 per cent. The total for the two, when inter-trade between them is omitted, was 68 per cent.

15. The A.D. Group is the larger of the two concerns and besides being the largest manufacturer of dental goods in this country, has extensive interests overseas, the most important of its associates being the Dentists' Supply Co. of New York, which has a subsidiary company in Brighton (Dentsply Ltd.) and is—with Dentsply—the Group's main supplier of porcelain teeth. The Group has a large export and re-export trade and, while playing a leading role in the development of the home manufacturing industry, has always remained vitally interested in the international market as buyer, seller, and investor. It does the largest sole-agency trade in this country and is also the largest retailer of dental goods.

16. The Group manufactures all the main types of dental goods, except (*a*) acrylic teeth, and (*b*) the types of porcelain teeth which are made by its American associate or the Brighton subsidiary and for which the A.D. Group has a sole-agency for the United Kingdom. Under this—its most important—sole agency the Group buys considerable quantities of teeth from America, chiefly for sale abroad, and also buys the whole output of the Brighton factory for sale in this country and abroad. The Group is the only manufacturer of burs in the United Kingdom and claims to be the largest bur manufacturer in the world. The Group's affairs are examined in greater detail in Chapter 7.

17. The D.M. Co. manufactures all the main types of dental goods except burs, X-ray equipment and acrylic denture base material. It is the second largest retailer, but its sole-agency business is negligible. In April, 1949, the D.M. Co. acquired the business of the Anglo-American Dental Corporation Ltd., which was then the largest manufacturer of acrylic teeth in this country, and the D.M. Co. now claims to be the largest manufacturer of acrylic teeth in the world. The value of the D.M. Co.'s and Anglo-American's wholesale sales in 1948 of their own goods to the home market (including transfers to D.M. Co.'s own retailing section) is shown in Tables II and III of Appendix 5.

The manufacturing section

18. In the table given opposite, total United Kingdom manufacturers' sales of dental goods in 1948, as shown in Table I of Appendix 4, are divided into three main groups. The sales figures used for this table include exports, both direct and indirect, and it must be emphasised that the amounts and percentages given, unlike most of those referred to elsewhere in this chapter, do not indicate proportions of supply to the home market. They are of interest, however, in that they show the general structure of the manufacturing section of the industry.

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* Referred to in this report as the D.M. Co.

Group	Constituent Manufacturers	Number of manufacturers	Sales (at manufacturers' selling prices)	Percentage of total manufacturers' sales
			£	
A	A.D. Group and its associates and D.M. Co. (including Anglo-American).	5	1,768,000	56
B	Manufacturers with an annual dental goods output between £40,000 and £160,000:—			
	Class 1 (general manufacturers) ...	8	595,000	19
	Class 2 (manufacturers of dental goods only).	3	207,000	7
C	Manufacturers with an annual dental goods output under £40,000.	102	581,000	18
		118	3,151,000	100

It will be seen that the two vertical concerns account for well over half the total sales. Class 1 of group B consists of precious metal refiners, manufacturers of general and local anaesthetics, manufacturers of X-ray equipment and X-ray film, and I.C.I. as suppliers of fully prepared acrylic dental products. All these concerns are well known outside the dental goods field and the production of dental goods represents only a small part of the output of many of them. Class 2 of group B consists of the only three specialist manufacturers of dental goods, apart from the A.D. Group and the D.M. Co., with an annual turnover above £40,000. Group C includes both specialist dental goods manufacturers and others.

19. Special mention should be made here of the General Chemicals and Plastics Divisions of I.C.I. Since acrylic materials have come to be used for dental purposes, this concern has occupied a special position in the dental goods field which will be explained in detail in Chapter 6. Meanwhile, it is sufficient to note that I.C.I. is, with one minor qualification, the sole supplier to dental goods manufacturers of acrylic materials processed to various stages. These materials are used in the manufacture both of teeth and of the material from which plastic denture plates are made. Other goods of which the supply is largely or entirely concentrated in the hands of one concern are nitrous oxide, used by dentists for general anaesthetic purposes, and high grade gypsum which is used in the preparation of dental plaster-of-Paris; the manufacturers concerned are not members of the A.D.M.T. and we have made no special investigation of these cases.

The sole agents

20. Figures of sole-agency sales* in 1948 are summarised in Appendix 6. Although many manufacturers and dealers were found to run a few agency lines in addition to their normal business, the number of concerns carrying a wide range of lines on an agency basis proved to be very small. By far the most important of the sole-agency businesses was that operated by the trade distribution section of the A.D. Group which has already been mentioned in para. 16, but at least five other sole agents were found to run one or two lines of fairly substantial value. Of these, two were importers whose lines were largely re-exported. It is noticeable that all the more important sole agencies were for porcelain or acrylic teeth, and that until recently the total output of the three largest manufacturers of artificial teeth reached the dealers

* See para. 11.

through sole agents. Two of these three manufacturers still supply the whole of their output, and the third a substantial part thereof, through this channel. The table in para. 12 shows that 40 per cent. (by retail value) of dental goods are handled by sole agents.

The dealers

21. The representatives of the A.D.M.T. have described to us the service which it is the aim of the dealer members to provide. Their statement of the elements comprised in this service may be summarised under five heads:—

(i) A comprehensive range of stock to meet the day to day requirements of the profession.

(ii) A depot where stock can be displayed and demonstrated.

(iii) A knowledge of the stock, and ability to advise the profession on the performance of the various dental goods, particularly filling materials and the like.

(iv) The employment of experienced travellers.

(v) The employment of technical maintenance staff to deal with faults in equipment.

The A.D.M.T. representatives have also explained that a very large part of the service provided by the dealers consists in general promptitude and helpfulness in dealing with difficulties and enquiries.

22. Special facilities provided by some of the dealers include the running of employment bureaux for the benefit of dentists requiring assistance. Three of the big dealer businesses maintain bureaux registering such persons as dentists (to act as assistants and locums), dental mechanics, dentists' nurses and receptionists.* The representatives of the British Dental Association regard this as a particularly advantageous service and say that if it were not provided they would have to organise such a service themselves, since it is not obtainable elsewhere. Some dealers also help students by giving advice about setting up in practice, explaining hire-purchase terms for equipment, and arranging for tours through factories where dental goods are made.

23. In order to obtain a closer insight into the dealers' business we have addressed inquiries on several points to all dealers. The results of these inquiries are summarised in three Appendices:—

(i) Appendix 7, which contains statistical information relating to the sales organisation and numbers of customers of A.D.M.T. dealers in 1948;

(ii) Appendix 8, which is a summarised statement of the sales, operating expenses, and net profits, in 1948, of all the dealers who provided the necessary information and who cover all but a very small proportion of the trade;

(iii) Appendix 9, which is a summarised statement of the trading results of eleven dealers in 1948 and 1949.

24. Appendix 8 shows that in 1948 the A.D.M.T. dealers fell into five main size-groups:—

Turnover range of group	*Number of businesses in group*	*Total turnover of group (at retail prices)* £
Over £95,000	9	2,379,563
£40,000 to £55,000 ...	7	323,550
£20,000 to £35,000 ...	8	217,784
£10,000 to £20,000 ...	7	99,580
Under £10,000	5	23,959
		£3,044,436

* These bureaux do not charge for their services. On the other hand, the installation and servicing of equipment appears to be generally charged for when provided by the dealers.

It will be seen that the first group of nine businesses accounts for nearly four-fifths of the total trade by A.D.M.T. dealers. (Appendix 8 shows that total trade by non-A.D.M.T. dealers contributing to the return amounted to only £102,567.) This first group includes the D.M. Co. and the four retailing subsidiaries of the A.D. Co.* The four other concerns in this group are also to some extent vertically organised in that they all run substantial sole-agency lines or lines of their own manufacture in addition to carrying on a retailing business.

25. Ninety-five "dental depots" operated by fifty-three separate businesses have been identified in the United Kingdom. Eighteen of these depots belong to the retail section of the A.D. Group and a further eighteen form the retail section of the D.M. Co. No other concern operates more than three depots, and most retailing businesses, including one of the largest, operate from one depot only.

26. The importance of the depot as a place where the dentist can buy over the counter, particularly to match teeth, has been emphasised to us by the representatives of the A.D.M.T. The figures in Appendix 7, show that in 1948 10 per cent. of purchases were made over the counter. The representatives of the British Dental Association and the Ministry of Health say that in areas remote from a depot a sufficient service is maintained by post and telephone and through the travellers, and Appendix 7 shows that even over the country as a whole as much as 25 per cent. of dealers' business was done direct, i.e. by post or telephone.

27. The dealer organisations operating on a national scale clearly have varying views on the importance of local depots. Appendix 7 shows that one dealer, No. 12, operates over the whole country but conducts his business from a single depot, whereas dealer No. 1, with only a few more customers, maintains 18 depots. These differences are not balanced by differences in the numbers of travellers employed, since the dealer with one depot has only 15 travellers against the other's 32. Of two concerns each operating a number of depots throughout the country, one stresses the value of the local depot as a centre for stockholding, but the other states that while a local depot is useful as a centre for maintenance staff and for the display of a limited range of goods, many orders placed with travellers can be satisfactorily met from centrally held stocks. Under modern conditions of production, this concern explains, orders for teeth, as well as for other goods, may be dealt with in this way, since the "shade mould guides" supplied to the dentist generally provide him with sufficient indication for matching teeth.

28. It is clear also that there is variation in the service provided by smaller dealers. It is doubtful, for instance, whether they can all be carrying the comprehensive range of stock which is said to be a proper part of dealer service. One of the largest dealers has stated that a minimum capital investment in teeth stocks alone would vary from about £25,000 in the case of a major depot down to £3,000 for smaller depots. Yet in 1948 there were 17 dealers, of whom over half were members of the A.D.M.T., with an average employed capital of less than £3,500. Seven of these, again including several A.D.M.T. dealers, were working on an employed capital of less than £1,000. Some dealers must have had very limited facilities for displaying goods, since in 13 cases (including 8 A.D.M.T. businesses), "occupancy expenses" did not exceeed £100 per annum.

* The shares of total retail trade done by the A.D. Group and the D.M. Co. in 1948 are shown in Table I of Appendix 5.

29. Nearly all depots employ travellers whose task is to ascertain the customer's requirements and to keep him acquainted with any new lines. Appendix 7 shows that the bulk of dealers' sales is made through travellers.

The A.D.M.T.

30. This Association was founded in 1923 and includes in its membership all the largest dealers and sole agents, and nearly all the large manufacturers whether or not the production of dental goods is their main activity. The A.D.M.T's own estimate is that 95 per cent. of the dental goods supplied in the United Kingdom is supplied by its members. The figures set out in Appendix 3 show that the proportions of total retail sales made by A.D.M.T. members in the calendar years 1948 and 1949 were:—

1948	1949
88·9 per cent.	89 per cent.

The proportions of A.D.M.T. sales at other stages of supply in 1948 were as follows:—

	per cent.
Manufacturers' sales (home and export)*	85
Manufacturers' sales (home market)†	80
Sole agency sales (home market)‡	95

Only a negligible proportion of A.D.M.T. manufacturers' sales in the home market was made direct to users, i.e. without passing through the hands either of the dealing sections of the vertical concerns§ or of other dealers.

31. The A.D.M.T. is not a wage-negotiating body nor does it engage in, or sponsor, any research.

The Dental Traders Federation Ltd.||

32. This is a small organisation set up in 1944, with the principal object of combating the activities of the A.D.M.T. In 1949 it had a membership of 22 concerns of whom 7 were classed as manufacturers or agents, the remainder being dealers. The total of retail and other sales made by members of the D.T.F. is small.

Concerns outside either of the trade associations

33. Although we have been given the names of a few concerns who were not members of either association and were said to operate as dental dealers, our inquiries have revealed only one concern of any importance in this category.

34. Sales by manufacturers outside either association (other than those whose goods were distributed through A.D.M.T. members acting as sole agents) amounted to £420,000 in 1948, or 13 per cent. of total manufacturers' sales, and half of these independent manufacturers' sales were made direct to users. The total of 13 per cent. included substantial sales by three manufacturers, of dressings, general anaesthetics and local anaesthetics respectively, and also sales by dental laboratories manufacturing dental goods.

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* See Appendix 4, Table I.

† See Appendix 4, Table I. This is a minimum estimate after allowing for indirect exports.

‡ See Appendix 6. This is a minimum estimate after allowing for exports.

§ Direct sales by A.D.M.T. manufacturers amounted to £65,000 out of total retail sales of £3,558,000. Non-A.D.M.T. manufacturers supplied goods to the value of £288,000 direct to users, i.e., they effected most of the sales through Channel 3 shown in the diagram in para. 12.

|| Referred to in this report as the D.T.F.

PART II

The A.D.M.T. and the A.D. Group

CHAPTER 3: THE ORIGIN OF THE A.D.M.T.

35. We devote a chapter to the circumstances in which the A.D.M.T. was formed in 1923 because these circumstances appear to have made a lasting impression on the members of the trade and to be largely responsible for their attitude to current problems. In reconstructing the events of 25 and more years ago, we have drawn principally on descriptive statements (many in affidavit form) and copies of company accounts submitted to us by the A.D.M.T. or the A.D. Co., and on contemporary reports of speeches by company chairmen. We have also examined the early records of the A.D.M.T. and of the De Trey and Claudius Ash Companies' board meetings in the years immediately preceding the merging of these companies to form the A.D. Co. in 1924.

The industry before the 1914-18 war

36. The manufacture of dental goods on an industrial scale developed in this country in the latter part of the nineteenth century. As early as 1817 Claudius Ash, a goldsmith and silversmith working in the West End of London, had undertaken, at the request of a dentist, to manufacture gold springs for the retention of dentures. This was a successful departure and the business of Claudius Ash proceeded to concentrate its energies on the manufacture of dental products. At the turn of the century the Ash porcelain tooth had been developed, and is said to have occupied a leading position in the European market for dental goods. The only other important manufacturer of dental goods in the United Kingdom was the Dental Manufacturing Co. Ltd. incorporated in 1873. This Company began as an association of dentists.* Both Claudius Ash and the D.M. Co. had retail organisations and there were also a few independent dealers operating in a small way. We are told that some of these small concerns came into existence owing to the expressed desire of members of the profession for local depots.

37. In the early years of the twentieth century a Mr. Cesar De Trey set up in business in London in order to market certain specialised golds, alloys and cements then being manufactured by the firm of De Trey in Switzerland. The marketing of these products coincided with a change in the practice of dentists, who were now beginning to fill teeth rather than to extract them. In 1911 the business of De Trey & Co. Ltd. was incorporated in London and the new company began seriously to menace the position of the two old-established concerns in the United Kingdom and on the Continent. In addition to the Swiss lines which met the demand arising from the change in dental technique, De Trey already held the sole agency for the American Clark Fountain Spittoon, a novelty at the time, and by 1912 they had acquired the sole agency in Europe and certain other territories for the teeth manufactured by the Dentists' Supply Co. of New York.† These teeth are said to have been of exceptional quality and to have placed all the European manufacturers under severe competitive pressure. Unlike Claudius Ash and the D.M. Co., De Trey did not retail or manufacture to any extent and their activities were confined almost entirely to trade distribution.

* In 1941, the last year in which returns of members to the Companies Registrar include a statement of profession, over one-third of its shareholders were dentists or dental mechanics holding 40 per cent. of the share capital.

† These were soldered-pin teeth, which were then beginning to replace the baked-in pin teeth manufactured by Claudius Ash and other European firms.

38. We understand that it has always been the practice of the larger manufacturers and wholesalers of dental goods to brand their products and to fix the resale prices. We are told that in the early years of the century the dealing trade was already troubled by "a class of men known as 'carpet-baggers'", who offered branded goods at cut prices in order to induce customers to take other inferior lines, often of foreign origin, at a profit; and that in the years just before the 1914-18 war the non-manufacturing dealers were also tending to sell below the listed prices. To what extent this resulted from the competitive efforts of De Trey and the old-established manufacturers to force their goods on the market is not entirely clear, but it has been stated in evidence to us that certain large wholesalers, in order to get the distribution at which they aimed, used to deliver substantial quantities of teeth to the dealers on long credit terms; and that as the terms of credit drew to a close, the dealer found it necessary to cut prices in order to meet his obligations. Whatever disturbance price-cutting of this sort may have caused does not seem to have been serious enough to check the continued expansion of two of the large concerns; Claudius Ash increased their capital in 1911 and 1913, and De Trey in 1914.* Two efforts were, however, made by the smaller dealers to create an association of traders to combat price-cutting, one in 1909 and one in 1918. These efforts are said to have been supported by Mr. De Trey, but to have foundered on the opposition of the two big manufacturing and retailing concerns, namely Claudius Ash and the D.M. Co.

The industry in the early twenties

39. In the middle of 1921 the industry became involved in a serious depression. The principal factors which contributed to this depression appear to have been the following:—

(i) The worldwide decrease in purchasing power which affected the position of the three leading British concerns, all of whom were interested in the international market.

(ii) The general decline in the business and employment situation in the United Kingdom which had reduced the demand for dental services and so for dental goods.†

(iii) The unregulated disposal of Government surplus stocks.

(iv) The unsettled condition of the exchanges, and in particular the German exchange position which enabled the German manufacturers to export cheap goods to this country while sales of British goods in Germany were forbidden.

(v) The rivalry between Claudius Ash and De Trey (see para. 40).

(vi) The passing of the Dentists Act of 1921.

This last factor calls for some explanation. Prior to the passing of the Act, no professional qualification was needed for dental practice and it was open even to untrained persons to set up as dentists. The A.D. Co. has told us that in these circumstances there was sometimes a demand for cheap goods of indifferent quality, which was met by persons not interested

* In his Chairman's speech in 1921, Mr. De Trey said that so far as he could recollect the dental trade had hitherto hardly ever known the meaning of a setback.

† In his report to the shareholders in 1923, the Chairman of Claudius Ash stated that the demand for dental treatment in the United Kingdom had fluctuated with the rise and fall of the country's state of prosperity. In 1921, Mr. Cesar De Trey said that the reduction in spending power involved a reduction in the amount spent on dental treatment. "The progress of the dental trade", he added, "depends mainly on the development of dentistry among the masses."

in trade stability or technical advancement and largely distributing goods of foreign origin. When the Act was passed, this part of the demand for dental goods is stated to have disappeared, and advantageous as this development must have been to the profession, and in the long run to the industry, its immediate effect is alleged to have been to cause a surplus of total supply and thus to increase the industry's difficulties.

40. The severity of the competition between Claudius Ash and De Trey was intensified by the poor state of the market in 1920-1 and itself contributed to the general unsettlement of trade. Conditions were further complicated by the long drawn out negotiations which had been going on since January, 1920, for an amalgamation of the two concerns. During these negotiations, De Trey suspended supplies to the Ash retail depots in the United Kingdom and overseas. This boycott lasted for 15 months, from November, 1921, to February, 1923, and during this time De Trey had to find outlets for its goods elsewhere. De Trey's own financial position remained extremely strong in spite of the difficulties which the trade as a whole were encountering and in February, 1923, the Company decided to take immediate steps to acquire controlling interests in 10 dealer businesses in this country, including most of the more important ones. The record of this decision in the Company's Minute Book states that it was taken "in the interests of the Company and with a view to activating a possible amalgamation with Claudius Ash." The Company had been able to offer teeth and other supplies on long credit terms to the independent dealers, and within six months of taking this decision it had acquired controlling interests in four important United Kingdom dealers established in various parts of the country.

41. We are informed that the depression in the industry was accompanied by a widespread development of price-cutting of price-maintained goods at the retail stage. Other devices for attracting custom are also said to have been employed by the dealers at this time, including the granting of abnormally long periods of credit and abnormally high discounts for purchases in quantity and for cash payment, the supply to the dentists on approval or return terms of heavy stocks of teeth which were left permanently with them, and the splitting of commission between traveller and customer. It will be seen later that these practices are countered in the present trading regulations of the A.D.M.T.

Formation of the A.D.M.T.

42. The evidence shows that in these circumstances there was a widespread desire to concert measures for regulating the trade. The proposal for setting up an association with this object was revived for the third time early in May, 1923, on the initiative, it is said, of a number of well-known dealers. On the suppliers' side, De Trey had always favoured the establishment of a trade association and now controlled some of the leading independent dealers; and Claudius Ash and the D.M. Co. were no longer opposed to the formation of an association. The proposal appears to have been welcomed by the majority of the dealers, large and small, and the first general meeting of the trade to discuss the setting up of an association was called for 11th June, 1923. The circular letter of 1st June, 1923, convening this meeting and describing its origins and objects is reproduced in Appendix 10. It will be seen that the letter makes a particular point of countering in advance any possible suggestion that the formation of the association might cause prices to be raised. The Chairman of the meeting said in his opening remarks that the proposed rules derived from earlier drafts produced in connection with the attempts to form an association which had been made in 1909 and 1918, and that the 1909 draft had drawn on the experience of the American Dental Trade Association.

43. The proposed rules of the new association included clauses binding manufacturer members to supply dealer members only, and dealer members to buy from manufacturer members only. These are the exclusive dealing clauses which have formed the core of the A.D.M.T. arrangements throughout. We shall have frequent occasion to refer to them later, particularly in our conclusions. The restriction on dealers' purchases had been queried before the meeting and the Chairman commented on it in the following terms:—

> "It is perfectly obvious that unless the Dealers' Association were to get the full support of the manufacturer, you would get back to the old price-cutting game; the manufacturers say, We must in the same degree have the support of the dealers, and it is not good enough if we manufacturers—whoever they may be—are going to restrict our supply specifically to the members of this Association and flatly refuse to supply to the few outside it. It is not good enough for some members in the dealers to say, I am going to have all the profits of that, but I must be allowed to draw some of my supplies from Mr. So-and-so, even although he won't join."

44. The proposal to form an association was approved at the meeting of 11th June, 1923, and rules were adopted. They included the exclusive dealing provisions and two others of fundamental importance; namely, that manufacturer members should fix retail prices for all their goods sold through more than one dealer and that dealer members should observe these prices. Many of the other current rules of the A.D.M.T., which are analysed in Chapter 4, were present in embryo form in these original rules, and the manner in which some of them have developed since the A.D.M.T. was formed will also be discussed in that chapter.

45. Within a few months of formation, the Association was advised that it should seek the protection of the Trade Union Acts if only because the activities of its information bureau—which was to provide information to members on the credit standing of dealers' customers—might have laid it open to actions in the Courts. Accordingly, the Association redrafted its Objects to enable it to apply for certification under the Trade Union Acts—the Object: "To impose such restrictive conditions on the conduct of the Trade as may be deemed expedient by the Association" being, we are told, specifically included for this purpose. Certification as a trade union was then applied for and granted. This change took place in December, 1923, and in the same month the present General Secretary was appointed. The membership rapidly increased and by January, 1924, there were 62 Ordinary members and 10 Affiliated members.* The Ordinary membership appears to have become stabilised at a little above this level, although the number of Affiliated members grew rapidly;† and by 1925 it was being claimed that practically all the important manufacturers of dental goods throughout the world were members or Affiliated members of the A.D.M.T.‡

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* Affiliated members were foreign manufacturers and United Kingdom manufacturers not solely engaged in the production of dental goods.

† In 1925 the membership roll was as follows:—

Solely dealers	43
Combined manufacturers and dealers	11
Manufacturers, or the sole representatives of foreign manufacturers ...	22
Affiliated members	55
	131

The present numbers are given in para. 70.

‡ Since the war, membership of the A.D.M.T. has been confined to United Kingdom concerns.

46. The fact that the trade had organised itself into an association was apparently regarded with some suspicion by certain members of the profession, and the Chairman of the A.D.M.T. in March, 1925, in a speech to the Metropolitan Branch of the British Dental Association, spoke of putting forward some particulars "in the hope that it may clear the atmosphere." This speech, the conclusion of which is reproduced in Appendix 11, is useful in showing the declared purposes of the A.D.M.T. according to its founders. Thus the Chairman said:—

> "The manufacturers' and wholesalers' interest in the welfare of this Association is indirect, and they are the last to obtain any benefit from it—the benefit they do derive consisting principally in the fact that when the financial position of the dealers becomes more healthy, the credit given to the retailers by the manufacturers will become safer."

and in his conclusion he said, amongst other things:—

> "The Association was formed to stop unfair and ruinous competition among retail dealers, selling goods below manufacturers' list prices, the giving of exorbitant and unreasonable terms of credit, which brought the retail dental trade of this country to the verge of general bankruptcy. The only rules concerning prices are those affecting retail traders, briefly termed 'maintenance of the list prices fixed individually by the manufacturers'."

He also referred to "equal terms of trading by all dealers and limitation of credit given by them to fair and reasonable limits." This and the preceding quotations show that the manufacturer founders of the A.D.M.T had in view not only the protection of their own branded lines, but also the prevention of competition between dealers whether by direct price-cutting or by any other means which might endanger their financial stability, in particular by the giving of long credit to dentists. They also show that the A.D.M.T. was anxious then, as now, to stress the absence of any rules restricting price competition between manufacturers.

47. The present representatives of the A.D.M.T. have claimed that the formation of the Association "stopped the rot" and was to a large degree responsible for the subsequent improvement in conditions in the trade, but it seems likely that some improvement would have taken place in any event. The surpluses resulting from the release of Government stocks and the passing of the Dentists Act of 1921 must eventually have been absorbed; the general trade depression was at its worst in the winter of 1921-22 and by the end of 1923 production and trade had materially increased in this country* and abroad; and any part in the unsettlement of the dental goods trade played by what the A.D. Co. has called the "price war" between De Trey and Claudius Ash must have been ended by the amalgamation of these two concerns at the end of 1924. We have noted also that such results and reports of the companies engaged in the dental goods industry as are available to us—some of which have been submitted by the A.D.M.T. itself—while certainly indicating that trade was still depressed in 1923, register a slight improvement from the end of 1921 onwards. It would appear, therefore, that at the time when the Association was formed the industry was already beginning to participate in the general revival of United Kingdom trade. It must also be borne in mind that the long-term, as opposed to the immediate, effect of the passing of the Dentists Act of 1921, would have been to deprive the "carpet-bagger" type of trader, who is said to have been a disturbing factor in the trade since the early years of the century, of one of the most fertile fields for his activities.†

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* See tables of relevant statistics in Appendix 12.

† See para. 38 and end of para. 39.

CHAPTER 4: THE ASSOCIATION'S RULES, REGULATIONS AND MEMBERSHIP

Introductory

48. In order to understand the present constitution and policy of the A.D.M.T. it has been necessary for us not only to examine the formal rules but also to consider a large amount of evidence, both from the A.D.M.T. representatives and from its records, as to the manner in which the rules have been developed and operated. Much of this evidence is summarised in this and the next chapter. A summary of the more important rules is given in the present chapter.

49. Although the A.D.M.T.'s current Rules and Regulations are marked "private and confidential", we have thought it essential to reproduce them in full.* They will be found in Appendix 2. The Rules (reproduced in the first part of the Appendix) state the A.D.M.T.'s objects, define its constitution and the qualifications for membership, and prescribe the disciplinary procedure. Rule 8 (2) authorises the Regulations for Trading (reproduced in the second part of the Appendix). The making of these Regulations requires the same procedure as the making of Rules and a breach of them is deemed to be a breach of the Rules. The Regulations control the trading practice of members, and as they include many of the A.D.M.T.'s restrictive provisions, much of this section of the chapter will be devoted to an examination of them. We shall begin, however, with a summary of the Rules, since the Rules and Regulations support each other and together provide the framework within which the A.D.M.T.'s policy for protecting its members' interests is operated.

50. The objects of the A.D.M.T. will be found in Rule 3. As will be seen from para. 56 below penalties may be inflicted on members who act in any way which conflicts with the objects.

51. Membership is now confined to United Kingdom concerns and there are three classes of Ordinary members, which are defined in Rule 4 (3). Class "A" consists of dealers supplying direct to retail customers from depots. Class "B" comprises manufacturers selling their own goods by wholesale or retail and it includes persons carrying on types of business which are not normally regarded as manufacturing, namely those described as "sole agents" in para. 11 above. Classes "A" and "B" are mutually exclusive, and there is a third class for concerns who wish to act both as manufacturers and as dealers—Class "C", dealer/manufacturers. Most of the larger manufacturers and dealers belong to this class. Rule 4 (6) provides for the admission of Affiliated members, who are "engaged (otherwise than in the manufacture of or dealing in Dental Goods) in a trade allied to the Dental trade and who supply the Trade".

52. There are no stated qualifications for manufacturer membership (except as shown in para. 53 (iii) below) but to qualify for dealer or dealer/manufacturer membership (Class "A" or "C") an applicant must either have a trading capital of at least £3,500 or have had five years' active experience in the trade and possess a trading capital of such lesser sum as the Council of the A.D.M.T. may determine in each case, provided that it is not less than £1,000. He

* Certain sections of the Rules and Regulations have already been published by the Lloyd Jacob Committee—see Report of the Committee on Resale Price Maintenance (Cmd. 7696), pages 104 to 109.

must also "carry on a dental depot or office with a proper business address (being a building, or part of a building, used exclusively for or in connection with the business of a dental depot)". The possession of these qualifications does not, however, offer any guarantee of admission, since it is expressly provided in Rule 4 (8) that the election or transfer of any person to any class of membership shall be in the discretion of the Council. Rule 4 (7) states that no Co-operative Society, whether registered under Act of Parliament or not, shall be eligible for membership.

53. The A.D.M.T.'s membership policy is of great importance, since, by reason of the exclusive dealing provisions mentioned in para. 43 above, refusal of membership deprives the applicant of the right to trade with members. In the next chapter we shall discuss the way in which the Council has exercised its discretion to admit members. Meanwhile, it is necessary to note three points arising from the classification of members which throw light on certain aspects of the A.D.M.T.'s general policy:—

(i) According to its present representatives the original intention of the A.D.M.T. was that Ordinary membership should be reserved for manufacturers and dealers supplying dental goods only. The Rules have always provided that dealer members must operate from premises used exclusively as a dental depot or office (see preceding para.). Until 1947 Ordinary manufacturer membership was confined under the Rules to those "engaged solely in the manufacture of dental surgical instruments and dental goods and appliances and supplying the trade only". In practice, however, a number of the most important manufacturers who did not manufacture dental goods exclusively were admitted to Ordinary membership. In the current Rules, manufacturer membership is not restricted to manufacturers engaged solely in the manufacture of dental goods.

(ii) Until the Rules were revised in October, 1947, manufacturer members were debarred from supplying the profession direct. In other words, the whole of a member manufacturer's output had to be passed through the dealers, unless he were prepared to set up a distributing organisation and thus to qualify as a dealer. Here again, in practice, exceptions were made and a certain number of manufacturers were granted "C" membership in order that they could sell their own products direct without becoming dealers in the full sense of the word.

(iii) The definition of manufacturer membership is so drawn that in order to qualify as a manufacturer member a sole agent buying from a non-member manufacturer, whether at home or abroad, must have control of the whole of that manufacturer's output for the United Kingdom. If he merely puts up under his own name goods available to other distributors, then these must be goods manufactured by members.

54. The Council consists of nine persons elected annually by the Ordinary members (Rule 7). One business may not provide more than one Council member, except Class "C" businesses, who may provide two. Both Ordinary and Affiliated members may take part in Annual General Meetings, but only Ordinary members may vote (Rule 10). Each Ordinary member has one vote, irrespective of the size of his business, except Class "C" members, who have two votes.

55. The Council of the A.D.M.T. is very active (it appears to meet rather more than once a month), its proceedings are secret (the minutes of Council meetings are not open to members), and it has very wide powers.* The A.D.M.T.'s representatives have themselves pointed out to us the striking

* See paras. 52 56 and 57 of this report.

continuity in the Council's composition throughout the years; although nine Council members have been elected to office in each of 26 years, only 27 different persons have been members of the Council over this period. The Council's officer, the General Secretary, has duties of considerable importance, including the receiving of complaints from members, the making of disciplinary investigations, for which purpose he is armed with the extensive powers mentioned in para. 57 below, the management of a bureau of credit information in respect of retail customers, and participation in all Committees. As has already been noted, the present General Secretary has held office since the formation of the A.D.M.T. It is clear that the Council has been exceptionally well placed to exercise close control of the A.D.M.T. and to ensure continuity of policy throughout the years.

56. Under Rule 11 the Council may impose one or more of the following penalties on members declared by it to have been guilty of a breach of the rules:—

(i) Expulsion from the Association.

(ii) Deprivation of rights of membership for such period as the Council may think fit.

(iii) Placing a member's name on the stop list.

(iv) Payment of a fine not exceeding £1,000.

(v) In the case of a member enjoying trade discount (i.e., in practice a dealer) such reduction in the amount thereof for such period as the Council may determine.

The significance of these various penalty provisions will be discussed in the following chapter. Meanwhile, it should be noted that the penalties are not limited to cases where there has been a breach of specific rules, for the Council also has power, under Rule 11 (2), to impose them on "any member who shall, in the judgment of the Council, use unfair means in competition or trading or otherwise in the conduct of his business or act in any way which conflicts with the objects or is detrimental to the interests of the Association or the Trade"; and the Council "may expel from the Association any Member if for any other reason it considers it undesirable that such Member should continue to be a Member".

57. Rule 12 deals with proceedings against members. The Council may instruct the Secretary to make inquiries where it is believed that a breach of the rules may have occurred; and provision is made whereby any member who has reason to believe that another member has committed a breach of the rules, used unfair means of trading or competition, or acted contrary to the interests of the trade or Association, may communicate a written complaint to the Secretary. A member whose conduct is being investigated must produce to the Secretary all documents and records "of any kind whatsoever" which the Secretary considers to be material. (Para. 68 below shows that precautions are taken to ensure that members' books and records contain a full account of all their transactions.) The procedure governing the hearing of charges by the Council is laid down in some detail and there are provisions for appeal to the general body of members.

58. The average annual cost of the A.D.M.T. has been about £2,500. Finance is provided by members' subscriptions and, to a very minor degree, by the proceeds of fines. Subscription fees from new entrants are fixed at the Council's discretion within the limits shown in Rule 6.

The Regulations for trading

59. Regulation 8 obliges all members to adhere to the retail prices fixed by the manufacturers or sole agents.* This represents the fundamental agreement between members to maintain resale prices. Regulation 2 obliges manufacturer members to fix retail prices for all the dental goods which they supply. There is no agreement among manufacturers to fix uniform prices or to allow uniform margins to distributors (but see para. 83 below).

60. Regulations 66 and 68 are the exclusive dealing clauses and they represent the fundamental agreement between manufacturer and dealer members to retain all important trade within the membership of the A.D.M.T. Regulation 66 precludes any member from supplying dental goods to any person in the United Kingdom who is not a member, except at retail prices. Regulation 68 precludes any dealer member of the A.D.M.T. from buying certain listed types of dental goods, except from a fellow-member.† The listed goods are often known as "essential dental goods" and with one or two exceptions, include all the main types of goods used exclusively in dentistry. The Secretary may issue permits to members to buy such goods from non-members where they have been specifically ordered by a retail customer; but there are provisions to ensure that the issue of permits is kept within bounds. In 1940, when certain outside manufacturers were said to be creating a big demand for their products among the dentists by intensive advertising and the A.D.M.T. manufacturers were in a position to supply similar products, it was decided to suspend the permit system entirely over a wide range of goods.

61. The A.D.M.T. states that the main purpose of Regulation 66, confining manufacturers' sales to member dealers, is to facilitate the enforcement of the resale price maintenance provisions, since it is only in the case of members that the arrangements for supervising dealers' conduct can apply. These provisions are extremely elaborate and appear to require for their enforcement much disclosure of trading information to the Secretary. Regulation 66 ensures that all retail outlets for Association lines are under full control by the A.D.M.T. The A.D.M.T.'s account of the purpose of Regulation 68, confining dealers' purchases to member manufacturers, is not entirely clear, but it appears from the quotation in para. 43 above that this provision was originally represented as a simple *quid pro quo* for the provisions of Regulation 66, and thus as a necessary consequence of the price maintenance arrangements. It is clear, however, that these two Regulations, if used in conjunction with restrictions on admission to membership, can also serve to prevent the entry of competitors into the industry. As will be shown in the next chapter, the A.D.M.T. does restrict admission to membership and the exclusive dealing clauses cannot, therefore, be regarded merely as part of the resale price maintenance arrangements.

62. The A.D.M.T.'s conception of resale price maintenance has from the very start included not only the protection of manufacturers' resale prices but also the prevention of competition between dealers by what the Association defines as "excessive services" and regards as a form of price-cutting. Most of the remaining Regulations accordingly have the effect of preventing competition between dealers by means other than direct reductions in the price of branded goods. Very few, if any, of these additional Regulations would be needed if the only object were to give the manufacturers protection against

* Or by the Council, in certain special cases.

† The Regulation makes provision for purchases from members of approved associations or from others who have agreed not to supply persons outside the A.D.M.T. except at full retail prices, but we are told that no supplier has qualified under this clause.

selective price-cutting on their branded lines. One of the most important of them, which was present in a less stringent form in the original rules, affords protection to the general body of dealer members by obliging all manufacturer members to fix retail prices for *all* the dental goods which they supply. Member dealers may buy essential dental goods from member manufacturers only and Regulation 2 therefore effectively averts the danger of any member obtaining any non-price-maintained essential goods on which he might compete with his fellow-dealers.* Regulation 57 closes the gap by preventing the making of concessions to customers on sales of non-essential goods acquired by dealers from sources outside the A.D.M.T. and therefore possibly not subject to fixed resale prices.

63. Other Regulations further limit the field of competition between dealers. They cover dealers' credit terms, terms for hire-purchase, sales to institutions, purchase and sale of secondhand equipment, and a number of other matters. Thirteen such restrictions have been identified and are summarised in Appendix 13.

64. In the dental goods trade quantity and cash discounts are given to consumers (whether individual dentists or not) by dealers. These discounts are prescribed by each manufacturer for his goods and all dealers handling a particular manufacturer's goods are obliged to sell them subject to the same cash and quantity discounts. The individual manufacturer's discretion is, however, limited by Regulations 15 to 30 which lay down the maximum rates which a member may prescribe for cash and quantity discounts. These maximum rates range from nil to 15 per cent. according to the class of goods.

65. The changes in the Regulations throughout the A.D.M.T.'s history have been many and the effect of them is often difficult to determine. It is clear, however, that the restrictions on retail trade have been made increasingly specific and complex as the years have gone by; and that the policy of preventing "ruinous competition" between dealers has been developed into one of controlling a wide sector of their activities and of limiting competition to the sort approved by the A.D.M.T., i.e., primarily competition in service of a kind which does not involve financial concessions to the consumer. There were no restrictions on the level of quantity discounts until 1927. Credit limits, hire-purchase restrictions, the limit on special discounts to institutions, conditions for sales on approval, and the maximum cash discount were imposed in the early years, but the many minor restrictions on concessions to the consumer listed in Appendix 13 are not found until later. The early provisions regarding secondhand equipment did not include any restrictions on the re-sale price, while the purchase price provision for secondhand equipment was then limited to a requirement that allowances should not exceed reasonable market value.

66. With one exception (see the following para.), the Regulations regarding the re-sale price of secondhand equipment, the maximum discounts for cash and for quantity sales, and the discounts for sales to institutions have become progressively less liberal with the passage of time. Details of these changes will be found in Appendix 14. We cite as examples the following changes in discounts for sales to institutions; the special 20 per cent. discount to non-voluntary hospitals was abolished in May, 1927, as well as the 15 per cent. discount to municipal bodies in April, 1931; the special discount to voluntary hospitals was reduced from 20 per cent. to 10 per cent. in November, 1933. The explanation of these changes offered to us by the A.D.M.T. is that the discount allowed to non-voluntary hospitals was withdrawn when it was

* Even when the goods are withdrawn from the manufacturer's list, provision is made for jobbing-off prices to be fixed by the Council (Regulation 7).

realised that the dental departments of certain of them were run on commercial lines and accordingly competed with the local practitioner, the patients being charged; and that the A.D.M.T. did not feel called upon to support municipal bodies.

67. The exception referred to in the previous para. occurred in October, 1947, when the special discount to hospitals was raised from 10 per cent. to 12½ per cent., and extended again to non-voluntary hospitals and local authorities. It is quite clear from the notes of the General Meeting at which this change was discussed that it was made to reduce the risk of hospitals buying direct from manufacturers in the event of a national dental service being established. Even then, it was decided to bring the discount to teaching schools into line with the new rate for hospitals and it was accordingly reduced from 20 per cent. to 12½ per cent.

68. A number of provisions in the Regulations have the effect of ensuring that a full record of transactions is available to the Secretary, either at his office, or when he wishes to make investigation of any member suspected of a breach of the rules. These provisions are important in that they show the degree of surveillance which it is thought necessary to impose on members. Thus it is prescribed that every member must keep a proper set of books of account and copies of all documents relating to sales showing the nature of the goods concerned. Dealers must also report to the Secretary details of all overdue accounts. The main purpose of this Regulation is to aid the Secretary in the maintenance of his credit information bureau, but the Regulation also enables him to detect cases where credit terms have been given in excess of those allowed under the Regulations. Hire-purchase arrangements must be reported to the Secretary, and all sole-agency agreements must also be reported to him so that he may be satisfied that the contract gives the agent control over the entire output of the goods (see para. 53 (iii)). There are several provisions of this sort connected with transactions in secondhand goods. Thus the Regulations provide that all dealers must make a monthly return to the Secretary of all purchases and sales of secondhand equipment.* Any dealer who wishes to buy secondhand equipment from another dealer member must notify the Secretary, who will then notify all dealer members who have reported to him purchases of the articles required. All sales and purchases of secondhand equipment or scrap metals must be separately recorded in the books. Similarly, all charges made by dealers for installing equipment must be shown separately in their books.

