

Mercedes Fernández-Paradas /  
Carlos Larrinaga (eds.)

# Business History in Spain (19th and 20th centuries)



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## Foreword

The businessman has become a relevant factor to explain the process of economic growth and development. The research on entrepreneurship has multiplied at university. This term includes a triple meaning: the figure of the entrepreneur, the business function and the creation of companies. This multipurpose needs to be supported by a consistent theory about the company and the entrepreneur. And that is why the Business History, within the area of History and Economic Institutions, has gained more importance in Spanish historiography. From such research the consideration of the employer as an economic agent and the company as the core of productive activities is necessarily assumed. Indeed, the study of the life of a company can help us to understand how these entrepreneurs got around difficulties or took advantage of them. In short, how they adapted to changing circumstances.

In Spain, in recent years, the Business History has had a great impact in the academic field. In fact, since the beginning of the nineties, scientific meetings and publications on companies and entrepreneurs have multiplied at least at the research level. To the point that we can say that today the Business History enjoys great vitality among Spanish economic historians. Therefore, despite the fact that the studies of Business History have been late, if we compare them with the United States or the United Kingdom. Today we find a whole heap of works on the issue. All this in spite of the difficulties that the historian must face, above all, due to the companies' own doubts about showing their documentation. The difficulties in finding primary sources in several places. Despite this, we insist, there are many investigations that have been carried out for almost three decades, thus making up for the initial lack that existed in this field.

This book is a good proof of what we are saying. As it is not a History of the Companies in Spain, but the study of entrepreneurship in Spain in the 19th and 20th centuries through various examples. We have not even attempted to address all sectors, but only some. In order to analyze certain well-studied business experiences. With which we can examine business decision making in different sectors, geographical areas and times. In many cases we would be talking about case studies. That had an important search, study and research for several years. Therefore, had been subjected to strict investigative, far from amateur or complacent views, as has been so many times in this field. In general, the cases we have selected describe a broad panorama and are the result of research carried out by their authors. The companies, entrepreneurs and

sectors that we present here, without any desire to be exhaustive, reveal the variety of initiatives and the multiple activities present in Spain during these two centuries.

Starting from this concept and this methodology, the book is divided into two well differentiated and intentionally asymmetric parts. A first, much shorter one, in which it has been chosen to present more general aspects that have to do with the topics discussed here. Specifically, companies, entrepreneurs or entrepreneurship, for example. And a second, more extensive, where different case studies referring to different economic sectors are presented. Some very representative of the economy of Spain in the Contemporary Age. For example, public companies of services in the cities and towns, banking and insurance, transport, the wine industry, and tourism. Obviously, there would be many other sectors to be analyzed, but, as we have explained, the objective is not to study all sectors. Only certain companies and entrepreneurs and focus on a few case studies that provide learning tools for university students and professionals for the decision making in the business world. With this hope, a group of professors from different Spanish universities present our research in a book, subjected to a double blind evaluation, that we hope will be useful to colleagues, students and professionals.

*Mercedes Fernández-Paradas & Carlos Larrinaga*

## Contents

*Gregorio Núñez Romero-Balmas*

- 1 The second level of Spanish capitalism during the Restoration period: The Escoriaza group, a family-owned conglomerate in the world of public works ..... 9

*Mariano Castro-Valdivia*

- 2 Foreign companies in Spain (1911–1920) ..... 29

*Jorge Lafuente del Cano*

- 3 Entrepreneurial profiles in the Transition to democracy in Spain ..... 51

*Juan Manuel Matés-Barco*

- 4 Water supply companies in the Spanish Levante (1840–1939) ..... 69

*Nuria Rodríguez-Martín*

- 5 The gas industry in Madrid during the period following the Spanish Civil War: *Gas Madrid, S. A.* ..... 87

*Mercedes Fernández-Paradas*

- 6 *Gas Andalucía S.A.*, the company leading the introduction of natural gas to Andalusia (1987–2001) ..... 99