69. The limits on special discounts to institutions and on cash and quantity discounts apply to all retail sales, whether made by dealers or manufacturers. Of the other Regulations summarised in Appendix 13 many, as will be seen, are drafted so as to apply to dealers only. In practice, however, restrictions on dealers' trade are applicable to retail transactions in general, since almost all the output of manufacturer members is distributed through the dealers or through their own depots, which qualify as dealer businesses under the rules.† There are also a few Regulations which bear chiefly on manufacturers but these may be more conveniently discussed in the following chapter.

Membership

70. We have examined the full list of members as at 15th August, 1950. The list contained 17 Class "A" (purely dealer) members, 33 Class "B" (purely manufacturer or agent) members, 37 Class "C" (manufacturer/dealer) members, and 19 Affiliated members. Our inquiries have shown that

* It is understood that this requirement has not been enforced since the beginning of the war.
† See footnote (§) on page 14.

of the Class "C" members, 25 are mainly dealers, and there are thus 42 members whose principal business is dealing. Only 11 of the 42 concerns engaged mainly in dealing have been admitted since 1923-24 and, as will be shown later, this does not indicate that the owners of these concerns were necessarily new to the trade at the time of entry.

THE SITUATION IN TERMS OF THE ACT

71. Under our terms of reference, we are required to report whether the conditions in relation to supply prevail in regard to dental goods as defined in the reference. The reference relates to goods "used in dentistry". Some of these are "common user" items which are available not only at dental depots but elsewhere; for example, mouthwash tablets and disinfectants are available at chemists' shops and pliers or similar tools suitable for laboratory use are available at toolshops. Supplies of "common user" items to dental users from such sources could not in any case have been identified; but we are assured both by the industry and by the users that the value of these supplies is negligible. Accordingly, we have confined our statistical inquiries to supplies of dental goods by the dental goods industry, that is to say, supplies by dealers and agents specialising in the supply of dental goods and by manufacturers supplying all or part of their output specifically for dental use. The results of these inquiries are summarised in Chapter 2, and para. 30 gives for the calendar years 1948 and 1949 the proportion of the retail trade in the home market done by members of the A.D.M.T. as approximately 89 per cent. in each year; we have no reason to believe that there has been any substantial change in the proportion in 1950. From what has been stated in the preceding section of this chapter it is clear that the members of the A.D.M.T. so conduct their affairs as to restrict competition. We conclude, therefore, that the conditions to which the Act applies prevail in relation to the supply of goods of the description contained in our reference.

CHAPTER 5: THE WORKING OF THE ASSOCIATION

72. We have now recounted the circumstances in which the A.D.M.T. was founded and we have examined its present rules. In this chapter we propose to discuss various aspects of its working and some of the effects of its rules and practices, beginning with its internal management.

Internal discipline

73. Disciplinary proceedings occupy a very large part of the A.D.M.T.'s official records and it is clear that every effort has been made to enforce complete observance of the spirit and letter of the rules. It has been suggested to us that a trickle of supplies flows to certain non-A.D.M.T. dealers at other than retail prices,* but in general the zeal of members in bringing complaints, combined with the careful provisions mentioned in para. 68 for recording and reporting the details of members' affairs, appears to have adequately reinforced the very slender and inexpensive apparatus of control.† Large and small firms alike have been obliged to answer to the Council for their conduct.

74. The more drastic of the penalties provided for in the A.D.M.T.'s rules have rarely been used. Many offences have been dealt with by formal caution and the general run of fines has been between £1 and £10 10s.

* See para. 101.

† This apparatus consists of the Secretary's office with its small staff, and the supervision and guidance provided voluntarily by the members of the Council.

It is interesting to note that, in a sample list of offences provided for us by the A.D.M.T., those involving direct price-cutting do not feature very prominently nor are many such cases shown since the early days of the A.D.M.T. The offences quoted in this list cover infringements of most of the detailed Regulations and include such acts as the use by a dealer of business reply cards, the free loan of a rotary convertor, and the selling of a shop-soiled gas machine before expiry of one year without the necessary certificate from the Secretary.

75. The insignificant nature of most of the penalties inflicted does not imply any flexibility or weakness on the part of the Council in enforcing the rules. Whenever the Council has encountered sustained or flagrant breaches of the A.D.M.T.'s rules or policy, heavy fines have been inflicted. Thus on two occasions, in 1927 and 1946, dealer members with small resources were fined £250, these being the heaviest fines ever inflicted. The earlier case will be discussed later in para. 80; the other was that of a dealer who was found to have supplied non-members at other than retail prices over a long period and to have entered the transactions in his ledger under a false name.

76. The deterrent effect of the A.D.M.T.'s power to inflict penalties other than fines, namely, expulsion, suspension, placing on the stop list, or reduction of trade discount, will be obvious. We have, however, examined the A.D.M.T.'s records in order to see how far these more powerful sanctions have in fact been employed. The stop list provisions may first be considered. As we have explained, there are permanent restrictions on trade with non-members, and an A.D.M.T. member against whom it is necessary to take extreme measures has only to be suspended from the Association in order that he may be put in a position where he cannot buy dental goods on trade terms from members or sell essential dental goods to them. The stop list penalty has not, therefore, the importance in the A.D.M.T.'s disciplinary arrangements which it has in those of associations whose members are allowed to trade with non-members; nor have the stop-list provisions in fact been used. Nevertheless, these provisions (Rule 11 (5) to (12)) are extremely elaborate; they allow for the placing on the list of any person, whether a member of the A.D.M.T. or not, where this is necessary to maintain "the interests of the Trade or the Association" and they would undoubtedly have great significance, were it not for the existence of the exclusive dealing arrangements.

77. There appear to have been only two cases since 1924 when either of the other two major penalties—reduction in trade discount and expulsion or suspension of membership—have been applied. Both coincided with the infliction of the £250 fines referred to in para. 75. In both cases where this fine was inflicted manufacturers were instructed to reduce their trade discounts to the offenders by approximately one-half (for six months in one case and a year in the other); and both members were subsequently expelled, under what is now Rule 11 (4), for non-payment of the fine. Thus even in these cases the ultimate sanction of expulsion was not applied as a direct penalty for the original offence.

78. It should be noted that the Council has from time to time expressed an opinion that the action of a member was contrary to the spirit of the Association, although it did not constitute a breach of any specific rule. Thus in March, 1937, according to the Council minutes:—

> "It was reported by a Member that Messrs. X had issued a business reply envelope and it was questioned whether this was contrary to the Rules. It was noted by the Council that this particular envelope was not issued

for the purpose of soliciting orders, but for inviting criticism of a publication issued by Messrs. X. It was therefore considered that there was no breach of the Rule, but that the envelope conflicted with the spirit of the Rule, as it could be used for the despatch of orders to Messrs. X. It was decided to inform Messrs. X of these facts as well as the member who brought the matter to the notice of the Council."

In December, 1938, the same member was told that both from a trade and a professional point of view it was extremely undesirable for dental goods to be advertised in the lay press. "Mr. X was advised, in future, to obtain the views of other members of the trade before publishing advertisements of this type." Such cases illustrate the degree of control exercised by the Council over the conduct of members even when not contrary to any specific rule. Formal disciplinary proceedings against members under the general Rule 11 (2) referred to in para. 56 have, however, been very rare, although on one occasion, to which reference will be made in para. 81, a heavy fine was inflicted under this Rule.

Attitude to co-operative buying by dentists

79. We have had some difficulty in ascertaining the A.D.M.T.'s policy with regard to co-operative enterprises. As we have seen, Rule 4 (7) debars co-operative societies from membership but the A.D.M.T.'s representatives stated in evidence that this Rule, which had been in force since the early days of the Association, was not aimed at the ordinary co-operative trading society.* When framing this Rule, the Association had in mind a dentists' co-operative buying society of the sort that had been set up in France in 1902. This society had a membership of dentists and by 1923 had already established relations with the manufacturers and entered into competition with the normal type of dealer. Similar societies, about which some information is given in Appendix 15, have emerged in other countries and, as we have seen, the D.M. Co. itself had its origin in an association of dentists.

80. It is clear from remarks made by Mr. Cesar de Trey in 1923 at one of the earliest meetings of the Association that he was seriously disturbed by the possibility of a society similar to that which had been founded in France becoming established in this country. The threat of co-operative buying appears to have materialised in 1927, and for many years thereafter the records of the A.D.M.T. show a serious preoccupation with it. The issue was complicated, however, by the fact that the co-operative buying society of dentists did not attempt to obtain its supplies from outside the A.D.M.T., but entered into a contract of supply with one of the dealer members. This member offered to supply the co-operative buying society with bulk lines of goods, not branded or price fixed† by the manufacturer, at only a small margin above his buying price. The Council was unable to find any definite breach of the rules since practically all "standard lines" supplied by the dealer appeared to have been charged at the list prices; but it expressed strong condemnation of the arrangement and stated that the measures adopted by this dealer constituted a serious menace to the future welfare of the trade. A special General Meeting was called by the Council to deal with the matter, but meanwhile evidence was obtained which indicated that the dealer was also offering standard lines in unit deliveries at quantity rates. The Council accordingly found that a specific breach of the price maintenance rules had been committed and a fine of £250 was imposed on the member, who was subsequently expelled for non-payment of the fine.

* It was later stated by the A.D.M.T.'s representatives that the Rule had never operated in practice, appeared to be unnecessary and might be deleted.

† The rules then in force permitted manufacturer members to supply goods without fixing a retail price, provided that the goods were reserved for one dealer and thus were not "standard lines".

81. Following this episode the A.D.M.T. made a determined effort to stifle all co-operative buying schemes. In June, 1929, a Special Committee was set up to consider ways of combating co-operative buying. The Committee's report is reproduced at Appendix 16 and it will be seen that its proposals included the obtaining of an undertaking from all members not to supply co-operative buying concerns on any terms. This proposal was duly implemented, and in 1934 two members were fined under the general rule, one to the extent of 100 guineas, for breach of this undertaking. The undertaking was obtained from new members as late as 1938, but we are informed that it has not been required in the last ten years and is possibly no longer regarded as binding.* The A.D.M.T.'s representatives have suggested that these measures were designed to deal with schemes which were not entirely reputable or which would have involved price-cutting on A.D.M.T. goods. Whatever considerations the A.D.M.T. may in fact have had in mind at the time, its representatives have now stated to us that the existence of co-operative purchasing bodies on the scale on which they exist in France would be a menace to the distributor against which the A.D.M.T. desires to protect him. It can be inferred, therefore, that any dentists' co-operative buying organisation—if it were practicable to institute one—would be boycotted by the A.D.M.T.

The fixing of retail prices and dealers' trade discounts by manufacturers

82. Regulation 12 states that "a manufacturer member shall have the right to decline any order, and also to fix the rate of trade discount which he allows, or wholesale price at which he sells, to any Dealer Member". This is the formal position under the rules and we have no reason to suppose that the level of retail prices is in any way dictated by the A.D.M.T. or agreed between the manufacturer members. Price competition between manufacturers in this industry certainly exists. We have noted, however, that in 1938 a manufacturers' committee of the A.D.M.T. recommended that quality rather than price or cheapness should be stressed in advertisements.

83. The formal position under the rules has also been adhered to in the matter of trade discounts offered by the manufacturers to the dealers and we have no reason to think that the Council has laid down levels for trade discounts or made the granting of a particular level of trade discount a condition of manufacturer membership. Nevertheless until 1927 the rules contained a provision that trade discounts should be "reasonable" and we have found in the A.D.M.T.'s records a number of more recent examples of the Council's interest in these discounts and a number of references to "reasonable" or "usual" trade discounts or to "the level of discounts generally adopted in the Trade". We have questioned the A.D.M.T.'s representatives closely on these matters and we have reached the conclusion that the Council has brought influence to bear on new manufacturer members to adhere to this "reasonable" or "usual" level when fixing trade discounts. It should also be recalled that in laying down maxima for retail cash and quantity discounts (see para. 64) the A.D.M.T. has formally limited the manufacturers' freedom of action in this respect. Before leaving this matter, we must, however, mention that the level of trade discounts has shown far less uniformity since the war, and that there has been a decline in the average level of these discounts expressed as a percentage of prices.†

* It is important to note that this undertaking did not prevent the supply of goods to multi-practice surgeries, i.e. to concerns employing a number of dentists, including the Co-operative Dental Association Ltd.

† See Chapter 8.

The A.D.M.T.'s policy for the admission of new members

84. At an early stage of the inquiry we asked the A.D.M.T. to state in detail the present and past arrangements for dealing with applications for membership. Our question and the Association's reply are quoted in full in Appendix 17. Subsequently we examined the changes which have been made at various times in the Rule relating to the qualifications for dealer membership and those cases of individual applications for dealer or manufacturer membership of which details were found in the A.D.M.T.'s records from 1935 onwards. We then questioned the A.D.M.T.'s representatives on their handling of these individual cases and on their general policy for the admission of new members. The position was shown to be very much less definite than is implied in the reply quoted in Appendix 17 and, as there have been inconsistencies both in the handling of cases and in the explanations of policy that have been given to us, it has been difficult to obtain a clear insight into the A.D.M.T.'s policy in this important field. The relevant evidence is set out in the following paragraphs.

85. The original rules required an applicant for dealer membership to have a capital of at least £500 and to have had at least five years' association with the dental trade and to maintain a proper depot. These requirements are said to have been designed to ensure that anyone admitted as a dealer was credit-worthy and a person who had a settled interest in the trade. In this way the A.D.M.T. hoped to exclude the type of trader whom they describe as "carpet-baggers". In 1927 a representative of a concern of sole agents which had no retail branch of its own proposed that a man who could put up £2,000 trading capital should be regarded as qualified, even if he had had no previous association with the trade. In spite of objections by some members, the proposal was considered by the Council and the rule amended accordingly. Nevertheless, the Council has always retained its power of discretion; and many dealer applicants have been refused without being asked whether they possessed the necessary qualifications. We do not know whether the Council in fact received any number of applications from dealers without experience of the trade, but there appear to have been only one or two cases of dealers without such experience being elected.

86. In 1933 the representative of the same sole-agency concern again raised the question of the rejection of applications for dealer membership and proposed to a General Meeting that a recommendation be put before the Council that any applicant qualified under the rule should be automatically elected. The proposal was carried by the Meeting but the Council unanimously decided that its discretion should be retained.

87. During the abnormal conditions of the war years, the Council refrained from electing any new dealer members on account of shortage of supplies and in order to keep opportunities open for those employees of member concerns in the Services who might wish to start up dental businesses of their own on their return. In November, 1944, the question of relaxing this policy was raised at the General Meeting and members' opinions were asked. During the Meeting the Council referred to a letter which had been received from the D.T.F. announcing the formation of that body. The representative mentioned in the preceding paragraph, while endorsing the present policy, thought it important that the door should be left open for applicants who were now being rejected to come back when the supply situation improved. He was emphatically supported by the representative of I.C.I. The question was re-examined a year later

at the General Meeting of June, 1945, when the representative of the sole-agency concern suggested that the election of dealers should be by a committee of manufacturers. This suggestion was not adopted, but the President concluded from the discussion that both manufacturers and dealers clearly wished the Council to consider suitable people for manufacturer or dealer membership of the A.D.M.T.; and it is to be assumed that the "standstill" policy was abandoned from that time onwards.

88. Our inquiry into the individual cases of recorded applications for dealer membership since 1935 leaves out of account those which fell under the wartime ban, failed because the applicant had not the minimum capital, or were not proceeded with. Apart from these cases, 18 applications have been traced of which 7 were eventually successful. Of the successful 7, only one was from a business whose proprietor was new to the trade, and this business was elected (in 1936) only after pressure had been exercised by the representative of the sole-agency concern referred to in the preceding paragraphs. Three applicants were refused either because they were, or had been, connected with price-cutting concerns or because their general standard of conduct was not considered satisfactory. The remaining 8 rejections give some idea of the way in which the A.D.M.T. uses the power to exclude dealers from membership for purposes other than the enforcement of its resale price maintenance policy. Six applicants were refused because they were "dealers mainly in non-dental goods", e.g., chemists and suppliers of surgical equipment. Amongst these was one of the large suppliers of pharmaceutical goods and surgical equipment, a concern of standing and repute which at one time had dealt in certain kinds of dental goods, and it was explained to this concern, when it applied for membership in 1948, that the policy of the A.D.M.T. was to maintain a clear line of demarcation between the trade in dental goods and the trade in surgical goods. The minute of the relevant Council Meeting in January, 1948, reads:—

> "Before replying to this enquiry re membership dated 1st January 1948, it was decided that the Secretary should telephone the writer and explain the policy of the Association with regard to the avoidance of overlapping in the dental and surgical industries".

A note of the Secretary's telephone conversation reads:—

> "They will not encroach on the dental side, but if they should have to buy dental instruments as part of service to a surgeon they will buy at retail prices less any retail discounts which may be available".

This policy of excluding surgical goods suppliers and chemists from participation in the dental goods trade is further exemplified by a change made in the rules in 1934, when the 10 per cent discount on dental goods which had formerly been allowed to chemists was abolished. The reason given to us by the A.D.M.T. for this change is that "there seemed no logical reason why any special discount should be given to chemists".

89. Two other applicants were refused on the grounds that they ran a dental mechanic's or laboratory business. The A.D.M.T. states that its policy has been to reject applications from such concerns because they were regarded as being on the customer side of the fence; the dentists might be subjected to unfair competition if the laboratory owners were able to obtain supplies for their own use at wholesale rates and the laboratories might be seeking membership merely for this purpose. The next chapter, and para. 113 in particular, show that the A.D.M.T. was also anxious that the laboratories should not be in a position to supply to the dentist goods which he would normally buy through the dealers.

90. Finally, we must note that the A.D.M.T. has put forward as a theoretical advantage of its exclusive dealing arrangements the ability which these arrangements give to the Association to control the number of dealers participating in the trade, should it ever be necessary to do so in order to ensure an economical distribution system. The A.D.M.T. adds that in practice no applications have ever been refused with this consideration in mind.

91. The A.D.M.T. has stated that among the questions taken into account in considering applications for manufacturer membership are :—

(*a*) Is the manufacturer's line so small that it would be in his best interests to appoint a sole agent?

(*b*) Are the products he proposes to market so overproduced already that he cannot hope to find a market large enough to show him a profit?

(*c*) Are his products of such a standard that it would be in the best interest of the trade to distribute them?

(*d*) Is he of good repute and likely to meet his engagements?

We have traced 69 applications for manufacturer membership since 1935, of which 38 were successful, 26 refused, and 5 not proceeded with. Of those refused, 3 were from concerns not supplying dental goods. Several applications between 1944 and 1948 were from makers of acrylic teeth. The A.D.M.T.'s handling of these applications shows how it reacted to the increase in the number of dental goods manufacturers resulting from the introduction of an important new product, and we shall therefore deal with this subject separately in later paragraphs of this chapter. Apart from the acrylic teeth manufacturers' applications, we have found one case, in 1948, falling under (*a*) above ; and one case, in the same year, where a manufacturer of dental diamond instruments was rejected in accordance with (*b*) above. In regard to this latter case, the A.D.M.T.'s representatives have stated that " it was felt that the dental trade already had all the diamond instruments which they required ". There is no record of any regular or scientific tests of the quality of applicants' products, but we have found one case falling under (*c*) above. This was an application from a manufacturer of lathe brushes in 1942, which was rejected as the result of a telephone conversation between a Council member and two large dental houses who " gave him to understand that the brushes were of doubtful quality ". Following this rejection, the brushes were for a time distributed to the profession through a member who took the sole agency for them ; later, however, he gave up the agency.

92. The A.D.M.T.'s desire to segregate the dental goods industry appears also in its handling of applications for manufacturer membership. We have already explained in para. 53 (i) that in principle Ordinary manufacturer membership was reserved until 1947 for those concerns who confined their activities to the production of dental goods, although some notable exceptions were made in practice. We note in the A.D.M.T.'s records a case of an applicant wishing to market a steriliser to dental users who was refused membership in 1940, because, as the A.D.M.T. has explained to us, " the Council took the view that this Company was mainly interested in surgical goods and was trying to obtain a ready-made outlet for its new range of sterilisers through the dental trade ".* The applicant later appointed a member as sole agent. On another occasion, in 1937, the Council accepted the application of a general electrical engineering concern but arranged for

* On the other hand, a surgical equipment manufacturer who first appointed an A.D.M.T. sole agent to market his steriliser was later admitted to Affiliated membership.

its product to be artificially distinguished from those distributed by the same concern through other channels. The product was a lathe and the manufacturer was persuaded to put a special name-plate on the lathes which were to be marketed through the A.D.M.T. and to colour them green in contrast with the black lathes sold by the same concern to all and sundry. They were then sold at a slightly higher price than the black lathes. We also note the case of an application for membership from a manufacturer being rejected, in 1947, on the grounds that he possessed a dental laboratory.

93. In Chapter 6 we describe the trade in acrylic dental products and explain that the production of acrylic teeth is a new development of the last few years. As is explained there (para. 134), in 1946 a large manufacturer of these teeth was supplying a concern which marketed the teeth through an A.D.M.T. sole agent. These arrangements were discontinued towards the end of 1946 and the concern for whom the teeth had been made decided to manufacture on its own account and applied for membership of the A.D.M.T. At about that time the A.D.M.T. Council had been receiving a considerable number of applications for membership from concerns proposing to engage in the manufacture of acrylic teeth, and it decided in March, 1947, to defer consideration of these applications until the next Annual General Meeting (see para. 95). This concern, however, was sent an application form and a copy of the rules, perhaps because it was already established in the acrylic teeth trade and had been the largest supplier. One of the directors of the sole-agency business through whom the applicants had originally marketed the teeth was a member of the Council. He pointed out to his fellow members that the applicants had never themselves been manufacturers and had now ended their arrangement with the actual manufacturer; they should, therefore, be treated as a new entrant to the trade. While the Council was considering the matter, the applicants (in April, 1947) appointed as sole agent for their product another A.D.M.T. member, one of whose directors was also a member of the Council; by 1948 they had become large manufacturers of acrylic teeth.

94. Meanwhile an agreement had been signed, in December, 1946, between the original manufacturer referred to at the beginning of the preceding paragraph and another concern, setting up a new company to manufacture acrylic teeth. By the terms of this agreement the original manufacturer was to procure that the original sole agents should (*a*) act as sole agents for the new company, and (*b*) use their best efforts to obtain membership in the A.D.M.T. for the new company.*

95. The whole subject of applications from acrylic teeth manufacturers was referred by the Council to the Annual General Meeting of 6th June, 1947, when the Council was recommended to adopt a policy of refusing applications from smaller manufacturers. The relevant extract from the notes of the proceedings is given in Appendix 18. The A.D.M.T.'s representatives have said in explanation of the general policy recommended at the meeting that the "backyard" manufacturer would be producing poor quality teeth and that unregulated advertisement by an inexperienced manufacturer would stimulate an artificial demand for his goods which he would not be able to meet. A third, and seemingly inconsistent, explanation is that this was a case falling under (*b*) mentioned in para. 91, since there was at the time, or soon would have been, over-production of acrylic teeth. The Ministry of Health state that they are not aware of any over-production of teeth during 1947, 1948 or 1949, and their statement is borne out by the

* In fact, the new company did not become a member and there is no record of any attempt having been made to obtain membership for it.

production figures quoted in Appendix 19. It is true that the full extent of demand under the National Health Service might not have been foreseen in June, 1947; but that the scheme was to come into operation must have been present in members' minds and was in fact mentioned during discussion of another item on the agenda of the same meeting.

96. It is difficult to discern the standards employed by the Council in making the distinction required by the policy agreed on at the meeting. The Council has not, in fact, admitted any concern as a manufacturer of acrylic teeth. A concern run by a dentist was merely told that the Council could not consider membership. Another applicant, probably working in a small way, was at first given the same reply, but he complained to the Board of Trade and wrote to the A.D.M.T. again, whereupon he was told that he might consider appointing a sole agent. Apart from this, the sole agency suggestion seems to have been made to three manufacturers only, two of whom duly complied with it. These two manufacturers' applications were rejected in 1948 and the value of each of these manufacturers' output of acrylic teeth in that year was greater than the total dental goods output of some of the A.D.M.T. manufacturer members.

97. In considering the effect of the A.D.M.T.'s membership policy, it is important to remember that the recorded rejections can give little idea of the number of concerns whom the existence of the A.D.M.T. may have deterred from entering the dental goods trade, or from attempting to enter it otherwise than through the intermediary of a member sole agent. Most unsuccessful applicants were met with the simple formula: "The Council regret that they cannot consider an application". The refusal to give reasons for rejection and the arbitrary treatment accorded to applicants would make it difficult for anyone considering entering the field to estimate his chances of success; no applicant would know the rate of his subscription until he had been accepted; and there would have been an added deterrent for the dealer applicant, who, if his application was considered at all, would have to disclose details of his existing contracts with suppliers and possibly of his financial position, before his case could be decided.

The effect of A.D.M.T. practices on the trade of non-members

98. The representatives of the D.T.F. have complained to us that certain of their manufacturer members and suppliers have been induced to desert them and to go over to the A.D.M.T. Although, as we have seen, there were many types of manufacturer whom the A.D.M.T. did not wish to encourage into the industry, our impression is that it was anxious to bring within its membership those manufacturers for whose products a demand had already been created among the profession. In many such cases it would probably be unnecessary to take active steps to encourage applications, as an outside manufacturer would soon find that the field of distribution open to him was extremely limited and provided no opportunity for continued expansion. When such a manufacturer joined the A.D.M.T., he was obliged, of course, to boycott the very firms who had contributed to the establishment of a market for his goods, and this, as might be expected, has bred considerable resentment. The most striking example of the A.D.M.T.'s success in wresting an outside manufacturer from rival distributors is to be found in its negotiations with I.C.I., which are described in the following chapter.

99. One of the A.D.M.T. Regulations (69 (*a*)) forbids members to take part in United Kingdom exhibitions of dental goods without consent of the Council. The object of this Regulation, we are told, was to prevent unjustifiable expenditure by the trade in favour of local professional bodies. Such bodies would organise meetings at which the trade would be invited

to exhibit and share expenses. The A.D.M.T. found, however, that on many such occasions the professional men paid little attention to the exhibits. It was considered advisable, therefore, to exercise some control over the arrangements for exhibitions, in order that members who were unwilling to incur such unprofitable expenditure should not lose favour with the profession in comparison with their more complaisant competitors. Accordingly, the A.D.M.T. has either arranged its own annual exhibitions or organised the attendance of members at one or two professional meetings each year. Where space has been taken at professional meetings it has been the practice to book the whole floor space for members, with the result that non-member manufacturers could not show. In practice, therefore, it has become impossible for non-member manufacturers to show their goods at exhibitions of sufficient importance to attract the profession. Moreover, where the A.D.M.T. has organised its own exhibitions, non-member dealers appear to have been refused admittance even as spectators.

100. Another of the A.D.M.T.'s Regulations which has a discouraging effect on the trading of non-members, this time in the export market, is Regulation 64, which prescribes that shippers may be supplied at wholesale terms but only upon disclosing the names of the principals to whom the goods are to be exported. The object of this Regulation was, we understand, to ensure that the purchase was genuinely intended for export and was not a mere ruse to evade the exclusive dealing provisions. A secondary effect of it, however, is that an outside dealer or agent cannot export A.D.M.T. goods without disclosing to a supplier information which he would naturally be reluctant to give him; a complaint on this score has been made to us by an independent dealer.

101. In general the position of the outside dealers was made far more difficult during and immediately after the war. Before the war, we understand, they dealt largely in imported goods, whereas in recent years they have had to rely on supplies from independent home manufacturers often working in a small way, and to some extent on "under the counter" supplies from A.D.M.T. sources. With the relaxation of import restrictions, the position of these traders might be expected to become a little easier, but it is important to remember that the power of the A.D.M.T. can also be exerted in regard to supplies from overseas. Overseas concerns no longer qualify for membership and it follows that no A.D.M.T. dealer may buy essential dental goods direct from a foreign manufacturer. He can only acquire them from a member concern (generally a sole agent), who in turn may not supply outside dealers. An overseas concern wishing to export to this country is therefore in just the same position as a home manufacturer, in that he must choose between the A.D.M.T. dealers with their control of nine-tenths of the market, or the outside concerns with their limited field of operation.

102. We may conclude this section by a reference to two A.D.M.T. practices which must have had some minor effect in reducing the competitive potential of non-member concerns. The first is the practice, formulated in Regulation 70 (*b*) (i), of obliging a sole agent to conduct all business under his agency in such a way that the orders are sent to him and the goods physically handled at his own business premises. One of the objects of this arrangement is stated to be the anxiety of the A.D.M.T. to protect the goodwill of the sole agent,* but its effect must have been to thrust the non-member principal yet further into the background. The second practice is that of discouraging manufacturer members owning dental journals from allowing non-members advertisement space in these journals.†

* In the one case we have seen where this Regulation was invoked, the complaint was made against the sole agent, not on his behalf.

† This is now of less importance than it was some years ago. See Appendix 20 for the A.D.M.T.'s reply to our inquiry on this subject

Division of interest within the A.D.M.T.

103. As the A.D.M.T. has pointed out to us, manufacturers (in which class it includes sole agents) have an interest in seeing that there are enough dealers to ensure the efficient distribution of their goods. This is exemplified by the attitude of one of the few large manufacturing or sole agency members concerned only with the supply of dental goods and possessing no retail branches of its own. This is the sole-agency concern referred to in paras. 85 to 88 and, as will be seen from those paragraphs, its representatives at General Meetings have consistently urged amendment or liberal application of the rules governing the admission of dealer members. It was through the small dealers, the representative said on one occasion, that the agency firms found their outlet. It will also be noted, from para. 87, that in recent years one of the more prominent supporters of a liberal policy for the admission of dealers has been I.C.I. There is, however, little trace of any general division of interest between the manufacturing and dealing sections of the A.D.M.T. in regard to the admission of new dealers and in this connection it should be borne in mind that the two biggest dental goods concerns in the A.D.M.T. have the largest interests in both manufacturing and dealing.

CHAPTER 6:

THE ASSOCIATION, IMPERIAL CHEMICAL INDUSTRIES LTD., AND ACRYLIC DENTAL PRODUCTS*

104. We include a separate chapter on acrylic dental products for three main reasons: they are by far the most important new dental products developed in recent years; the basic raw material is in the hands of a single concern (I.C.I.) which also produces some of the finished products and has for some years been a member of the A.D.M.T.; and the attitude of the A.D.M.T. towards the use of acrylic materials for making dental products and towards the distribution of acrylic dental products provides clear and recent examples of the working of its rules and policies.

105. The acrylic material used in the manufacture of dental goods is methyl methacrylate. The basic form of this is a liquid (monomer) which is converted into three types of solid material by polymerization. The resulting products are Perspex, Diakon (a commercial moulding powder), and dental granules. Only between 3 per cent. and 5 per cent. of the total output of methyl methacrylate is used in the production of dental goods. It is possible also to obtain monomer by converting scrap Perspex.† Methyl methacrylate is used both for the manufacture of the denture base in which artificial teeth are set and also for the commercial manufacture of acrylic teeth and of a material (dentine) with which the dentist makes teeth to the individual requirements of his patients.

106. The position is complicated since, while I.C.I. are the sole manufacturers of methyl methacrylate, other manufacturers besides I.C.I. make dental products from this raw material and I.C.I. both supply them with raw material and themselves make and distribute to dealers some of the finished products; they do not, however, make acrylic teeth.‡ I.C.I. accordingly have a monopoly only in the case of the basic raw material—methyl methacrylate; they have assured us that there is no necessary technical

* The following names of products used in this report are Registered Trade Marks:—"Perspex", "Diakon", "Kallodent", "Kallodentine", "Kallodoc".

† See para. 195.

‡ A chart showing the uses of the various products is attached at Appendix 21.

monopoly in the production of methyl methacrylate and that it is accordingly open to other concerns to produce it. Until August, 1948, I.C.I. held a patent for their method of producing methyl methacrylate but this has now expired. It will be seen from paragraphs 124 and 128 that I.C.I. made agreements which *inter alia* required manufacturers purchasing methyl methacrylate from them to agree not to buy it from anyone else, but that these agreements were terminated in October, 1948.

107. In order to explain the part played by I.C.I. and the A.D.M.T. in the development and distribution of these materials it is necessary to set out the history under three heads, namely:—

I. The distribution of denture-base materials, i.e., materials for making the denture base (or " plate ").

II. The distribution of raw materials for the production of denture-base materials.

III. Acrylic teeth.

This involves some repetition which is unavoidable if the story in each case is to be coherent.

I. Denture-base materials

108. It was in the distribution of the finished product of denture-base material (I.C.I.'s brand of which is called Kallodent) that I.C.I. were first drawn into the A.D.M.T. Before the war the predominant material from which denture bases were made was rubber, but the manufacture of synthetic resins (including acrylic material) as an alternative to rubber for this purpose has been the subject of research since the 1920's, and the development of acrylic products was much hastened when supplies of natural rubber were drastically reduced during the war. I.C.I. had started the production of a form of this material in 1935. They had then applied for membership of the A.D.M.T. but the application was not proceeded with because it was not found possible to agree on terms of sale, and I.C.I. distributed their early product instead through the dental laboratories.

109. A different method of preparing an acrylic denture was patented in this country in 1936 by a German firm, Kulzer & Co. I.C.I. recognised that this method had advantages over that involved in the use of the product they were then distributing. But while they were in a position to produce the material needed for this process, its use by the dentist would have been an infringement of the Kulzer patent, unless I.C.I. were able to convey with the goods a licence for the dentists to use the Kulzer process. Accordingly they began negotiations to take over the rights of the patent in this country. Before the negotiations were complete, the outbreak of war caused the patent to be taken over by the Custodian of Enemy Property, and I.C.I. applied to the Comptroller of Patents for an exclusive licence. They were granted, however, only a non-exclusive licence. This enabled them to grant sub-licences to users of their product, and they then began a policy of opposing applications for licences similar to their own made to the Comptroller by other concerns (there were at least two other makers of dental acrylics working on the method of converting scrap Perspex), but their opposition was unsuccessful and this policy was eventually abandoned.

110. In September, 1940, the A.D.M.T. had largely suspended the permit system under which its Secretary could issue individual permits to members to buy essential dental goods from non-members.* Among the goods for which the permit system was discontinued at this time was acrylic resin

* See para. 60.

(acrylic dental material). The A.D.M.T. had one member manufacturing a denture-base material from scrap Perspex at this time and one or two others manufacturing plastic denture base material, probably from non-acrylic substances.

111. In the meantime I.C.I. had been working on their own version of the type of denture-base material the use of which by the purchaser necessitated a licence under the Kulzer patent, and in October, 1940, they put it on the market as Kallodent.* I.C.I. had developed their product with the assistance of Minerva Dental Laboratories (a large dental laboratory in Cardiff), and they arranged with members of the Dental Laboratory Owners' Association to distribute it. Under the arrangement made for this purpose I.C.I. were to sign agreements with individual dental laboratories for the supply of Kallodent packs which the laboratories could use either for their own purposes or for resale to dentists. It was arranged that rebates would be given to the laboratories on yearly purchases over a certain quantity. Resale prices were fixed by I.C.I., this, they say, being common commercial practice, which they would continue to follow whether or not bound to do so by the A.D.M.T. rules.

112. In August, 1940, the A.D.M.T. suggested a meeting with I.C.I. to discuss the marketing of Kallodent and a meeting took place in October at which I.C.I. agreed that dealer members should be in a position to sell the new product and offered to supply them at the price to be paid by the laboratories, although without the quantity rebate concession. They said that, if they eventually terminated the agreements with the laboratories, they would probably be prepared to give A.D.M.T. members the benefit of the rebate and to limit the laboratories to purchases for their own use only. The A.D.M.T. representatives reported to their Council that " I.C.I.'s reason for giving preferential treatment to the members of the Dental Laboratory Owners' Association is because of the valuable assistance which they say the laboratories have given them in the past in improving the technique for this and the previous Kallodent† ".

113. Since I.C.I. were not then members of the A.D.M.T. their offer was of no use to members unless a general permit was issued allowing dealer members to buy Kallodent from a non-member. A permit was accordingly issued, although not without objections from those manufacturer members who were already marketing denture-base material and confining their sales to dealer members as required by the rules, while it was now open to I.C.I. to sell to members and non-members alike. In justifying the issue of the general permit to the members the President of the A.D.M.T. said that " if the laboratories had remained the sole distributing agents for this material they would obtain introductions to the profession and . . . make use of the position for the introduction of other dental goods which were not controlled by the Dental Trade Association ". He added that the decisions reached " were not only for the benefit of the trade but they also enabled our dealer members to give service to their customers. A most important factor, they removed the possibility of the profits on the sale of many thousands of units going to dental laboratories ".

114. Negotiations continued with I.C.I. and in June, 1941, I.C.I. transferred their business to the A.D.M.T. I.C.I. say that they " had some experience in the ' retailing ' of denture bases during 1936-41 when they

* This required the use of methyl methacrylate in both powder and liquid form (see end products (1) and (2) and first two uses of monomer in Appendix 21).

† This is the earlier product mentioned in para. 108.

sold Kallodent preforms* direct to dentists and dental mechanics.† By 1941 it had become increasingly clear that I.C.I.'s sales organisation was not suited to this task and that it was necessary to employ the normal distribution channels of the Dental Trade". They have also given us as their reason the fact that the A.D.M.T. had shown that they could obtain bigger sales for Kallodent than could the laboratories, only a small number of which earned even the minimum quantity rebate provided for in the agreements. Under the arrangement made in June, 1941, I.C.I. agreed to confine their wholesale sales to A.D.M.T. members except for the Minerva Dental Laboratories which, as will be remembered, had helped I.C.I. to develop the product and were to be allowed to buy on the same terms as the A.D.M.T. members for three years.‡ In order that the laboratories should be able to get Kallodent for their own use from A.D.M.T. members at the price they had previously been paying, a larger pack was introduced at relatively lower prices than those of the normal pack. All but one laboratory had now been deprived of the opportunity to act as distributors of Kallodent, and in January, 1942, the A.D.M.T. informed I.C.I. that they would prefer them not to supply the laboratories direct (for their own use) even at full retail prices. I.C.I. replied that they had already made arrangements with two laboratories for direct sale at retail prices but that they would "try and divert these accounts to the Dental Dealers as we do not wish to supply Dental Mechanics direct. These firms emphatically said that they did not wish to purchase through Dental Dealers, and [our] letter of the 17th June, 1941, reserved the right to supply non-members of the Association at retail prices with this very point in view". I.C.I. have assured us that they have always retained the right to sell their branded dental goods at retail prices to any person or firm who approached them for supplies and who did not wish to purchase them from A.D.M.T. members. (At the time of this correspondence the A.D.M.T. Rules did not allow manufacturer-members to sell their goods direct to the retail customer even at full retail prices, but in 1947 the Rules were amended to allow direct sales by Ordinary members.)

115. I.C.I. were not yet members of the A.D.M.T. Negotiations continued on this point and meantime I.C.I. consulted the Association (as representing their distributors) about proposed changes in marketing arrangements for Kallodent. We note that in September, 1941, I.C.I. asked permission for dealers to be allowed to offer more than 20 per cent. discount on Kallodent sales to hospitals§ and that the A.D.M.T. refused to give this permission, although I.C.I. offered to repay the dealers the amount which the extra discount would cost them. On 11th February, 1942, I.C.I. joined the A.D.M.T. as Ordinary members. They have told us that they distributed through the A.D.M.T. (and consequently under A.D.M.T. rules) because this was the only way in which they could market their products satisfactorily, the A.D.M.T. being in its own field almost all-embracing. I.C.I.'s membership of the A.D.M.T. was from the first special in two respects: they were Ordinary members although they were not solely engaged in the dental industry as was strictly required at that time by the rules for Ordinary members, and (as will be seen from the next two sections of this chapter) they limited

* This is the earlier product mentioned in para. 108.

† Dental laboratories.

‡ Minerva have told us that they protested to I.C.I. about the three-year limitation and were told that I.C.I. had no doubt that it would be possible to extend the arrangement at the end of the period.

§ This was the maximum discount under A.D.M.T. rules for sales to teaching hospitals at this time.

their membership to particular finished products, namely, Kallodent (at the time of joining) and Kallodentine* (in the following year).

116. The only remaining sales being made on trade terms by I.C.I. to a non-A.D.M.T. distributor were those made under the arrangement with the Minerva Dental Laboratories described in para. 114. This concern, in addition to being a dental laboratory, is both a manufacturer and a fairly large dealer and is not a member of the A.D.M.T. In spite of strong pressure by I.C.I. and repeated appeals from the Chairman of Minerva, the A.D.M.T. refused to countenance the extension of the three year arrangement. All they would agree to was that I.C.I. might continue to sell direct to the Minerva Laboratories on retail terms against written undertakings by Minerva not to resell above or below these fixed retail prices.