*Alberte Martínez-López and Jesús Mirás Araujo*

- 7 British investments in the gas industry in Spain: the role of the free-standing companies ..... 113

*María José Vargas-Machuca*

- 8 Rural credit banks: Credit cooperatives for the land. The case of Andalusia (1902–2000) ..... 131

*Leonardo Caruana de las Cagigas*

- 9 The jump in quality of Spanish insurance companies between 1966 and 2000 ..... 149

Alberte Martínez-López and Jesús Mirás Araujo

## 7 British investments in the gas industry in Spain: the role of the free-standing companies<sup>1</sup>

**Abstract** Foreign investment played a relevant role in launching the gas industry in many countries, including Spain. The British, along with the French, were the main investors. In the British case, one of their favorite instruments for foreign investment were the free-standing companies (FSC), whose corporate flexibility provided them with several advantages. The aim of the chapter is the analysis of the profile, behavior, and results of these companies in the context of the Spanish gas industry during the second half of the nineteenth century and the first decades of the twentieth. Primary sources from British and Spanish archives have been used, in order to better contrast the global approach of the FSC to these specific cases.

### 1 Introduction

The nineteenth century witnessed the introduction of various networked infrastructures that were decisive for the growth of cities (water systems, waste disposal, transportation, communication, energy, etc.). In peripheral countries, the lack of capital and know-how skills made the adoption of those new technologies difficult, so that their implementation was achieved due to technology and capital transfers, which played a key role in their development (Martínez-López, 2020a). Transmission was benefited by the internationalization of the large companies that took part in the construction and modernization of public utilities. Thus, supported by the waves of globalization that began in the nineteenth century, the capitals of the most developed countries sought attractive destinations for their investments (Jones, 2005). As a result, foreign investment played a relevant role in launching those utilities alongside Europe.

One of the most relevant cases was the gas industry, which in many countries was implemented due to the capital exportation flows. Spain was a

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1 This text forms part of the results of the research project, The Gas Industry in Spain: development and regional trajectories (1842–2008), HAR2017-82112-P, financed by The Ministry of Science, Innovation and Universities of the Spanish Government and ERDF funds.

peripheral country, with an important growth potential, which attracted the interest of international capital, contributing decisively to boost its economy (Martínez-López, 2020b, p. 211). The British, along with the French, were the main investors. Despite that, this topic has been omitted by the Spanish historiography of foreign investments, except for mining. In the British case, one of their favorite instruments for foreign investment were the *free-standing companies*, whose corporate flexibility provided them with several advantages. The aim of the chapter is the analysis of the profile, behavior, and results of these companies in the context of the Spanish gas industry during the second half of the nineteenth century and the first decades of the twentieth.

## 2 Gas industry and foreign capital in Spain

The gas industry dates back to the late eighteenth and early nineteenth centuries, when several technological innovations emerged in France and the United Kingdom. This country witnessed the first commercial applications of gas (Thomas, 2018), in addition to being responsible for the first technology transfers to Europe (Tomory, 2011, p. 396). After a shaky beginning, by the 1830s gas began to spread progressively through the European and North American cities (Rose, 1995, p. 21), enjoying in 1840–1910 the monopoly in the urban lighting market (Goodall, 2005, p. 449).

Spain formed part of the second wave of implementation of the gas industry, which began by the 1840s, and which includes Scandinavia, and Central, Southern and Eastern Europe (Martínez-López & Mirás, 2012, p. 128). This stage coincides with a period of globalization of the world economy, which accelerated after the second technological revolution. This process was crucial for the installation of gas and other public utilities in Spain (Broder, 1981), as it went hand in hand with the internationalization of capital, companies, and technology. It was led by large multinationals (Tortella, 2008), and was carried out in parallel with the constitution of important gas groups that had a leading role in the international expansion of the sector (Williot, 2006).

However, the Spanish case is characterized by a later, slow, and modest diffusion process (Sudrià, 1983, p. 97), and by an unbalanced territorial distribution. The most developed region, Catalonia, displays a greater diffusion of gas and an almost absolute dominance of local capital, as compared to the high predominance of foreign promoters in the rest of the country (Fàbregas, 2017, p. 32). In many cases, the introduction of gas was delayed until the 1880s–1890s, immediately colliding with the irruption of electricity, and in fact many cities never even introduced it.