117. The independent dealers who were members of the D.T.F. (see para. 32) were naturally anxious to obtain supplies of denture-base material for distribution to their customers, since without it they were deprived of a very important item of dental supplies. They have deposited with us correspondence with I.C.I. during the years 1942 to 1948 urging that they be given supplies of Kallodent and, from time to time, threatening to raise the matter in Parliament or with the responsible Government Department. I.C.I. consistently refused to supply them on the ground that they were not permitted to supply non-members of the A.D.M.T. They repeated this refusal as lately as February, 1948, in a letter which has been deposited with us.†

118. On 24th April, 1948, the alleged exclusive control of acrylic denture-base materials was the subject of comment in the House of Commons, and on 20th May, 1948, I.C.I. wrote to the A.D.M.T. saying that they wished to sell fully prepared denture-base material in bulk for packaging and resale under the customers' own brand names to members and non-members alike. I.C.I. then supplied the independent dealers not with Kallodent as such (which they continued to distribute only through A.D.M.T. dealers), but with the same substance unbranded and in bulk. I.C.I.'s dealings with the A.D.M.T. and other manufacturers of denture-base material in relation to this unbranded material form part of section II of this chapter (see paras. 125 to 129). On 8th June, 1948, bulk denture-base material was offered to the Chairman of the D.T.F., and since that time it has been supplied to several concerns outside the A.D.M.T. Sales have been made in this way to dental laboratories as well as to a member of the D.T.F., who repacks the material and sells it to other dealers and to dentists. (It will be seen from para. 127 that I.C.I. consulted the other manufacturers of denture-base material before fixing the prices at which the material should be sold to independent dealers, and from paras. 128 and 129 that we have been assured by I.C.I. that they make no condition, when selling the bulk material either to independent dealers or to manufacturers, as to the price at which the resulting packed material must be sold.)

119. The A.D.M.T. had set up an Acrylic Manufacturers' Committee in 1942. It should be recorded that, besides discussing trading conditions, this Committee arranged demonstrations at the request of the Ministry of Health in the use of acrylic materials and also worked out schemes for the transport and labelling of the materials (which are inflammable in certain

* This was I.C.I.'s brand of dentine (see section III—acrylic teeth and note (§) in Appendix 21).

† It will be seen, however, from para. 126 that I.C.I. began negotiations with the A.D.M.T. in 1946 on the subject of the supply of denture-base materials in bulk to non-members, and from para. 118 that it was in this form that I.C.I. finally supplied denture-base material to a member of the D.T.F.

conditions), and evolved a schedule of container sizes, in consultation with the British Standards Institution. The Committee also concerned itself with the question of retail cash and quantity discounts and in May, 1943, decided that neither discount should be allowed on the sale of acrylic denture-base material.* All member manufacturers, including those who had been making denture-base material from scrap Perspex and allowing a 2½ per cent. cash discount to purchasers, came into line, but no amendment to the rules was made and the A.D.M.T. states that so far as it was concerned manufacturers were free to prescribe cash and quantity discounts for these products.

120. The A.D.M.T. did not concern itself with the price level of denture-base material but, as will be seen in section II, I.C.I. exercised a close control over the end prices until the autumn of 1948, through the arrangements which they made with the concerns to which they supplied the raw materials. The course of prices and the costs and profits for denture-base material are examined in Chapter 8.

II. The raw materials for the production of denture-base material

121. These are either (*a*) partly processed material (dental granules), or (*b*) material which has been further processed and (usually) pigmented and is really Kallodent material sold in bulk and unbranded, needing only packaging before it is ready for sale. In pre-war years and until partway through the war, I.C.I.'s policy was to keep for themselves all materials for the production of the acrylic denture-base material which, as we have seen, they had been themselves developing. More recently, notwithstanding that, as they point out, it is obviously not in their interest actively to encourage the diversion of this trade to newcomers, I.C.I. have sought to distribute these materials rather more widely.

122. As early as 1937, the A.D. Co. approached I.C.I. with the request that I.C.I. should supply them with methyl methacrylate materials for use in the production of denture-base material. I.C.I. refused and maintained this attitude until halfway through 1942. Up to this time rubber was more widely used than acrylic material for the production of denture bases and the A.D.M.T. manufacturers were large producers of the rubber denture-base material.

123. In July, 1942, when it became obvious that rubber would shortly be no longer available for dental purposes, the Ministry of Supply asked I.C.I. to make acrylic raw materials available to two of the leading manufacturers of dental rubber. I.C.I. agreed, on the understanding that the materials should be used only for the production of denture-base materials, that no higher prices should be charged for the finished product than those current for I.C.I.'s product, and that the arrangements would be for the period of the war only. In 1943 supplies were made available to a third concern,† also at the request of the Ministry of Supply. The manufacturers supplied by I.C.I. were all members of the A.D.M.T. They developed their own brands of denture-base material and by 1948 I.C.I. were supplying a smaller share of the market for finished denture-base material than were the A.D. Co. One or two other manufacturers produced denture-base material from scrap Perspex. I.C.I. state that no request to supply materials was made to them by any manufacturer except the three put forward by the Ministry of Supply.

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* Cash and quantity discounts are normally allowed to purchasers of dental goods.

† I.C.I. also gave this concern a licence under a patent which has now expired. (See note against I.C.I.'s production of dental granules and note (‡), in Appendix 21.)

124. I.C.I. have deposited with us copies of agreements made with the manufacturers to whom they supplied materials. The agreements were made between 1944 and 1946 to run in each case until 30th June, 1950. The provisions of the three agreements are generally similar. They provide that the purchaser will take all requirements of the materials, whether for export or for the home market, from I.C.I., and will use them only to make dental goods, that where the product made from the materials is similar to I.C.I.'s product, the make-up, packing, discounts, etc., will be as nearly as possible the same as I.C.I.'s, and that the price for the finished products will be agreed, I.C.I.'s price being binding in the event of disagreement. The price is to be " such as will provide satisfactory profits to efficient manufacturers, wholesalers, and retailers, based on customary dental trade practice ". It will be noticed that these agreements differed from the original stipulations made by I.C.I. to the Ministry of Supply (para. 123) in that they were not limited to the perod of the war, that they permitted the production of other dental products besides denture-base material, and that the prices of the finished products were to be the same as, and not merely no higher than, I.C.I.'s prices. The result of this last condition was that there were agreed common prices for this single dental product.

125. It will be remembered that I.C.I. had become full members of the A.D.M.T. in February, 1942, i.e. a month or two before they were approached by the Ministry of Supply to agree to supply materials to other manufacturers. I.C.I. have always been at pains to make it clear to the A.D.M.T. that their membership was confined to the sale of packed dental goods sold under the trade names of Kallodent and Kallodentine, but the A.D.M.T.'s list of " essential dental goods " includes the general description " acrylic resins " and I.C.I., as is shown in the next two paragraphs, found it necessary to discuss beforehand with the A.D.M.T. any arrangements they made as to the sale to non-members of either acrylic raw materials (dental granules) or fully prepared denture-base material in bulk. I.C.I. point out that since members of the A.D.M.T. were responsible for the sales of their retail packed goods and sold them in competition with other brands also sold by the same members, it was clearly desirable to obtain their approval for the sale of unbranded material to non-members ; otherwise I.C.I. would be trying to sell through agents who had become antagonistic to them. (I.C.I. say in their evidence to us that the difference between obligations to individual dealers and to the A.D.M.T. as an organisation seems to have been confusing not only to the A.D.M.T. officials but also at times to some of I.C.I.'s own staff.) I.C.I. have stated that in fact they were receiving no inquiries or orders from non-members for dental granules or bulk denture-base materials, and that no sales were made before those described in para. 118.

126. At the end of 1946 I.C.I. warned the A.D.M.T. representatives that they were being pressed " at a very high level " to supply their raw materials in bulk to all manufacturers requiring them, and in February, 1947, they informed the A.D.M.T. that they had decided not to sell pigmented denture-base material in a form suitable for the manufacture of dentures (except as packed Kallodent through the A.D.M.T.), but that they must be free to supply unpigmented material (dental granules) should occasion demand it. In accordance with the agreements described in para. 124, it was necessary for any purchaser of dental granules to be asked to conform to similar agreements, but no such sales or arrangements were in fact made or requested.

127. As has been said in para. 118, I.C.I. asked the A.D.M.T. in May, 1948, for approval of their proposals for the sale of fully prepared (i.e., pigmented) denture-base material in bulk to non-A.D.M.T. firms. (This was a reversal

of the decision made in February, 1947, not to sell it except as Kallodent.) The matter was discussed at the Annual General Meeting of the A.D.M.T. in June and was referred to the Council who decided to take no action. According to I.C.I., no formal agreement was given to the step they proposed and none was required. At this meeting, however, manufacturer members who were parties to the agreements described in para. 124 raised the question of the price at which the materials should be sold. I.C.I. state that these agreements applied legally only to the sale of dental granules but that they felt that, in the spirit of the agreements, they would not be justified in selling pigmented denture-base material to other concerns on terms which were in effect more favourable than those on which they sold dental granules to the agreement manufacturers; accordingly the price charged for the pigmented material was fixed after discussion with these manufacturers.

128. In May, 1948, in addition to approaching the A.D.M.T. as described in the preceding paragraphs, I.C.I. began negotiations for terminating the agreements with manufacturers described in para. 124. Their object was both to put an end to the price ring and to make themselves free to sell pigmented denture-base material in bulk without having to consult any other concerns. They have informed us that the general views expressed in the House of Commons (see para. 118) formed part of the background against which the suggestion for terminating the agreements was considered. The agreements were all brought to an end on 1st October, 1948, which, as has been seen, was earlier than the date laid down in the agreements. I.C.I. have assured us that no discussions on the level of prices have taken place with other manufacturers since the termination of the agreements.

129. It has been alleged to us that when I.C.I. began supplying denture-base material in bulk to the D.T.F. member referred to in para. 118, this concern was informed orally that it would be expected to keep to I.C.I.'s retail prices for the branded goods. I.C.I. were asked about this and have assured us formally that "it would have been contrary to the policy of I.C.I. if any suggestion had been made to the . . . Company or any other bulk buyer that they were in any way bound to follow our prices and to the best of our information no such suggestion was ever made". The prices of three of the main brands (including I.C.I.'s and A.D. Co.'s) have remained the same since the termination of the agreements, but the price of another has been raised and the D.T.F. member, while charging the same as I.C.I. for a single pack, makes a reduction on the sale of two packs.

III. Acrylic teeth

130. So far we have been describing the distribution of acrylic material in its use for the production of the material which forms the dental plate. Acrylic material is also used to produce teeth, but this is a later development, the manufacture of acrylic teeth on a commercial scale having been a rapid development of the last few years. Exactly the same material is used for producing artificial eyes.

131. Acrylic teeth were first made in commercial quantities in the United Kingdom in 1944 and Appendix 19 shows that by 1949 more acrylic than porcelain teeth were being made. It has already been explained that, apart from the commercial production of teeth from acrylic materials, a material called dentine is marketed for use by the dentist in the production of teeth to the requirements of individual patients.

132. We have said earlier that I.C.I. are the sole United Kingdom suppliers of materials in bulk for the commercial manufacture of acrylic teeth and also that they do not themselves make teeth, although they do make a brand

of dentine. Their policy has been to sell their brand of dentine (Kallodentine) through the A.D.M.T. and to release the material in bulk as widely as possible; they have not required bulk purchasers of this material* to sign agreements of the kind described in para. 124. The A.D.M.T. on the other hand has tried to persuade I.C.I. to limit all supplies of acrylic materials for making teeth to members of the Association.

133. Our knowledge of the earliest developments in the manufacture of acrylic teeth is derived from I.C.I.'s records. I.C.I. were first approached to supply acrylic materials for the manufacture of teeth in 1942 by a plastics manufacturer; technical assistance was provided by I.C.I. but the manufacturer decided not to proceed. In October, 1943, I.C.I. supplied tooth-making material in bulk (then called Kallodentine) to two moulders of acrylic teeth who were marketing their products through the A.D.M.T.; and in March, 1944, I.C.I. began to put up this material in small bottles for use by dentists and dental laboratories who wished to manufacture teeth to suit the requirements of individual patients. Kallodentine packed in this way was marketed as a dentine brand through A.D.M.T. dealers only and was sold at fixed retail prices.

134. In June, 1944, I.C.I. received an inquiry for Kallodentine in bulk from a multi-practice dentist or dental company and "thought it right to inform its retail agents (i.e., the A.D.M.T.) of this inquiry", telling them that I.C.I. could not refuse to supply if the Ministry of Health (which was at that time controlling the release of these materials) granted the necessary release. The A.D.M.T. representative agreed that in such cases no one could interfere and during 1944 I.C.I. supplied small amounts of material to this multi-practice dentist as well as to a manufacturer member of the A.D.M.T. They also supplied a much larger amount to an engineering concern† which had started production of acrylic teeth in 1944 and manufactured for another concern which distributed the teeth through a sole agent who was a member of the A.D.M.T. In 1945 sales of the raw material for making acrylic teeth increased greatly and I.C.I. supplied, besides the multi-practice dentist and the non-member above referred to, two dental laboratories and two plastics firms.

135. The A.D.M.T. queried I.C.I.'s action in selling in bulk to one of the large dental laboratories, stating that it might be made the subject of an official complaint, and I.C.I. suggested that the matter should be discussed by the A.D.M.T.'s Acrylic Manufacturers' Committee. After discussion by this Committee the Secretary of the A.D.M.T. wrote to the acrylic manufacturer members of the A.D.M.T. on 1st September, 1945, in the following terms:—

> *"Re: Bulk sales of acrylic moulding powder*
>
> In order to promote efficient dentistry, it is the view of the Council that any new firms who take up the manufacture of Acrylic Teeth should have a substantial interest in their manufacture, and therefore it is recommended
>
> *THAT* where acrylic moulding powder is sold as bulk raw material, it should not be regarded as an essential dental product, and should, therefore, be free to be sold under each Manufacturer's conditions of sale to any firm of Plastic Moulders, but that where there are existing sales of this raw material, it is recommended that the unit should be increased.
>
> *Re: Acrylic dentine sold under a trade name*
>
> The Council consider, in accordance with the Rules, that when Acrylic Dentine is sold under a trade name sales should be made only through members of the Association."

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* i.e., end product (3) in Appendix 21.

† This is the manufacturer referred to in para. 93.

We have asked the A.D.M.T. for some explanation of this letter and generally to describe its policy in regard to raw materials for the production of acrylic teeth. We are told that the A.D.M.T. was "convinced from the first that it was not desirable in the interests of the dental trade or the profession that there should come into existence a multitude of persons making acrylic teeth on a small scale" and that it was hoped that, if the minimum quantity which I.C.I. were prepared to sell was increased, this would deter the "kitchen stove" manufacture of teeth.

136. I.C.I. inform us that the matter was again discussed by the Acrylic Manufacturers' Committee in October, 1945, and that they then informed the Committee that they did not propose to alter the minimum quantity of tooth-making material sold in bulk. They say, however, that following this meeting they notified the A.D.M.T. that Kallodentine sold to bulk manufacturers of acrylic teeth and acrylic eyes would in future be sold under the trade name of Kallodoc,* while retail packed acrylic dentine sold under the name Kallodentine would continue to be sold only through A.D.M.T. members. We have asked I.C.I. whether supplies of Kallodoc were in fact made available to non-members of the A.D.M.T. in 1946 and they have assured us that they were.

137. By 1946 the A.D.M.T. was beginning to receive a number of applications for membership from would-be producers of acrylic teeth and was refusing or postponing consideration of them all. In March, 1947, the A.D.M.T. suggested to I.C.I. that Kallodoc (which, since the 1945 discussions described in para. 135, I.C.I. had been selling freely to any concern wishing to manufacture acrylic teeth and prepared to take the minimum quantity) could properly be described as dental material and would, therefore, fall within the general rules of the A.D.M.T. limiting distribution to members. I.C.I. did not accept this view and the A.D.M.T. did not press the point. I.C.I. accordingly continued to sell Kallodoc to all comers.

Summary

138. The important points which emerge from this necessarily somewhat involved recital of somewhat involved events are the following:—

(i) I.C.I. produce the basic acrylic raw material, the processed raw materials, and also several of the finished products, but they have a monopoly only in the production of the basic material—methyl methacrylate. Until recently I.C.I. held a patent on their method of producing methyl methacrylate and bound manufacturers purchasing from them not to buy the material from anyone else, but the patent has expired and the agreements have been terminated.

(ii) I.C.I. at first refused to supply to any other manufacturer of denture-base material the acrylic raw materials of which they had a monopoly. They supplied these materials to other manufacturers only on pressure from the Ministry of Supply during 1942 and they then did so under agreements which enforced common end prices for denture-base material. On the other hand their policy has been to supply the material for the manufacture of acrylic teeth (which they do not make†) widely and freely, no agreements of the kind required for denture-base material being entered into.

(iii) On reference being made in the House of Commons to the monopoly in acrylic resins, I.C.I. at once opened negotiations for the termination of their agreements with other manufacturers of denture-base material, thus

* i.e. end product (3) in Appendix 21.

† They do, however, make their own brand of dentine (Kallodentine).

bringing the price agreement to an end and freeing themselves to supply bulk denture-base material to the laboratories and to members of the D.T.F.

(iv) I.C.I., who had developed their denture-base material with the assistance of the Minerva Dental Laboratories, felt obliged to join the A.D.M.T. and to submit to its rulings in order to get satisfactory distribution of their dental products. They have always insisted, however, that their membership is limited to their two branded products, Kallodent and Kallodentine, and have successfully resisted the A.D.M.T.'s efforts to bind them to it in the distribution of raw materials for the production of acrylic teeth.

(v) The A.D.M.T. was so powerful as to be able, not only to ensure that its members obtained a share in the distribution of Kallodent, but also to exclude from a share in its distribution the laboratories whose technical services had greatly assisted in the development of the product. Throughout, the A.D.M.T. applied its rules inflexibly. In particular we note its action in refusing an extension of I.C.I.'s special arrangements with the Minerva Dental Laboratories (para. 116), in discouraging I.C.I. from selling to dental laboratories even at retail prices (para. 114), and in refusing to allow I.C.I. to give an increased discount to hospitals at the height of the war—September, 1941.

(vi) I.C.I. have confined their sales of Kallodent and Kallodentine to A.D.M.T. members ; they have consistently refused requests to supply these branded articles to independent dealers, but since the middle of 1948 fully prepared but unbranded denture-base material identical with Kallodent has been supplied by them in bulk to independent dealers and to laboratories ; tooth-making material has been sold in bulk to all who were prepared to buy the minimum quantities ever since the material was marketed.

CHAPTER 7 : THE AMALGAMATED DENTAL COMPANY LIMITED'S GROUP

THE SITUATION IN TERMS OF THE ACT

139. The A.D. Co.'s United Kingdom subsidiary and associated companies engaged in the manufacture or distribution of dental goods are listed in Appendix 22. The three dealer subsidiaries, Midland Dental Manufacturing Co. Ltd., Western Dental Manufacturing Co. Ltd., and Elliott & Co. (Edinburgh) Ltd., and the Company's own retail branch, Claudius Ash Sons & Co. Ltd., are all four subsidiaries of the Company within the meaning of subsection (2) of Section 20 of the Act. The International Tooth Company Ltd., wholesalers of dental goods, are subsidiaries of the Company in the same sense, and so also are the two manufacturing subsidiaries, Amalgamated Dental Engineering Industries Ltd. and Amalgamated Dental Prosthetic Products Ltd., the whole of whose output of dental goods is distributed through the parent Company. The Company and these seven subsidiaries—referred to in this report as the A.D. Group—are, therefore, " inter-connected bodies corporate " for the purposes of Section 3 of the Act.

140. The A.D. Group supplies the home market in three ways :—

(i) By retail sales through its own depots of its own goods (i.e. those which it manufactures or for which it holds the sole agency).

(ii) By retail sales through its own depots of other goods.

(iii) By wholesale sales of its own goods through other dealers.

In 1948 sales of the Group's own goods in the United Kingdom (made in ways (i) and (iii) above), calculated at retail values, represented 35·7 per cent.* of total retail supplies. With possible minor exceptions, the retail prices of this 35·7 per cent. of total supplies would have been fixed by the Group. In 1948 sales of 30·3 per cent.† of total retail supplies were made (in ways (i) and (ii) above) from the Group's own depots; but since 10 per cent. of total retail supplies did not pass through dealers, the Group's share of dealers' trade was just over 33⅓ per cent. Total supplies made by the Group in 1948 (in ways (i), (ii) and (iii) above), calculated at retail values, represented 46½ per cent.‡ of total retail supplies, i.e. this proportion of total retail supplies was supplied to the home market by the Group at either the wholesale or the retail stage. We have no reason to believe that these proportions have substantially changed since 1948 and we conclude that the A.D. Group supplies more than one-third of all the goods within our reference and accordingly that the conditions to which the Act applies prevail in relation to the Group.

THE WORKING OF THE GROUP

141. In view of the importance of the A.D. Group as a part of the industry with which we are concerned, we should in any case have had to inquire into its workings, but as the conditions to which the Act applies prevail in relation to it, we have had to make the inquiry more searching than would otherwise have been necessary. The organisation and activities of the Group are very complex and we consider them under several heads. The D.M. Co. is another vertical concern of great importance in the industry and reference will be made to the position and financial results of that Company later in the report (Chapter 8).

142. The A.D. Group owns factories in Germany and Switzerland, trade distribution centres in Australia, France, Germany and the U.S.A., and retail establishments in France. The principal associate of the Group is the Dentists' Supply Co. of New York and the A.D. Co. and the Dentists' Supply Co. have a director on each other's boards. The A.D. Co. holds one-third of the share capital of the Dentists' Supply Co. and received £80,000 in 1948 from dollar dividends paid on this holding. The revenues received from overseas interests and associates are not included in the financial results discussed below, other than those mentioned in para. 148. The Dentists' Supply Co. owns the shares of Dentsply Ltd., a United Kingdom concern manufacturing porcelain teeth at Brighton. Two directors of the A.D. Co. are Chairman and Vice-Chairman respectively of Dentsply Ltd.

143. The Group's trading interests in the United Kingdom are divided into:—

(i) Manufacturing, carried on at several factories in London and the provinces. The Group manufactures all the main lines of dental goods, except porcelain pin teeth of the type produced by the Dentists' Supply Co. of New York and its subsidiaries, and acrylic teeth. It is the only producer of burs in the United Kingdom.

(ii) Trade distribution of the Group's own products and of sole-agency lines, which is conducted chiefly from offices and warehouses in London. The Group's extensive export trade and its wholesale distribution in the United Kingdom both to subsidiary and independent dealers are carried out by this section. The section distributes three-quarters of the total United Kingdom production of porcelain teeth.

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* See Appendix 5, Table II.
† See Appendix 5, Table I.
‡ See Appendix 5, Table IV.

(iii) Retailing throughout the United Kingdom. Claudius Ash Sons & Co. Ltd. have 11 depots, in London and in many other centres, while the three provincial retailing subsidiaries, with 7 depots in all, operate in more limited areas.

144. Before discussing the Group's activities and financial results in any detail, it will be as well to give a general outline of its price policy for its own products and for those for which it holds the sole agency. The Group's representatives take the view that any "substantial expansion of dental goods manufacturers' production with consequent lowering of costs" can only be made by an increase in the manufacturers' export trade. No substantial price reductions have been made following upon the great increase in the Group's home turnover which occurred last year owing to the National Health Service on the view, as the Group's representatives state, that at a time of rising manufacturing cost price stability is preferable to what might be only a temporary reduction. They claim that the Group's prices are more or less in line with those of its competitors and it is clear that the Group is by no means free from price competition. It has to watch closely the prices of its United Kingdom competitors on many lines and, since it generally aims at fixing a common price for home and overseas markets, the prices of foreign competitors also play a part in determining the price level for its products in the home market. Our attention has been drawn to the fact that even where the Group has a monopoly of production in this country, as with burs, it is subject to strong competition in the overseas markets.

145. Following its declared principle of avoiding violent fluctuations in retail price levels, whether up or down, the Group has in recent years often reduced wholesale or retail margins expressed as percentages of selling prices in order to offset increases in manufacturing costs. Since the war the Group has instituted stable cash margins for dealers on many of its lines. This has resulted in a drastic reduction in the dealers' percentage margins on several of the Group's lines and appears to have been followed in some cases by reductions in percentage margins made by other manufacturers on certain of their lines.

146. Other practical results of the Group's price-fixing policy are described in the following paragraphs, where we discuss the profits achieved in 1948. In brief, and taking together the profits on manufacturing and distribution, the Group made a moderate overall profit, high profits on porcelain teeth and some consumables (particularly acrylic denture-base materials and dentine), modest profits on burs, and losses or little profit on equipment. Much of the profit was earned by the trade distribution section on sole-agency goods, of which the most important were porcelain teeth.

The overall profit position

147. We have obtained figures for the year 1948 relating to the costs and profits of the various sections of the Group's business and to the cost of production of a number of products, together with details of the Group's turnover and overall profits on trading in 1948, 1947, and 1938. These overall results are shown in Appendix 23. 40 per cent. of the sales to which the 1948 results relate were export or re-export sales. The rates of net profit on home and export turnover were practically identical in 1948 and averaged 10·9 per cent. on sales, representing 14·1 per cent. on the employed capital of the Group according to our calculation, or 12·6 per cent. if the Group's alternative method of calculation* is accepted.

*See Appendices 23 and 29.

148. Appendix 24, which gives the annual profits of the A.D. Co. as a whole (including the income from overseas subsidiaries and associates) since 1924, shows that profits (as defined in the Appendix) rose from £357,000 in 1948 to £589,000 in 1949. Figures which we have obtained from the Group indicate that the United Kingdom enterprises fully participated in the great increase in home turnover in 1949 and also maintained their export turnover. It is probable, therefore, that the return on the capital employed in these enterprises was considerably higher in 1949 than in 1948.

The manufacturing section

149. As has been said, the Group is the only manufacturer of burs in this country. It is understood that the manufacture of burs in the United Kingdom was started by the Group as long ago as 1928 and that by 1938 a market had been built up in the face of competition from German manufacturers. Production facilities were greatly increased during the war, partly at Government request, and the Group now claims to be the largest manufacturer of burs in the world. 70 per cent. of its bur output was exported in 1948, some of it to the United States, and we are assured by the Ministry of Health that the Group's remaining production is adequate for the home market. In 1948 the Group's prices for burs appear to have been reasonable in relation to costs. The A.D. Co. has certain agreements restricting the supply of competing burs by other dealers which will be discussed in para. 162.

150. When the A.D. Co. was formed in 1924, the current Ash production of equipment in this country was closed down and an interest was acquired in Ritter-Biber A.G., a German firm of equipment manufacturers from whom goods such as dental units were imported. From 1935 onwards, however, manufacture was gradually resumed in this country and the Group now produces a full range of equipment. The Group has explained to us that the losses sustained on sales of equipment in 1948 were of a temporary nature and were incurred in pursuit of a deliberate policy of fixing the prices of its new lines of equipment from the start by reference to the cost at which they ought to be produced after the initial manufacturing difficulties had been overcome. Except in the case of the dental lathe, where the Group's retail price is substantially above those of other manufacturers, the Group's retail prices for equipment appear to be close to those of its competitors.

151. The Group is an old-established manufacturer of forceps and instruments. In the production of consumables, such as cements, fillings, and impression materials and waxes, it has the advantage of the research done both at its own establishments in the United Kingdom and in the De Trey factory in Switzerland. Sales of many lines of consumables appear to have been very profitable in 1948. The Group is the largest producer in this country of acrylic denture-base and dentine materials fully prepared for use by the dentist or laboratory (although not of acrylic dental materials as a whole), and its profits on these two products will be mentioned in Chapter 8.

The trade distribution section

152. This section is regarded as the nerve centre of the Group's business and performs all selling functions for the Group's own factories and for the concerns whose output it distributes on a sole-agency basis. The section is responsible for advertising, professional propaganda, market research at home and abroad, and technical research. The resulting expenses are spread fairly evenly over home and export sales and between sales of own goods and sole-agency goods. The net profits earned in the trade distribution section*

* Including profits of the wholesale subsidiary, International Tooth Co. Ltd.

on other manufacturers' goods, which were handled almost entirely on a sole-agency basis, represented just over half of the total net profits of the Group in 1948. The overall gross margin at the wholesale stage on sole agency business was 30 per cent. on sales, of which nearly 15 per cent. on sales represented net profit. This rate of net profit we consider high, but most of this profit was realised on the sale of teeth (much of the sole-agency business being done in porcelain teeth bought from the Dentists' Supply Co. of New York, and from that Company's United Kingdom subsidiary, Dentsply Ltd.) and the Group's policy in regard to porcelain teeth, and the profits made thereon, will be separately examined in paras. 155 to 161.

The retailing section

153. It is the aim of the retailing section to provide comprehensive ranges of all reputable goods at convenient centres throughout the country. The Group states that the retail service provided is inevitably expensive to maintain and that this expense is fully justified in the interests of national health. The Group considers that it is necessary to have full stocks immediately available locally. For all except one of the retail subsidiaries the expense ratio tends to be slightly above the average for Group A dealers shown in Appendix 8, which is also the average for the trade as a whole.

154. In 1948 slightly over one-third of total sales by the retail section were of goods acquired from other suppliers, but these were largely acrylic teeth which the Group's trade distribution section do not supply. The Group itself states that, while the retail section will always supply what the dentist requires, it naturally promotes the sales of lines supplied by the trade distribution section. It is clear, therefore, that the Group's hold over 30·3 per cent. of total retail trade (or 33⅓ per cent. of total trade through dealers) must ensure a constant outlet for its own goods and affect the outlet for goods competing directly with its own lines, that is, the outlet for most of the main types of goods.

Porcelain teeth

155. The A.D. Co. has always held a very powerful position in the United Kingdom and overseas markets for porcelain teeth, and the distribution of porcelain teeth at the wholesale and retail stages and for export accounts for nearly half the Group's total net profits. This position has been built up with the aid of the Dentists' Supply Co. of New York.

156. As was stated in Chapter 3, the Dentists' Supply Co. is said to have produced teeth of exceptional quality and to have placed all the European manufacturers under severe competitive pressure during the years prior to the formation of the A.D. Co. The distribution of their teeth in Europe and other territories was then handled by De Trey & Company, who in 1912 had acquired the one-third interest in the American company which is still held by the A.D. Co. In 1921 a spokesman of the Dentists' Supply Co. estimated that they probably made 75 per cent. of the teeth produced in America and they appear at that date to have had interests in teeth factories on the Continent of Europe, although their United Kingdom factory was not set up until 1935 (see para. 158). On the eve of the amalgamation of De Trey and Claudius Ash (1924) arrangements were made to adjust matters so that, as far as the A.D. Co. was concerned, the field should be left clear for the manufacture of teeth on the American system in the factories of the Dentists' Supply Co. and their subsidiaries, while distribution of these teeth in various parts of the world, including Europe and the United Kingdom, was to be undertaken by the A.D. Co. in continuance of the arrangements with De Trey.

The relevant agreement was similar in terms to the renewal agreement signed in April, 1938, which is referred to in para. 158. Under it the A.D. Co. agreed not to manufacture any soldered-pin teeth (that is to say teeth made on the American system); not to acquire any new factories for the manufacture of Ash teeth by the "poured" or English method; and not to wholesale any soldered-pin teeth other than those supplied under the sole agency. The A.D. Co. was, however, to be allowed to sell by retail any teeth demanded by its customers up to a limit of 5 per cent. of the sales of the sole-agency teeth. The Group has explained to us that by this arrangement it was able to supply teeth of the sort required by the profession and also to secure a large export trade. Further, the Group states, it would have been impossible for it to manufacture teeth on the American system for supply to the British market, in competition with the Dentists' Supply Co., without a high protective tariff: to have attempted such competition would have been merely to lose money.

157. The Dentists' Supply Co.'s control of some of the important Continental factories and the A.D. Co.'s control of the distribution of the teeth made in these factories enabled the two concerns to influence to some extent the export of teeth to the United Kingdom from the Continent. The teeth sold by the A.D. Co. in this country under the agency were drawn principally from the U.S.A. The representatives of the Group have informed us that normally the United Kingdom prices for the Dentists' Supply Co.'s teeth were lower than those ruling in the U.S.A., and the Continental price level appears to have been lower still. One of the Company's Continental officials wrote in 1928 that, just as it was impossible to get U.S.A. prices for teeth in the United Kingdom, so, on the Continent, owing to economic conditions, it was impossible to get United Kingdom prices. There seems to have been some import into the United Kingdom market of teeth supplied locally by the Dentists' Supply Co.'s factories in Europe at lower prices than those obtainable in this country for teeth of the same brand imported from America, and in 1925 efforts were made by the Company to prevent the Continental dealers exporting these teeth to the United Kingdom. In 1927 the A.D. Co. and the Dentists' Supply Co. acquired joint control of the German tooth manufacturing concern of Wienand Söhne. The representatives of the A.D. Group have stated that this step was taken in order to obtain entry into the Central European market. There was also a small export of Wienand teeth to the United Kingdom. The import of these teeth was handled by a concern outside the A.D. Group until the outbreak of war in 1939, since when imports from Germany have not in general been allowed.* It should be noted here that in 1947 the A.D. Group decided that in future it and its Continental subsidiaries would handle the whole distribution of Wienand teeth, and that for the present it would be contrary to the Group's interests to have these teeth sold west of the Rhine. The Group representatives state that their future policy in regard to imports into this country of teeth manufactured on the Continent will be decided in the light of the situation ruling when Governmental restrictions on such imports are finally removed.

158. It had been contemplated since the early 1920's that the Dentists' Supply Co. might set up a factory in England and in 1935, when exports of teeth to the United Kingdom had become difficult owing to currency changes and tariffs, they set up a manufacturing subsidiary, Dentsply Ltd. of Brighton. In April, 1938, the agreement between the Dentists' Supply Co. and the A.D. Co. was formally renewed. The main provisions were

* Restrictions on imports from Western Germany were, however, removed in September, 1950.

similar to those in the earlier agreement. On this occasion, however, it was agreed that the A.D. Co. and its subsidiaries would not engage in the manufacture of any teeth whatsoever (whether soldered-pin or not) other than the porcelain teeth then being manufactured by them on the English system. Further, the A.D. Co.'s voting rights in the Wienand manufacturing concern were made over to the Dentists' Supply Co. so that the latter acquired the right to exercise the joint control of that concern. The A.D. Co. and its subsidiaries were granted a sole agency in the same markets as before for the output of the Dentists' Supply Co. and its manufacturing subsidiaries in the United Kingdom, France, and Germany. The other restrictive terms of the agreement were also continued, namely, that the A.D. Co. should not wholesale any soldered-pin teeth other than those of the Dentists' Supply Co. and that, while its retail branches were to be free to supply all types of teeth on demand, retail sales of other manufacturers' teeth should not exceed 5 per cent. of the retail sales of the sole-agency teeth. This 5 per cent. limit on retail sales appears to have become a dead letter since the advent of acrylic teeth, which the Dentists' Supply Co. and their subsidiaries do not supply to the United Kingdom market. On the other hand, the restriction on manufacture by the A.D. Co. clearly applies to acrylic teeth; and the Group is understood to regard itself as debarred under the arrangement from wholesaling any teeth (acrylic or porcelain) other than its own porcelain teeth made on the English system or teeth supplied under the sole agency. As before, the agreement included a clause stipulating that wherever possible the sole agents should pay to the manufacturers prices yielding a specified rate of profit. This profit rate was, however, very loosely defined and the Group states that in practice the clause has been treated merely as a guiding principle and has never been strictly enforced. The agreement was valid for 10 years and when it expired in April, 1948, it was confirmed between the parties in writing that it should be regarded as continuing in operation for the time being.

159. There are no detailed statistics available to show the proportion of home market supplies of porcelain teeth which were made by the A.D. Group before the war. It is clear, however, that in 1935 (for which year the Census of Production statistics are available), although, as the Group has told us, it produced less than 3 million teeth* out of a total United Kingdom production of 12½ million, it was handling a very large proportion of the trade done in this country, whether for re-export or for supply to the home market. Out of nearly 33 million teeth imported the Group imported nearly 23 million. Over half of the Group's imports were re-exported, however, and it is not possible to estimate its proportion of supplies to the home market. Figures which we have obtained from the industry show that in 1948 the output of Dentsply Ltd., together with the far smaller output of the A.D. Co.'s own factory, amounted to 75 per cent. by value of total United Kingdom porcelain tooth production. About 70 per cent. by value of supplies of porcelain teeth to the home market was supplied by the Group at the wholesale stage; and its export and re-export trade in porcelain teeth was far larger than the export or re-export trade in porcelain (or, for that matter, acrylic) teeth done by any other United Kingdom concern.

160. We have obtained figures of turnover, costs and profits from Dentsply Ltd. and of the A.D. Group's profits on the distribution of porcelain teeth acquired from Dentsply Ltd. and from the parent Company in New York. In our opinion the profits made on manufacture by Dentsply Ltd. and on

* These would all have been teeth made in the A.D. Co.'s own factory; Dentsply Ltd. were not in operation at the beginning of 1935.

the distribution of Dentsply and Dentists' Supply Co. teeth by the A.D. Group in the home market are high.* They may be shown under four heads:—

(i) The results of Dentsply Ltd. were as follows:—

	1938	1947	1948	1949
Turnover (1938 = 100)	100	276	291	467
	per cent.	per cent.	per cent.	per cent.
Net profit on sales	29·4	25·9	29·1	32·4
Net profit on capital employed	90·0	49·7	54·5	86·3

Dentsply have pointed out that, as they are a wholly owned subsidiary of another company, they escape many charges which on a complete accounting would seriously increase their overheads. They also state that they obtain the results of the parent company's research, and that they receive from it supplies in bulk of raw material already processed, the production of which requires elaborate plant. It is said that, but for these factors, the capital employed in the business would be much more than it is at present, and hence the rate of profit expressed as a percentage of capital would be less than is shown above. We are not satisfied that any of these points has great weight, particularly as we have noted that Dentsply pay to the parent company a licence fee of 10 per cent. on sales for the benefit of information regarding research and development and new production techniques and machines; this fee has been allowed as a charge in calculating the profits shown above.

(ii) In 1948 the net profits taken by Dentsply Ltd. as manufacturers and by the A.D. Group on the distribution of Dentsply's output in the home market, were as follows:—

	Net profit per cent.
Dentsply Ltd.	29·1 on manufacturing turnover
A.D. Group wholesale distribution	18·6† on wholesale turnover
A.D. Group retail distribution	12·9† on retail turnover

It should be noted that in November, 1948, on the occasion of an increase in the price of Dentsply diatoric (back) teeth due to an increase in factory cost, the percentage level of wholesale and retail margins was also raised. This occurred at a time when a greatly increased demand for these teeth was being experienced.

(iii) In 1948 38½ per cent. of the price to the dentist of teeth manufactured by Dentsply Ltd. and sold in the home market represented net profit to the manufacturer, wholesaler and retailer. 29 per cent. represented distribution expenses and 32½ per cent. represented factory cost.

(iv) In 1948 the A.D. Group's net profit on teeth bought from the Dentists' Supply Co. of U.S.A. was 20·2 per cent.† at the wholesale stage and 14·7 per cent.† at the retail stage, both calculated on sales.

161. The manufacturers (Dentsply Ltd.) take less account of cost than of the price which the market will bear and keep no separate costing records for any class of teeth, although the prices of different classes vary widely. Competition is provided in the United Kingdom market both by home manufacturers of porcelain teeth and by imports of these teeth from Cyprus and

* The A.D. Co.'s own output of porcelain teeth is small in comparison and the profits obtained on the manufacture and distribution of their own teeth are not so high.

† After deducting distribution expenses as allocated by the Company.

elsewhere ; and the development of acrylic teeth has provided additional competition since the war. The distributors (A.D. Group) state that the retail prices fixed for the sole-agency teeth are at the general market level. A concern of the importance indicated in paragraph 159 must, however, itself play a large part in determining the general market level of porcelain teeth prices in this country, and this level, in its turn, must to some extent influence the price level of acrylic teeth.

Other restrictive agreements of the Company

162. The A.D. Co. has, or recently had, certain other restrictive agreements which must be mentioned. There are, first, the current agreements with the D.M. Co. and the S.S. White Company of Great Britain Ltd., which are reproduced in Appendix 26. The general effect of these agreements is to oblige these Companies to confine their retail sales of burs to those of the A.D. Co. in exchange for the grant of quantity discounts on their purchases of these burs. The agreements do not, we are told, relate to carbide (semi-permanent) or diamond burs, but only to the normal type of steel bur as supplied by the A.D. Co. and, as will be seen from the agreements themselves, the Companies retain the right to supply competing burs in certain circumstances. The agreements do, however, represent an attempt to restrict two of the leading dealers' sales of competing burs. Until recently the A.D. Co. also had agreements with two concerns giving the A.D. Co. the sole right to use certain materials, in the manufacture of hypodermic needles in the one case, and in the manufacture of dental impression compounds in the other. Both agreements were terminated in 1948 at the request of the other party to the agreement and in one case the other party gave " recent legislation " as a specific reason for ending the arrangements.

General

163. Our conclusions on the A.D. Group in relation to the public interest are set out in Chapter 11. Meanwhile, we wish to say that we have been much impressed by the obvious determination of the Group's management to provide the best service to the dental profession and by the great pride which they take in the quality of the Group's products.