The first city to have gas lighting was Barcelona in 1842. But during the next two decades, implementation was slow. Between 1842–1861, 28 factories were built, and in 1861 the number of towns that were supplied was 25. From 1862 to the late nineteenth century, it spread somewhat more rapidly, as in 1901 the number of towns rose to 82 (Alayo & Barca, 2017, pp. 142–143). But from the 1890s onwards and, above all, after the turn of the century, gas companies had to face a new competitor, electricity. This caused a slowdown in the sector, to which the negative impact of WWI and the postwar period was added, leading to a persistent stagnation until the Spanish Civil War (1936–1939) (Fernández-Paradas, Martínez & Mirás, 2019). In 1934 the number of cities with gas was only 50.

The gas implementation process in Spain was dominated by foreign capital, which played a crucial role in the first steps of this industry (Fernández-Paradas, 2009b, p. 110). The accumulation of capital generated in some pioneering industrialized countries, mainly Britain and France, fostered the growth of their foreign investment in the search for new profit opportunities (Martínez-López & Mirás, 2019, p. 129). Although to a lesser extent, Belgian, German, and Swiss companies also built gas plants in other countries, mainly Switzerland, the Austro-Hungarian Empire and Italy (Williot & Paquier, 2005, pp. 37–44). This international investment facilitated the diffusion of new technologies, specifically new public utilities (water, electricity, trams) and, in particular, gas production and distribution. In Spain, French capital stands out overwhelmingly (Costa, 1983), having a direct impact on the country's economic modernization process (Broder, 1976). British capital was in second place. The leadership of French capital increased constantly during this period. The initiatives of *Lebon et Cie* stand out (Fernández-Paradas, 2015, p. 69), which are framed in the flow of French gas investment, that was mainly oriented towards the Mediterranean area and Eastern Europe (Williot, 2006, pp. 207–208).

British foreign investment in the gas sector was concentrated in the Nordic countries, Portugal, and Latin America, and to a lesser extent in France, Belgium, Germany, the Austro-Hungarian Empire, and the Netherlands. The total volume amounted to £16.5 million in 1865–1914, reaching some relevance between 1865–1899, with two peaks in 1885–1889 and, above all, in 1895–1899, declining later. In relative terms, its importance was small if we consider the period as a whole, since it represented only 8.1 % of British foreign investment in public utilities in 1865–1914, a category that included water, gas, electricity, trams and telecommunications, but also canals and ports. But it fluctuated between 12 %–22 % in 1865–1899, then falls sharply due to the rapid rise of its electric competitor.

Britain was the second investor in Spain, although it was long-distant from France. Quantitatively, in absolute and relative terms, its importance was low. According to Stone, only £25,000 would be counted for the period 1865–1914, which would represent only 0.50 % of British foreign investment in public utilities in Spain in 1865–1914, and 0.11 % of British investment in gas in the same period (Stone, 1999, pp. 242–251 and own calculations). Actually, according to our calculations, which were extracted from the firms' balance sheets, the real (effectively disbursed) British investment in the Spanish gas industry, materialized in the only two long-term companies (*Huelva Gas and Electricity*, and *Anglo-Spanish Gas*), was £43,300 in shares (common and convertible preferred stocks) and £31,000 in bonds, for a total of £74,300. Unlike France, whose presence was focused on larger cities (mainly provincial capitals), where the potential market was more promising (Martínez-López, 2017a, pp. 78–80), the British were located in medium or small-sized cities, due to their lower need for capital and the absence of competitors.

There was a wide variety of factors for the 'landing' of foreign capital in Spain. But, in our opinion, two factors were critical. On the one hand, the lack of experience in financing this type of industry in Spain, due to the absence of a consolidated national financial system. On the other, the aforementioned search for profitable investments by the French and British (Fernández-Paradas, Martínez-López & Mirás, 2019), who would replace the reduced endogenous capital formation.