PART III

The Public Interest

CHAPTER 8: PRICES, COSTS AND PROFITS

164. In the last chapter we discussed the price, turnover, and profit position of the A.D. Group as suppliers of dental goods in general and of the biggest lines of porcelain teeth in particular. We shall deal in this chapter first with manufacturers' prices for, and profits on, acrylic teeth, and with the profit and turnover position of the second largest manufacturer, the D.M. Co., which is now the largest manufacturer of acrylic teeth. Next we shall discuss manufacturers' prices for, and profits on, acrylic dental products other than teeth, i.e., the acrylic materials supplied by I.C.I. to dental goods manufacturers for further processing, and the fully prepared acrylic denture-base and dentine materials which are supplied both by I.C.I. and the dental goods manufacturers for use by dentists and laboratories. Porcelain and acrylic teeth and fully prepared acrylic denture-base and dentine materials account for about one-third by value of total retail sales of dental goods. We have not thought it necessary to make a general investigation of manufacturers' prices and profits in respect of other classes of dental goods, but having regard to the overall profit position of the two main concerns we think it unlikely that manufacturers' profits on any other classes are in general unreasonably high. Finally, we shall discuss the costs of retail distribution in the industry and the profits made thereon. As was mentioned in para. (iv) of the Introduction, most of the information obtained in regard to prices, costs, and profits, relates to 1948. The retail sales of the two largest retailers began to show the effect of the additional demand created by the National Health Service in September of that year. Appendix 29 gives our definitions of the accounting terms used in this chapter and elsewhere in the report.

Acrylic Teeth

165. In 1948 the value of manufacturers' sales of acrylic teeth was £470,000, representing 15 per cent. of manufacturers' total sales of dental goods, against a value of £340,000, or 11 per cent. of manufacturers' total sales, for porcelain teeth. The quantity of acrylic teeth produced was then less than that of porcelain teeth. Appendix 19 shows that, while the output of both kinds of teeth has increased since that year, the quantity of acrylic teeth produced is now greater than that of porcelain.

166. In Appendix 25 we give the retail price movements of some of the leading brands of acrylic teeth over recent years. These indicate that the prices of acrylic teeth, both front and back, have been greatly reduced in the last three years. Acrylic front teeth, having originally been dearer than the most expensive lines of porcelain front pin teeth, were much cheaper than these lines by January, 1950, while some lines of acrylic back teeth had come down to a level only just above that of porcelain diatoric (back) teeth.

167. The following table gives some information for 1948 about turnover increases and profits achieved by the three largest manufacturers of acrylic teeth:—

	Manufacturers		
	A	B	C
Turnover (1947 = 100)	427	137	430
	per cent.	per cent.	per cent.
Net profits on sales...	39	48†	14
,, ,, ,, capital employed*	116	95	57

* Based on our calculations—see Appendix 29. † The figure was the same in 1947.

The profits shown for manufacturers A and B are, in our opinion, high. Both manufacturers made substantial price reductions in 1949 but it appears to us, on the information available, that the effect of these reductions on profits has been offset by economies due to greatly increased turnovers and that rates of net profit not much different from those quoted above are still being made. Three points should be noted in considering the figures of manufacturers A and B:—

(i) These two manufacturers were the largest and accounted for about 70 per cent. by value of manufacturers' total sales of acrylic teeth in 1948.

(ii) Both confined their production to acrylic teeth and the great bulk of their output was sold in the home market.

(iii) Both distributed their goods through sole agents whose profits are not included above.

168. The margins obtained by the sole agents for manufacturers A and B in 1948 were respectively 5·0 per cent. and 13·75 per cent. gross, 3·7 per cent. and 5·4 per cent. net. In 1948 the gross margins allowed to retailers by these sole agents were 33⅓ per cent. on sales in lots of 100. In October, 1949, when the price charged to one of these agents by the manufacturer was reduced, the retail price of the teeth remained unchanged but the retailer's margin was increased to 43 per cent. on sales.

Acrylic dental products other than teeth*

169. It will be convenient to consider this subject under two heads: first, I.C.I.'s supplies of various types of acrylic dental material processed to various stages; and, second, supplies of acrylic products which are manufactured both by I.C.I. and the dental goods manufacturers, namely, fully prepared branded lines of denture-base material and dentine material for use by dentists and laboratories. I.C.I.'s trade in these fully prepared materials thus comes under review twice, first as part of their total business in dental acrylic products, and secondly as part of the total trade in fully prepared materials.

170. The following table shows the turnover and profit for I.C.I.'s supplies of dental acrylic products as a whole since 1941:

Year	*Turnover* (1941 = 100)	*Net profit as per cent. on sales*
1941	100	62·1
1942	123	51·3
1943	227	47·4
1944	273	32
1945	222	21
1946	374	29·7
1947	344	21·9
1948	457	26·4
1949	869	41·3

In the first two years the only product sold in any quantity was Kallodent. In 1943 Kallodentine was introduced and dental granules were sold to the dental goods manufacturers for making their own brands of denture-base material. Towards the end of that year I.C.I. began to supply tooth-moulding powder in bulk (later called Kallodoc) to commercial manufacturers of teeth and this section of the business increased steadily in relation to the whole. In 1949 the net profit on sales of Kallodoc powder provided over half the total net profit for that year.

* Reference to the chart, Appendix 21, may be helpful in the understanding of this section.

171. Certain points should be noted in connection with the 1949 profit figure in the table above. First, the net profit made on all dental acrylic products expressed as a percentage of the capital employed in the manufacture and supply of these goods was 68·2 per cent.* in 1949, as against 28·4 per cent. in 1948. Secondly, the great bulk of sales was made in the home market and the percentage of net profit on home sales was generally higher than that achieved on export sales. Thirdly, the net profit rate on Kallodoc powder was 54 per cent. on sales, both in the home and export markets, this being the highest rate of net profit earned by the Company on any class of acrylic dental product.

172. The percentage rates of net profit obtained by I.C.I. on sales of their other† methyl methacrylate products i.e. Perspex and Diakon (commercial moulding powder) are very small compared with those achieved on sales of tooth-moulding powder or, indeed, on sales of dental acrylic products as a whole. I.C.I. have stated that their policy in regard to Perspex is to avoid disturbing the market more than is absolutely necessary and that the present low price of Diakon is set by the competition of alternative materials and a desire to expand the market. In regard to their profits on dental acrylic products they have stated that there is still an element of risk in the business and they have also pointed out that the profits of the Plastics Division have to be considered as a whole. They have drawn our attention to the fact that the profits on dental acrylics rose steeply in 1949 because of an unexpected increase in the quantities required, particularly of Kallodoc powder. The Company reduced the prices of Kallodoc powder as from 1st January, 1950, and again as from 1st September, 1950, when there was also a reduction in the price of denture-base material sold in bulk. If these reductions had all been in effect throughout 1949 we estimate that (assuming no change in the volume of sales) the net profit on Kallodoc powder would have been reduced to about 34 per cent. on sales, and on all dental acrylic products to about 32 per cent. on sales; we consider that these rates of profit would still have been high.

173. In 1948 the estimated retail value of all brands of denture-base materials was £240,000 and in 1949 £390,000, or nearly 7 per cent. of the total value of retail sales of dental goods in that year. In Appendix 27 we show the course of I.C.I.'s prices for Kallodent until July, 1950. It will be seen that the prices have remained unchanged since 1944. The prices of the other main brands of denture-base material were the same as I.C.I.'s until October, 1948, in accordance with the agreements which are referred to in para. 124. After the termination of these agreements, the prices of Kallodent and of the A.D. Co.'s brand, which in 1948 and 1949 commanded the largest sale of all brands, remained unchanged. Another important manufacturer charged an increased price for what was claimed to be an improved product. As was noted in para. 129, the D.T.F. buyer of denture-base material in bulk makes a reduction in the price of two packs sold together. With exceptions in the case of one or two brands enjoying a very small sale, prices of other brands have remained in line with the two leading ones.

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* I.C.I. consider that "goodwill" should be treated as part of their capital. If this were done the rates of profit would be 61·1 per cent. and 25·7 per cent. respectively. In considering the figures of profit on capital employed it should be noted that the sales of these products form only a very small part of the turnover of I.C.I. Plastics Division and a minute part of the turnover of I.C.I. as a whole.

† As was explained in para. 105 only 3 per cent. to 5 per cent. of I.C.I.'s output of methyl methacrylate monomer is used in the manufacture of dental products.

174. The following table shows I.C.I.'s turnover and net profit (as a percentage on sales) on denture-base material since 1945.

Year	*Turnover* (1945 = 100)	*Net profit as per cent. on sales**
1945	100	20
1946	120	31·6
1947	89	17·1
1948	120	21·3
1949	178	34·9

For the same materials, the A.D. Co.'s net profit in 1948, as a percentage on sales,* was 23·3 per cent. The corresponding profits on sales of dentine materials in 1948 were: I.C.I. 31·8 per cent., A.D. Co. 39·4 per cent. (These sales were small in relation to sales of denture-base material). It should be remembered that I.C.I. are, first, producing the basic materials (dental granules) and, second, making fully prepared denture-base and dentine materials therefrom, and the profit figures quoted in this paragraph relate to both stages taken together. The A.D. Co., on the other hand, is carrying out the second stage only and the profits mentioned are for that alone. For both companies the profits are calculated on home and export sales; in no case were profits on export sales higher than those on home sales. The third largest manufacturer of denture-base materials obtained a substantially lower rate of profit in 1948 than either I.C.I. or the A.D. Co.

175. In our opinion the profits taken by the two largest producers of denture-base material and dentine in 1948, as shown in the preceding paragraph, were high and it will be seen that I.C.I's profits on denture-base materials in 1949 were higher than they were in 1948. The A.D. Co.'s profits on these materials in years other than 1948 have not been ascertained.

The D.M. Co.

176. As was explained in Chapters 2 and 3, this Company is an old-established manufacturer and retailer of most types of dental goods. Unlike the A.D. Group, it does practically no business as a sole agent. The development of the D.M. Co.'s turnover in 1938, 1947, and 1948, and of its net profits for those years expressed as percentages on turnover and on capital employed is shown in Part I of Appendix 23. The Company's results for 1949 have been materially affected by the acquisition of the Anglo-American Dental Corporation Ltd. in April, 1949 (the proportions of total supplies to the home market made by D.M. Co. taken together with Anglo-American in 1948 are given in Appendix 5). Anglo-American was the largest United Kingdom manufacturer of acrylic teeth in 1948 and the D.M. Co. now claims to be the largest manufacturer of acrylic teeth in the world. In Part II of Appendix 23 we give turnover and net profit figures for the Anglo-American and the D.M. Co. taken together for the years 1948 and 1949, and in Appendix 24 we give the D.M. Co.'s annual profits (defined as in the footnotes to the Appendix) from 1924 to 1949.

Dealers' margins

177. Different percentage margins are allowed to dealers on different classes of goods; the margins on equipment, for instance, are generally lower than those allowed on teeth. There are also, at present, considerable differences in the margins allowed by different manufacturers on similar

* At the wholesale stage.

goods; but before the war there was clearly more uniformity in this respect. The A.D.M.T. has stated that generally speaking "it appears that the level of trade discounts remained static from 1923 to 1939", and the evidence shows that with one or two exceptions no great change occurred in the first few years after 1939. Since 1946, however, the percentage margins allowed to dealers have been considerably reduced on some goods, particularly surgery and laboratory equipment, as retail prices have risen.

178. Appendix 8 shows that in 1948 the realised gross margins of the nine largest dealers varied between 27·7 per cent. and 30·3 per cent. on sales. The margins earned by the smaller dealers were more irregular but some of them obtained a bigger gross margin than the larger firms. The average realised gross margin for the A.D.M.T. membership as a whole is seen to have been 28·4 per cent. on sales.

179. The dealers' operating expenses and net profits for 1948 are given in Appendix 8. The net profit for the A.D.M.T. dealer members averaged 8·2 per cent. on sales. Individual rates of net profit varied from nil to 21 per cent. on sales. In considering these figures it should be borne in mind that a good dental dealer puts at the disposal of his customers considerable experience and technical knowledge. On the other hand, it is equally important not to overlook the general security which all A.D.M.T. dealers obtain by dealing almost exclusively in price-maintained goods, the variations in the service provided, and the extent to which the dealers are relieved of the need to advertise and demonstrate the goods which they sell and are guaranteed against stock risk. The A.D. Co., for instance, is prepared to adjust the retailer's stocks of its goods by exchange or credit for returns and thus, so far as lies in its power, "to relieve him of the hazard of immobilised capital and depreciation", as one of its representatives stated in evidence.

180. In 1949, the first full year of operation under the National Health Service, the industry's retail turnover rose by 60 per cent. In Appendix 9 we give a summary of such figures of dealers' trading results for 1949 as were available to us, together with the comparable figures for 1948. They relate to a sample which is small, both in number (11 dealers) and in weight (about 7½ per cent. of total retail turnover). Moreover, the turnover of the dealers in the sample rose by about 85 per cent., which is considerably above the increase for the trade as a whole. The individual returns which make up the sample do, however, reflect fairly consistently the three developments shown by the summary. The first of these developments is a reduction in the realised gross margin expressed as a percentage of sales, due partly perhaps to the increasing effect of the A.D. Co.'s cash margin arrangements and of corresponding reductions in the percentage margins allowed by other manufacturers. The second is a marked reduction in expense ratio (a feature to be expected with a rising turnover), and the third a substantial increase in the rate of net profit expressed as a percentage on sales.

Statement by the Ministry of Health

181. The Ministry of Health have informed us that they have made no inquiry into the costs of the manufacture and distribution of dental goods. They have estimated the cost of equipment and materials to the dentist in connection with the cost of the National Health Service, but they have not attempted to assess the reasonableness of the prices which determine this cost. They lay it down as a term of service under the N.H.S. that the dentist must use materials of first-class quality.

CHAPTER 9 : VIEWS OF USERS AND COMPLAINANTS

182. The users of dental goods are (*a*) individual dentists, (*b*) hospitals, local authorities and dental clinics, and (*c*) dental laboratories. There are no figures showing the relative importance of these classes of user but it seems to be generally agreed that the purchases of class (*b*) users would represent only a small proportion of the total. It has been estimated by the A.D.M.T. that at present 20 per cent. to 25 per cent. of all retail sales of teeth and consumables are made to the laboratories, who use them for servicing the dentists ; the laboratories' purchases of other dental goods would probably represent a much smaller proportion of total sales.

183. In order to obtain the views of the profession we sent questionnaires to the three Associations at that time representing the profession, and the representatives of the British Dental Association (with which the other two Associations amalgamated at the beginning of 1950) attended and gave oral evidence at our request. To obtain the views of class (*b*) and (*c*) users we sent out questionnaires widely to hospitals and local authorities, and we sought evidence from the Dental Laboratories Section of the Surgical Instrument Manufacturers' Association.

184. The method of purchase is very much the same for class (*a*) and (*c*) users, who buy all except negligible quantities of their professional requirements (including " common-user " goods) from the dental depots, and visit the depots more or less frequently according to their proximity, but place most of their orders through travellers on whom they rely to get information about new products. The hospitals and dental clinics clearly do not use the depot or generally the services of the dealer to anything like the extent to which they are used by the dentists and laboratories ; they make practically no purchases by going to the dental depot and buying over the counter and they give the great bulk of orders either to travellers or by writing direct to manufacturers or dealers.

185. The services provided by the depots are uniformly praised, and users generally feel that a specialised dental depot is needed for the distribution of dental goods and that there would be no advantage in any but the " common-user " goods being available through chemists. The representatives of the British Dental Association drew our special attention to the services provided by the dealer who is not also a manufacturer ; they distinguished between such dealers and those who were linked with the manufacturers and whom they tended to regard primarily as agents of the manufacturer. It appeared to be accepted that the manufacturer-dealer tended to push his own goods, although in general he was very ready to supply the goods of other manufacturers if they were asked for. We gathered that the dentists clearly feel that the type of depot not linked with the manufacturer is an asset and that it would be a great pity if this type were " squeezed out of existence ". Representatives agreed that in areas where there were no depots a sufficient service was maintained by post and telephone and through commercial travellers.

186. While the evidence of the laboratories generally supports what has been said in the previous paragraphs, it should be mentioned that several laboratories are also both producers of certain types of dental goods, including laboratory equipment, and dealers on their own account ; to the extent that they are dealers they clearly have no need of the services provided by the dental depots, but if they buy through members of the A.D.M.T. they must do so at retail prices paying a full margin to the dealer to cover the services which the depot provides.

187. The dentist attaches the greatest possible importance to quality and his purchases are made with quality rather than with price in view. The cost of materials is a relatively small part of the cost of the dentist's services and yet the quality of that service must depend to a considerable extent on the quality of materials and equipment which he uses. Moreover, the surgery equipment and many of the instruments which a dentist uses may last a lifetime. "To many of us," said a representative of the British Dental Association, "within reason, price has become a secondary matter to what we want and what is going to give us good service."

188. The general level of the quality of dental goods is praised and the various manufacturers' brands as a guarantee of quality are clearly valued. There is, however, a marked unanimity of opinion that there is a need for a bureau of standards where quality can be independently tested and certified.* We are informed that the possibility of agreeing on standards has been discussed between the A.D.M.T. and members of the profession in recent years. We note elsewhere that the A.D.M.T. representatives fear that if their Association is weakened the result may be a deterioration in the quality of the goods offered to the dentist. A bureau of standards of the kind described by the profession should minimise any such danger.

189. It was also emphasised to us that the dentist is conservative in his purchases, that he does not easily change over from equipment or materials which he has tested in use, and that he is an individualist about his requirements. We discussed with the representatives of the professional organisations their attitude to the standardisation of instruments, which we are told have sometimes to be made by manufacturers to the particular requirements of individuals. The representatives explained to us that dentists like to have a wide variety of instruments available to them and that the teaching schools have varying views on the most suitable range of instruments. Although this lack of uniformity in professional requirements increases the costs of manufacture, the dentists are willing to pay the resulting higher prices in order to get what they want.

190. The general impression of users appears to be that prices of goods of similar quality vary little as between members of the A.D.M.T. and even as between them and manufacturers who are not members, and competition is clearly understood as meaning primarily competition in the quality and variety of the goods and services provided rather than in price. The representatives particularly stressed the value they attach to competition—"anything which will encourage free competition between traders and will encourage small people to enter the business, we (the British Dental Association) would encourage". But there is a tendency to identify price-cutting with the sale of inferior goods. The representatives were inclined to agree, however, that the danger of that type of price-cutting which depends on offering inferior materials would be less now than it was years ago.

191. We have received no substantial complaint from users. A number of users commented in answering our questionnaire that prices, where a similar article could be obtained through non-dental channels, appeared to be relatively rather high. It appears to us from the evidence submitted by the A.D.M.T. that these comments, which necessarily apply only to a limited range of goods, were based on a comparison of articles which on account of quality differences or for other reasons were not strictly comparable.

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* We are informed that in the Bureau of Standards in the U.S.A. there is a section for dental goods.

192. One County Council has complained that it is treated as a retail purchaser when in most other trades it is allowed to buy either at manufacturers' prices or wholesalers' prices. Under the A.D.M.T. arrangements hospital and local authority buyers must pay full retail prices less 12½ per cent. special discount, and the evidence shows that purchases by some users in these classes are equal in value to those of several of the small dealers both within and without the A.D.M.T. In addition one of the large training schools has complained to us about the reduction in the maximum discounts to such institutions from 20 per cent. to 12½ per cent., which the A.D.M.T. put into effect in 1947 (see end of para. 67).

193. The complaints made against the A.D.M.T. by the members of the D.T.F., which was formed with the specific object of combating the activities of the A.D.M.T., have been referred to in their appropriate place in the other chapters of this report (see in particular Chapter 5, paras. 98 and 99, and Chapter 6, paras. 117, 118 and 129). In general, members of the D.T.F. are small concerns and their main complaint against the A.D.M.T. is the refusal by its manufacturer members to allow them trade terms; and in the case of some that they have also been refused membership. Most, though not all, would, we gather, have no objection to conforming to the price maintenance rules of the A.D.M.T. The fact that these, the main complainants, are mainly small concerns is no evidence that their complaint is a minor one; had they not been denied supplies on trade terms from most of the dental goods manufacturers, they might have grown into substantial businesses and some have managed to do so even in spite of obstacles.

194. We have received evidence opposing the rules and practices of the A.D.M.T. from the Minerva Dental Laboratories. They were acknowledged pioneers in the development of the technique of using acrylic materials for dentures. They have stated in evidence to us that the products which they make themselves and the technical advice which they put at the disposal of the profession are universally recognised to be of the highest quality* and that they have been approached to make an amalgamation with one of the large manufacturers who is a member of the A.D.M.T. They have, however, preferred to remain outside the A.D.M.T. since they dislike many of its rules: they say that they would have had to increase their prices to accommodate the larger discounts which they claim the dental dealers require and that they believe that their marketing programmes can be more efficiently organised to the benefit of the consumer if unfettered by the host of rules and regulations of the A.D.M.T. They say, moreover, that they are able to do a reasonable business with members of the A.D.M.T. since member dealers may obtain supplies from them if specifically permitted to do so by the Secretary. Their treatment by the A.D.M.T. in relation to the distribution of Kallodent is dealt with in Chapter 6, paras. 111 to 116.

195. Finally, we have received complaints from a manufacturing concern which is a member of the A.D.M.T. about the treatment which it has received from I.C.I. In the early years of the war this concern was producing denture base material from methyl methacrylate monomer which it derived from scrap perspex, and it claims that when supplies of scrap became scarce (owing to a Ministry of Supply instruction that scrap Perspex must be returned to I.C.I.), I.C.I. insisted as part of the arrangement by

* We have no reason to doubt their claim, particularly as in 1942 their Chairman was appointed consultant to I.C.I.

which they supplied the concern with alternative material that the concern must discontinue the production of monomer from scrap Perspex. I.C.I. have explained to us that they consider the use of monomer derived from scrap Perspex in the manufacture of dental products unsatisfactory and likely to damage the reputation of acrylic dental products generally—a view which is disputed by the complainant. This is a technical issue which we are not competent to decide, but we note that towards the end of the war the Ministry of Supply cancelled the instructions for the return of scrap Perspex, and that by 1948 15 per cent. of acrylic denture-base materials were being produced from this scrap.

CHAPTER 10 : THE CASE FOR THE EXISTING REGIME

196. The A.D.M.T. has stated, at some length, its case for maintaining that its practices are not against the public interest and has throughout maintained that the collective enforcement of resale price maintenance is the main aim of the Association. The salient points of its justification for the existence and continuance of an association with this aim are given in this chapter. The Association's explanation and justification of particular aspects of its policy, such as its membership policy, and of particular regulations such as those controlling " excessive services ", are given in other parts of the report.

197. The A.D.M.T.'s representatives point out that in the dental goods industry goods are almost invariably sold under a brand name or the name of the maker. In these circumstances, the A.D.M.T. claims, the manufacturer is entitled to maintain the resale prices of his goods. In justification of this claim it puts forward a number of arguments in defence of its practice of resale price maintenance, which it supports by references to the Report of the Greene Committee on Restraint of Trade (1931) and the Report of the Lloyd Jacob Committee on Resale Price Maintenance (1949). From these the main points of the A.D.M.T.'s arguments in favour of resale price maintenance may be summarised as follows:—

(*a*) In the absence of resale price maintenance, competition among distributors of branded goods tends to result in prices being cut to a level so low that the trade becomes unremunerative and traders cease to stock the goods. This is harmful not only to the distributors but also to the manufacturers and the public.

(*b*) Admittedly, resale price maintenance raises distributors' margins to some extent. That is its purpose. Manufacturer members, however, would not tolerate unduly high margins.

(*c*) It is reasonable that manufacturers should be permitted to prevent the price of branded goods being reduced below the level set by reasonable competition.

(*d*) It may be an incidental disadvantage that low-cost dealers are thereby prevented from passing on to their customers the benefit of any economies they may achieve, but " passing on economies " means price-cutting.

(*e*) There is no evidence that resale price maintenance impedes the introduction of improved methods of distributing dental goods.

(*f*) If resale price maintenance is a good thing, it is unreasonable to say that its application should be left to individual manufacturers. Individual systems are difficult and expensive to operate ; collective systems are simpler, cheaper and more effective.

(*g*) Price maintenance was adopted in many trades as a result of grave and real apprehension in the minds of distributors over a period of fifty years or more. This suggests the conclusion that something in economic conditions compelled people to come together.

(*h*) Resale price maintenance can be a defence against high prices in times of shortage as it is against price-cutting in times of slump.

(*i*) The maintenance of freedom of contract in commercial affairs is a matter of public interest, and no case has been made out for exceptional treatment of resale price maintenance.

198. The argument for the collective enforcement of resale price maintenance in the dental goods industry is based on the assumption that resale price maintenance is desirable and that "collective methods can achieve it while the efforts of individual manufacturers each striving unsuccessfully to protect their own prices cannot". The reasons given by the Association for the statement that individual manufacturers cannot without collective measures enforce their end prices are:—

(*a*) that there would have to be an individual contract between manufacturers and each of their distributors and that, owing to the nature of the dental trade, this contract would have to be very complicated and to include many of the existing rules of the Association;

(*b*) that it would be difficult to detect breaches of the contracts because goods are not sold over the counter to the public and it is doubtful whether the distributors would allow manufacturers (as distinct from the Secretary of the Association) to inspect their books;

(*c*) that manufacturers could not afford to enforce their contracts with distributors by refusing to supply, if the only result would be that the distributor would transfer his custom to another manufacturer; and

(*d*) that accordingly the manufacturer's only remedy under an individual contract is to obtain an injunction or interdict, which is a costly and slow procedure and which must also be wasteful, since in the case of a deliberate price-cutter several manufacturers would have each to take legal action against a single dealer.

199. The A.D.M.T. has explained to us that resale price maintenance can be collectively enforced by either the "black list" or the "white list" method, i.e., by manufacturers agreeing either to withhold supplies from certain named dealers or to supply certain named dealers only. The A.D.M.T. decided to adopt the second method, based on the agreement by manufacturer members to supply only through dealer members. The Association claims that this method has the advantages that the detection of breaches is made possible by inspection of books by impartial persons (such as the A.D.M.T.'s Secretary or accountants), that the penalty can be made to fit the circumstances of each case, so that many comparatively trivial breaches are effectively dealt with by a reprimand or a small fine, and that the number and kind of distributors can be controlled. The A.D.M.T. adds that the pressure of opinion within the Association is strong enough to ensure a certain standard of conduct on the part of its members, the standard exacted being accepted in exchange for the protection afforded by membership.

200. The other half of the exclusive dealing arrangement, i.e., the undertaking by dealer members to buy essential dental goods from manufacturer members only, was originally explained (see para. 43) as a simple *quid pro quo* for the manufacturers. The same explanation was offered by a representative of the Association in evidence before the Committee on

Resale Price Maintenance. Now, however, the A.D.M.T. has explained to us this part of the arrangement in the following terms:—

> "If a dealer undertakes by virtue of his membership of the Association to abide by the Association's Rules, he ought to be protected against unfair competition from persons who are not members of the Association whether they are manufacturers or not, and the rule requiring dealers not to buy goods from non-members is a necessary part of the price maintenance structure for the protection of the general body of dealers against such competition by a manufacturer who is not a member."

201. An Association based on exclusive dealing must possess the power to expel members and refuse applications for membership. The A.D.M.T. takes the view that it is not in the public interest that all applicants who seek admission should be automatically elected and it claims that the discretionary power of the Council has, in fact, always been exercised reasonably and with a full sense of responsibility, although it admits mistakes have been made.

202. According to the A.D.M.T.'s representatives, the A.D.M.T. was formed to combat the effect of fifty years of price competition between dealers which had gradually brought the industry to the brink of disaster. They claim that by 1923, price-cutting had become so flagrant that very few concerns would have been able to survive, had the A.D.M.T.'s system of collective resale price maintenance not been introduced. Should resale price maintenance become ineffective in the dental goods industry (and the A.D.M.T. for the reasons given is convinced that it would, if the powers of boycott should be disallowed), the A.D.M.T. maintains that there would be a rapid return to unrestricted price-cutting and the chaotic conditions which ruled when the Association was formed. That would mean, in its view, the survival of two classes only of dealers; the financially strong who would be able to go on cutting prices until their competitors were eliminated, and very small traders giving no service and having practically no overhead expenses. These small traders would deal only in pre-packed goods and therefore the distribution of all other dental goods would become concentrated in fewer and fewer hands. The A.D.M.T. thinks that in the end the manufacturers would either have to accept dictation from a small monopoly group of the first class of dealers or each manufacturer would have to set up his own distribution section. The waste involved in the latter course is, in the A.D.M.T.'s view, obvious.

203. In any event, whichever course of action prevailed, the A.D.M.T. asserts that there would be a general disorganisation of the whole manufacturing and distributing structure of the trade with a consequent failure to provide the quality of product and service which is desired by and at present afforded to the profession. The A.D.M.T. has laid emphasis, as have the dentists themselves, on the special and varied needs of the profession, which in turn necessitate a peculiarly specialised industry and distribution system. Dental goods, it is convinced, can be satisfactorily distributed only by technically qualified and experienced persons. The present distribution system which has evolved out of the long experience of those engaged in this trade is, in the opinion of the A.D.M.T. members, the most satisfactory system for this particular trade.

204. The A.D.M.T. stresses the fact that its arrangements do not include any system for the fixing of common prices by manufacturer members and that, although dealers are bound to observe the retail prices laid down by each manufacturer member for his goods, competition exists between the manufacturers, each of whom is free to fix his own prices and margins. As has been pointed out in para. 64, the maximum cash and quantity discounts laid down in the Regulations limit the manufacturer's discretion in settling these discounts for his products. The Association says that the control of

quantity rates and cash discounts has the object of ensuring that the concessions allowed should fairly represent the advantage gained from prompt payment and quantity sales, and that quantity discounts should not be used as a device to attract custom and encourage over-purchasing.

205. While the A.D.M.T. is confident that its past history and current activities amply justify its continued existence in its present form, it has offered to make certain changes in the Rules and Regulations. The A.D. Co. has also put forward certain suggestions as to the form which any dental trade association should take. Both sets of suggestions are summarised in Appendix 28.

206. The proposals made by the A.D.M.T. do not all tend towards the liberalisation of the Association's rules—they include, for example, the suggestion that in future members should be prohibited from selling to non-members who are known price-cutters, even at retail prices, except on a direct undertaking by the purchaser not to sell above or below the maintained price—but they include the offer to give up certain penalties and to institute some kind of appeal procedure for applicants for membership based on the publication of certain of the requirements for membership which are now purely matters for the discretion of the Council.

207. The A.D. Co. suggests that the rules and regulations of a dental trade association might well be strictly limited to what is necessary to maintain manufacturers' end prices; that the association should not have any rules which appear to interfere in any way in the fixing of end prices and trade discounts, that membership should be open automatically to all *bona fide* dealers; that the only penalties should be expulsion or suspension from the association and small fines; that the rules should not hinder or appear to hinder the acquisition as between dentists of secondhand equipment; and that, if a system of supplies in quantity for hospitals is capable of development without a substantial increase in administrative costs, no rule should be permitted which would prevent hospitals obtaining goods in quantity direct from manufacturers.

208. Some of these suggestions are in line with our own views, but they would leave the essential features of the system unchanged.

CHAPTER 11: CONCLUSIONS ON THE PUBLIC INTEREST IN RELATION TO THE CONDITIONS AND PRACTICES FOUND TO PREVAIL IN THE INDUSTRY

209. We now come to item 3 of our terms of reference, namely, our duty to report "whether the conditions in question or all or any of the things done as foresaid operate or may be expected to operate against the public interest". Under the terms of the Act we must have regard, amongst other things, to the matters set out in Section 14 of the Act. Before proceeding to this duty, we would emphasise that, whereas the conditions found to prevail are matters of fact, our conclusions on public interest must necessarily be matters of opinion. We are not asked to say whether the conditions have in the past operated against the public interest, but whether they do so now or are likely to do so in the future. We have felt that one of the most important guides in this task must be the use and effect of the industry's practices and policies in the past and we have, therefore, described these at length. We have to bear in mind, as regards the future, that the National Health Service has created a new situation and, as regards the past, that trading conditions have not been normal in the last few years.

210. Under the National Health Service the Government are now, in the last analysis, the purchasers of the large majority of dental goods, and this gives the industry an assured and greatly expanded home market. It is pointed out in Chapter 1, para. 6, that the total cost of dental materials and equipment in 1949 was approximately £5,700,000 or about 10 per cent. of the cost of the dental services. It follows that even a substantial reduction in the price of dental goods would have only a small effect on the total cost of the services.

211. We have been impressed by the high sense of responsibility which prevails throughout the industry for the provision of the best quality of goods and of service to the dentist, and by the general satisfaction with the existing situation expressed to us on behalf of the profession. It is clear that a British industry which can, if necessary, function independently of imports has been built up, and that it has coped remarkably well with the enormous expansion demanded by the National Health Service. Nevertheless, we consider that certain changes are desirable in the public interest.

212. We set out our conclusions under two heads:—

I. The position of the A.D. Group* as a concern supplying more than one-third of the goods.

II. The practices for which the A.D.M.T. is responsible.

I. The A.D. Group

213. We wish to make it clear at the outset that our investigation into the affairs of the A.D. Group has been carried out by us in accordance with our statutory duty to report upon it as satisfying the conditions of the Act (see Chapter 7, para. 141). The fact that an investigation has been carried out does not imply that the A.D. Group is a monopoly in the ordinary sense. Indeed, the Group supplies less than half the home market requirements.

214. The reputation of the Group's products is high and its organisation is clearly one which enables it to study and satisfy the needs of the profession. It has made great contributions to the export trade and substantial additions to this country's manufacturing resources in the dental goods field. These beneficial features are, no doubt, bound up in some measure with the large and complex organisation of the A.D. Co. and its subsidiaries at home and abroad. We have formed the opinion that the Group has used with moderation the great power which it has derived from its substantial hold on the market and the support afforded to it by the restrictive practices of the A.D.M.T. In the following paragraphs we examine certain aspects of the Group's policy in detail and draw attention to certain features which are not so clearly in the public interest.

215. We have noted some of the A.D. Co.'s restrictive agreements. Those restricting the use of raw materials in favour of the Company are no longer in force and we need only say of them that had they still been operative, whether in writing or otherwise, we should have had to examine their effects on the public interest. The agreements with the D.M. Co. and the S.S. White Company of Great Britain relating to the sale of burs have recently been entered into and are still operative. They include clauses which limit the extent to which these two concerns, who are among the largest dealers in the country, may stock burs not made by the A.D. Group, which, as we have pointed out elsewhere, is the only manufacturer of burs in this country (see

* See Chapter 7, para. 140.

Chapter 7, para. 149 and Appendix 26). The Group has urged, in justification of these agreements, that they have guaranteed long runs of manufacture, but the quantities of less than one million which appear to be envisaged in each of the agreements represent only a very small part of the Group's total annual output of burs and, in any case, the quantity rebates provided for in the agreements should go some way towards the encouragement of large purchases. The agreements do, however, tend to reinforce the Group's monopoly of burs in this country by hampering the sale of other burs by the depots of the D.M. Co. and S.S. White.* The Group has stated the general policy to which its retail subsidiaries conform in the matter of stocking competing products in the following terms:—

> "A.D. Company is only one of the many manufacturers of dental products and one of the many agents for products of foreign and home manufacturers. These are all competitive products and the retailer must stock all of them in such quantities as his judgment or estimate of consumer preference dictates."

This general policy appears to conflict with the policy reflected in the agreements with the D.M. Co. and S.S. White and, if the latter policy were also to be applied to the sale of competing burs in the Group's own retail subsidiaries, there would be restrictions on the sales of competing burs through the retail outlets for about half of the total retail trade in dental goods; and this, we believe, might well be contrary to the public interest.

216. We now turn to the A.D. Co.'s agreement with the Dentists' Supply Company of New York and to the general policy for the production and distribution of teeth which is connected with it. There are three aspects of these arrangements, relating to the supply of teeth in the United Kingdom, to which we must draw attention in considering the effect of the Group's policies on the public interest:—

(i) The concentration of all manufacture of teeth for wholesale distribution by the Group (other than poured porcelain teeth) in the hands of the Dentists' Supply Company and its subsidiaries, with the consequence that the A.D. Group is debarred from manufacturing in its own factories not only other kinds of porcelain teeth but also acrylic teeth. The Group's explanation of the origin of this arrangement is given at the end of para. 156. The Dentists' Supply Company has not yet evolved an acrylic tooth for supply to the United Kingdom market and, had this country been dependent on the A.D. Group for the supply of acrylic teeth over the last few years, an enormous demand from the profession would have remained completely unsatisfied. So long, however, as there is an adequate supply of good quality acrylic teeth from other manufacturers in this country, we do not think that much harm can result from the A.D. Group's dependence on the Dentists' Supply Company in this matter. The main requirement is, in our view, that the Ministry of Health, as the Government Department concerned with the supply of dental goods in this country, should be aware of this self-imposed restriction on the manufacture of porcelain and acrylic teeth by the A.D. Co.

(ii) The Group's past action in regard to the supply to the United Kingdom market of teeth manufactured on the Continent (see para. 157). The Group is in a position to exercise some influence on the import of teeth into this country from the Continent, but we do not wish to comment further on this, as this aspect of the Group's arrangements forms part of its general international trading policy, which is not covered by the terms of our reference.

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* We understand that burs comparable in price are already being imported from Sweden.

(iii) The price level which has been maintained in this country for porcelain teeth marketed by the Group on behalf of the Dentists' Supply Company and its subsidiaries. The A.D. Group is the sole agent for these teeth in this country and is, therefore, responsible for fixing the wholesale and retail prices. Further, the A.D. Co. has a one-third interest in the Dentists' Supply Company itself. It will be recalled that the output of Dentsply Ltd., the Dentists' Supply Company's subsidiary at Brighton, together with the far smaller output of poured porcelain teeth* from the Group's own factory, accounts for three-quarters of the total United Kingdom production of porcelain teeth. In our view the prices maintained in this country for Dentsply and Dentists' Supply Company teeth are too high, and we believe that a substantial reduction in the retail prices of these teeth is desirable in the public interest.

217. The representatives of the Group have argued that the trading profits of the Group must be looked at as a whole, and they have called our attention to the reasonable general level of profits achieved in 1948. For the reasons given in Chapter 7, para. 148, we think it probable that the level was higher in 1949. In any case, however, we do not consider that the high net profits made by the Group on its sales of the sole-agency teeth at the wholesale and retail stages in 1948 can be justified by reference to the overall position, particularly when regard is had to the additional profits accruing to the A.D. Co. through its interest in the manufacturing concern, and to the influence which the prices fixed by the Group must have on the general price level for porcelain teeth and indirectly for acrylic teeth. The A.D. Group allocates its distributing expenses amongst the various products which it sells. On the basis of this allocation its wholesale and retail net profits on teeth bought from Dentsply Ltd., Brighton, and from the Dentists' Supply Company, New York, for sale in the home market were as follows in 1948:—

	Per cent. on sales	
	Wholesale	*Retail*
A.D. Group's net profit on teeth bought from Dentsply Ltd., Brighton	18·6	12·9
A.D. Group's net profit on teeth bought from Dentists' Supply Company, New York ...	20·2	14·7

218. Turning to the manufacturing stage, we recall that the net profits taken by Dentsply Ltd., Brighton, on their sales to the Group were 29·1 per cent. on sales in 1948, representing 54·5 per cent. on capital employed, and, in 1949, 32·4 per cent. on sales, representing 86·3 per cent. on capital employed. These profits, we consider, are unnecessarily high. We note that A.D. Co.'s agreement with the manufacturers lays down the rate of profit to be aimed at for the manufacturers on the sale of teeth, but it also provides that, in fixing the manufacturers' prices, account is to be taken of the economic and political conditions of the countries covered by the agreement. We conclude that the reduction in Dentsply Ltd.'s factory prices, which we believe to be necessary, can be effected within the terms of the agreement.

219. Under Section 7 (2) of the Act we have considered what action should be taken in respect of the A.D. Group. We recommend that the Group itself should reduce the prices of the sole-agency porcelain teeth and should reconsider its arrangements for the distribution of burs in the light of this report.

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* See para. 159.

II. The practices of the A.D.M.T.

220. We have stated in earlier chapters that the A.D.M.T. is an association of manufacturers and dealers controlling nine-tenths of the retail supply of dental goods in this market, and that we consider that it restricts competition within the meaning of Section 3 of the Act. The chief practices which we have found to restrict competition and to be operated by the A.D.M.T. are the following:—

(i) agreement by dealer members to maintain manufacturers' end prices (Regulation 8);

(ii) agreement by manufacturer members to fix the resale prices of *all* dental goods (Regulation 2);

(iii) agreement by manufacturer members to sell dental goods only through dealer members (Regulation 66);

(iv) agreement by dealer members to buy essential dental goods (in fact practically all) from member manufacturers only (Regulation 68);

(v) agreement by both on penalties for breaking the agreement, the most important of which is the power to expel a member from the Association and to impose a collective boycott (Rule 11 and Regulation 67);

(vi) discouragement of all competition between dealers except in the quality of service;

(vii) limitation of membership in such a way as to make entry both into manufacturing and dealing difficult, and also so as to impose on the trade (both manufacturers and distributors) a particular specialised character;

(viii) the taking of power to impose penalties on members using "unfair means in competition or trading" (Rule 11 (2)), the decision as to what is unfair falling to be made in each case as it arises.

221. All these practices obtain their force and effectiveness through exclusive dealing and the collective boycott. By the first of these two general terms we mean the provisions contained in Regulations 66 (no member to supply dental goods to non-members except at retail prices) and 68 (no member to buy essential dental goods from non-members except under special permit from the Secretary), which are in effect a permanent boycott of non-members; and by the second, the potential boycott of members contained in Regulation 67 (no business to be done with members who have been expelled) and in the powers in Rule 11 to expel a member from the Association either permanently or temporarily (Rule 11 (1) (i) and (ii)), to place a member or non-member on the stop list (Rule 11 (1) (iii) and (5)-(12)) and to reduce a member's trade discount (Rule 11 (1) (v)).

222. The broad effect of these provisions is:—

(*a*) that dealers covering nine-tenths of the trade may not buy from any manufacturer who does not wish or is not allowed to join the A.D.M.T.;

(*b*) that manufacturers covering nearly nine-tenths of the whole trade may not sell to any dealer who does not wish or is not allowed to join the A.D.M.T.;

(*c*) that, if they break any of the A.D.M.T.'s rules, manufacturer or dealer members can be boycotted by an overwhelming majority of the trade;

(*d*) that a manufacturer or dealer cannot leave the A.D.M.T. through disagreement with its rules or method of government without losing most of his business and so risking his livelihood.

223. The Rules and Regulations cited in para. 221 may, in our opinion, be expected to operate against the public interest for the following main reasons:—

(i) To keep individuals out of the trade or to restrict them to a very small section of the trade because they do not wish or are not permitted to join the Association, and virtually to threaten to exclude members from nine-tenths of the trade if they leave the Association seem to us to be practices and powers involving an extreme interference with the freedom of the subject to carry on any lawful business.

(ii) To deprive a member of most of his business (or to threaten to do so) if he breaks a trade association rule or agreement seems to us to be an extra-legal penalty which would be out of proportion to the seriousness of the breach, even where the rule or agreement itself might be in the public interest; *a fortiori* it is contrary to the public interest where the rule or agreement broken is itself not in the public interest.

(iii) The risk to the public interest arising from the other rules and agreements is considerable when exclusive dealing and the collective boycott are employed to enforce them. When an association covering so large a proportion of the industry arms itself with these far-reaching powers, it becomes self-perpetuating because of the risk involved in leaving it, and there is no adequate safeguard to prevent it from restricting competition to an extreme degree, maintaining prices and margins at unnecessarily high levels, hampering the development of any progressive makers or traders outside the association and restraining and restricting innovations in methods of distribution by its members.

224. These undesirable results are possible. How far they have occurred or have been avoided we have endeavoured to establish. If we emphasise here that we have not found any very great abuse of the powers of the A.D.M.T., we must also emphasise that, in our opinion, this is a tribute to the moderation of the men who control it, rather than to the nature of its Rules and Regulations.

225. It has been seen in Chapter 5 that the A.D.M.T. claims the right by means of the grant or refusal of membership to screen entry into the industry. To achieve this the only powers needed (granted the fact that the Association's membership covers the bulk of this trade) are the power to grant or refuse membership, which rests in the Council, and the rule that business may not be conducted with non-members (except for sales at retail prices). We have no doubt that the A.D.M.T.'s hold on the industry is strong enough to make it very difficult indeed for those refused membership to obtain a foothold in the industry. We have particularly noted (see Chapter 6) that even so large a concern as I.C.I. found it necessary to enter the A.D.M.T. and to submit to its rulings in order to obtain distribution of its goods through the dental trade, and we have described there how the power of the Association was used to confine so far as possible the production and distribution of certain dental goods to its members.

226. We note that of the applicants for membership since 1935 (excluding as regards dealer applicants the war years when special considerations applied) nearly half of the manufacturer applicants and nearly two-thirds of the dealer applicants were refused (Chapter 5, paras. 88 and 91). The qualifications for membership, laid down in Rule 4, are not exhaustive since the Council has a final discretion, and in Chapter 5 we have examined the

A.D.M.T.'s policy and practice on this matter in relation both to individual cases and to the reasons for the rejection of applicants given to us by the A.D.M.T. in evidence. It is not easy to set out the policy clearly as there are inconsistencies in its application. Examples of the working of this part of the A.D.M.T.'s policy are given in the chapter referred to above. We note here only the following:—

As regards manufacturers that—

(*a*) until 1947 Ordinary manufacturer membership was reserved to manufacturers solely engaged in the production of dental goods, other manufacturers being obliged to accept Affiliated membership with no voting rights, or to appoint sole agents, unless (as in the case of I.C.I.) a special exception was made for them;

(*b*) even now concerns engaged "in a trade allied to the dental trade" are eligible only for Affiliated membership which carries certain disabilities, in particular that the concerns may not deal direct with the profession;

(*c*) the A.D.M.T. claims, and has exercised, the right to reject would-be manufacturer entrants on the ground of the alleged sufficiency of supplies;

(*d*) the A.D.M.T. claims the right to examine the products of would-be manufacturer entrants and to reject applicants on the grounds of the quality of their products (in fact, in the one case of rejection on the grounds of quality which has come to our notice, the quality check was not a scientific one and the manufacturer was not prevented from distributing the article in question through an existing member of the A.D.M.T. acting as a sole agent);

(*e*) no new manufacturer of acrylic teeth has been admitted to membership of the A.D.M.T., though some new manufacturers have been permitted to distribute through sole agents who are members.

As regards dealers that—

(*f*) only one concern wholly new to the trade has been admitted as a dealer member since 1935;

(*g*) membership has been refused to surgical instrument dealers and chemists on the grounds that they belong to another trade (notwithstanding that one at least of these of standing and repute at one time dealt in certain kinds of dental goods);

(*h*) the A.D.M.T. has claimed throughout the right to refuse applications from members of the dental profession, under which they include laboratories;

(*i*) the A.D.M.T. states that control of dealer membership could be used to prevent what it would consider to be an uneconomic increase in the number of dealers, although the control has not so far been used for this purpose.

227. The A.D.M.T. maintains that, while mistakes have been made in the handling of individual cases, its policy on admitting and rejecting applicants on the various grounds set out in Chapter 5 has been carried out in the interests of the applicants and has not been contrary to the public interest. We do not share this view. In our opinion the A.D.M.T.'s policy and practice in this respect cannot be expected to achieve (in the words of Section 14 of the Act) "the organisation of industry and trade in such

a way that their efficiency is progressively increased and new enterprise is encouraged ". The limitation of dealer membership to those dealing in dental goods alone discourages experiments in other methods of distribution. The discouragement offered to new manufacturers is liable to impede the introduction and promotion of new materials and equipment, an effect which is particularly undesirable in an industry serving the needs of public health.

228. We are not competent to judge whether the A.D.M.T.'s conception of the type of specialisation required for the manufacture of dental goods is likely to be the most efficient. Nor do we feel that it is necessary, or indeed possible, for us to pronounce on the question whether the type and standard of service given to the dentist is the best in the public interest, having regard both to the need for an economical use of the national resources and to the dentists' requirements. But we do not think that it is in the public interest that the pattern of the industry should be imposed, or that entry into this expanding industry, in a market assured and protected through the National Health Service, should be limited or controlled by members of a trade association.

229. The collective enforcement of resale price maintenance is achieved by the agreement of dealers to maintain end prices (para. 220 (i)), the agreement of manufacturers to sell only through dealer members (para. 220 (iii)), and by powers of boycott (para. 220 (v)). Our main objection to the collective enforcement of resale price maintenance lies in the fact that, in the view of the A.D.M.T., it can only be made effective if there is exclusive dealing and the power of boycott, to which we have already set out our objections. There are also other objections to the system operated by the A.D.M.T. In its simplest form resale price maintenance implies no more than the protection of the end prices of manufacturers' brands, and it is as such that it has primarily been justified to us by the A.D.M.T. But in this trade it has been developed into a complete system for the restriction of competition between dealer members of the A.D.M.T. and for the protection of their gross margins and net profits. It has also afforded a general protection for the level of manufacturers' prices. We illustrate these points under headings (*a*) to (*e*) below:—

(*a*) By a gradual process a point has now been reached at which any form of competition between dealers which could, by any stretch of the imagination, be regarded as a form of price cutting or as "excessive services", whether or not price cutting is its main effect, is prohibited. Dealers are controlled by rules laid down by the A.D.M.T. in the terms they may give for hire purchase and for the grant of credit to their customers, in the prices they may offer for secondhand goods and the prices at which they may resell them, in the giving of samples and in sales on approval, in charges for the loan and installation of equipment, and even in such small matters as the supply of prepaid business reply cards to customers. The result is that little initiative is left to the individual dealer. The A.D.M.T. decides what is and what is not "excessive" service, and (except in so far as those dealers who are also manufacturers can be regarded as taking part in the price competition which exists between manufacturers) dealers are restricted to competition in the quality of the permitted types of service.

(*b*) Though there is no agreement to maintain margins at any particular level, the A.D.M.T. does not dispute that it is its object to maintain existing margins and it informs us that dealers' gross margins remained at about the same level as a percentage of selling prices throughout the years 1923

to 1938. We are convinced from our examination of the history of the A.D.M.T. that the Council has brought influence to bear on new manufacturer members to keep dealers' margins at the levels " generally adopted in the trade ". Gross percentage margins, however, have been substantially reduced since the war and in 1948 they were considerably below those in 1938. As is shown in Appendix 8, the average net profit earned by dealers in 1948 was 8·2 per cent. on sales. It appears from the small sample of dealers' results which we have been able to obtain for 1949 that, owing to the very big increase in turnover in that year, the net profits of dealers increased substantially in relation to sales, although the gross margins were somewhat reduced (see Appendix 9). We are informed that the 1948 figures and, *a fortiori*, the 1949 figures of net profits were higher than those obtained in previous years because of the introduction of the National Health Service in July, 1948. We think that given a continuance of favourable trading conditions further reductions in gross margins ought to be made.

(*c*) It seems clear that in this industry the system of collectively enforced resale price maintenance has had the effect of buttressing the general level of prices ; manufacturers themselves claim that part of the value of resale price maintenance to them lies in the fact that, if dealers compete in price, the result very soon is a request for increased discounts (i.e., for a reduction in the manufacturer's price). Moreover, manufacturer members have a protected outlet through member dealers for their products. We refer in Chapter 8 to manufacturers' costs and profits. Manufacturers' profits on porcelain and acrylic teeth, and on acrylic denture-base materials and dentine, are in our view too high. Taken together, these products represent about one-third of the value of the total supply of dental goods. No doubt the profits made on these products are accounted for in part by the rapid increase in sales due to the National Health Service, and, in the case of acrylic products, by the fact that normality in trading conditions in these relatively new materials has not yet been reached. Where, however, there exist special circumstances which support the price level, it is all the more necessary in the public interest that added protection should not be given to this level by restrictive practices.

(*d*) The discounts to consumers which have been laid down by agreement through the A.D.M.T. were, in fact, gradually reduced over the years 1924 to 1939. Examples are the reduction in the maximum cash discounts which might be given to any customer, the reduction in the discounts which might be given to hospitals, and the denial of any special discount to non-voluntary hospitals from 1927 to 1947 (see Chapter 4, para. 66). The discounts for hospitals were raised again and were given to all hospitals in 1947.

(*e*) The A.D.M.T. has taken energetic action to discourage dentists' co-operatives, of which there are successful examples on the Continent (see Chapter 5, paras. 79 to 81) and its representatives have maintained strongly to us in oral evidence that it is contrary to the interests of the members to allow such co-operatives to develop. The general power to impose penalties on members for using unfair means in competition or trading (para. 220 (viii)) was used to support the action taken on this point.

230. We do not on balance see any objection in this particular trade to the individual manufacturer maintaining the end prices of his goods when he so chooses. But we do not think it is in the public interest that he should be forced to fix end prices in every case (see Chapter 4, para. 62) or be limited by agreement with other manufacturers and dealers in the maximum

discounts which he may allow to hospitals and other large buyers. It is contrary to the rules of the A.D.M.T. for hospitals to be supplied with goods at wholesale prices, however large their purchases and whether or not they are prepared to buy direct from manufacturers. Some years ago, I.C.I. made strong representations to be allowed to supply hospitals at larger discounts than were permitted by the A.D.M.T. and were refused; further the A.D. Co. has suggested to us that the A.D.M.T.'s rules could possibly be altered to permit of hospitals buying on trade terms (Appendix 28). A similar point arises in relation to dentists' co-operatives, which we mention in para. 229 above. We think that the A.D.M.T. should eliminate from its Rules, Regulations and policy any provisions which either prevent manufacturers from selling to users who are prepared to take delivery in relatively large quantities (such as hospitals or dentists' co-operatives) at the prices applicable to the dealers for such quantities, or prevent distributors, if they so wish, from making general price reductions to users by means of a dividend or other method which does not single out the goods of particular manufacturers.

231. The A.D.M.T., and so far as we know all its members, regard exclusive dealing and the collective boycott as essential to the maintenance of individual manufacturers' resale prices. It may be that some manufacturers would have difficulty in ensuring that the resale prices of their goods were maintained if it were not for these provisions, but we are not convinced that this would be so and, in any event, we do not think that this possibility can justify the continuance of the present system. The A.D.M.T.'s representatives are greatly influenced by the fear that, without collective enforcement, resale price maintenance would become ineffective over a large area and that there would be a rapid return to the conditions which ruled when the A.D.M.T. was formed in the early 1920's. We are not disposed to follow the representatives of the A.D.M.T. all the way in their interpretation of the past (see Chapter 3, para. 47) but, in any case, the conditions of to-day are entirely different. In particular, the National Health Service has greatly expanded the home market for dental goods and protects it in a special way against the ups and downs of trade. Whatever, therefore, may have been the situation when the A.D.M.T. was formed, we are convinced that the powerful sanctions built up by it during the 27 years of its life are not necessary to the health of the industry of to-day.

232. We have set out our views as to the extent to which the practices of the A.D.M.T. may be expected to operate against the public interest. We are not required by the Act to suggest remedies in our report but we are empowered to do so, if we think fit, after having considered (as we are enjoined to do) what these might be. The Act indicates that remedial action may come from the Government or the parties themselves and be taken under the special procedure laid down in the Act, or otherwise.

233. We recommend that the A.D.M.T. should review its Rules, Regulations and policy and revise them in the light of this report; and that its members should revise those prices and terms of sale which we have criticised. As regards action having statutory force, it seems to us better to remove a few vital features of the present system rather than to attempt to elaborate a code of prohibitions aimed directly at each and every practice which is not wholly desirable. Almost every practice which in our view operates or may be expected to operate against the public interest rests fundamentally for its enforcement on exclusive dealing and collective boycott. We recommend that these practices of exclusive dealing and collective boycott should be

prohibited. We recognise, however, that it must be for Parliament to consider, in the light of the findings made, for example, by the Lloyd Jacob Committee (which clearly indicate that similar practices are operative over a wide range of industry), whether legislation confined to this particular industry should or should not be enacted.

R. H. A. CARTER (*Chairman*)
C. N. GALLIE
FREDERICK GRANT (*Subject to the reservation below*)
JOAN ROBINSON
H. L. SAUNDERS
GORDON STOTT
JOSIAH WEDGWOOD (*Subject to the reservation below*)
R. E. YEABSLEY*

A. KILROY,
(*Secretary*)

3rd November, 1950

234. We sign this report subject to the following reservation as regards para. 233. We feel that it is our duty to express in explicit terms the views which we have formed concerning action having statutory force. The practices of exclusive dealing and collective boycott, which the Commission have found to exist in this industry, are not peculiar to this industry or exceptional in their character. It is common knowledge that similar practices are carried on, in one form or another, in other industries. The fact that this industry is the subject of our first report has no significance, and it is not a large industry. Further the Commission find that there has not been any very grave abuse of the A.D.M.T.'s powers. In these circumstances, although the Act makes provision for *ad hoc* legislation† against a single industry, we are of opinion that it would be wrong to enact *ad hoc* legislation against this industry; but we would not recommend its exemption from any general legislation which may be passed to deal with such practices as exclusive dealing and collective boycott.

FREDERICK GRANT
JOSIAH WEDGWOOD

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* Sir Richard Yeabsley left this country before the Report was completed. Some evidence was received after his departure and was communicated to him together with alterations to the provisional draft report proposed since he left. He has authorised the affixing of his signature to the Report in its final form.

† By Statutory Instrument approved by Resolution of each House of Parliament (see Section 10 of the Act).

APPENDIX 1

Referred to in para. (vi) of Introduction

Principal concerns and organisations from whom evidence was obtained

	Written	*Oral*
The Association of Dental Manufacturers and Traders of the United Kingdom	X	X
The Dental Traders Federation Ltd.	X	X
The Dental Laboratories Section of the Surgical Instrument Manufacturers' Association (Inc.)	X	
The Amalgamated Dental Co. Ltd.	X	X
Imperial Chemical Industries Ltd.	X	X
Minerva Dental Laboratories	X	
The Ministry of Health	X	X
The Ministry of Labour	X	
The Department of Scientific and Industrial Research ...	X	
The British Dental Association		X
The Incorporated Dental Society	X	
The Public Dental Service Association of Great Britain Ltd....	X	
The Trades Union Congress	X	
The Parliamentary Committee of the Co-operative Union Ltd.	X	
11 Hospitals	X	
21 Local Authorities	X	

We also obtained evidence or collected information or statistics from a large number of manufacturers, distributors and users.

APPENDIX 2

Referred to in paras. (x) of Introduction, 48 *et seq. and* 220–225

Private and Confidential.

The Association of Dental Manufacturers and Traders of the United Kingdom

RULES

CONTENTS

RULE ONE

NAME AND OFFICE

The name of the Association shall be "THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE UNITED KINGDOM" which expression shall here throughout these Rules be deemed to include Eire. The Office of the Association shall be at 14, Clifford Street, London, W.1, or such other place as may from time to time be appointed by the Council.

RULE TWO

DEFINITIONS AND INTERPRETATION

In these Rules and in any Regulations made pursuant thereto the following words and expressions shall have the meanings respectively assigned to them:—

"The Association" shall mean The Association of Dental Manufacturers and Traders of the United Kingdom.

"The Office" shall mean the Office for the time being of the Association.

"The Trade" shall mean the business of Dental Manufacturers and Traders.

"Members" shall mean a Member (of whatever section or class) of the Association.

"Dental Goods" shall mean dental instruments, materials, appliances and equipment of all kinds.

"Dealer Member" shall mean and include a Member in Class A and (in relation to his activities as a Dealer as defined in Rule Four) a Member in Class C.

"Manufacturer Member" shall mean and include a Member in Class B and (in relation to his activities as a Manufacturer as defined in Rule Four) a Member in Class C.

and save where the context otherwise requires the singular includes the plural and *vice versa* and the masculine includes the feminine and *vice versa*.

RULE THREE

Objects

The objects of the Association are:—

(*a*) To impose such restrictive conditions on the conduct of the Trade as may be deemed expedient by the Association.

(*b*) To provide through its Members, for the adequate supply of Dental Goods to ensure the proper maintenance of Dental Service.

(*c*) To consider all matters affecting the protection and general interests of Members and of the Trade generally, and to take such action as may be deemed advisable to safeguard and advance such interests.

(*d*) To encourage and maintain a high standard of conduct, to combat unfair practices, and to encourage efficiency among its Members.

(*e*) To assist in promoting the advancement of Dental Science.

(*f*) To assist any Member who may be engaged in enforcing any object or principle deemed by the Association to be for the benefit of the Trade.

(*g*) To resist any action or proposal deemed by the Association to be inimical to the best interests of the Trade.

(*h*) To establish a British and Foreign Information Bureau available to Ordinary Members upon payment of a fee to be prescribed by the Council for the purposes of:—

(i) Furnishing privately to Ordinary Members information of a like nature to that obtainable through ordinary inquiry offices;

(ii) Keeping a register of persons practising dentistry in the United Kingdom;

(iii) Keeping a register of Manufacturers of and/or Dealers in or agents for the sale of Dental Goods in the United Kingdom and other countries.

(*i*) To publish a Trade Journal and other literature.

(*j*) To organise and hold Manufacturers' and Dealers' Exhibtions, and disseminate propaganda in any form.

(*k*) to create and administer a Benevolent Fund.

(*l*) To hold, purchase, take upon lease, sell, exchange, mortgage or lease land.

(*m*) To borrow moneys, with or without security.

(*n*) To raise funds for hospitals and similar institutions.

(*o*) To provide pensions for or make grants to employees or ex-employees of the Association and their dependants.

(*p*) To organise or participate in Insurance Schemes for the benefit and convenience of Members or of employees of Members.

(*q*) To do all such things either alone or jointly with any other Association or body and to do either alone or jointly as aforesaid all such other things (including affiliation to any other Association) as the Association may deem incidental or conducive to the attainment of all or any of the above objects.

RULE FOUR

Membership

(1) There shall be two sections of membership:—

(*a*) Ordinary Members;

(*b*) Affiliated Members.

(2) Those eligible as Ordinary Members shall be persons, firms or corporations whose principal place of business or registered office (as the case may be) is in the United Kingdom and who engage in the supply or manufacture of Dental Goods.

(3) There shall be three classes of Ordinary Members, viz.:—

Class A: Dealers being those who carry on business as dealers in Dental Goods supplying direct to Retail Customers (but do not carry on business as manufacturers of Dental Goods) and who carry on a dental depot or office with a proper business address (being a building or part of a building used exclusively for or in connection with the business of a dental depot) Provided that the obligation to carry on a dental depot or office as aforesaid shall not apply in the case of any existing Dealer-Member at the date of adoption of these Rules elected under previous Rules although not carrying on such a depot or office.

CLASS B: MANUFACTURERS being those who carry on the business of the manufacture of Dental Goods (including for the purposes of these Rules those who are the sole agents for the entire output for the United Kingdom of Dental Goods manufactured (whether in or outside the United Kingdom) by their Principals under a written contract or contracts giving them an effective monopoly for a substantial period of the Dental Goods the subject thereof) or who deal in goods manufactured by other Members but put up under their own name, trade mark or other distinguishing mark, but do not in either case carry on business as dealers in Dental Goods (as above defined) except as regards the sale at full retail prices of the goods manufactured by them.

CLASS C: DEALER MANUFACTURERS being those who carry on business in such manner as to qualify them both for membership of Class A (save in regard to their not carrying on business as manufacturers) and of Class B (save in regard to their not carrying on business as dealers except as aforesaid).

(4) Notwithstanding anything hereinbefore contained an applicant for Ordinary Membership in Classes A or C though not carrying on business as a dealer shall be deemed to qualify for membership (in relation to his proposed activities as a dealer) if he satisfies the Council that he intends to open and carry on a properly equipped dental depot with a proper business address as aforesaid within one month of election as an Ordinary Member and is possessed of a trading capital of not less than £3,500 or, in the case of an applicant who is at the date of application for membership actively engaged in the Trade or has been previously so engaged for a period of not less than five years, of such lesser sum (not being less than £1,000) as the Council in its absolute discretion shall determine in each case.

(5) An Ordinary Member having been admitted as such in any of the above-named Classes may apply for transfer to and if qualified be admitted to membership of any other class, but no Ordinary Member shall engage in any branch of the trade other than that of the Class of which he is for the time being a Member.

(6) Those eligible as Affiliated Members shall be persons, firms or corporations who have their principal place of business or registered office (as the case may be) in the United Kingdom, and are engaged (otherwise than in the manufacture of or dealing in Dental Goods) in a trade allied to the Dental trade and who supply the Trade.

(7) No Co-operative Society, whether registered under any Act of Parliament or not, shall be eligible for membership.

(8) The election or transfer of any person, firm or corporation to any class of membership shall be in the discretion of the Council which shall be entitled to require from time to time any Ordinary Member to transfer from one class of membership to another if in the opinion of the Council the nature of the business carried on by such Ordinary Member renders such transfer desirable.

(9) Every applicant for membership shall sign an application for membership in the terms following:—

I/We .....

of .....

desire to become an Ordinary/Affiliated Member of the Association in Class ..... and request you to register my/our name in the Register of Members in that class subject to your Rules and Regulations (a copy of which I/we have seen) which form part of the contract of membership between me/us and the Association.

SIGNED .....

DATED this ..... day of ....., 19.....

Proposer .....

Seconder .....

(10) An applicant for membership in Class B on the ground that he is a sole agent shall on request produce to the Secretary evidence satisfactory to the Secretary of the contract of agency or alternatively a Statutory Declaration in a form satisfactory to the Secretary to the effect that he possesses an effective monopoly for a substantial term of years for the Dental Goods for which he claims to be the sole agent.

(11) No Member shall be entitled to any benefit of membership until such Member shall have paid his Entrance Fee and first Annual Subscription or such part thereof as is for the time being payable.

(12) Any change in the control or proprietorship of any Member's business and (in the case of a Company) in the Directorate of a Member shall be communicated by such Member to the Secretary as soon as possible and in any case not later than seven

days after such change. If the Council shall consider that such change is detrimental or likely to be detrimental to the interests of or is designed or likely to defeat the objects of the Association it shall by resolution terminate the membership of such Member.

(13) (*a*) If any Member shall be in control of or controlled by or otherwise in the opinion of the Council allied to a non-member person, firm or corporation directly or indirectly interested in the Trade such Member shall be responsible for the observance by such non-member of all Rules or Regulations of the Association for the time being in force in relation to all matters of trading concerning Dental Goods and any breach of such Rules or Regulations by such non-member shall be deemed to be a breach by such Member and entail upon such Member all the consequences of a breach by such Member.

(b) Without prejudice to the generality of the foregoing a Member (being a Company) shall be deemed to be allied to a non-member company if any Director of the Member shall also be a Director of the non-member.

RULE FIVE

Cessation of Membership

(1) Membership shall cease—

(*a*) If the Member being a corporation be wound up (except for the purposes of reconstruction) or dissolved ;

(*b*) If the Member being a person die or become of unsound mind ; Provided always that any person for the time being carrying on the business of such Member whether as personal representative, legatee, committee, receiver, trustee or purchaser (from any person acting in a representative capacity) shall, on making application for membership in the prescribed form be entitled if approved by the Council as a Member to become a Member in the Class of the Member who has died or become of unsound mind without payment of any entrance fee and shall thereupon become entitled to the benefit of any unexpired portion of any subscription paid by such last-named Member ;

(*c*) If the Member being a person or firm become bankrupt ;

(*d*) If the Member being a person or firm make an assignment or enter into an arrangement for the benefit of his creditors and the Council resolves that his membership be terminated ;

(*e*) If the Member resign. A Member may resign by giving one calendar month's notice in writing to the Secretary and the resignation shall take effect upon the expiration of such notice provided the Member shall have then paid any subscriptions due up to the time of such expiration ;

(*f*) If a Member having failed to pay his annual subscription or to make any other payment to the Association within one month after the same shall have become payable, the Council resolves that the membership of such Member be terminated ;

(*g*) If the Council shall resolve under any power in the Rules contained that the membership of a Member be terminated ;

(*h*) If the Council shall expel the Member under any power in the Rules contained ; Provided always that in such case membership shall not cease unless and until the period allowed by these Rules for appealing against the decision of the Council to a General Meeting shall have expired without notice of appeal having been given by the Member concerned or, notice of appeal having been given, the appeal shall have been abandoned or the decision of the Council confirmed by a General Meeting.

(2) No person, firm or corporation having ceased to be a Member shall have any interest in or claim upon the Association or its funds or any part thereof provided that if the Council in its absolute discretion so determine a payment may be made to any ex-member who has resigned or whose membership has been terminated by resolution of the Council (but not to an ex-member who has been expelled) of any portion of the funds to which such ex-member would or might have become entitled had he remained a Member. The amount of such payment (if any) shall be in the absolute discretion of the Council.

(3) An ex-member having resigned or had his membership terminated otherwise than by expulsion may be re-elected by the Council. An ex-member who has been expelled shall not be re-elected save by resolution of a General Meeting. Any ex-member re-elected shall pay an Entrance Fee unless payment of such fee is waived by the Council.

RULE SIX

Fees and Subscriptions

(1) The Entrance Fee shall be Five Guineas for each Ordinary and each Affiliated Member. Each Ordinary and each Affiliated Member shall also pay to the Association an annual subscription the amount of which shall be fixed by the Council prior to the election of such Member. The Council in fixing such subscription shall have regard to the capital and estimated turnover of the business and the general status of the proposed Member and may at any time and from time to time increase or reduce the amount of any such annual subscription having regard to the said considerations. Any such increase or decrease shall operate from the 1st day of May next following the decision of the Council; Provided that the minimum and maximum annual subscription shall be:—

	Min.	Max.
For Members in Class A or B	10 guineas	250 guineas
For Members in Class C	20 guineas	400 guineas
For Affiliated Members	6 guineas	50 guineas

(2) Any Member (whether Ordinary or Affiliated) may appeal to the Association in General Meeting against the decision of the Council fixing the amount of the Annual Subscription to be paid by him and against any decision of the Council to increase the amount of such Annual Subscription.

(3) All Annual Subscriptions shall be due in advance on the first day of June in each year but may at the choice of the Member concerned be paid in two equal parts on the first day of May and the first day of November.

(4) A Member may at any time increase his Annual Subscription.

(5) The Council may in its absolute discretion from time to time call upon the Members to pay such sum or sums as the Council may think fit in addition to their Annual Subscriptions provided that the calls in any one year shall not exceed in any case 50 per cent. of the current annual subscription of a Member. Every Member shall be liable to pay to the Association the call or calls so made upon such Member. The said call or calls may be made either for general or for specific purposes as the Council may think fit.

RULE SEVEN

Constitution of the Council

(1) For the general administration of the Association there shall be a Council which shall consist of nine persons elected by the Ordinary Members in manner hereinafter prescribed.

(2) To qualify a person for membership of the Council he must be either

(*a*) An Ordinary Member;

(*b*) A partner of a firm being an Ordinary Member;

(*c*) A director of a corporation being an Ordinary Member;

(*d*) A person holding a responsible administrative position in the business of an Ordinary Member and exclusively engaged therein;

and must be resident in the United Kingdom.

(3) Not more than one person engaged in the business of any one Member shall be elected to the Council save that there may be so elected two persons engaged in the business of a Member in Class C.

(4) A member of the Council shall cease to be such (otherwise than by retirement as hereinafter provided):—

(*a*) If at any time he cease to be qualified for membership of the Council;

(*b*) If he die or become of unsound mind or bankrupt;

(*c*) If he resign.

(5) All members of the Council shall retire annually at the date of Annual General Meeting and shall be eligible for re-election.

(6) Any member of the Council who does not desire to stand for re-election shall give three months' written notice to that effect to the Secretary; provided that where the election of the Council is by Ballot at the Annual General Meeting notice that any retiring member does not offer himself for re-election shall appear on the Agenda for that meeting.

(7) Three at least of the members of the Council shall be persons engaged in the business of Members in Classes B or C, and the remaining members of the Council shall consist of persons engaged in the business of Members in Classes A, B or C.

(8) In the event of only nine persons being nominated as hereinafter provided to fill the nine seats the nine candidates shall be deemed to be elected without a ballot being taken, provided three at least of such persons are persons engaged in the business of Members in Classes B or C.

(9) Subject to the provisions of Paragraph (7) hereof the election of all members of the Council shall be either by postal ballot of Ordinary Members or by ballot of Ordinary Members present (in person or by proxy) at the Annual General Meeting as the Council may from time to time decide. If the election is by postal ballot, all votes shall be returned within seven days from the date of despatch of ballot papers, which ballot papers shall be despatched fourteen days before the Annual General Meeting. Votes received after that date shall be null and void. If by ballot at the Annual General Meeting, the election shall be by the votes of the Ordinary Members present (in person or by proxy) and voting.

(10) When more persons than there are vacancies to be filled are nominated for election Ordinary Members shall whether on postal ballot or on ballot at the Annual or any other General Meeting record on each ballot paper a number of votes equal to the number of vacancies, no more no less. All ballot papers which do not record a number of votes equal to the number of vacancies shall be null and void. This paragraph shall apply in the case of casual vacancies as well as in the case of Annual elections.

(11) Every candidate for election as a member of the Council shall be nominated in writing by an Ordinary Member and in the case of an annual election the nomination signed by such Member shall be delivered to the Secretary not less than 24 hours before the date fixed for the election at an Annual General Meeting: Provided that if the Council shall have decided that the election shall be by postal ballot such nominations shall be delivered to the Secretary not less than one month before the date fixed for the Annual General Meeting.

(12) If at any election of an Annual General Meeting the voting results in less than three persons engaged in the business of Members in Class B or C being elected the election shall be valid as to the six persons engaged in the business of Members in Class A receiving the highest number of votes and as to the elected person or persons engaged in the business of Members in Classes B or C but invalid as to any others and the vacancy or vacancies among persons engaged in the business of Members in Classes B or C shall then be deemed to be casual and shall be filled as such.

(13) In the event of any casual vacancy occurring in the Council it shall be filled in the following manner:—

(*a*) All Ordinary Members shall be notified within fourteen days of the vacancy occurring, and nominations for the vacant seat shall be called for and shall be submitted in writing to the Secretary within seven days of such notification. Nominations received after such seven days shall be null and void.

(*b*) The election of a person to fill the vacancy shall be by postal ballot of Ordinary Members or by ballot of Ordinary Members present (in person or by proxy) and voting at a Special General Meeting (as the Council may from time to time decide). If by postal ballot, all votes shall be returned within seven days from the date of despatch of ballot papers and votes received after that date shall be null and void.

(*c*) The candidate elected to fill a casual vacancy shall hold office until the next Annual General Meeting, but shall be eligible for re-election.

(14) If as the result of any casual vacancy the number of such members of the Council as are persons engaged in the business of Members in Classes B or C shall be reduced below three only a person engaged in the business of a Member in Classes B or C shall be eligible for nomination for the vacancy.

(15) At each Annual General Meeting the Ordinary Members shall elect from among the members of the newly elected Council a President, Vice-President and Honorary Treasurer. Candidates for such offices shall be nominated by one Ordinary Member. The election (in the case of more than one nomination for any office) shall be by ballot of the Ordinary Members present (in person or by proxy).

(16) In the event of vacancies occurring in any of the offices of President, Vice-President or Honorary Treasurer between two Annual General Meetings, the Council shall elect persons to fill such vacancies from among their members and any person so elected shall hold office until the next Annual General Meeting.

(17) In the event of any equality of voting at any election whether annual or casual and whether of members of the Council or of officers the election as between the candidates receiving an equal number of votes shall be decided by lot.

(18) The President and Vice-President for the time being of the Association shall be respectively the Chairman and Vice-Chairman of the Council.

(19) The Council shall have power at any time to co-opt any person qualified to be a member of the Council to serve upon the Council for such time as the Council shall think fit, but in an advisory capacity only, and such person shall not vote at any meeting of the Council.

(20) The members of the Council may meet together for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit. Questions arising at any meeting of the Council shall be decided by a majority of votes of the members of the Council present and voting. In the case of an equality of votes the Chairman shall have a second or casting vote. A member of the Council may, and the Secretary on the requisition of a member of the Council shall at any time summon a meeting of the Council.

(21) The Council may appoint Committees consisting of any number of its members and may delegate thereto all or any of its powers under these Rules, and the acts and resolutions of the said Committees shall to the extent of such delegation be deemed to be those of the Council. The Council shall have power to instruct such Committees as to the manner of conducting their business, and demand from them such reports as the Council may require.

(22) For the purpose of any specific object the Council may also form any Special Committee (but not delegate any of its powers thereto) for such period and upon such terms as the Council may from time to time prescribe. The Council may appoint any accredited representatives of Members to serve on any such Special Committee, but at least one member of the Council and the Secretary of the Association shall be members of every such Special Committee so appointed.

(23) At all meetings of the Council the quorum shall be five.

(24) The proceedings of the Council shall not be invalidated by reason of any vacancy for the time being in the number of its members.

RULE EIGHT

Powers of Council

(1) The general management of the Association shall subject to these Rules be vested in the Council which shall have power, in addition to any specific power conferred expressly or by implication by these Rules, to do all such things as it may deem necessary or expedient to promote the objects of the Association.

(2) The Council shall be empowered to make Regulations governing the obligations of Members of the Association in their transactions with each other and with non-members but any Regulations so made and any addition thereto or amendment or rescission thereof shall be subject to the same procedure as is required by these Rules in connection with the amendments or rescission of these Rules and shall become operative only under like conditions. When operative such Regulations shall be deemed to have the same force as these Rules and any breach thereof shall be deemed to be a breach of these Rules and shall entail the like consequences.

(3) The Council may at any time and from time to time issue Instructions in regard to any matter not provided for or not fully provided for in these Rules or in any Regulations for the time being in force and any infringement of or failure to comply with any such Instruction shall be deemed to be a breach of these Rules and shall entail the like consequences. Provided always that any Instruction so issued shall be brought before the next succeeding Annual General Meeting for incorporation in the Rules with or without amendment and if not so incorporated the Instruction shall cease to be operative and shall not be reissued.

(4) Any such Instruction may govern (*inter alia*) the inauguration and administration of any quota system designed to provide for the equitable distribution amongst Dealer-Members of any Dental Goods or Class of Dental Goods.

(5) The Council, or any person who shall be authorised by it, shall have power to bring or defend, or cause to be brought or defended, any action, suit, prosecution or complaint in any Court in matters affecting the Association or its Members.

(6) The Council may pay such travelling or other expenses as may be incurred from time to time by members of the Council or any person co-opted thereon or any person appointed to serve on a Special Committee.

(7) All matters discussed or considered at Council Meetings or at Committee or Sub-Committee Meetings or at informal meetings or sections of the Trade shall be considered to be strictly private and confidential, and shall not be disclosed or communicated either verbally or in writing to anyone except by the President or Secretary of the Association, or when necessary privately and confidentially, by Members to their co-directors, partners, managers or secretaries.

(8) The Council, in all cases where these Rules are ambiguous, shall have power to interpret their meaning and such interpretation shall be binding on the Association and all the Members.

RULE NINE

Officers

(1) The Council shall appoint, with power to dismiss, a General Secretary to the Association (herein called "the Secretary"). His duties shall be:—

(a) To attend all General Meetings, Council and Committee Meetings of the Association, and to keep a record of the proceedings at each meeting. Such records shall be open at all times to any member of the Council, but not to Members of the Association except so far as such records relate to proceedings of General Meetings of the Association.

(*b*) To receive complaints from Members as to infringement of the Rules and to make such inquiries and investigations as may be necessary.

(*c*) To do all such other things in the interest of the Association as may from time to time be directed by the Council.

(*d*) To keep a Bureau of Information and to answer all enquiries made by Ordinary Members. For every such enquiry a Member shall pay to the Association a fee of 1s., or for a book of 25 enquiries the sum of One Pound (£1). Provided that no information of a private or confidential nature or with regard to credit which is supplied by the Association must be communicated either verbally or in writing to anyone except other Ordinary Members or to the staff of the enquiring Member.

(2) The Council shall have power to appoint any other Officer whose services are considered necessary for the due carrying out of the objects of the Association and to dismiss any Officer so appointed, and to engage and dismiss all necessary clerks and servants.

(3) The remuneration and other terms of employment of the Secretary and any such other Officer as aforesaid and of all clerks and other servants shall be fixed by the Council.

(4) The accounts of the Association shall be audited annually by a professional Auditor, who shall be elected at the Annual General Meeting.

RULE TEN

General Meetings

(1) There shall be an Annual General Meeting at such a place and on such a date as the previous Annual General Meeting may decide, or failing such decision, as may be decided by the Council. The Secretary shall give all Members one month's preliminary notice of the date and place of the Annual General Meeting, and within seven days from the date of this notice Members shall notify the Secretary in writing of any business they desire to appear on the Agenda. The Secretary shall issue the Notice and Agenda for the Annual General Meeting to all Members not less than seven days before the date fixed for such meeting.

(2) General Meetings, other than Annual General Meetings (herein called "Special General Meetings") shall be held at such time and place as the Council may from time to time direct.

(3) Emergency General Meetings may be called by the Council, the President or a majority of Ordinary Members.

(4) All Meetings (except Emergency Meetings) shall be called by seven days' notice, but Emergency Meetings may be called at twelve hours' notice if necessary by telegram.

(5) (*a*) The quorum for any General Meeting shall be twenty-five per cent. of the Ordinary Members for the time being (present in person or by representative, but not by proxy) save that in the case of a General Meeting called for the purpose of an appeal against a decision of the Council, the quorum shall be not less than 15 Ordinary Members present in person or by representative (but not by proxy) exclusive of members of the Council, and of the complaining Member (if any) and the Member complained of.

(*b*) If within half an hour after the time appointed for a General Meeting a quorum be not present the meeting if convened by a majority of Ordinary Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place and if at such adjourned meeting a quorum be not present those Members who are present shall be deemed to be a quorum.

(6) The President of the Association, or in his absence the Vice-President, shall take the chair at every General Meeting except as otherwise provided in these Rules. If neither are present within fifteen minutes after the time appointed for holding the meeting, the Ordinary Members shall choose one of their number to be Chairman.

(7) Only matters duly notified on the Agenda of an Annual General Meeting, Special General Meeting or Emergency General Meeting can be voted upon and decisions thereon shall become operative on receipt of written notification by post from the Secretary. Provided that matters brought forward under the heading of "Other Business" can be dealt with and voted upon, but before any decision can become operative it shall be submitted to all Ordinary Members for approval or otherwise, by postal ballot, or at a Special General Meeting specially convened.

(8) Resolutions shall, save as otherwise provided by these Rules be passed by a majority of the Ordinary Members present in person or by representative or by proxy and voting. In the case of an equality of voting the Chairman shall have a casting vote.