During the inter-war period foreign investment declined, affected by financial turmoil and incipient economic nationalism in many countries. In Spain, since WWI a substitution process by Spanish capital took place, which intensified during the 1920s. The pressure had been growing significantly since the beginning of the twentieth century, through different legislative actions that progressively cornered foreign capital (Fàbregas, 2003, pp. 116–124). But the distortions caused by the war provoked the temporary closure or the shutting down of many factories, forcing foreign gas companies to sell their assets (Fernández-Paradas, 2009b, p. 120).

Since the dictatorship of Primo de Rivera (1923–30), the constraints were even stronger (Fernández-Paradas, 2009b, p. 119), as the government aimed to 'nationalize' several economic activities, particularly public utilities, putting those services under the control of city councils (Martínez-López & Mirás, 2012, p. 140). In addition, the sector was immersed in a process of business concentration, which was commanded by Spanish capital, and led to the gas industry being 'nationalized' in the third decade of the twentieth century and absorbed by powerful energy groups led by electricity companies. By the Civil



War, practically the last vestiges of foreign presence had disappeared, at least formally (Castro & Matés, 2020, p. 236).

### 3 The role of British capital in the Spanish gas sector

Given that the set of cities that had gas in Spain was meager, the presence of British capital, entrepreneurs and technicians was necessarily limited. One of the most significant features of British entrepreneurs was that they often proceeded simply by applying for administrative concessions in a city, but in many cases without succeeding in installing the factory or the supply network. Therefore, they acted as simple ‘achievers’, who gained the contract with the city council, but did not develop the service, and only transmitted the concession to others. Consequently, the rate of failure was high, either due to the inability to implement the facilities or due to the inability to carry out the business.

The first appearances of British citizens in Spain date back to the mid-1840s, coinciding with the first projects in the sector. Specifically, when in 1844–45 the engineer John Burnett Stears presented his proposals to several Spanish and Portuguese city councils (A Coruña, Bilbao, Cádiz, Lisbon, Porto), although in some of them he was unable to get hold of the public auctions (Fernandez, 2000; Cardoso de Matos, 2005, pp. 371–372; Martínez-López (coord.), 2009, p. 24; Fernández-Paradas, 2015, p. 35). He acted on behalf of a British gas group headed by the *Compagnie Générale Provinciale du Gaz*, which was owner of several gas factories in France and Italy (Fàbregas, 2003, pp. 104–105).

Another key figure was William Partington Hurts, who in collaboration with his compatriot, the engineer Edward Oliver Manby, carried out an intense gas promotion activity in the middle of the nineteenth century (Fernández-Paradas & Pinto, 2020). Both focused on trying to obtain concessions for gas lighting in various cities, although many of their attempts were frustrated. Examples of this were A Coruña, where they failed to acquire the concession in 1844, Madrid, where they purchased the public contract in 1846, Seville, where Partington got the concession that same year, as in Malaga, Cádiz, in 1847, and as well as in Valencia, where they successfully acquired the *Sociedad Valenciana para el Alumbrado de Valencia*. Finally, in Santander, Edward Manby’s brother, Joseph Lane Manby, tried to obtain the concession, which finally went to his company *Manby, Wilson et Cie* during 1852–1862 (Fàbregas, 2003, p. 17; Fernandez, 2009, pp. 211, 216).

The most notable initiative was the constitution in 1846 - from the company *Manby y Partington* - of the *Sociedad Madrileña del Alumbrado por Gas*, in partnership with English and French capitalists, and well-known members of

the Spanish political elite (Tortella, 2000, pp. 54–55). By means of this firm they first of all attempted to gain control of the gas supply to the Royal Palace of Madrid (Simón, 2011, pp. 66–68). Likewise, they founded in Madrid in that year the firm *Empresa General Peninsular para el Alumbrado de Gas*. Through this company, they presented successive proposals in the aforementioned cities.