(9) (*a*) Every Ordinary Member shall be entitled at a General Meeting to one vote (except a Member in Class C who shall be entitled to two votes) which must be given by a Member in person or a Partner in or Manager of a firm or a Director or other officer duly authorised in writing of a company, or alternatively, by a duly authorised representative of the Member who shall vote under a Proxy in form herein or hereby authorised which shall be valid only if given to an Ordinary Member. Proxies must be properly stamped with a 1d. stamp and (save in the case of temporary Proxies) must be deposited with the Secretary not less than twenty-four hours before the Meeting.

If any person present and entitled to vote in person at a General Meeting shall for any reason desire to leave the Meeting before the termination thereof he shall be entitled to appoint any other person present and being or representing an Ordinary Member and entitled to vote at such Meeting to act as his temporary Proxy. Any such appointment must be made on a special form (to be obtained from the Secretary) which must be signed by the person making the appointment and lodged by him with the Secretary. Such Proxy shall be entitled during the absence of the person by whom he was appointed to exercise the latter's vote. Nothing hereinbefore contained shall be deemed however to authorise any person holding a Proxy to transfer it to any other person save to a person already named as an alternative in the Form of Proxy.

No voting by Proxy or (notwithstanding the provisions of paragraph 9 (*a*) and (*b*)) dual voting shall be allowed on appeals against decisions of the Council or in cases where a complaint has been referred by the Council to the Association in General Meeting for a decision.

FORM OF PROXY

To

THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE UNITED KINGDOM

I/We .....
of .....
an Ordinary Member of the above-named Association HEREBY APPOINT
(NAME) .....
of (FIRM) .....
or in his absence or unwillingness or inability to act
(NAME) .....
of (FIRM) .....
to be my/our General Proxy to vote at the General Meeting of the above-named Association to be held on the ..... day of ....., 19....., or at any adjournment thereof.

DATED this ..... day of ....., 19.....

..... 1d. Stamp ..... *Signature.*

..... *Position in Firm.*

Signature of Witness .....

Address .....

(b) Any two Partners in a Firm or any two of the higher officials in a Company or Firm duly authorised in writing to represent such Company or Firm shall have the right to participate in all debates or discussions, but only one vote shall be given by or on behalf of any Member except a Member in Class C who shall be entitled to two votes.

(10) Voting at all General Meetings shall be by a show of hands, but the Chairman or any one Ordinary Member shall have the right to demand a Ballot being taken and such request shall not be refused.

(11) Subject to Paragraph (12) hereof, Affiliated Members shall have the right to participate in all debates or discussions at any General Meeting, but shall not be entitled to vote thereat.

(12) Any three Ordinary Members attending any General Meeting shall have the right to object to Affiliated Members being present at any particular part of a General Meeting. Such objection shall be put to the meeting in the form of a Resolution requesting all Affiliated Members to withdraw.

(13) No Ordinary or Affiliated Member shall be eligible to attend or to give a valid Proxy for any General Meeting unless he has paid his Entrance Fee and Subscriptions for which any written demand has been made payable at the date of such Meeting.

(14) A General Meeting may decide to adjourn, but no business shall be transacted when such meeting is resumed other than the business left unfinished at the meeting from which the adjournment took place. Notice of the resumption of an adjourned meeting shall be given as in the case of an original meeting when the period of adjournment permits of the giving of such notice.

RULE ELEVEN

PENALTIES

(1) The Council may impose such one or more of the following penalties on any Member declared by the Council to have been guilty of a breach of the Rules, as in the opinion of the Council the nature of the breach requires, that is to say:—

(i) Expulsion from the Association.

(ii) Deprivation of a Member of his rights of membership for such period as the Council may think fit.

(iii) Publication of Member's name in the Stop List as hereinafter provided.

(iv) Payment of a fine not exceeding One Thousand Pounds.

(v) In the case of a Member enjoying a trade discount such reduction in the amount thereof for such period as the Council may determine.

(2) The Council shall also have power to impose any of the penalties mentioned in Paragraph (1) hereof on any Member who shall, in the judgment of the Council, use unfair means in competition or trading or otherwise in the conduct of his business or act in any way which conflicts with the objects or is detrimental to the interests of the Association or the Trade and may expel from the Association any Member if for any other reason it considers it undesirable that such Member should continue to be a Member.

(3) In cases where it is decided by the Council after complaint by a Member that an order has been diverted from him to another Member through the sale of Dental Goods by the other Member at a price below any retail price fixed by the Manufacturer or by such other Member making an excessive allowance on used goods or using unfair means in competition or trading, the Council may award the complaining Member a sum not exceeding the amount of profit the complaining Member would have secured from the transaction upon reasonable proof of the amount of such profit being submitted to it. Such sum shall be paid to the Council at the same time as any fine which may be imposed on the Member and such sum shall be forthwith handed over by the Council to the complaining Member. If the decision of the Council be reversed or varied on appeal as hereinafter provided, the Members, or either of them, shall comply with any directions given by the General Meeting on such appeal.

(4) A Member upon whom any penalty has been imposed by the Council or by the Association in General Meeting shall be notified by the Secretary in writing by registered post. All fines imposed on a Member shall be paid within 10 days of the date of such notification. The Council shall have power to publish in the Stop List the name of any Member who fails to pay the fine within such time, and at the expiration of 21 days from date of notification the Council may expel such Member if the fine remains unpaid.

(5) Stop Lists may from time to time be published by the Council for the purpose of imposing a penalty and for the purpose of protecting and maintaining the prices of Dental Goods and for securing and maintaining the interests of the Trade or the Association and for no other purposes whatsoever.

(6) Stop Lists shall be issued in the form following :—

"In pursuance of its policy of protecting and maintaining the fixed prices "and otherwise protecting the interests of the Dental Trade and of this "Association THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE "UNITED KINGDOM issues the subjoined Stop List under its Rules.

"Complete Current Stop List No. (all previous Lists "cancelled).

"Until further notice Members may not purchase directly or indirectly from "the persons firms or corporations whose names and addresses are set out below. "Neither must these persons firms or corporations be supplied directly or indirectly "except at full current retail prices with any articles on the Protected Lists of the "Association of Dental Manufacturers and Traders of the United Kingdom, save "and except in so far as the purchaser or suppliers may be under legal obligation "to fulfil any contract bona fide entered into with any of the said persons firms or "corporations and existing at the time of the first publication in a 'Stop' List "of the name of any such person firm or corporation".

Here follow the names and addresses of persons firms and corporations placed upon the Stop List.

(7) Notice of the placing of any person firm or corporation (in this Rule hereinafter referred to as "person") on the Stop List shall be given in writing to all Members in such manner as the Council may think fit. The Council may also give notice to such other persons as they may deem necessary.

(8) On proof to the satisfaction of the Council that any person has offered or advertised or sold any proprietary price maintained article at a price above or below the price fixed by the Manufacturer, or Dealer or the Council, or has been expelled or in any way penalised by the Association, the Council may place the name of such person on a list to be called the Stop List.

(9) No Member shall purchase any goods from any person whose name is on the Stop List, so long as the name of such person remains on the Stop List. No Member shall supply any goods, except at full current retail prices, to any person whose name appears on the Stop List. Provided that nothing in this Rule shall prevent the supply of Dental Goods, or any trade relations in regard to Dental Goods under any contract *bona fide* entered into by and binding upon the Member which he has no power to terminate if such contract is existing prior to the first publication of the name of such person on the Stop List.

(10) The Council may place on the Stop List any person, whether a Member or not, who shall supply price maintained articles to, or have any trade relations in regard to price maintained articles with any person whose name is on the Stop List.

(11) The Council may place on the Stop List any person whose business is to their satisfaction so identified with that of a person on the Stop List as to render it desirable so to do.

(12) Members shall insert the following clause in all contracts under which they supply any article in the protected lists:—

This Contract may be declared at an end by the said (Member's name) if at any time the name of the said shall appear on the "Stop" List of THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE UNITED KINGDOM, and on such declaration it shall be at an end accordingly, but without prejudice to claims already accrued.

(13) In any case in which the Council declines to adjudicate, Members may have imposed upon them by a vote of the Association in General Meeting any of the penalties which the Council may impose under this Rule.

(14) Any decision of the Association in General Meeting or of the Council regarding transactions or dealings with any Member who has broken any of the Rules or Regulations of the Association, or with any person, firm or corporation not subject to the Rules of the Association shall be binding on all Members of the Association.

RULE TWELVE

PROCEEDINGS AGAINST MEMBERS

(1) If any Member has reason to believe that any other Member has committed a breach of any of the Rules of the Association or has used unfair means in competition or trading or otherwise in the conduct of his business or has acted in any way which conflicts with the Objects or is detrimental to the interests of the Association or the Trade, he shall communicate in writing the circumstances of which he complains with such particulars as he is able to give to the Secretary, who shall make such enquiries or investigations as he may think fit, with or without the assistance of any accountant or other person whom he may deem necessary for that purpose. Every such communication (hereinafter referred to as "a complaint") shall be regarded as privileged. No communication of an anonymous nature shall be considered by the Secretary.

(2) If the Council has reason to believe that any Member has committed a breach or used unfair means or acted as aforesaid it may without receiving any complaint require the Secretary to make such enquiries or investigations as it or he may think fit with or without assistance as aforesaid.

(3) The Secretary in making such enquiries or investigations as aforesaid shall be entitled to require from any Member in respect of whom or whose conduct such enquiries or investigations are being made the production of any books, documents or papers of any kind whatsoever which he considers material and any failure or refusal on the part of such Member to produce any books, documents or papers so required shall be deemed to be a breach of these Rules. Provided always that if in furtherance of any such enquiry or investigation the Secretary shall have instructed an Accountant to whom such Member shall reasonably object such Member shall be entitled to refuse production as aforesaid to such Accountant and the Secretary shall then instruct another Accountant to whom production shall be given.

(4) The Secretary shall deem all information which he may obtain from any examination of the books, documents or papers of a Member complained of to be of an absolutely confidential character, and he shall not communicate such information to any person whatsoever, other than the Accountant or other person assisting him or to members of the Council at a meeting of the Council.

(5) No Member against whom a complaint has been made or from or through whom enquiries or investigations are made by the Secretary and/or Accountant shall at any time disclose to any person (save his personal representative or under strict secrecy to another Member) who was or is alleged to have been a party to the transaction in respect of which such complaint, enquiry or investigation is made, the fact of such complaint, enquiry or investigation, or shall inform any person of the name of the complainant.

(6) No other Member through whom the Secretary and/or Accountant has made enquiries or investigation shall disclose to the Member complained of or to any other person (save his personal representative or under strict secrecy to another Member) the fact that enquiries are being or have been made.

(7) In the case of enquiries or investigations made by the Secretary under Paragraphs (1) and (2) hereof, the Secretary shall report the result of such enquiries or investigations to the Council at its next meeting, or, if necessary, shall call a Special Meeting of the Council to consider such report. Every such report of enquiries or investigations made pursuant to Paragraph (1) hereof shall disclose the name of the Member who has complained and the name of the Member complained of. Provided that where the complaint is concerned with dealings with a customer prohibited by these Rules, the name of such customer shall not be mentioned or referred to in the report.

(8) If having considered such report as aforesaid the Council shall consider that it discloses a *prima facie* case for further investigation it shall unless it declines to adjudicate as hereinafter provided determine whether the Member who or whose conduct is the subject thereof has committed any breach or used unfair means or acted as aforesaid and if so what if any penalty should be imposed on such Member.

(9) The Council shall before proceeding to adjudicate upon any case referred to it cause to be served by registered post upon the Member charged a notice in writing in the terms following:—

"NOTICE IS HEREBY GIVEN that the Council of the Association of Dental "Manufacturers and Traders of the United Kingdom will on the day "of , 19 , at a.m./p.m. (place) "consider whether you have been guilty of the breach or breaches of the Rules "of the Association or other conduct as hereinafter mentioned and will further "consider in the event of their deciding that you have been so guilty of such "breach or breaches or conduct what penalty the nature of the breach or breaches "or conduct requires in accordance with Rule 11 of the Association's Rules.

"AND FURTHER TAKE NOTICE that the Council will at that time and place be "prepared to hear you and/or any representative on your behalf on any defence "or explanation you may wish to offer in opposition to the charge of such breach "or breaches or conduct.

"PARTICULARS OF ALLEGED BREACHES OR CONDUCT

"(Particulars)

" ."

(10) The Council shall not hear and determine such charge until the expiration of fourteen clear days from the sending of such notice.

(11) The Council shall be entitled to require any Member making a complaint against another Member to attend before the Council and/or to verify his complaint by a Statutory Declaration and to require any Member charged or any of his salesmen, travellers, servants or agents to appear before it for the purpose of examination and to produce any books, documents and papers required by the Council. A refusal by any such Member to appear as aforesaid or to require his salesman, traveller, servant or agent so to appear shall be deemed to be a breach of these Rules.

(12) If the Member whose conduct is under investigation is a Member of the Council or has any representative on the Council neither such Member nor his representative nor any other representative of his shall be present at any General Meeting or any meeting of the Council during the consideration of his conduct unless summoned to any such meeting for the purpose of giving any explanation or answering any complaint or allegation.

(13) All expenses incurred by the Council under this Rule shall, if the Council decides that the charge was justified, be paid by the Member charged, but otherwise by the Association unless the Council declares in the case of a Member making a complaint that the complaint was not justified, in which case the Member making the complaint may be required by the Council to pay all or some part of the said expenses. The amount of such expenses shall be determined by the Council whose decision thereon and as to the amount which any Member shall be required to pay pursuant to the terms of this paragraph shall be final save that if on appeal a General Meeting shall not confirm the decision of the Council in regard to the conduct of the Member charged such Member shall not be required to bear any portion of the said expenses.

(14) The Council may after consideration of the report of the Secretary as provided in Paragraph (8) hereof decline to adjudicate and refer the matter to a General Meeting for adjudication.

(15) In the event of any matter being so referred the Secretary shall before the General Meeting proceed to adjudicate upon any case, cause to be served by registered post upon the Member charged a notice in writing in the terms following:

"NOTICE IS HEREBY GIVEN that a General Meeting of the Association of "Dental Manufacturers and Traders of the United Kingdom will on the " day of , 19 , at a.m./p.m.
" (Place)
"consider whether you have been guilty of the breach or breaches of the "Rules or other conduct as hereinafter mentioned and will further consider in the "event of their deciding that you have been so guilty of such breach or breaches "or conduct what penalty the nature of the breach or breaches or conduct requires "in accordance with Rule 11 of the Association's Rules.

"AND FURTHER TAKE NOTICE that the General Meeting will at that time and "place be prepared to hear you and/or any representative on your behalf on any "defence or explanation you may wish to offer in opposition to the charge of "such breach or breaches or conduct.

"PARTICULARS OF ALLEGED BREACHES OR CONDUCT

"(Particulars)

" ."

(16) The General Meeting shall not hear and determine such charge until the expiration of fourteen clear days from the sending of such notice.

(17) In every case coming under Paragraphs (9) or (15) of this Rule in which a complaint has been made by a Member the Secretary shall if the Council so require cause to be served by registered post, not less than 14 clear days before the hearing upon the Member making the complaint an invitation to attend and/or to send a representative on his behalf. A copy of the notice sent to the Member charged shall accompany the invitation.

RULE THIRTEEN

APPEALS

(1) Subject to the provisions of this Rule, a Member shall have the right to appeal to a General Meeting of the Association against any decision of the Council under Rule 5 as to the amount of or any increase of the Annual Subscription payable by him; or of the Council under Rules 11 and 12 (other than under Paragraph (13) of Rule 12).

(2) Notice of appeal shall be sent to the Secretary in writing by registered post within twenty-one days from the date of notification to the Member concerned of the decision appealed against.

(3) Should a Member who has been fined wish to appeal he shall in addition to giving the Notice required under Paragraph (2) hereof deposit with the Secretary the amount of the fine so imposed (together with any expenses that the Member has been ordered to pay under Rule 12 (13)) within ten days of the notification to him of the imposition of the fine and any failure to make such deposit within such time shall deprive such Member of his right to appeal.

(4) As soon as is reasonably practicable and in any event within twenty-one days after receipt of a notice of appeal the Council shall cause a Special General Meeting to be summoned for the purpose of hearing the appeal.

(5) In the case of all appeals against a decision of the Council and in the case of all charges referred to a General Meeting by the Council under Rule 12 the Members present at such General Meeting shall elect from among their number a Chairman who shall not be or in any way directly interested in the result of the appeal or charge (as the case may be) or related to or connected with any party concerned in the appeal or charge as aforesaid.

(6) During the hearing of an appeal the Member charged, the complaining Member, if any, and the members of the Council who adjudicated on the matter, may be present for the purpose of giving evidence or asking questions, but shall not be entitled to vote or be present when the decision is being considered.

(7) In every case, whether by way of appeal under this Rule or by way of reference under Rule 12 hereof, the decision of the majority of the votes of the Members present and voting shall be final and conclusive. In the case of an appeal the General Meeting shall have power to reverse or to confirm the decision of the Council and in the latter event to confirm or vary the penalty which has been imposed and to increase or decrease the amount of any fine imposed.

(8) After a decision of the Council or after a reference under Rule 12 no attempt shall be made either by a Member appealing or intending to appeal or by a Member charged or by a complaining Member (if any) to canvass Members for votes on a hearing by a General Meeting or to influence any Member entitled to vote at a General Meeting to cast his vote in favour of or against any such Member otherwise than by open speech at any General Meeting at which an appeal or charge (as the case may be) is being heard.

RULE FOURTEEN

Property and Funds

(1) All real and personal property and funds of the Association shall be vested in the Council or in such Trustees or Trustee (if a Corporation sole) as the Council may from time to time appoint upon trust for the Association. The power of appointing new Trustees shall be vested in the Council which shall also be entitled by resolution to remove any Trustee for the time being.

(2) The property and funds of the Association shall be under the control of the Council, which shall have power to deal with them or invest or otherwise dispose of them as it thinks fit on behalf of the Association. It shall not be necessary in any case in which the Council so directs for the particulars of any specified payment either to or by the Association to be entered or minuted. A minute that a sum be paid to a party therein named shall be sufficient and conclusive evidence that any payment made pursuant thereto was properly made and applied within the objects of the Association.

(3) Unless and until the Council otherwise direct all cheques shall be signed by two members of the Council, and shall be countersigned by the Secretary or in his absence by such other person as the Council shall appoint.

(4) The funds of the Association shall not be applied in the furtherance of any political objects as defined in Section Three of the Trade Union Act, 1913.

RULE FIFTEEN

Amalgamation

The Association shall have power to amalgamate with any other Association, society or body, with or without any dissolution or division of the funds or other property of the Association provided that, on a ballot of Ordinary Members being taken, the votes of at least fifty per cent. of the Ordinary Members entitled to vote thereat are recorded, and of the votes recorded those in favour of the proposal number at least three-quarters of the votes recorded and shall have power to enter into any agreement or trust or do any other thing necessary for this purpose.

RULE SIXTEEN

Dissolution

(1) The Association shall not be dissolved except by resolution of three-fourths of the Ordinary Members present in person or by representative (but not by proxy) and voting at a General Meeting, specially convened for the purpose, of which fourteen days' notice in writing to every Ordinary Member shall be given. Such resolution shall authorise the execution of an instrument in writing which shall provide for all the conditions of dissolution.

(2) The property of the Association, real and personal, after discharging all the liabilities of the Association and the expenses of dissolution, shall be divided among all the persons, firms, partnerships, or companies who are Members at the date of the passing of the resolution for dissolution in proportion to the amount contributed in subscriptions, by each Member to the funds of the Association, less the amount of any fines which may have been imposed but not paid at the date of the passing of the resolution for dissolution.

RULE SEVENTEEN

Indemnity

Every member of the Council and every officer or servant of the Association shall be indemnified by the Association against all costs, expenses or other liabilities which any such member, officer or servant may incur or become liable for in any way in the *bona fide* execution of his duties, except the same shall be incurred or occasioned by his own wilful act or default; provided that this shall not give any such person the right to be indemnified by any other Member, but only out of the funds of the Association, and no such member, officer or servant shall be answerable for any act or default of any other of them or for joining in receipts for the sake of conformity, or for any loss or damage which may happen in the *bona fide* execution of his duty or in relation thereto, except the same shall happen by his own wilful act or default.

RULE EIGHTEEN

Notices

Save as otherwise provided any notice may be given to any Member either personally or by sending it by post to the Member at the address to be supplied by the Member to the Association for the purpose of giving notice (and failing the supply of such an address to the Member's last known place of business or in the case of a Corporation to its registered office). When sent by post service of the notice shall be deemed to be effected by properly addressing and posting the notice and the notice shall be deemed to have been served at the time at which it would be delivered in the ordinary course of post.

RULE NINETEEN

Alteration of Rules

(1) The Rules of the Association may be amended or rescinded or new Rules may be made:—

(*a*) by resolution of the Council subject as hereinafter provided;

(*b*) in General Meeting.

(2) In the event of resolution by the Council the proposed new Rule, amendment or rescission shall be communicated in writing to each Ordinary Member within seven days of its having been provisionally made. Unless one-quarter of the Ordinary Members object in writing to the Secretary within seven days after the terms of the proposed new Rule, amendment or rescission have been communicated as aforesaid the new Rule, amendment or rescission shall, upon the expiration of the said seven days become operative. If one-quarter or more of the Ordinary Members object in writing, the Secretary shall, on instructions from the Council, on the expiration of the said seven days either summon a Special General Meeting or bring the matter before the next Annual General Meeting at which the proposed new Rule, amendment or rescission shall be submitted for approval (either with or without amendment). If three-fourths of the Ordinary Members present in person or by representative (but not by proxy) and voting approve the new Rule, amendment or rescission it shall become operative.

(3) If one-quarter or more of the Ordinary Members shall notify the Secretary in writing that they desire the calling of a Special General Meeting for the purpose of making a new Rule or of amending or rescinding the Rules and shall at the same time submit in writing the new Rule, amendment or rescission the Secretary shall summon a Special General Meeting at such time and place as the Council may decide not being less than fourteen days after receipt of such notification save that if the Annual General Meeting is being held within one month from date of receipt of such notification the Council may direct that the matter be placed on the Agenda of the Annual General Meeting provided the date thereof is not less than sixteen days after any such direction. If the proposed new Rule amendment or rescission is approved by a majority of three-fourths of the Ordinary Members present in person or by representative (but not by proxy) and voting at such Special General Meeting or Annual General Meeting as the case may be such new Rule, amendment or rescission shall become operative as from the date of such approval.

(4) The Council may direct any proposal for the making of a new Rule, amendment or rescission to be placed on the Agenda for an Annual or Special General Meeting and if approved by a majority of three-fourths of the Ordinary Members present in person or by representative (but not by proxy) and voting at such General Meeting such new Rule, amendment or rescission shall become operative as from the date of such approval.

(5) The power hereby conferred to make a new Rule, shall be deemed to include the power to adopt new Rules in substitution for any existing Rules.

Private and Confidential

THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE UNITED KINGDOM

Regulations as to Trading

(Made pursuant to Rule 8 (2) of the Association's Rules)

INTERPRETATION

1. In these Regulations words and expressions shall have the same meanings as are assigned to such words and expressions by the Rules of the Association.

PRICES

2. Every Manufacturer Member shall fix the retail prices at which Dental Goods supplied or the sale of which is controlled by him are to be sold and unless and until he does so the Council shall be entitled to fix such prices but the exercise by the Council of such power shall not affect the liability of the Manufacturer Member concerned for the breach of the Rules occasioned by his failure to fix such prices.

3. When a Member buys Dental Goods manufactured by a Manufacturer Member he may, with the written consent of the Manufacturer Member, place or caused to be placed his own name, trade mark or other distinguishing mark on such goods. He shall then be considered the Manufacturer of such goods if sold under his name, trade mark or other distinguishing mark, and in such case he and the actual Manufacturer shall fix the retail prices by which he and all other Members dealing with or in such goods shall be governed.

4. Members responsible for the fixing of retail prices under Regulations 2 and 3 shall furnish to the Secretary and to all Dealer Members simultaneously their list price to retail purchasers and such list price shall contain particulars of any special retail discount which Dealer Members may give for quantities.

5. Members responsible for the fixing of retail prices under Regulations 2 and 3 when introducing a new line of Dental Goods changing the price of Dental Goods or withdrawing Dental Goods from lists and (whether so responsible or not) when offering job lines shall advise the Secretary and all Dealer Members simultaneously and price changes shall operate only from the date of notification thereof by the notifying Member.

6. No Member shall give or suffer to be given any advance information as to changes of prices of any Dental Goods.

7. When Dental Goods have been withdrawn from a Manufacturer Member's list, and a retail price as fixed by the Manufacturer Member no longer remains, three or more Dealer Members who are holding stocks of such Goods may make application to the Council for the fixing of a retail price, and a price may be fixed by the Council until such time as the stocks held by the trade generally have been exhausted or reduced to such a quantity as will not be likely to disturb the market.

8. When a retail price has been fixed for any Dental Goods no Member shall advertise, offer for sale or sell such Dental Goods to retail customers or to Affiliated Members otherwise than at the price so fixed; subject however to such discounts as may be permitted by and to the provisions of these Regulations. Provided always that any Member may sell spare parts on wholesale terms to any Member who *bona fide* carries out repairs for the Trade and provided further that save in any case where a Manufacturer Member has imposed such conditions with respect to the sale of his goods as may prevent the making of any such agreement, a Dealer Member may sell to another Dealer Member at such price as such two Dealer Members may mutually agree; but Affiliated Members shall not receive any discount from Ordinary or Affiliated Members beyond 2½ per cent. for cash off current retail prices (save as mentioned in the last preceding proviso relating to sale of spare parts).

9. Every Dealer Member shall immediately on receipt of any notification of change of price of Dental Goods communicate the same forthwith to all his sales staff and branches concerned with the sale of such goods.

10. Each Member shall keep a proper set of books of account which shall be accurately and punctually kept.

11. All Members shall in all quotations, invoices, credit notes and "appro" notes and other documents relating to transactions correctly describe the Dental Goods referred to therein in sufficient detail to identify such goods and the make thereof and shall keep and file a duplicate or carbon copy of all such quotations, invoices, documents, credit notes, "appro" notes and other documents.

12. A Manufacturer Member shall have the right to decline any order and also to fix the rate of trade discount which he allows, or wholesale price at which he sells, to any Dealer Member.

13. No Member shall offer job lines of makes of Dental Goods other than his own.

14. In quoting or tendering for Dental Goods to persons, firms, corporations or institutions Dealer Members shall insert the following condition:—

"The foregoing articles are quoted at to-day's prices and are subject to market "fluctuation. When a change in price occurs (either by way of increase or de-"crease) goods will not be supplied at the above prices but at the prices prevailing "at the time the order is executed, but (in the case of an order for Dental Goods "to be supplied over a stated period) this provision shall not apply if the whole "quantity required during the period is charged firm at the date the order is "accepted and payable on the next account. Quantity rates will not apply for lesser "quantities than those specified in this quotation".

Provided always that this paragraph shall not apply in the case of quotation or tenders to Government Departments.

DISCOUNTS

15. Members shall be entitled to allow to retail purchasers in respect of purchases of Dental Goods a cash discount of 2½ per cent. for prompt payment or on payment of monthly accounts by the 15th day of the month following the date of the invoice (which shall coincide with the date of despatch of the Dental Goods). Except:—

(i) On purchases of Dental Goods in respect of which a *net* retail price has been fixed, or

(ii) On purchases of precious metals or articles made wholly of precious metals (which shall be sold at *net* retail prices only and paid for by the 15th day of the month following date of invoice).

(iii) On transactions in connection with which a Special Discount is allowable under these Regulations.

16. Bills, promissory notes and post-dated cheques shall not be considered as cash payments entitling a Member to give a cash discount.

17. Members may give discounts on retail sales of quantities (herein referred to as "Quantity Rates") to the extent authorised by and subject to the conditions of these Regulations, save that quantity rates shall not be allowed to any Hospital, School, or other body to which a Special Discount is allowable under Regulation 28 or 29.

18. (a) The maximum quantity rate on all Pin Teeth and on all Anterior Acrylic Teeth shall not exceed that appertaining to Two Thousand Five Hundred (2,500) teeth and the highest discount allowable on such quantity shall not exceed seven and a half per cent. (7½ per cent.) off the price for one hundred (100) such teeth.

(b) The maximum quantity rate on all Diatoric Teeth and on all Posterior Acrylic Teeth shall not exceed that appertaining to Five Thousand (5,000) teeth and the highest discount allowable on such a quantity shall not exceed fifteen per cent. (15 per cent.) off the price for one hundred (100) such teeth.

(c) In the case of Combination Sets Pin Teeth and Anterior Acrylic Teeth form one class and Diatoric Teeth and Posterior Acrylic Teeth another class and each shall be subject to the quantity rates and discounts set out in Paragraphs (a) and (b) hereof.

19. In the case of the undermentioned Dental Goods the quantity rates shall be as follows, except where the purchase price is under £1 in value in respect of any one type of article, when the following quantity rates shall not apply, but only the retail unit price:—

Article.	*Quantity Rates*		
	5 per cent. on.	7½ per cent. on.	10 per cent. on.
Amalgams	5 ozs.	10 ozs.	20 ozs.
Burs	12 doz.	24 doz.	36 doz.
Cements (Unit packages of regular size, or their equivalent in powder or liquids)	3 pkgs.	6 pkgs.	12 pkgs.
Composition—Modelling ...	7 lbs.	14 lbs.	28 lbs.
Forceps	6 pairs	12 pairs	24 pairs
Impression Trays	3 doz.	6 doz.	12 doz.
Instruments—Long handled ...	1 doz.	3 doz.	6 doz.
Lathe Brushes	3 doz.	6 doz.	12 doz.
Rubbers—Dental	7 lbs.	14 lbs.	28 lbs.
Suctions—Discs	1 doz.	3 doz.	6 doz.
—Rubbers	1 gross	5 gross	10 gross
Wax—Dental	7 lbs.	14 lbs.	28 lbs.

20. Any quantities of Dental Goods sold in excess of the above quantities shall not bear any further increase of discount or reduction in price.

21. The maximum quantity rate on surgery or work-room equipment shall not exceed 5 per cent. for a minimum of six articles of the same type (*e.g.* six chairs of one make or of different makes).

22. The maximum quantity rate on all other Dental Goods not enumerated in the foregoing list (excluding teeth and surgery or work-room equipment) shall not exceed 10 per cent. Where the purchase price is under £1 in value in respect of any one type of article no quantity rate shall apply, but only the retail unit price.

23. Parcels of Dental Goods of the same type but of various makes such as amalgams, burs, cements, rubbers, wax, are permitted to be charged at the quantity rate for the total quantity purchased at one time.

EXAMPLE:—

2 ozs. X Alloy
2 ozs. Z Alloy } = 5% quantity rate.
1 oz. A Alloy

24. All quantity discount allowances shall be expressed either by way of specified discount or by an appropriate reduction in price.

25. The quantity rate of all Dental Goods supplied by any Member shall apply only when the whole quantity of the Goods is delivered at one time—unless the price for the whole quantity is charged firm and paid for in accordance with the terms laid down in Regulation 43 in which case the following condition shall be attached to the invoice, namely: "Should any portion of this order be cancelled by the Purchaser "by agreement with the Seller credit will be given for the original charge, and that "portion of the order already delivered will be re-invoiced at the current rate (for "the quantity kept) prevailing at the date of the original invoice." Provided that this Regulation shall not apply to Hospital tenders for a supply for a period not exceeding twelve months.

26. Quantities of teeth or other Dental Goods purchased at different dates during a month shall not be aggregated as one purchase and charged at the quantity rate for the total quantity purchased during the month.

27. The cash discount of 2½ per cent. allowable under these Regulations is allowable in addition to any quantity rate allowed but shall be calculated on the amount due *after* application of such quantity rate.

28. With a view to supporting endeavours to assure proper dental service to the community in the following cases special discounts may be allowed to any Hospital (which is staffed by Registered Medical and/or Dental Practitioners and is not carried on for private gain) Dental Teaching School, County Council, County Borough, Borough, Urban District Council and Rural District Council or a joint Board of any of those bodies as hereinafter mentioned, viz.:—

Teeth in quantities of less than 100 ...	12½ per cent. nett off the unit retail price.
Teeth in quantities of 100 or over ...	12½ per cent. nett off the 100 rate.
All other sundries and equipment (excluding X-Ray machines)	12½ per cent. nett.

Provided that in all cases that:—

(i) Such dental goods are intended for exclusive use of the purchaser and not for re-sale.

(ii) No further discount for cash is allowed.

(iii) Precious metals or articles made wholly of precious metals shall be supplied at nett retail prices only.

(iv) The above discounts shall not apply when goods are supplied on hire-purchase terms, in which event the terms shall be those laid down in Regulation 50.

29. Special discounts on X-Ray Machines shall be as follows:—

Dental Teaching Schools	10 per cent. nett.
Hospitals (as laid down in Regulation 28)	5 per cent. nett.

NOTE.—Under this Regulation no special discounts are allowable to County Councils, County Boroughs, Boroughs, Urban District Councils, and Rural District Councils or Joint Boards of any of those bodies, but only retail terms.

30. The provisions of these Regulations as to discounts shall not apply to Contracts with any Government Department or subject to the written approval of the Council with the Dental Board of the United Kingdom covering requirements of their bursary scheme in regard to which Members shall be under no restriction as to price.

ALLOWANCES FOR USED DENTAL EQUIPMENT AND SCRAP PRECIOUS METAL

31. The Council shall appoint annually at its first meeting held after the Annual General Meeting of the Association an Appraisers Committee which shall consist of such number of Ordinary Members as the Council shall from time to time determine. The duties of the Appraisers Committee shall be:—

(i) To prepare an Appraisers List showing the maximum allowances fixed by the Appraisers Committee to be allowed for used articles of Dental Equipment.

(ii) To examine returns of purchases of used Dental Equipment and to report to the Council any case in which it considers an excessive allowance to have been made.

(iii) To examine, value and report on articles of Surgery or work-room apparatus, equipment or furniture (including X-Ray apparatus) which are stock-soiled or have become damaged in transit or by accident as may from time to time be required by the Council and for that purpose to appoint from time to time a competent agent to advise it at such fee as it may approve.

(iv) To make such other reports and valuations as the Council may from time to time require.

32. (*a*) No allowance made by a Dealer Member for Dental Equipment which is three years old or over shall exceed the allowance or figure fixed from time to time by the Council and set out in the Appraisers' List which shall be issued by the Council to all Dealer Members.

(*b*) In the case of NEW Dental Equipment (but not "used" Dental Equipment, whether re-conditioned or not) sold and re-purchased within twelve months from date of invoice the fixed allowance shall not exceed 60 per cent. of the current retail price and if re-purchased after twelve months and within twenty-four months the fixed allowance shall not exceed 50 per cent. of current retail price and if re-purchased after twenty-four months and within thirty-six months the fixed allowance shall not exceed 40 per cent. of the current retail price. Provided always that written evidence of date of purchase and the purchase price shall be submitted before an allowance is made.

EXAMPLE:—

Current Retail Selling Price.	60 per cent. Allowance within twelve months of purchase.	50 per cent. Allowance after twelve months and within twenty-four months of purchase.	40 per cent. Allowance after twenty-four months and within thirty-six months of purchase.	Allowance after three or more years.
Chair £50	£30	£25	£20	As per fixed maximum allowances in Appraisers' List.

(*c*) Used Dental Equipment (whether re-conditioned or not) shall not be sold wholesale within twelve months of its purchase at less than the purchase price thereof nor retail within twelve months of its purchase at a sum less than is sufficient to show a profit on the purchase price, plus cost of renovations, if any, of at least 50 per cent. (i.e., 33⅓ per cent. on the retail selling price), nor retail more than twelve but within twenty-four months after its purchase at a sum less than is sufficient to show a profit of at least 15 per cent. on the retail selling price.

(*d*) Offers by Dealer Members to purchase used Dental Equipment (whether re-conditioned or not) shall be made subject in all cases to acceptance within thirty days from date of offer.

33. The purchase of any goods or material which is considered by the Council to be scrap precious metal shall be credited or allowed for as cash only. When the amount of a purchase or scrap precious metal exceeds Ten Pounds in value, the particular parcel shall be submitted by the Dealer Member purchasing the same for separate assay within fourteen days from the date of purchase. No Dealer Member shall make an allowance above the reasonable market value for any scrap precious metal which he may purchase.

34. The sale of goods and the purchase of used Dental Equipment (whether re-conditioned or not) or of scrap precious metal shall be deemed to be and shall be treated by the Dealer Member concerned as entirely separate transactions. Full

particulars of each such transaction, whether by way of sale or purchase shall be duly recorded in the books of the Dealer Member concerned in the transaction, so that the re-sale of used Dental Equipment (whether re-conditioned or not) or of scrap precious metal purchased may be readily identified and in the case of the purchase or sale of used Dental Equipment (whether re-conditioned or not) such record shall be made in a separate book.

35. All Dealer Members shall not later than the 20th day of each month make a return to the Secretary of all Purchases of used Dental Equipment (whether re-conditioned or not) purchased during the previous month. The returns shall give particulars of each article purchased, the make (serial number, if any), the purchase price and the date of purchase. If no purchases have been made during the previous month, the return shall so state. The name of the person from whom the goods have been purchased need not be mentioned on the return.

36. All Dealer Members shall also not later than the 20th day of each month make a return to the Secretary of all Sales of used Dental Equipment (whether re-conditioned or not) disposed of during the previous month. The return shall give particulars of each article sold, the make (serial number, if any), the price and the date of sale. If no sales have been made during the month, the return shall so state. The name of the person to whom the goods have been sold need not be mentioned on the return.

37. In making the returns of purchases and sales the Dealer Member concerned shall send them to the Secretary under a Code Number supplied by the Association, and when any such returns are submitted to the Appraisers' Committee for examination the Committee shall be furnished with the Member's Code Number and not with his name.

38. (*a*) No Dealer Member or his representative shall sell or offer to sell Dental Equipment on behalf of a customer either with or without remuneration.

(*b*) No Dealer Member or his representative shall introduce one customer to another for the purpose of effecting a direct purchase or sale of Dental Equipment between them.

39. A Dealer Member who is desirous of purchasing goods from another Dealer Member shall advise the Secretary of his requirements and the Secretary shall advise all those Dealer Members who shall have informed him that they have purchased articles of the characters specified that another Dealer Member is desirous of being put into communication with those Dealer Members holding stocks of the goods he requires. It shall be at the discretion of the Dealer Member holding the goods to offer them or not to the enquiring Dealer Member.

40. No article of surgery or work-room apparatus, equipment or furniture (including X-Ray machines) either in show-rooms or elsewhere shall be sold or offered for sale at a reduced price as stock or demonstration soiled within twelve months from the date of delivery by the Manufacturer Member nor after such period except on the following terms and conditions:—

(i) The Dealer Member owner of such goods shall make written application to the Secretary on a prescribed form to be supplied by the Secretary giving particulars of the said goods and the fullest details of the defects therein. The Secretary shall obtain from the Manufacturer of the goods an estimate for the renovation and/or repair of such goods, and shall transmit such estimate to the Dealer Member the owner of the goods; but the estimate for renovation and/or repair of such goods which have been on show or demonstration for one year from date of delivery from the Manufacturer shall not be more than 5 per cent. off the current retail price, and similarly goods which have been on show or demonstration for two years from date of delivery by the Manufacturer shall not be more than 10 per cent. off the current retail price.

(ii) The owner of the goods after receiving an estimate shall be entitled to sell or offer the goods for sale at the current retail price thereof less the Manufacturer's estimated cost of renovation and/or repair, but at no lower price.

(iii) The sale of any article of surgery or work-room apparatus, equipment or furniture (including X-Ray machines) as stock-soiled and/or damaged (as mentioned in Regulation 41) shall forthwith be reported in writing to the Secretary with full particulars of the price at which the article was sold.

41. The provisions of Regulation 40 shall apply in the case of articles the subject of the said provisions which have been damaged in transit or by accident save that:—

(i) The goods need not have been in stock for over one year or more, and

(ii) They shall not be subject to any fixed percentage of damage as mentioned in Regulation 40 (i).

CURRENT ACCOUNTS

42. The limit of credit to be allowed by Dealer Members to Retail Customers shall be not more than six months as hereinafter defined.

43. The terms of payment (save when goods are sold nett) which shall be clearly indicated to Retail Customers by Dealer Members shall be:—

Subject to Discount as Regulations 15 and 28 provide in which event all accounts shall become strictly nett after the 15th day of the first month following the dates of invoices, but further credit may be extended monthly to the 15th day of the seventh month following the dates of invoices as in the following example:—

[Example of Terms of Trading to be adapted to the necessities of each case:—

Jan. 1 to 31 ...	Goods delivered and invoiced.
Feb. 15	Goods due for payment with not exceeding 2½ per cent. cash discount.
Feb. 15 to Aug. 15.	Six months' period of Credit. Goods due for payment without discount. Thereafter account is in arrears.
Aug. 15 to Aug. 31.	Period during which account is to be reported to the Secretary.]

44. Regulations 42 and 43 shall not apply to precious metals or articles made wholly of precious metals, which shall be sold strictly nett and shall be due for payment by the 15th of the month following date of invoice.

45. The date of invoice shall be the date of the despatch of goods. No goods shall be sold without an invoice being given.