Nevertheless, some of their projects had to be aborted. In Seville, although they began the construction of the factory, the contract was transferred in 1850 to *Jaime Federico Gregory y Compañía*, from London. The first gas facility would be built by the English firm *York y Compañía*, which was in operation in 1853–1860, the year in which the latter sold the rights to the *Banco General Suizo* (González García, 1981, pp. 9–13, 55). In Malaga they did not even build the factory. In Cádiz, they took over the concession in 1847, through an acquisition from the British firm *Waterton & Cie*, which had bought it the year before from the original concessionaire, the French entrepreneur Charles Lebon (1845). Actually, the concessionaire of the Cadiz auction had been the British citizen Diego Federico Gregory (who was also present in the Seville gas business), who immediately transmitted it to *Lebon, Grafton y Goldsmitdt* (Fernández-Paradas, 2009a, pp. 37–39, 49–51). Yet, the *Empresa Peninsular* went into liquidation in 1852, being forced to sell the gas business in Cádiz to *Manby et Cie*, which transferred it to *Zacheroni et Cie* in 1858. Likewise, they could not fulfill the contract in Valencia, who passed the factory to creditors (García de la Fuente, 1984, p. 87). Finally, the business in Madrid was acquired in 1848 by the Spanish banker and entrepreneur Gregorio López Mollinedo, who in 1857 then sold it to *Crédito Mobiliario Español*, a French capital company (Simón, 1987, pp. 449–453; Tortella, 2000, pp. 54–55).

There was also British presence in other cities, although at times somewhat symbolic, as well as attempts to install gas in towns such as Ferrol or Albacete, which did not crystallize. In Murcia, where in 1864 the definitive concession went to the British firm *William Knicht & Co*, which later gave it to *Colonial and General Gas Co*, and then later to Charles Lebon in 1868 (Montes, 1999). In Córdoba, where in 1852–1870 there were several unsuccessful British proposals, among them those of *York y Compañía* (1858), Duncan Saw (1861), and *William Knicht & Co*. (1863) (Fernández-Paradas, 2009a, pp. 30–35). In Logroño the concession was granted in 1875 to Thomas Rosser, an engineer who was director of the Vitoria gas factory, who transferred the rights to the French firm *Pabst y Compañía* in 1877 (Negueruela, 2011, pp. 113, 123, 138). In Ciudad Real the first concessionaire was the gas factory engineer and contractor Georges Bower, who put it into operation in 1882, although at some point at the end of the century he transferred it to J. O'Farrell (Fàbregas, 1989). Finally, in Santa Cruz

de Tenerife the gas factory was established in 1888, run by a British firm that maintained ownership until 1897 (Matos, 2005).

Finally, it is worth mentioning the figure of the engineer William Richards, a 'prototype emigrant British engineer', who was director between 1848 and 1861 of the most important gas company in the country, the *Sociedad Catalana del Alumbrado por Gas*, of Barcelona, and who was also responsible for the construction of several gas factories in Catalonia between 1851 and 1859 (Sabadell, Vilanova, Reus, Tarragona and Manresa), in addition to developing an important business activity of its own in the firm *Richards & Co* (Moyano & Thomas, 2016).

#### 4 The free-standing companies

The *free-standing companies* (FSC) were widely used by Great Britain, although not exclusively, during the golden age of international investment, 1870–1914 (Wilkins, 1998). They differed mainly from multinationals in that from the outset they intended to operate abroad, not to expand from headquarters located in their native country and which generally operated in a single country. On the other hand, especially in the British case, they were often small companies that were financed in the dynamic British capital market, unlike their counterparts on the continent (France and, above all, Germany and Belgium), with larger weight of the Bank financing.

These firms spread from the mid-nineteenth century with the passage of the *Joint Stock Companies Act* in 1856, which instituted the limited liability, and the development of the telegraph, which reduced the moral hazard of asymmetric information. Their compulsory registration in the country where they were constituted, and their capital and bonds issuance in the currency of that country provided broader legal coverage and security to investors, which was particularly necessary for investment abroad. They focused on sectors with a low technological level or on extractive industries, and geographically in countries with little experience in business management, such as Spain.