46. No Dealer Member shall accept an order for or sell goods to any customer (save as provided in Regulation 50) on the understanding that credit beyond six months, or in the case of precious metals or articles made wholly of precious metals beyond one month, will be allowed.

47. Any failure on the part of a Dealer Member to make every effort to collect accounts which have become in arrears shall be deemed to be a breach of these Regulations Provided always that no such breach shall be deemed to have been committed if

(i) The Dealer Member concerned shall have advised the Secretary in writing of circumstances in connection with an overdue account which render it practically necessary for such Dealer Member to extend the credit beyond the six months' (or one month as the case may be) limit

and

(ii) The Council shall consider that such Dealer Member was justified in such circumstances in extending the credit.

48. Dealer Members shall report within seven days to the Secretary (to enable him always to have at his disposal information for the general benefit and protection of all Dealer Members) (*a*) All cases of non-payment of accounts within 15 days of their becoming in arrear (provided such accounts amount to £10 or more); (*b*) all cases where the account is placed in the hands of collectors or solicitors or other legal proceedings are taken; (*c*) all cases of a customer becoming bankrupt; or (*d*) all cases of a customer executing a Deed of Trust or arrangement for the benefit of his creditors.

OVERDUE ACCOUNTS

49. In the case of all accounts which are six months (or one month as the case may be) in arrear a Dealer Member shall notify the Secretary accordingly and a full record of each notification to the Secretary shall be kept by the Dealer Member making the same.

Provided always that this obligation shall not apply to sales the subject of Regulations 28 or 50.

HIRE PURCHASE

50. Subject to the following conditions a Dealer Member may within the limits herein specified dispose of any goods by way of Hire Purchase Agreement:—

(*a*) The form of Hire Purchase Agreement shall include conditions as follows:—

(i) The minimum value of the goods hired shall not be less than £20.

(ii) Materials and consumable articles shall not be the subject of hire purchase.

(iii) A Hiring charge of not less than a sum equivalent to 20 per cent. of the total value of the goods hired shall be made and paid on the signing of the Agreement prior to delivery of the goods. This sum shall not be subject to discount or allowance of any kind.

(iv) The rate of hiring shall include an item equivalent to a charge for interest at the rate of not less than 4 per centum per annum computed on the total capital value of the goods hired less the amount of the initial hiring charge as before prescribed.

(v) It shall be stipulated that the hirer shall pay to the owner the cost of adequate insurance against fire and theft and there shall be other stipulations to cover damage to or loss of goods during the hiring.

(vi) The periods for payment of hiring charges shall only be from month to month.

(vii) The hire of installations to the value of £50 or less shall not extend beyond a period of twelve months and for goods of a greater value than £50 shall not extend beyond a period of three years. "Value" shall mean value at the Manufacturers' retail price as published in his price list current at the making of the Hire Purchase Agreement.

(*b*) On entering into a Hire Purchase Agreement Dealer Members shall immediately forward a statement to the Secretary giving full particulars of any such Hire Purchase Agreement. The statement shall give the name and address of the customer, the total value of the goods hired, particulars of the period or periods over which the Agreement will be current and such further particulars as may from time to time be prescribed by the Council.

(*c*) Rotary Convertors need not be the subject of hire purchase but may be hired to customers on a monthly hiring charge which shall be at the rate of 50 per cent. per annum of the retail list price of the particular Convertor. This may be hired by the Dealer Member from the Manufacturer Member on the aforesaid terms and the hiring charge plus the Dealer Member's discount, if any, shall be passed on by the Dealer Member to his customer at the price charged by the Manufacturer Member. No cash discount shall be allowed on this and the Dealer Member shall enter into a hiring agreement with the customer for the purpose of safeguarding the ownership of the Convertor.

(*d*) Used Convertors owned by Dealer Members shall be hired on the same terms as shown in the preceding paragraph and the hiring charge shall be at the rate of 50 per cent. per annum on the price the Dealer Member would have charged had he sold the Convertor outright; *i.e.*, the retail price should be at the price at which the used Convertor was bought in, plus not less than 50 per cent. profit as provided in Regulation 32 (*b*).

GOODS ON SALE OR RETURN

51. When a change occurs in the price of goods sent for selection or on sale or return the price ruling at the date of the "Appro" note is the price to be charged if and when a sale is completed.

52. Where goods are sent for selection and are not returned within fourteen days they shall be recalled on the fourteenth day, and if not received within seven days from the date of recall they shall be charged up forthwith.

53. Selections of teeth shall not exceed 102 Pin and/or Diatoric and/or Acrylic Teeth or 25 Facings or Crowns.

54. No "teeth in cases" shall be left with customers.

GENERAL

55. No Member shall offer, pay or give any present or commission or other consideration either in money or otherwise to any customer or to the employee of any customer or to any Hospital or any other body or institution or to any employee, official or student thereof or to any other person which is calculated to or may influence or in connection with

(i) the placing either directly or indirectly of orders by such customer, Hospital, body or institution,

(ii) the purchase of any Dental Goods,

(iii) the introduction of any purchaser or prospective purchaser of any Dental Goods,

(iv) the procuring or attempt to procure the sale of any Dental Goods.

Provided that nothing in this Regulation contained shall be deemed to prohibit the allowance of any discount authorised by these Regulations.

56. Every Dealer Member shall make it a condition of employment that no employee of his shall give or receive or arrange to give or receive either in money or in kind any commission or other consideration of any kind whatsoever from any other person, firm or corporation who trades in Dental Goods.

57. Subject to the provisions of the proviso to Regulation 8 hereof the sale by a Dealer Member of any description of goods by methods (such as sale at prices which do not show a reasonable gross profit or giving of a collateral advantage) calculated in the opinion of the Council to influence the purchaser shall be deemed a breach of these Regulations.

58. No Member shall supply prepaid business reply post-cards or envelopes to retail customers or any class of retail customers for the purpose of soliciting orders, save that Manufacturer Members shall be permitted to do so on the following conditions:—

(*a*) That these are issued only in connection with specific lines they are advertising;

(*b*) That on the reply side of the card provision is made for the prospective customer to fill in the name of his dealer, through whom he wishes the goods supplied or charged.

59.—(*a*) The quantity of Dental Goods which may be given as a free sample shall be not more than is sufficient to make a reasonable test of the article:—

EXAMPLES:—

1 Pin Tooth.
8 Diatoric Molars and Bicuspids.
6 Anterior Diatorics.
3 Burs (1 round, 1 fissure, 1 inverted cone).

(*b*) The giving away of usual saleable packages or quantities of goods as free samples or the offering of such size packages or quantities at other than the full retail price for trial or other purposes shall be deemed to be a breach of these Regulations.

(*c*) All free samples shall be enclosed or packed in an envelope or other container clearly marked " Free Sample " on the exterior thereof.

(*d*) No Dealer Member shall distribute or give free samples. All free samples shall be distributed or given exclusively by the actual Manufacturer or Sole Agent who shall distribute or give his own sample or samples to the consumer only.

60. Radiographs shall not be taken and charged for as a service to retail customers, but shall only be taken for the purpose of demonstrating the apparatus, and for this no charge shall be made.

61. All expenses incurred by a Dealer Member in connection with builders', plumbers' and/or electricians' preparation for installation of any Surgery or Work-room equipment, either by way of labour or material (whether done by his own staff or not) shall form an extra charge and must be additional to the retail price of the goods supplied. Such charges shall be shown as a separate item in the Dealer Member's books, and also when rendering the account to the customer.

62. No Dealer Member shall undertake the sale of any Dental Goods on commission other than the Dental Goods of another Dealer Member.

63. No Member shall loan any Dental Equipment or X-Ray Machine to any person whatsoever for a period exceeding three calendar months.

64. Shippers acting as agents for dealers trading outside the United Kingdom may be supplied by Manufacturer Members for export at wholesale terms only upon disclosing the names of their principals to whom such goods are to be exported.

65. No Member shall purchase or make offers to purchase any bankrupt or liquidation stock or any job line from any non-member, except upon a proper tender form or at a public auction, or in the case where a Manufacturer Member agrees to buy in his own goods from a receiver, liquidator, special manager, trustee or any of their agents. Provided always that this Regulation shall not apply to used goods purchased in accordance with Regulation 32.

66. No Ordinary or Affiliated Member shall supply Dental Goods to any person in the United Kingdom who is not a Member, at less than current retail prices (subject to such discounts as are permitted by these Regulations).

67. After notification by registered post by the Council or the Secretary that a Member has been expelled from the Association, or had his membership terminated, all business transactions either by way of purchase, sale (except at retail prices as provided by these Regulations) or exchange between the said late Member and other Members of the Association shall immediately and automatically cease and all contracts between Members shall be deemed to be subject to that Condition whether specifically mentioned or not.

68. (*a*) Each Dealer Member shall purchase Dental Goods enumerated in Paragraph (*b*) of this Regulation exclusively from either (i) Ordinary or Affiliated Members; or (ii) Members of an Association having objects approved by the Council; or (iii) Manufacturers who have given a written undertaking to this Association not to supply Dealers or others who are not Members at other than their published fixed current retail prices in the United Kingdom.

(*b*) In every case where a Dealer Member desires to purchase the following Dental Goods from a non-member, in order to meet specific orders, *i.e.*:—

Amalgams, etc.
Angle Attachments.
Apparatus—Gas.
Appliances—Gas.
do. —Regulating.
do. —Rubber Dam.
Articulators.
Brackets and Tables.
Base Plates.
Bowls—Plaster.
Broaches—Nerve.
Brushes—Lathe.
do. —Tooth Polishing.
Burs.
Cabinets.
Casting Machines.
Cements.
Chairs.
Composition—Modelling.
Compressors—Dental.
Denture Base materials of all kinds (including Rubber).
Discs—Suction.
Engines—Foot and Electric.
Equipment—Switchboard.
do. —Unit.
Flasks.
Golds (Dental) and Precious Metal Alloys of all descriptions, whether manufactured or in sheet, wire, ingots or grain.
Gutta Percha Points.
do. —Temporary.
Handpieces.
Instruments.
Lathes.
Lights—Four Point.
Needles—Dental.
do. —Hypodermic.
Points—Abrasive.
Porcelain—Fusing.
Presses.
Resins—Acrylic.
Rubber Dam.
Rubber Dam Appliances.
Spittoons—Fountain and Reservoir.
Sterilizers.
Strips and Discs.
Syringes—Dental.
Teeth.
Trays—Impression.
Vulcanisers.
Wax.
Wheels—Abrasive.

Such Member shall make a request to the Secretary for a permit to purchase from such non-member. The Secretary may issue such permit (on a form approved by the Council for the purpose). If the Secretary has reason to believe that undue advantage of permits is being taken to buy elsewhere than from Members or for stock or that goods could, in the ordinary course of business, be purchased from Members, he shall refer the matter to the Council and thereafter the Council may, if they consider it in the interests of the Association and the Trade, withdraw any permit so issued and refuse to authorise the issue of any permit.

69. (*a*) No Member shall without the written consent of the Council exhibit or reserve space at any Exhibition in the United Kingdom or secure or reserve advertising space at any exhibition or in any exhibition catalogue.

(*b*) No Dental Goods shall be offered or supplied on loan or otherwise for use or display at any Meeting of any Dental Society (except such as may be approved by the Council from time to time) or to any Member of the Dental Profession attending such Meeting without the written consent of the Council having been first obtained.

70. (*a*) No Member in Classes A, B or C shall enter into any contract of agency for any Dental Goods unless:—

(i) It is of such a nature as would qualify him under Rule Four of the Association's Rules for membership in one of such classes and

(ii) shall provide for the conduct of all business derived from the agency from the Member's own business premises.

(*b*) Any Member who has entered into such a contract of agency as is authorised by these Regulations shall:—

(i) so conduct all business derived from such agency that orders are sent to and the goods (except in the case of heavy Dental equipment) handled at and despatched from such Member's own business premises and

(ii) at least one week prior to any goods being marketed by such Member under such contract notify the Secretary that such contract has been entered into by such Member and produce to the Secretary evidence satisfactory to the Secretary of such contract and that it complies with the requirements of Regulation 70 (*a*) or alternatively a Statutory Declaration that such Member possesses an effective monopoly for at least twelve months for the Dental Goods the subject of such contract and that the agency covers the entire output for the United Kingdom of such goods manufactured (whether in or outside the United Kingdom) by the Principal and complies with the requirements of Regulation 70 (*a*) (ii).

APPENDIX 3

Referred to in paras. 4 *and* 30

Retail Trade in Dental Goods in the United Kingdom

PART I. CLASSIFICATION OF RETAIL SALES, 1948 AND 1949

	1948		1949	
	Amount £	*Per cent. of total*	*Amount* £	*Per cent. of total*
A.D.M.T. Members ...	3,165,027	88·9	5,066,674	89·0
Others	393,033	11·1	628,054	11·0
Total sales	£3,558,060	100	£5,694,728	100

PART II. MONTHLY RETAIL SALES DURING 1949

	Amount £	*Per cent. of total for year*
January	419,701	7·4
February	447,036	7·9
March	518,790	9·1
April	451,592	7·9
May	513,664	9·0
June	465,829	8·2
July	451,022	7·9
August	408,312	7·2
September	478,927	8·4
October	532,457	9·3
November	534,165	9·4
December	473,233	8·3
Total...	£5,694,728	100

APPENDIX 4

Referred to in paras. 7, 8 *and* 30

Manufacturers' Sales: Exports and Re-exports

Table I. Manufacturers' sales for the year 1948 and division between home sales and direct exports

	Total		Home				Direct Export			
	Value £	Per-centage	Value £	Percentage of total home sales	Percentage of own total sales	Percentage of total manufacturers' sales	Value £	Percentage of total direct export sales	Percentage of own total sales	Percentage of total manufacturers' sales
A.D.M.T. ...	2,677,500	85	1,989,000	83	74	63	688,500	90	26	22
Others ...	473,500	15	395,500	17	84	13	78,000	10	16	2
Total ...	3,151,000	100	2,384,500	100		76	766,500	100		24

NOTES:—(1) The figures comprise all manufacturers' sales, including transfers to retail departments in the case of vertical businesses. Thus, some are sales by manufacturers to retailers, some are sales to wholesale agents or overseas firms, and a small proportion are sales direct to retail customers.

(2) A.D.M.T. sales include sales by certain manufacturers, who, while themselves not members of A.D.M.T., distribute the whole of their output through a member concern.

(3) In addition to the 24 per cent. of manufacturers' sales which went direct to export, goods to the value of approximately £350,000 are known to have been sold abroad through intermediaries. The value of these indirect exports at manufacturers' prices would have been nearly 10 per cent. of total manufacturers' sales. About one-third by value of total manufacturers' sales, therefore, went directly or indirectly to export.

Table II. Exports and re-exports for the year 1948

	Exports £	*Re-exports* £	*Total Exports and re-exports* £
Total for the industry	1,115,000	460,000	1,575,000

NOTE:—Re-exports include goods bought by United Kingdom concerns from overseas suppliers for shipment direct to overseas customers.

APPENDIX 5

Referred to in paras. 14, 17, 24, 140 *and* 176

Sales of the A. D. Group and D.M. Co.* in the United Kingdom in 1948, calculated at retail values and expressed as percentages of total retail sales in the home market

Table I. Retail Sales

	£	*Per cent. of Total*
Total retail sales	3,558,000	100
A.D. Group's total retail sales...	1,079,900	30·3
D.M. Co.'s total retail sales	496,300	14·0
The two together	1,576,200	44·3

Table II. Wholesale transfers and sales

	£	*Per cent. of Total*
Total retail sales	3,558,000	100
A.D. Group's total wholesale sales (including transfers to own retail outlets) calculated at their retail value	1,270,900	35·7
D.M. Co.'s total wholesale sales (including transfers to own retail outlets) calculated at their retail value	612,300	17·2
The two together	1,883,200	52·9

Table III. Wholesale sales

	£	*Per cent. of Total*
Total retail sales	3,558,000	100
A.D. Group's wholesale sales (excluding transfers to own retail outlets) calculated at their retail value...	576,100	16·2
D.M. Co.'s wholesale sales (excluding transfers to own retail outlets) calculated at their retail value...	369,900	10·4
The two together	946,000	26·6

Table IV. Retail and Wholesale sales

	£	*Per cent. of Total*
Total retail sales	3,558,000	100
A.D. Group's retail sales and wholesale sales (excluding transfers to own retail outlets) taken together, the wholesale sales being calculated at their retail value	1,656,000	46·5
D.M. Co.'s retail sales and wholesale sales (excluding transfers to own retail outlets) taken together, the wholesale sales being calculated at their retail value	866,200	24·3
The two together, omitting the small intertrade between them	2,422,100	68·0

* Figures relating to D.M. Co. and the Anglo-American Dental Corporation Ltd. have had to be combined for the purpose of the calculations in these tables, since in 1948 the two concerns were still separate businesses.

APPENDIX 6

Referred to in paras. 20 *and* 30

Sole agency sales in 1948

	£	*Per cent.*
A.D.M.T.	1,666,000	97
Others	54,000	3
Total...	1,720,000	100
Exported	750,000	
Home Market	970,000	

NOTE:—Of the sales to the home market about £150,000 represented imported goods.

APPENDIX 7

Referred to in paras. 23–29

Dealers in dental goods: Statistical information relating to sales organisation and customers

(For dealers who are members of the A.D.M.T.)

Identification Number	Number of Depots	Number of Travellers	Normal Radius of Distribution	Number of Customers			Means of Effecting Sales		
				Dentists	Institutions	Total	Direct Orders	Over Counter	Ex Traveller
							Per cent.	Per cent.	Per cent.
1 ...	18	32	Great Britain and Ireland	8,449	897	9,346		Not available	
2 ...	11	29	Great Britain and Ireland	9,027	651	9,678	20·2	7·7	72·1
3 ...	3	4	E. Scotland, N. England and N. Ireland	1,220	120	1,340		Not available	
4 ...	3	20	Great Britain and N. Ireland	5,000	150	5,150		Not available	
5 ...	2	7	S. and S.W. England and Wales ...	1,674	78	1,752	33·2	9·4	57·4
6 ...	2	8	75 miles	1,155	95	1,250	4·2	4·1	91·7
7 ...	2	7	100 miles	1,026	36	1,062		Not available	
8 ...	2	10	225 miles	2,200	65	2,265	—	34·7	65·3
9 ...	2	3	200 miles	770	25	795	49·9	—	50·1
10 ...	2	11	Great Britain		Not available		7·7	2·0	90·3
11 ...	2	2	100 miles	500	45	545		Not available	
12 ...	1	15	Great Britain and N. Ireland	8,000	160	8,160	40·8	3·2	56·0
13 ...	1	7	England and N. Ireland	900	6	906	20·0	5·1	74·9
14 ...	1	2	100 miles	800	—	800	15·6	5·2	79·2
15 ...	1	1	60 miles	250	10	260	72·4	12·5	15·1
16 ...	1	4	150 miles	1,000	30	1,030	52·4	23·8	23·8
17 ...	1	2	80 miles	409	65	474	20·6	20·6	58·8
18 ...	1	3	25 miles	400	25	425	—	42·8	57·2
19 ...	1	3	300 miles	668	1	669		Not available	
20 ...	1	3	100 miles	600	—	600	20·4	6·6	73·0
21 ...	1	4	250 miles	3,500	8	3,508	52·2	18·0	29·8
22 ...	1	2	120 miles	400	1	401	18·8	18·8	62·4
23 ...	1	1	100 miles	191	6	197		Not available	
24 ...	1	2	300 miles	400	6	406	49·1	1·8	49·1

25 ...	1	1	80 miles	257	14	271	25·0	20·0	55·0
26 ...	1	2	Scotland and N. Ireland	550	3	553	32·6	36·8	30·6
27 ...	1	2	Scotland and N. Ireland	550	12	562	15·0	45·0	40·0
28 ...	1	—	100 miles	350	6	356	60·2	5·0	34·8
29 ...	1	2	100 miles	460	2	462	20·1	10·0	69·9
30 ...	1	—	20 miles	84	—	84		Not available	
31 ...	1	3	United Kingdom	650	6	656	40·6	16·2	43·2
32 ...	1	1	40 miles	200	2	202	23·3	5·9	70·8
33 ...	1	1	30/40 miles	120	—	120		Not available	
34 ...	1	—	40 miles	175	2	177		Not available	
35 ...	1	1	20 miles	50	—	50	—	—	100·0
36 ...	1	—	30 miles	31	—	31	100·0	—	—
TOTALS	74	195		52,016	2,527	54,543	25·3	9·9	64·8

NOTE:—The above data relate to each dealer's latest accounting period, which ended after 30th April, 1948, for which figures were available in September, 1949.

APPENDIX 8

Referred to in paras. 23–29 *and* 153

Dealers in dental goods: Statement of sales, operating expenses and profit

(For groups of businesses according to size of turnover)

See Note 1 for period covered

PART 1

Group Letter	Number of Businesses	Range of Turnover	Sales	Gross Margin	Total Expenses	Net Profit
	ADMT Members		£	Range of gross margin expressed as a percentage on sales and weighted average for group ( )	Range of total expenses expressed as a percentage on sales and weighted average for group ( )	Range of net profit expressed as a percentage on sales and weighted average for group ( )
A	9	Over £95,000 ...	2,379,563	27·7 to 30·3 (28·4)	16·3 to 22·1 (20·3)	6·6 to 13·9 (8·1)
	Nil	£55,000 to £95,000	—	—	—	—
B	7	£40,000 to £55,000	323,550	24·7 to 30·1 (28·3)	12·3 to 25·6 (21·3)	Nil to 14·1 (7·0)
	Nil	£35,000 to £40,000	—	—	—	—
C	8	£20,000 to £35,000	217,784	22·2 to 34·3 (29·0)	11·5 to 23·3 (18·7)	0·2 to 21·0 (10·3)
D	7	£10,000 to £20,000	99,580	21·2 to 41·4 (28·2)	13·0 to 29·2 (18·9)	6·8 to 12·1 (9·3)
E	5	Under £10,000 ...	23,959	24·6 to 31·5 (27·8)	16·2 to 28·6 (24·1)	0·3 to 9·5 (3·7)
	Total and	Averages	3,044,436	(28·4)	(20·2)	(8·2)
	Non-ADMT Members					
F	8	All classes ...	102,567	29·0 to 40·0 (30·4)	15·9 to 31·2 (23·9)	3·2 to 14·2 (6·5)

NOTES:—1. The above data relate to each dealer's latest accounting period, which ended after 30th April, 1948, for which figures were available in September, 1949.

2. Gross margin is the difference between selling prices and buying prices, after adjusting for cash discounts.

APPENDIX 8—*continued*

Dealers in dental goods: Statement of sales and operating expenses

(for groups of businesses according to size of turnover)

Part II

Group Letter	Number of Businesses	Range of Turnover	Sales	Directors' and Proprietors' Remuneration	General Administrative Expenses	Occupancy Expenses	Publicity Expenses	Merchandising Expenses	Packing and Delivery Expenses	Free Installation and Servicing	Total Expenses
						Expressed as a percentage on sales					
	ADMT Members		£	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
A	9	Over £95,000 ...	2,379,563	1·3	6·3	1·3	0·8	8·2	2·3	0·1	20·3
	Nil	£55,000 to £95,000	—								
B	7	£40,000 to £55,000	323,550	4·4	8·1	1·3	0·4	4·5	2·6	—	21·3
	Nil	£35,000 to £40,000	—								
C	8	£20,000 to £35,000	217,784	3·6	4·3	1·0	0·3	6·3	2·9	0·3	18·7
D	7	£10,000 to £20,000	99,580	4·8	7·5	1·1	0·1	2·7	2·6	0·1	18·9
E	5	Under £10,000 ...	23,959	9·4	8·8	2·2	—	1·9	1·8	—	24·1
	Total and averages ...		3,044,436	2·0	6·4	1·3	0·7	7·4	2·3	0·1	20·2
	Non-ADMT Members										
F	8	All Classes ...	102,567	6·2	8·6	1·7	1·1	3·3	2·7	0·3	23·9

APPENDIX 9

Referred to in paras. 23–29 *and* 180

Dealers in dental goods: Summarised trading results comparing the years 1948 and 1949

(For 11 Dealers who are all members of A.D.M.T.)

Particulars	Sales	Gross Margin		Operating Expenses		Net Profit	
		Amount	Per cent. of Sales	Amount	Per cent. of Sales	Amount	Per cent. of Sales
		£		£		£	
1948	232,000	68,600	29·6	45,700	19·7	22,900	9·9
1949	427,600	116,100	27·1	64,200	15·0	51,900	12·1
	Per cent.	Per cent.		Per cent.		Per cent.	
Increase: ...	84·3	69·2	—	40·5	—	126·6	—

NOTES:

1. The above data relate to dealers' accounting periods which ended in 1948 and 1949 respectively. In the majority of cases the accounting period coincided with the calendar year.

2. The group consists of all dealers who, in April, 1950, were able to furnish particulars of trading for 1949. It includes eleven businesses with a range of turnover in 1948 of £1,385 to £39,801.

APPENDIX 10

Referred to in para. 42

Letter convening the meeting for the purpose of forming the Association

June, 1*st*, 1923.

PRIVATE AND CONFIDENTIAL

Dear . . . .

A group of seven well-known dealers recently approached Messrs. Ash, de Trey, Dental Manufacturing Co., and S. S. White upon the advisability of forming a Dental Trade Association.

All these four manufacturers, two of whom are dealers, assured the seven dealers in question that they were convinced that the extremely dangerous condition into which the Dental Trade of this country had got could only be remedied by a mutual understanding and confidence which could only be obtained by an Association.

A few days after this preliminary step an informal meeting of fourteen dental houses was held, with a view to considering the pros and cons, and it was unanimously agreed that the existing state of price-cutting, leading to such losses in trading as to endanger the proper carrying on of the Dental Trade, could undoubtedly be brought to an end, and unanimously decided that steps should be taken to form an Association.

This meeting appointed a temporary Committee of seven to prepare the preliminary steps, viz., to study the constitution and to draft rules which would be submitted to a representative meeting of the Trade.

This preliminary work has now been accomplished, and you are invited to attend a meeting on Monday, June 11th, at 2.30 p.m., at . . . . . .

This invitation is addressed to twenty-two dealers and to the leading manufacturers, and if some names in the dental business have been omitted from this first invitation, it is because the meeting of fourteen felt strongly that it is preferable in the first instance to form an Association comprising the most influential elements of the Dental Trade. Then, when the Association is formed, the general body of members can decide as to inviting other houses to apply for membership.

The objects of the meeting are:

1. To consider the advisability of forming a Dental Trade Association and, if the majority are in favour of the same, to form one forthwith.
2. To consider a draft of the constitution of the Association and of its rules.
3. To decide upon entrance fee and subscription.
4. To nominate and elect a Committee or Council.
5. To consider and, if thought fit, to pass a resolution defining the powers of the Executive Committee or Council.
6. To appoint a Secretary.
7. To decide upon the salary of the Secretary.

The urgent need of an improvement in the Dental Trade was so strongly felt by all who attended the preliminary meeting that we feel sure that you and all others to whom this invitation is addressed will equally feel its urgency, and will attend this meeting in person, because it is felt that it is important that the proprietor or principal of each house should himself be present, rather than send a representative.

Of course, the formation of an Association may be used as a pretext for the statement that prices will be raised; but those who have already discussed the pros and cons are convinced that the elimination of the abuses of price-cutting and the selling of the goods to the Dentists at the existing proper published prices, cannot be in any way detrimental to the Dental Profession; on the contrary, our customers will receive better service, whereas, so long as some or many dealers are trading without profit, or actually at a loss, they run the risk of inferior service and of the supply of goods of indifferent quality.

This invitation is issued by the Temporary Committee above-mentioned, viz., Messrs. P. C. M. Ash, H. A. Edwards, C. de Trey, J. Thorn, A. Field, J. Cottrell, J. W. Dingle.

For the Committee,

APPENDIX 11

Referred to in para. 46

Conclusion of the speech by the Chairman of the A.D.M.T. in March 1925, to the Metropolitan Branch of the British Dental Association

" To summarize, I would like to state that:—

(1) The Association came into being through dire necessity and has been the salvation of the trade and particularly the small man.

(2) The Association was formed to stop unfair and ruinous competition among retail dealers, selling goods below manufacturers' list prices, the giving of exorbitant and unreasonable terms of credit, which brought the retail trade of this country to the verge of general bankruptcy.

(3) The Manufacturers' support was essential; without it the Association could not have carried on for any length of time.

(4) There is no combination whatever among the manufacturing members as to the regulation of prices—they are as far apart as the planets. Every individual manufacturing member is absolutely in as keen competition with the other manufacturing members as before the formation of the Association, and this competition must and will continue—nothing can stop it, certainly not membership in this trade Association. If there is any doubt on this point, ask the manufacturers themselves and they will quickly tell you.

(5) Practically all the important manufacturers of dental goods throughout the world are members or affiliated members of our Association, and to imagine an organization so widespread that it could have an unfair influence on the fixing of prices is a suggestion so impossible as to need no further explanation.

(6) The Council of the Association of Dental Manufacturers and Traders of the United Kingdom—which is elected annually by its own members—assures the profession that no joint control of prices by manufacturers exists in this Association.

(7) The only rules concerning prices are those affecting retail traders, briefly termed, ' maintenance of the list prices fixed individually by the manufacturers '.

(8) Equal terms of trading by all dealers and limitation of credit given by them to fair and reasonable limits.

(9) Penalties for breaking the rules of the Association are included in its Rules and Bye-laws. These have been mutually and unanimously agreed upon by all members without coercion, and although some objection to them from outside has been hinted at, the Council would respectfully submit that these matters are the concern of the Association and its individual members only.

(10) No unreasonable raising of prices is possible, for the reasons given throughout this paper. The law of supply and demand will still rule and prices will be governed by that law, and that law only. It is perfectly clear that there is no monopoly for dental chairs or any other dental article.

(11) Members of the dental profession have a wide choice among the many different makes of similar articles, and so are protected. If one manufacturer sees fit unreasonably to increase his prices for any item it is entirely his own responsibility, and no member of the dental profession is compelled to pay those prices; he can decline to buy the item and purchase an article of cheaper manufacture from anybody.

(12) It is not in the power of the Association to undertake that manufacturers should give any guarantee as to prices; none of its rules are so framed as to vest it with power to interfere with manufacturers' prices.

In conclusion, may I say that it is almost beyond comprehension that an organized body, pledged to the betterment of service and of quality in those goods essential to the very practice of dentistry, supported by and consisting of a large and reputable element in the dental manufacturing and trading industry, should be held in suspicion simply for the reason that in consideration for their effort it is sought to ensure an equitable return for their material, their labour and capital involved."

APPENDIX 12

Referred to in para. 47

Some general economic statistics for the years 1920 to 1927

"Economist" Index of Business Activity*

1924 = 100

Year	*Index*	*Year*	*Index*
1920	97·8	1924	100·0
1921	74·5	1925	101·8
1922	88·3	1926	93·6
1923	94·4	1927	107·8

Movement of British Industrial Production as shown by the Annual Index of the London and Cambridge Economic Service†

1930 = 100

Year	*Index*	*Year*	*Index*
1920	99	1923	84
1921	67	1924	94
1922	82	1925	94

Unemployment in Great Britain‡

Year	*Insured workpeople Percent. unemployed*	*Year*	*Insured workpeople Percent. unemployed*
June 1920	Not available	June 1923	11·2
Dec. 1920	7·8	Dec. 1923	10·5
June 1921	21·9	June 1924	9·2
Dec. 1921	17·7	Dec. 1924	10·6
June 1922	13·5	June 1925	11·6
Dec. 1922	12·6	Dec. 1925	10·1

* *The Economist* Supplement, 21 Oct., 1933.

† Department of Applied Economics, University of Cambridge, *The Measurement of Production Movements*, page 126.

‡ Figures supplied by the Ministry of Labour.

APPENDIX 13

Referred to in paras. 63 *and* 65

Summary of certain A.D.M.T. Regulations restricting competition between dealers

1. Dealers' credit terms are to be limited to six months, except for precious metals, where one month's credit is the maximum. (Regs. 42/48.)

2. Dealers' hire purchase agreements shall comply with certain requirements, both as to form and as to charges. (Reg. 50.)

3. Dealers' allowances for secondhand equipment shall not exceed those published in an appraisal list to be issued by the Council. Retail prices for secondhand equipment shall show minimum profits. (The Regulations on these matters are very elaborate, and are contained in Nos. 31 to 40.)

4. Maximum allowances off retail prices are fixed for sales to hospitals, teaching schools and local authorities. (Reg. 28.)

5. Dealers' tenders, apart from those to Government departments, must include a price fluctuation clause, providing for an adjustment in the price stated, should market prices change. (Reg. 14.)

6. Goods on approval shall be charged up after 21 days. (Reg. 52.)

7. No dealer shall give samples. (Reg. 59.)

8. Radiographs shall not be taken for any retail customers, whether charged as a service or not. (Reg. 60.)

9. Charges must be made by dealers for work preparatory to the installation of equipment. (Reg. 61.)

10. No member may loan dental equipment or X-ray machines to any person whatever for more than three months. (Reg. 63.)

11. No dealer shall supply prepaid business cards to customers for the purpose of soliciting orders. (Reg. 58.)

12. No dealer shall sell equipment on behalf of a customer, with or without remuneration (Reg. 38 (a)), and no dealer shall introduce one customer to another with a view to effecting direct purchase or sale of equipment between them. (Reg. 38 (b) .)

13. No dealer shall sell equipment as stock or demonstration soiled within 12 months of delivery, nor after such period without making written application to the Secretary. The price at which the dealer shall sell such equipment shall be the current retail price less the manufacturer's renovation estimate. This estimate must not exceed 5 per cent. off the list price for year-old goods and 10 per cent. for goods which have been on show for two years. (Reg. 40.)

APPENDIX 14

Referred to in para. 66

Changes in maximum quantity rates and discounts to retail customers, and in the Regulations relating to the sale of used goods

Quantity rates

1. The question of quantity rates was considered at the Annual General Meeting of July, 1927, and, as a result, maximum allowable discounts for quantities were fixed for the first time on 5th August, 1927. This arrangement applied only to teeth and other consumables; no limit appears to have been fixed at that time for instruments or equipment.

The discounts fixed as a maximum were:—

Anterior Pin Teeth	...	7½ per cent. off the price per 100 (qualifying quantity 2,500 teeth).
Posterior Diatoric Teeth	...	15 per cent. off the price per 100 (qualifying quantity 5,000 teeth).
Other consumables	...	15 per cent. off the unit price.

2. At a special General Meeting in November, 1933, the question of quantity rates was again dealt with and certain changes were made. The discounts on teeth remained the same (they are still current), but the maximum quantity discount for other consumable items, with certain exceptions, was reduced to 10 per cent. and instruments were now included in this category. The excepted items were denture blanks and dental rubbers, on which the discount remained at 15 per cent. At the same time equipment was brought into the arrangement with a discount of 5 per cent. for a minimum of six articles of the same type—e.g., six chairs, six dental units or six lathes.

3. In October, 1947, the maximum discount on denture blanks and dental rubbers was reduced to 10 per cent. Full details of current quantity rates are given in Regulations 17 to 27 of the A.D.M.T.—see Appendix 2.

Cash discount

4. At the Special General Meeting of November, 1933, the question of maximum cash discount was also discussed.

The discounts at this time, and since 1923, were:—

Precious metals	... ...	2½ per cent.	for cash by the fifteenth day of the month following date of invoice
Other goods	... ...	5 per cent.	

and a recommendation to reduce these by one half was rejected. The cash discount on precious metals was then considered separately and eliminated; the discount on other goods was left at 5 per cent.

5. By Instruction No. 174 of 23rd November, 1939, the cash discount of 5 per cent. was reduced to 2½ per cent., this reduction having been made by the Emergency War Committee of the A.D.M.T.

Special discounts to hospitals, dental schools, and local authorities

6. Hospitals and dental schools have been allowed to receive " special " discounts, in place of the quantity and cash discounts allowed to dentists. In 1923 these discounts were 20 per cent. off the retail 100 rate for teeth, and 20 per cent. off the retail unit rate for other goods (except precious metals), plus, in the case of other goods, another 5 per cent. if the 20 per cent. did not bring the cost down below the quantity rate to the dentist. Municipal bodies and other local authorities buying for school clinics and like institutions were given different treatment; they were allowed a " nett cash discount " of 15 per cent. on all goods other than precious metals, and this also applied to students.

7. In May, 1927, it was decided that among hospitals only those supported by voluntary contributions should receive the special discount. Association members were thereafter supplied with lists of dental schools and voluntary hospitals to whom the discounts might be allowed. At the same time the special discount was withdrawn in respect of students' outfits supplied to these institutions for re-sale to students. In April, 1931, the "nett cash discount" of 15 per cent. to municipal bodies and students was abolished.

8. At the November, 1933, Special General Meeting, referred to in para. 2 above a reduction was made in the special discounts, which became:—

On teeth—

Voluntary Hospitals	10 per cent. off the 100 rate	or the quantity rate as charged to dentists whichever price is the lower
Dental Schools ...	12½ per cent. off the 100 rate	

On sundries and equipment—

Voluntary Hospitals	10 per cent. off the unit rate
Dental Schools ...	20 per cent. off the unit rate

9. The last alteration occurred in October, 1947, when the category of buyers qualifying for the discount was widened to include any hospital not carried on for private gain, all dental teaching schools and all local government authorities; and the discounts allowable became:—

Teeth in quantities of less than 100 ...	12½ per cent. nett off the retail unit rate
Teeth in quantities of 100 or over ...	12½ per cent. nett off the retail 100 rate
Sundries and equipment (except X-ray equipment and precious metals) ...	12½ per cent.
X-ray machines—	
Dental Schools	10 per cent. nett
Hospitals	5 per cent. nett
Local Government Authorities ...	Nil

Used, or secondhand, goods

10. It has always been the practice in the dental trade for dealers to purchase used equipment from dentists and to re-sell this equipment after reconditioning. The original Rules of the A.D.M.T. laid it down that transactions in such used goods should be recorded separately from those relating to the sale of new goods, and on 30th November, 1929, it was decided that dealer members should make monthly returns of all purchases and sales of used goods. A Committee appointed to examine these returns reported that about a half of the used equipment bought by dealers proved unsaleable, and that, over a period and taking the trade as a whole, the total amount obtained from the sale of the remainder did not show a profit over the total cost, including reconditioning, of all the used equipment bought by dealers. Accordingly, it was made a Regulation on 22nd June, 1933, that used equipment should not be re-sold for less than a price that would realise a profit of 20 per cent. calculated on the selling price.

11. The Committee continued to make yearly reports on the trade in used goods and repeated their finding that the trade in used goods was unprofitable. As a result, the appropriate Regulation was amended in 1935 to the effect that the minimum profit to be obtained on the sale of used equipment was to be 33⅓ per cent. if resold within 12 months of purchase and 15 per cent. if resold more than 12 but less than 24 months after purchase, the percentage in each case to be calculated on the selling price. This Regulation became operative on 20th March, 1935, and is still in force.

APPENDIX 15

Referred to in para. 79

Co-operative buying associations organised by dentists in Sweden and Canada

Sweden

The Swedish Dentists' Purchasing Association was formed in 1906 with a membership of 103 dentists. It has steadily grown in strength and now has a membership of 3,600 dentists. The control of the business side of the Association's activities has been transferred to its manufacturing, importing and trading company, Svenska Dentalaktiebolaget, which in turn transfers the profits back to the Association. Svenska Dentalaktiebolaget is reported to be one of the largest dental supplies depots in the world and its sales amount to half of total dental goods sales in Sweden.

This information was obtained from the Swedish governmental authorities.

Canada

The Depôt Dentaire de Montreal Limitée was organised in 1938 by five dentists and by 1947 its membership, which is confined to dentists, had risen to 272. The Depôt has branches in Montreal and Quebec City, and its sales to members and others now constitute the largest sales of any independent dealer in Canada.

This information is taken from the report of the Commissioner under the Canadian Combines Investigation Act on his investigation of the manufacture and sale of dental goods in Canada.

APPENDIX 16

Referred to in para. 81

Report of the A.D.M.T. Special Committee set up in June 1929 to consider ways of combating co-operative buying

" The Committee are of opinion that no immediate effective remedy can be suggested to meet the co-operative trading menace, but that steps can be taken in various directions which will increase their difficulties in carrying on. Various proposals have been considered, including the following:—The Committee were of opinion that this was essential: First, to take means as far as possible to stop supplies reaching the various co-operative concerns, and recommend each manufacturer and/or sole agent to refuse supplies even though charged at proper prices. Also to endeavour to control continental supplies and if possible to adopt such means of packing or marking that the source of supply can be identified. The Committee point out to such manufacturers and/or agents that these goods reaching the dental profession through these Co-operative concerns would eventually be sold to it through the dealers who are members of the A.D.M.T. The Committee also recommend that where manufacturers or agents have instituted special regulations or restrictions with regard to the resale of goods supplied to dealer members they should see these restrictions are observed. Also that manufacturers' or agents' restrictions as to resale should extend to continental dealers. The Committee also recommend that the name of any dentist who is known to be purchasing supplies for any co-operative bodies should be communicated to the General Secretary, who should circulate his name to all members. Secondly, That the Association should get an undertaking from members not to supply such in the following terms:—

> ' I, or we, (X) hereby undertake in the general interest of the trade and in my own (or our own) interests to refuse to supply any person firm partnership or company with dental goods if I (we) have reason to believe that such person firm partnership or company is desirous of purchasing dental goods for co-operative societies or groups of dentists. (Signed) . . . .'