In Spain's gas sector only two of these types of companies were in operation: *Huelva Gas and Electricity*, and *Anglo-Spanish Gas*.<sup>2</sup> The latter worked in two small towns on the Mediterranean coast: Dénia and Xàtiva. Therefore, these were two different kinds of context and business models: a mining district

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2 *Huelva Gas and Electricity*, Reports 1895–1919; *Anglo-Spanish Gas*, Reports 1888–1909; García de la Fuente, 2007; Martínez-López 2017a and 2017b.

of a medium-sized city (Huelva) with a long-run historical establishment of British capital (Cobos, 2005), and the agrarian hinterland of two small and nearby commercial towns, but with no other foreign companies then operating.

The province of Huelva underwent a boost in copper mining in the last third of the nineteenth century, which attracted several foreign companies, mainly British, among which the *Río Tinto Company Ltd* was the most relevant. The exporting nature of the mining activity forced to substantially improve transport infrastructures, such as railways, and the port of Huelva, whose costs were born by British firms. In this context of economic upturn, demographic growth and urban expansion the need to provide Huelva with the modern infrastructures that characterize cities arose: water (1891, German firm), gas (1879, British firm), and electricity (1890, local firm) (Díaz, 1999).

The company that started up the gas production in Huelva was created in 1878, under the name *The Huelva Gas Company Limited*, with registered office in Glasgow and a nominal capital of £25,000. In reality, only £3,000 were disbursed at that time, a rather low figure in comparative terms, although as early as 1895 the total disbursement seems to be recorded. One must bear in mind that the average capital disbursed by Scottish companies in Spain in 1862–1890 was £60,000, although the majority were mining companies, which were more capital intensive (Tennent, 2009, p. 83). It was also clearly lower than the average initial capital invested by all 853 Scottish companies operating abroad in 1862–1914, which was £35,569 (Schmitz, 1997, p. 47). In any case, this mismatch between nominal and paid-up capital was quite common at the time and probably served the desire to impress potential investors giving the appearance of financial strength of the new company that came on the market. Thus, in Scottish companies as a whole operating abroad in 1862–1914, the initial capital invested represented 33 % of the nominal capital (Schmitz, 1997, p. 47).

It is interesting to note that the company shared headquarters and secretary (William Simpson) with *The Huelva Brick and Tile Company*. This firm was founded in 1882 with the aim of manufacturing construction materials -perhaps reclaiming mining wastes from other British companies in the province-, such as bricks, tiles, and pipes. Therefore, *Huelva Gas* would be deploying a vertical integration strategy, with which it would be seeking to promote a subsidiary company that would provide it with pipes and other construction materials. However, it had little success, as it was liquidated in 1886 (Tennent, 2009, pp. 76–77).

Its foundation was part of the aforementioned arrival of British capital in the province of Huelva during the 1870s. The Scottish origin of the company must be highlighted. This was a very fertile territory in business initiatives,

especially free-standing companies (FSC), such as *Huelva Gas*. In this sense, it is worth noting the important role played by Scottish entrepreneurs and financial institutions in the creation of the powerful *Río Tinto Company*, or the constitution in Glasgow of the *Tharsis Sulfur and Cooper*, the *Huelva Brick and Tile* or the *Huelva Steam*. The founding of *Anglo Gas* coincided with the late impact of the Joint Stock Companies Act of 1856 on the formation of FSC in Scotland, which took place from the 1870s on.<sup>3</sup> A real comparative advantage of Scottish entrepreneurs as compared with the English ones would be the maintenance in Scotland of the validity of Roman law, over and against the Anglo-Saxon ‘common law’, which would in part explain the relative importance of Scottish investment in Latin European countries, mainly Spain (Tennent, 2009, p. 299). The common legal tradition would facilitate the Scottish business insertion in the Mediterranean institutional framework.