There can be but comparatively few dentists so engaged and the check to the operations of co-operative concerns might easily be of more importance than the loss of such orders. In theory and probably actually orders thus temporarily lost would eventually be secured by members.

Propaganda

The Committee are in favour of attempts being made to address meetings of dentists in various parts of the country by persons authorised by the Council and think that a special form of address should be decided upon. Some of the points of such address should be:—To convince the dentist of the importance to him of the service given by regularly established and well-stocked depots, which must necessarily become less effective or altogether cease unless sufficient support in the way of enough trade to enable efficient staffs and adequate stocks being maintained. No organisation working on a basis of no profit or even at less profit than the extremely low percentage now made by members of the trade Association can possibly give the somewhat exacting services required and rightly looked for by the dental profession. The Committee also recommend advertisements in journals and/or circular letters counter to those now appearing on behalf of co-operative bodies, i.e., alteration of propaganda advertisements of the A.D.M.T. now appearing, to make them apply more especially to the occasion:—Notes for such advertisements:—

(*a*) To refute the assertions that buying small quantities of standard dental goods at quantity rates effects a saving of 25 per cent.;

(*b*) To draft form of letter or pamphlet to be sent out by individual dealers to any customer whom he may know is a supporter of a co-operative society;

(*c*) Appeals to dentists to establish closer relations with and have confidence in members of the A.D.M.T. (or regularly established dental dealers) and not to use their willing service just as a convenience on occasions when requirements cannot be met by imperfect organisations such as these co-operative concerns are.

It was recommended that the British Dental Association and the Incorporated Dental Society should be approached officially and the views of the Association put before them with regard to permitting co-operative societies or their contractors exhibiting at meetings and offering standard goods at reduced prices. The suggestion of eliminating or revising quantity rates was considered, but no decision was arrived at. It was decided that the report from the Scottish meeting, dated 8th June, should be read and considered in General Meeting. The suggestion of suspending, for a time, Rule 4 as to maintenance of prices was unanimously rejected.

Some discussion followed and the report of the Scottish meeting was read. It was then proposed, seconded and carried that the report of the Committee be adopted and placed in the hands of the new Council to work out. It was also proposed, seconded and carried that a Standing Committee be appointed to assist the Council in this matter."

APPENDIX 17

Referred to in para. 84

Association's original explanation of its method of dealing with applications for membership

QUESTION 13: *What, in detail, are the present arrangements for dealing with applications for membership and what have they been in the past?*

Application for membership has always been dealt with in a consistent manner. All enquiries concerning membership are referred to the Council.

In the case of an enquiry by a manufacturer or sole agent a form* is sent to the enquirer and a book of the Rules and Regulations is loaned to him. If the enquirer desires to proceed with a formal application, he returns the form, the application being supported by a proposer and seconder. If the formal application is approved, the applicant is notified of the amount of the Entrance Fee and Subscription and on these being paid the Membership is completed and all members advised.

No difficulty is placed in the way of a reputable manufacturer or sole agent becoming a member of the Association, provided that he has no continuing commitments which would conflict with the Rules and Regulations of the Association.

On an enquiry concerning membership by a dealer being referred to the Council, steps are taken to find out

(*a*) whether the enquirer has been engaged in the Trade for any length of time;

(*b*) whether he has the requisite capital;

(*c*) whether he intends to open and carry on a properly equipped dental depot within one month of election.

These enquiries are necessary having regard to Rule 4 of the Association.

If the Council is satisfied that the enquirer qualifies for membership, the form* is sent to the enquirer and a copy of the Rules and Regulations is loaned to him. On the form being returned, the application being supported by a proposer and seconder, the applicant is notified of the amount of the Entrance Fee and Subscription and on these being paid the membership is completed and all members advised.

If in the opinion of the Council the enquirer is unsuitable, he is advised that the Council is unable to support an application from him.

No application whether from manufacturer or dealer has ever been refused for want of a proposer or seconder. Where the applicant cannot readily call upon a proposer or seconder arrangements are made for the necessary introductions.

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* See Appendix 17A

APPENDIX 17A

Form of application for membership of the A.D.M.T. referred to in footnote (*) to Appendix 17

[*Page One*]

To

THE ASSOCIATION OF DENTAL MANUFACTURERS AND TRADERS OF THE UNITED KINGDOM

I/We.....

of .....

desire to become an Ordinary/Affiliated Member of the Association in Class....., and request you to register my/our name in the Register of Members in that Class, subject to your Rules and Regulations (a copy of which I/We have seen) which form part of the contract of membership between me/us and the Association.

Signed.....

Dated this.....day of....., 19.....

Proposer .....

Seconder .....

(PLEASE FILL IN THE QUESTIONS OVER PAGE)

[*Page Two*]

TO BE FILLED UP BY ALL CANDIDATES FOR MEMBERSHIP

Question

1. Have you previously applied for Ordinary or Affiliated Membership?

2. How many years have you been actively engaged in the Dental Trade?

3. If you are a Manufacturer, please give full particulars of all the Dental goods you at present manufacture.

4. As a Manufacturer, do you understand that the retail price of all your goods must be forwarded simultaneously to all Dealer Members and to the Association, and that any change in price shall be notified (as from the date of change) to all Dealer Members and to the Association?

5. Do you understand that as a Member you would be precluded from supplying your goods in the United Kingdom to other than Members except at full retail prices?

6. Do you understand that as a Dealer you would only be entitled to purchase goods from Manufacturing Members, and that it is at the discretion of the Council to issue permits in special cases to purchase goods outside for specific orders?

7. If you are applying for Dealer Membership please state whether you have the necessary capital as laid down in Rule 4, paragraph 4.

8. Please state the sales territories covered by your representatives.

9. Have you a properly equipped Depot, or are you prepared to open such a Depot within one month of admission to Membership, as laid down in the Rules?

10. If your business is (*a*) a Limited Company—please give the names of the Directors; (*b*) if a partnership, please give the names of the partners.

11. Please state the average number of staff; (*a*) female; (*b*) male.

12. Have you any outstanding contracts for the purchase and/or supply of Dental Goods?

APPENDIX 18

Referred to in para. 95

Extracts from notes taken at the twenty-fourth Annual General Meeting of the A.D.M.T., held on Friday, June 6th, 1947

6. QUESTION OF APPLICATIONS FOR MEMBERSHIP BY LABORATORIES AND OTHERS WHO ARE MANUFACTURING OR TRADING IN ACRYLIC TEETH

The Secretary opened this subject by explaining that there have been several applications for membership from Manufacturers of Acrylic teeth, and the Council felt it was better to leave these applications over for discussion at this General Meeting. Owing to the growth of the Manufacturers of Acrylic teeth the assistance and advice of the meeting would be welcome.

A Member: At least 20 Dental Mechanics have approached us to take up an agency for the sale of their teeth. If someone does not take an agency they will form a Company for selling these teeth, yet to encourage all these people into the Association seems very improper.

A Member: We have a tremendous number of lines of teeth within the Association and if these mushroom men form their own ring they would not get very far—one sees so many examples. If we did admit them we would be overburdened.

A Member: I think if these Manufacturers of Acrylic teeth were admitted they would be supported by some but after a while they would automatically die out. Some consideration should be given so that they remain members whilst their goods are selling, and they automatically become non-members when their goods are not in demand.

The Secretary explained that there were two classes of manufacturers applying for membership:—(1) Those who have formed a Company and have considerable capital and (2) The Mechanic who makes teeth and has difficulty in selling them.

A Member: Everyone realises that, with Acrylic teeth, the most expensive part is selling them and that is why all these little people like to bracket themselves with the existing Dental Trade.

A Member: I quite agree. We all know there is a tremendous amount of money going to be lost and I think from that point of view it would be wrong for us to encourage the Mechanics to manufacture teeth in a big way. Several of these people have approached me and I have been able to deter them from going into the tooth business in a big way, as I feel they would regret it.

The President: I think the Meeting would like to know that this matter was brought up because we have had so many applications for membership, and we must decide to-day what is to be done about these applicants.

A Member: I think the Council should try and distinguish between these small mechanics who are making these teeth and have difficulty in disposing of them and the firms who are genuinely manufacturing teeth in a big way. I think the latter are better inside than outside the Association.

The President: We take it then you wish the Council to definitely say no to the smaller manufacturers and the bigger ones to be considered for membership, and you leave it in the hands of the Council?

A Member: Suppose one of the smaller men markets a tooth which is far superior to anything yet made?

A Member: He has the opportunity of appointing a Sole Agent.

It was eventually agreed to leave this matter to the discretion of the Council.

APPENDIX 19

Referred to in paras. 95 *and* 165

Porcelain and acrylic teeth production in the United Kingdom

The following table has been compiled from the information available. It involves some degree of estimation.

	Porcelain	*Acrylic*
1944	35·6 million teeth	Not available
1945	31·3 million teeth	Not available
1946	31·9 million teeth	5 million teeth
1947	25·8 million teeth	7 million teeth
1948	26·2 million teeth	20 million teeth
1949	43·0 million teeth	53 million teeth

APPENDIX 20

Referred to in para. 102

Extract from A.D.M.T. letter to the Commission, dated 3rd April, 1950

3. *Advertisements in Dental Journals*

The Association owns no dental journal.

I know of no dental journals at present owned by members of the Association with the exception of the *City Dental Gazette* issued by the City Dental Depot Ltd., Cardiff, and *Dental Magazine and Oral Topics* which is published by Oral Topics Ltd., of 12 Swallow Street, London, W.1, which I have always understood to be a subsidiary of the Amalgamated Dental Co. Ltd. Formerly there were others.

A question arose at the Annual General Meeting in 1937 whether a journal controlled by a member of the Association should publish advertisements of non-member manufacturers of dental goods (Minute Book, IV, p. 119). The matter was referred to the Council who arranged for an informal meeting of the publishers of the then existing journals who considered the matter. It was later reported to the Council that the journals would not in future advertise essential dental goods made by non-members, but it is believed that this decision has not been uniformly adhered to. So far as I can trace the Council has never issued any instruction on the matter.

Yours sincerely,

General Secretary.

APPENDIX 21

Referred to in paras. 104 *et seq. and* 169

Simplified Chart of Acrylic Products

Basic Chemicals (said by I.C.I. to be freely available)

METHYL METHACRYLATE LIQUID (MONOMER)—(I.C.I. alone synthesize in this country, using a process not now protected by patent. I.C.I. had a patent for this process which expired in August 1948.)

- Monomer supplied by I.C.I. to dental goods manufacturers for them to supply with their own denture-base materials (see (1) below.)‡
- Monomer used by I.C.I. for supply with their own denture-base materials (see (2) below.) Also supplied for use with dental powders (see (3) below.)
- Monomer polymerised* by I.C.I. into:— DENTAL GRANULES (various grades)
  - Granules supplied by I.C.I. to dental goods manufacturers
    - Granules processed by dental goods manufacturers into:— DENTURE-BASE MATERIALS (PIGMENTED) supplied in powder form by dental goods manufacturers (as branded lines) for use by dentists, laboratories, etc., in making denture bases.§ (1)
  - Granules processed by I.C.I. into:— DENTURE-BASE MATERIALS (PIGMENTED) supplied in powder form by I.C.I. (as branded lines) for use by dentists, laboratories, etc., in making denture bases, i.e., Kallodent. Also supplied unbranded and in bulk.§ (2)
  - Granules processed by by I.C.I. into:— DENTAL MOULDING POWDERS supplied by I.C.I. to dental goods manufacturers for making teeth on a commercial scale (Kallodoc).§ (3)
- Monomer polymerised by I.C.I. into:— Commercial moulding powder (Diakon)
- Monomer polymerised by I.C.I. into:— Solid blocks or sheets† (Perspex)

* Patent on process expired 1949; extension of term applied for.

† The liquid monomer can be rederived from scrap Perspex and used again for conversion into dental granules and powders, but I.C.I. do not produce any dental products by this method.

‡ One dental goods manufacturer has also polymerised monomer obtained from I.C.I. into dental granules and produced powders therefrom for making teeth and a branded line of denture-base material.

§ The granules are also processed into dentine material (branded lines, such as I.C.I.'s Kallodentine) from which the dentist can make small quantities of teeth, but sales of these materials are small compared with those of denture-base materials.

APPENDIX 22

Referred to in paras. (ix) of Introduction and 139

List of Amalgamated Dental Company Ltd.'s subsidiary and associated companies in the United Kingdom engaged in the manufacture and sale of dental goods

SUBSIDIARIES

1. International Tooth Company Ltd.	Wholesalers of dental goods, principally of teeth purchased from Dentsply Ltd.
2. Claudius Ash Sons & Co. Ltd.	Dental Dealers
3. Elliott & Co. (Edinburgh) Ltd.	Dental Dealers
4. Midland Dental Manufacturing Co. Ltd. ...	Dental Dealers
5. Western Dental Manufacturing Co. Ltd. ...	Dental Dealers
6. Amalgamated Dental Engineering Industries Ltd.	Manufacturers, chiefly of equipment and instruments.
7. Amalgamated Dental Prosthetic Products Ltd.	Manufacturers, chiefly of consumables.

NOTES :—

(1) The last two Companies distribute the whole of their dental goods output through the parent Company. They were formed recently to take over the manufacturing branches of the Company.

(2) All subsidiaries are wholly owned, except Elliott & Co. (Edinburgh) Ltd.

ASSOCIATE

Hallam Dental Ltd.	Manufacturers of dental instruments.

NOTE:—The A.D.Co. holds half of the issued share capital of £6,500. The whole of the Company's dental goods output, which is small compared with Amalgamated Dental Engineering Industries' output of dental instruments, is distributed through the A.D.Co. or its wholesale subsidiary.

APPENDIX 23

Referred to in paras. 147 *and* 176

Amalgamated Dental Company Ltd.'s Group and Dental Manufacturing Company Ltd.

Turnover increases and profits

PART I

	A.D. GROUP			D.M. Co. (*without Anglo-American Dental Corporation Ltd.*)		
	1938	1947	1948	1938	1947	1948
Turnover (1938=100) ...	100	171	231	100	165	211
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Net profit on sales	12·1	9·3	10·9	4·6	10·4	11·6
Net profit on capital employed	N.A.	N.A.	14·1(*a*) / 12·6(*b*)	6·3	22·6	25·4

N.A.—Not available.
(*a*)—Commission's calculation.
(*b*)—Company's calculation.

NOTE:—The alternative calculations arise mainly by reason of a difference of opinion as to the treatment of proposed dividends and of investments in excess of outstanding taxation, when computing the capital employed.

PART II

	D.M. Co. *taken with Anglo-American Dental Corporation Ltd.*	
	1948	1949
Turnover (1948=100)	100	154
	Per cent.	Per cent.
Net profit on sales	22·5	25·8
Net profit on capital employed ...	46·9(*a*)	64·5(*a*)

(*a*) When Anglo-American was acquired, D.M. Co. paid £230,800 for what has been described as " Goodwill " and is said to represent the value of an exclusive licence to operate in this country a patent for the manufacture of acrylic teeth. This item has been omitted in computing the capital on which the rates of profit have been calculated, but if the capital were increased to this extent for both the years 1948 and 1949, the respective rates of net profit would be 29·6 per cent. and 44·3 per cent.

NOTE:—The figures for 1948 comprise the trading of D.M.Co. for the year 1948 and of Anglo-American for the year to 31st January, 1949; the figures for 1949 are the trading results for the calendar year 1949 of the businesses carried on separately by the two companies until April, 1949 and thereafter by D.M. Co. The trading of Anglo-American for the month of January, 1949 is, therefore, included in both sets of figures.

APPENDIX 24

Referred to in paras. 148 *and* 176

Annual profits (as defined in footnotes) of the Amalgamated Dental Co. Ltd. (as a whole, i.e., including income from overseas subsidiaries and associates) and of the Dental Manufacturing Co. Ltd.

Year	*Amalgamated Dental Co. Ltd.* Issued Share Capital	Profits*	*Dental Manufacturing Co. Ltd.* Issued Share Capital	Profits (+) or Losses (−)‡
	£000's	£	£000's	£
1924	2,627	195,488	376	− 396
1925	2,703	185,964	376	+ 4,988
1926	2,703	194,679	376	− 15,672
1927	2,703	217,209	376	+ 9,437
1928	2,703	215,306	376	+ 5,123
1929	2,703	212,649	376	− 18,610
1930	2,703	208,419	376	− 6,447‡
1931	2,703	211,113	376	+ 5,623‡
1932	2,703	183,542	150§	+ 11,671‡
1933	2,703	167,105	150	+ 13,835‡
1934	2,703	182,616	150	+ 24,956
1935	2,703	190,718	150	+ 28,218
1936	2,703	195,941	150	+ 21,416‡
1937	2,703	197,187	150	+ 23,200
1938	2,703	201,818	150	+ 15,090
1939	2,703	163,669	150	+ 26,296
1940	2,703	192,154	150	+ 23,465
1941	2,703	247,538	150	+ 38,714
1942	2,703	292,263	150	+ 69,295
1943	2,703	324,139	150	+ 73,936
1944	2,703	290,777	150	+ 65,833
1945	2,703	309,803	150	+ 62,188
1946	2,703	372,472	150	+ 68,241
1947	2,703	288,373	150	+ 54,806
1948	2,703	357,326	150	+ 73,393
1949	2,703	589,274†	266	+ 271,478

* Profits are as shown by the Company's accounts before deduction of U.K. taxation and, since 1947, of overseas taxation. Prior to 1947 (before reciprocal tax arrangements) overseas taxation was treated by the company as an expense and has been deducted before arriving at the above stated profits.

† The profit in 1949 is before the provision of £100,000 for loss on German assets.

‡ Profits are as shown by the Company's accounts before deduction of U.K. taxation (there is no overseas tax), and they do not include certain exceptional items as follows:—

(i) £31,000 in 1930 which was written off stocks of teeth when method of production was changed, and £3,000 recovered against this loss in the next three years, and

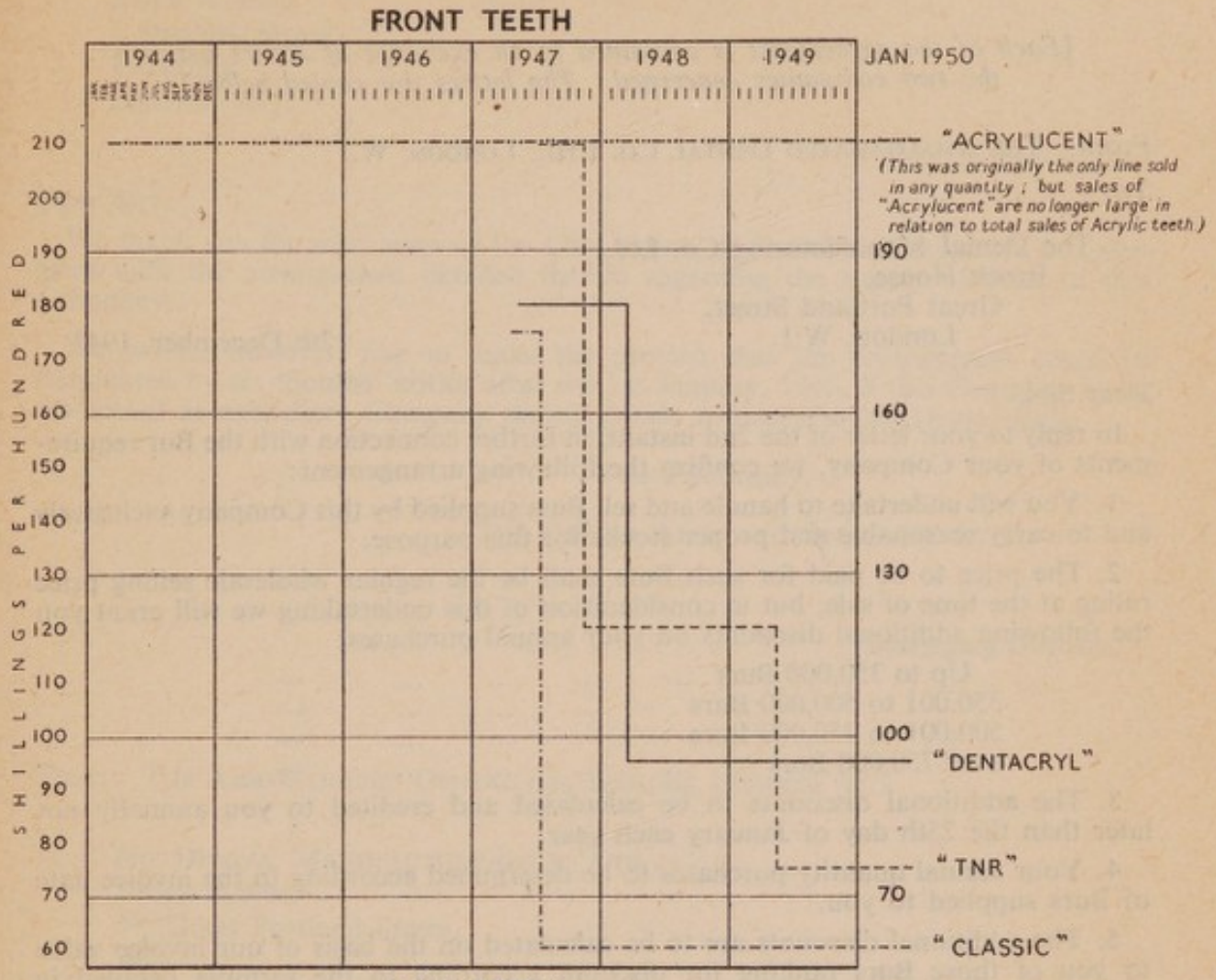
(ii) £39,000 in 1930 and £5,000 in 1931 being losses on realisation of assets in foreign subsidiary companies, or £1,600 recovered against these losses in 1936.

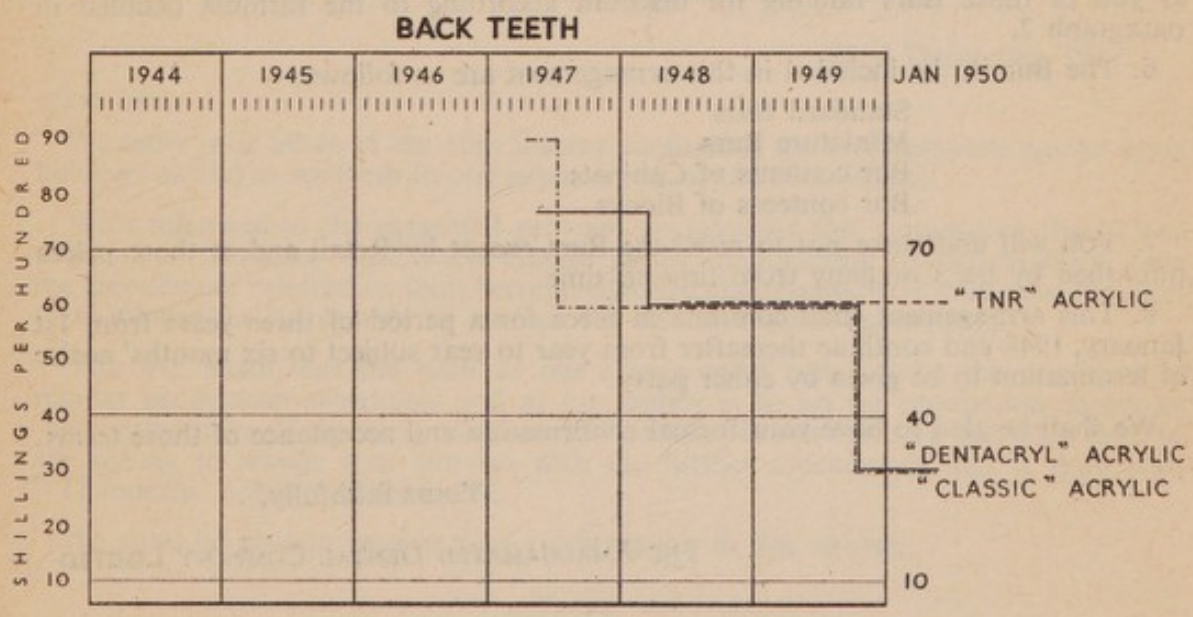
§ Capital written down.

APPENDIX 25

Referred to in paras. 166 *and* 167

Diagram of retail price movements of some leading brands of acrylic teeth





APPENDIX 26

Referred to in paras. 162 *and* 215

The A.D. Co.'s agreements with the D.M. Co. and the S.S.White Co. of Great Britain Ltd., relating to the supply of burs

[*Each of the agreements is contained in an exchange of letters between the two companies concerned. The letters are copied below.*]

From: THE AMALGAMATED DENTAL CO. LTD., LONDON, W.1

To:

The Dental Manufacturing Co. Ltd.,
Brock House,
Great Portland Street,
London, W.1.

12th December, 1947

Dear Sirs,

In reply to your letter of the 2nd instant, in further connection with the Bur requirements of your Company, we confirm the following arrangement:

1. You will undertake to handle and sell Burs supplied by this Company exclusively and to carry reasonable and proper stocks for this purpose.

2. The price to be paid for such Burs shall be the regular wholesale selling price ruling at the time of sale, but in consideration of this undertaking we will grant you the following additional discounts on your annual purchases:

Up to 350,000 Burs	—
350,001 to 500,000 Burs	—
500,001 to 750,000 Burs	—
over 750,000 Burs	—

3. The additional discounts to be calculated and credited to you annually not later than the 25th day of January each year.

4. Your annual quantity purchases to be determined according to the invoice date of Burs supplied to you.

5. The additional discounts are to be calculated on the basis of our invoice value to you of those Burs ranking for discount according to the formula detailed in paragraph 2.

6. The Burs to be included in this arrangement are as follows:—

Standard Burs
Miniature Burs
Bur contents of Cabinets
Bur contents of Blocks

7. You will undertake not to resell the Burs except by Retail and at those prices published by the Company from time to time.

8. This arrangement shall continue in force for a period of three years from 1st January, 1948 and continue thereafter from year to year subject to six months' notice of termination to be given by either party.

We shall be glad to have your formal confirmation and acceptance of those terms.

Yours faithfully,

THE AMALGAMATED DENTAL COMPANY LIMITED

From: THE DENTAL MANUFACTURING CO. LTD., LONDON, W.1.

To: The Amalgamated Dental Co. Limited,
Solila House,
7, Swallow Street,
Piccadilly,
London, W.1.

16th December, 1947

Dear Sirs,

We thank you for your letter of the 12th instant, and confirm that we are in agreement with the arrangement detailed therein regarding the supply of Burs to this Company.

We would, however, like to make the proviso that the arrangement could be terminated by six months' notice after the 1st January, 1949, if this Company or an associated or subsidiary Company should decide to manufacture Dental Burs.

Yours faithfully,

THE DENTAL MANUFACTURING CO. LTD.,

Managing Director.

From: THE AMALGAMATED DENTAL CO. LIMITED, LONDON, W.1

To: THE DENTAL MANUFACTURING CO. LTD.,
Brock House,
97, Great Portland Street,
W.1.

22nd December, 1947.

Dear Sirs,

We have your letter of the 16th instant confirming the arrangements agreed upon between us and as set forth in our letter to you of the 12th instant.

With reference to the suggested proviso, we interpret this as meaning that if and when your Company shall itself engage in the manufacture of Dental Burs, then the amendment referred to shall become effective and thereby you shall have the right to terminate the Agreement by six months' advance notice in writing.

You will recall that the basis of our arrangement rested upon the provision of regular production schedules, and as our policy is to set up production schedules or commodities of the kind concerned 12 months in advance, we will state that we are willing to accept your proviso with the further amendment that it shall read " 12 months' notice " instead of 6.

We shall be glad to receive your confirmation in due course.

Yours very truly,

THE AMALGAMATED DENTAL COMPANY LTD.,

Director.

From: THE DENTAL MANUFACTURING CO. LTD.

To: The Amalgamated Dental Co. Ltd.,
Solila House,
7, Swallow Street,
London, W.1.

30th December, 1947

Dear Sirs,

We thank you for your letter of the 22nd instant, and in the circumstances we are agreeable to accept your amendment that our proviso shall read twelve months' notice instead of six.

We would like to thank you and your Directors for their co-operation and courtesy in this matter.

Yours faithfully,

THE DENTAL MANUFACTURING CO. LTD.

Managing Director.

From: THE AMALGAMATED DENTAL CO. LIMITED,
LONDON, W.1.

To: The S. S. White Co. of Great Britain Ltd.,
126, Great Portland Street,
London, W.1.

Private and Confidential

1st December, 1949

Dear

We have pleasure in setting out below details of the arrangements covering your purchases of Ash Burs as from January 1st, 1950, which we had the pleasure of discussing with you yesterday afternoon and to which you were good enough to express your approval:—

1. You will undertake to handle and sell Burs supplied by this Company, exclusively and to carry reasonable and proper stocks for this purpose.

2. The price to be paid for such Burs shall be the regular wholesale selling price ruling at the time of sale, but in consideration of this undertaking we will grant you the following additional discounts on your annual purchases:—

Up to 400,000 Burs	... ...
400,001 to 600,000	... ...
600,001 to 800,000	... ...
800,000 onwards	... ...

3. The additional discounts to be calculated and credited to you annually not later than the 25th day of January each year.

4. Your annual quantity purchases to be determined according to the invoice date of Burs supplied to you.

5. The additional discounts are to be calculated on the basis of our invoice value to you of those Burs ranking for discount according to the formula detailed in paragraph 2.

6. The Burs to be included in this arrangement are as follows:—
Standard Burs;
Miniature Burs;
Bur contents of Cabinets;
Bur contents of blocks.

7. You will undertake not to resell the Burs except by Retail and at those prices published by the Company from time to time.

8. This arrangement shall continue in force for a period of three years from 1st January, 1950, and continue thereafter from year to year subject to six months notice of termination to be given by either party.

We shall be glad to receive your formal confirmation and acceptance of these terms in due course.

With best regards,

Yours very truly,

THE AMALGAMATED DENTAL CO. LIMITED

Sales Manager.

From: The S. S. White Co. of Great Britain,
London, W.1.

To: The Amalgamated Dental Co. Ltd.,
Solila House,
7, Swallow Street,
Piccadilly, London, W.1.

5th December, 1949.

Dear

Mr. has handed your letter of December 1st to me for attention, and I have pleasure in confirming formally the terms proposed, except that I would suggest the following alterations in Nos. 1 & 2, to bring them more into line with our discussion on Wednesday afternoon. The proposed amended clauses are as follows:—

1. You will undertake to stock and sell steel Burs supplied by this Company exclusively and to carry reasonable and proper stocks for this purpose, it being agreed that this will not preclude you from handling, but not stocking, other Burs when specifically ordered or from stocking S. S. White Revelation Burs in the event of your being able to import them.

2. This should be as in your letter with the following addition. It being understood that this arrangement would lapse if the wholesale margin of profit is reduced below that prevailing at the present time.

I think you will agree that the above suggestions are reasonable in view of our conference.

I am enclosing an initial order for 200,000 Burs and we intend sending you further similar orders during the course of the next year.

Yours sincerely,

THE S. S. WHITE CO. OF GREAT BRITAIN LTD.

Retail Sales Manager.

From: THE AMALGAMATED DENTAL CO. LIMITED,
LONDON, W.1.

To: The S. S. White Co. of Great Britain Ltd.,
126, Great Portland Street,
London, W.1.

6th December, 1949

Dear

ASH BURS

Thank you for your letter of the 5th instant in the above matter together with specifications covering approx. 200,000 Ash Burs for delivery January 1st, 1950.

We have noted that your Company is desirous to have the following amendments made to the terms of our letter to you of December 1st:—

Para. 1.

Shall be deemed to include the provision that the arrangement does not preclude you from handling other than stocking any other Burs when specifically ordered, nor from stocking S. S. White Revelation Burs in any case.

Para. 2.

That the arrangement shall continue only for so long as the current wholesale margins are maintained.

We confirm that your acceptance of the terms of our letter of December 1st is qualified to the extent of the foregoing amendments.

Yours very truly,

THE AMALGAMATED DENTAL CO. LIMITED

Sales Manager.

APPENDIX 27

Referred to in para. 173

Record of changes in the retail price of Kallodent denture-base material

(packs of powder and liquid)

	1940	Jan. 1942	June 1942	Jan. 1943	Apr. 1944	May 1944	July 1950
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Unit pack (sufficient for 1½ dentures, upper or lower):							
Price	15 0	15 0	3 9	Withdrawn			
Cost per denture (approx.) ...	10 0	10 0	2 6				
Major pack (sufficient for 18 dentures, upper or lower):							
Price	—	132 0	30 0	30 0	30 0	20 0	20 0
Cost per denture (approx.) ...	—	7 4	1 8	1 8	1 8	1 1	1 1
General pack (roughly ten times the size of major pack):							
Price	—	—	—	270 0	210 0	170 0	170 0
Cost per denture (approx.) ...	—	—	—	1 3	1 2	11½	11½

APPENDIX 28

Referred to in paras. 205–208

Suggested amendments to the A.D.M.T. Rules and Regulations put forward by the A.D.M.T. and suggestions applicable to any dental trade association submitted by A. D. Co.

The main proposals are given below either as originally worded or in summarised form.

1. *A.D.M.T. Proposals*

(*a*) If ever the question of refusing applicants for dealer membership on the ground that there were already too many dealers were to arise, it might be helpful for the Council to canvass the views of the British Dental Association, " but they feel strongly that in general applications should be accepted when made by experienced travellers or managers in dealers' businesses who have built up a personal goodwill and who wish to invest their savings in opening up business on their own ".

(*b*) Although the rules do not so provide, " it is strongly arguable that, having regard to the interests of the profession, any new dealer member should be, or should employ, a full-time manager, being a person with not less than 5 years' experience of the dental trade and not less than 2 years' experience of the dental dealers trade ".

(*c*) The A.D.M.T. feel that the Council's discretion in regard to the election of members should be retained " as it would be impossible to envisage rules to meet every contingency." It is thought, however, that the factors which, amongst others, should be taken into account might be indicated in the Rules.

(*d*) The A.D.M.T. would welcome any simple procedure whereby disputes arising from the exercise of the discretionary powers of the Council regarding the election of members (and on other matters) could be brought before a suitable outside tribunal.

(*e*) Rule 4 (7), which debars Co-operative Societies from membership, could be deleted.

(*f*) The Council would welcome any reasonable alternative which would relieve them of the task of assessing members' subscriptions in accordance with the size of their businesses.

(*g*) The words " or office " in the first classification under Rule 4 (3) should be deleted.

(*h*) There should be a special class of dealer membership for those dealer-manufacturer members (about 5 or 6 in number) who have showrooms where specialised equipment (such as X-Ray and electrical equipment) is displayed but who do not stock the general range of dental goods.

(*i*) " The Association consider that it would be against public policy to prohibit entirely the sale of goods to non-members. The latter may require the goods for their own use (e.g., where a non-member dealer also carries on a laboratory). It is considered, however, that an addition should be made to Regulation 66 to ensure that goods are not sold to non-member dealers who are known to cut prices, save on a written undertaking that the goods in question will not be sold below the fixed retail price ".

(*j*) The Association are disposed to consider re-drafting Regulations 31 to 41 " to provide only that in future there shall continue to be an Appraisers List indicating maximum prices (based on a fair market value) at which secondhand goods may be bought and that the dealer shall be prohibited from selling secondhand goods below the price he has paid for them for a period of one year from the date of purchase. Returns could be dispensed with, if all transactions in secondhand goods were entered into a special ledger open to inspection by the Secretary or Accountants of the Association ".

(*k*) The Association point out that the Regulation concerning the sale of any description of goods at prices which do not show a reasonable gross profit (Regulation 57) has not been invoked for many years and might be deleted.

(*l*) Rule 8 (4), giving the Council power to institute a quota system, was introduced following the successful operation of the quota scheme* during the war. "The Association would have no objection to re-drawing this Rule so that it should only be effective where the quota scheme was imposed at the request or with the consent of the British Dental Association and the Ministry of Health".

(*m*) "The Stop List has never been operated in the precise terms of the Rules; indeed it is not needed as it is by trade associations of which the retailer, as opposed to the manufacturer, may not be a member at all. The Association, therefore, consider that the Stop List provisions might well be deleted. Similarly the Association has never exercised Rule 11 (1) (ii)—deprivation of a member of his rights of membership for such period as the Council may think fit—and it has only on very rare occasions exercised its powers under Rule 11 (1) (*v*)—in the case of a member enjoying a trade discount, such reduction in the amount thereof for such period as the Council may determine".

2. *A.D. Co. Proposals*

The A.D. Co. is convinced that the primary function of any dental trade association must be to ensure the maintenance of re-sale prices fixed by manufacturers for their products and the prevention of any course of trading calculated to destroy such maintenance. This object should be specifically stated to avoid misconception. All other objects should be ancillary thereto—any declared object which appears to exceed the requirements of the main object should be avoided. It should also be made clear that the association has no power to interfere with the absolute discretion of manufacturers and distributors in fixing end prices and the amount of trade discounts for their products and any rule or regulation which appears to fetter this right should be abandoned.

On the individual rules of any such association, the Company makes the following suggestions:—

(*a*) Membership should be open to "all individuals, firms, companies, or incorporated societies whose financial integrity is not in dispute and who otherwise conform to the conditions of membership and undertake to establish a depot or depots capable of giving adequate service".

(*b*) "Expulsion from the Association or suspension from membership for a limited period appear to be adequate sanctions. Monetary penalties for minor infractions of the conditions of membership ought to be subject to a reasonable maximum".

(*c*) The conditions attaching to quantity rates should be modified to cover the case where a quantity order is given *bona fide* but cannot be wholly executed in one consignment by reason of short supplies.

(*d*) On request in writing by or on behalf of an educational institution, a member should be free to present samples of dental merchandise for use in such institution without charge.

(*e*) The Association should publish periodical lists of approved ceiling prices which a dealer may pay for secondhand goods. On re-sale, the ceiling price should be cost to dealer, plus cost of any repairs, plus, say, 25 per cent. of the aggregate of the two taken together. The rules should not hinder, or appear to hinder, the acquisition as between dentists of secondhand equipment.

(*f*) "Trade on sale or return either increases overheads or is a form of unfair trading. In cases of *bona fide* necessity for selection, the difficulty can be overcome by credits against returns".

(*g*) Should a satisfactory system of bulk buying (which did not add substantially to administrative costs) be developed for hospitals (including teaching hospitals) and clinics, the association's rules should allow for central buying on a tender basis or for some similar form of buying direct from manufacturers. It is pointed out that "only merchandise of certain categories is suitable for central buying in quantity . . . . Also it must not be lost sight of that central buying will tend to concentrate to a greater degree more trade in the hands of single manufacturers and distributors, who, in the absence of competition, may be tempted to neglect research which is or should be the breath of life to a technical industry".

---

* This was a scheme for the division of teeth supplies among the dealers which was introduced with the approval of the British Dental Association and the Ministry of Health in order to obtain a satisfactory distribution of teeth which were then in short supply.

APPENDIX 29

Definition of accounting terms

There are a number of references in the Report and the Appendices to " Turnover", " Net Profit " and " Employed Capital " and, unless otherwise specified in the text, the meanings given to these are as follows:—

TURNOVER

Net sales, i.e., invoice value of goods sold, less returns, allowances, rebates and all discounts.

NET PROFIT

(*a*) *Manufacturers*

Excess of net sales plus any other trading receipts over costs of production and general operating expenses which include depreciation (but not initial allowances), amortisation of leases, " Net Schedule A " values for owner-occupiers (in lieu of rent) and all forms of directors' remuneration, but not any taxation on profits (E.P.T., N.D.C., profits tax or income tax), interest on borrowed money (e.g., debenture or bank loan interest), or transfers to general reserve.

If the reference is to profit for part only of a business, or for specified products only, costs have been allocated in a manner similar to that adopted by the manufacturer or, where the manufacturer had made no allocation, on such bases as seemed reasonable.

(Individual computations of profit have been agreed with the manufacturers concerned.)

(*b*) *Distributors*

Excess of net sales plus any other trading receipts over the cost of goods sold and operating expenses which include depreciation, amortisation of leases, " Net Schedule A " value for owner-occupiers (in lieu of rent), and directors', partners' and proprietors' remuneration (see below) but not any taxation on profits, interest on borrowed money or transfers to general reserve.

(The information was secured by asking for a return, supported by audited accounts. Distributors were asked to limit the amount included as directors', partners' or proprietors' remuneration to such a sum as would otherwise have to be paid to employees for equivalent work; agreement was reached as to the reasonableness of the sums claimed in all except one case—and in this instance the effect on the results reported is negligible.)

EMPLOYED CAPITAL

Net assets, comprising fixed and current assets used in the business (but not goodwill), less current liabilities and provisions. The amount of employed capital has been computed by taking the average of the net assets at the beginning and end of the period concerned, at the values shown by the balance sheets.

If the reference is to capital employed in part only of a business, or is confined to certain products, net assets have been allocated in a similar manner to that adopted by the manufacturer or, where the manufacturer had made no allocation, on such bases as seemed reasonable.

(The computations of capital employed have been agreed with the manufacturers concerned, except where noted to the contrary.)

(10502) Wt. 1175—1818 K28 12/50 D.L.

PRINTED AND PUBLISHED BY HIS MAJESTY'S STATIONERY OFFICE

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PRINTED IN GREAT BRITAIN