The professional profile of the managing directors of *Huelva Gas* was nourished in trade, industry, and experts who were linked to gas business, such as accountants and engineers, residing in Glasgow. It was a small, very stable Board of Directors, which was accessed partly by family co-optation but also by professional promotion. This was a group that kept close control of the Huelva factory’s activity and was able to assemble an efficient model of organizational structure, which probably largely explains its longevity, well above the FSC average. This was precisely the main cause, in the opinion of Wilkins (1998), of the failure of many of these companies. The technical performance was entrusted to Scottish technicians, whereas a Spanish manager was initially responsible for the economic management, in order to make relations with the local environment easier. The control of the headquarters was reinforced by regular trips of its Directors (secretary or president) to Huelva to inspect *in situ* the progress of the business. Moreover, there was a direct accountability in Glasgow from the local manager. The latter was obliged to refer relevant decisions to the Council.

The first years were the best in financial terms for the company, despite the usual accumulation of municipal debts, probably due to the absence of competitors. During the last decade of the nineteenth century, the Spanish economic crisis, together with the beginnings of electricity competition, the tariff

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3 Of 116 FSC that were registered in Scotland in 1862–1885 only 3 were dedicated to gas (in Spain, Italy and Bohemia). Most were mining or agricultural. 8 were located in Spain, being the European country with the highest number, representing 6 % of the paid-up capital (Tennent, 2009, pp. 73, 77, 80, 83).

reduction, and the negative evolution of the exchange rate caused a deterioration in the income statement. Faced with the challenges that were approaching, the company acted resolutely, designing a well-defined strategy on several fronts: improvement and diversification of its gas supply,<sup>4</sup> entry into the electricity market,<sup>5</sup> and financial strengthening to face the high investments required.

During the first decade of the twentieth century, the efforts made by the company to adapt to changing times were positively perceived. The new and more favorable economic context also helped once the end-of-the-century crisis and the deterioration of the foreign position of the peseta had been overcome. During those years the business progressed steadily. Gas sales and, above all, electricity increased, especially in volume served, year after year. This indicates a positive evolution, but also shows the price war that the competitors were developing. In any case, the upward trend until the WWI contrasts with what happened in many Spanish cities (Fernández-Paradas, 2009a, pp. 64–65; Martínez-López (coord.), 2009, pp. 141, 214; Fernández-Paradas, 2015, pp. 132–133). This seems to prove a better comparative result of its adaptive strategy before electrical competition.

Since 1912, the scenario began to be more complicated for the company. Coal became substantially more expensive due to the mining strike in the previous year. A severe blow for the company was the creation in 1913 of a new electricity company, with local capital. WWI had a strong impact on the fragile balance that the company was maintaining. The supply of coal was at risk, and was even more expensive due to higher freight rates. Negotiations were carried out at the highest political level with the Spanish authorities, mediated by British diplomacy, but without results. This forced the closure of the gas and electricity factories in 1917, and their sale two years later to the local electricity competitor.

The second British gas FSC experience in Spain took place, as we have indicated above, in the province of Alicante. The creation of *Anglo-Spanish Gas* in 1886 would be part of one of the outstanding cycles of British investment in the gas sector in the world. The economy of both towns (Dénia and Xàtiva) would be inserted into the production model of the region of

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4 In 1898 the company decided to provide free gas accessories to some high-consumption homes. That year they set up an exhibition and sales shop for cooking ovens and heating elements, with a reduced rate for the latter, in order to stimulate its dissemination.

5 As an indication of the company's new orientation, its name was changed to *The Huelva Gas and Electricity Company Limited*, in 1896.

Valencia, which was based on export agriculture (wine until the late nineteenth century, and citrus fruits later), and on small hand-crafted industry. But it also was reinforced by the improvement of the roads and ports, and the construction of railways during the second half of the nineteenth century XIX (Palafox, 2001).

In both towns, the concession was obtained by *Gibbons Brothers, Gas Engineers and Contractors*. They immediately transferred it to *Anglo-Spanish*, which was a standard procedure at the time. This agreement probably was linked to the construction of the Dénia factory by *Gibbons Brothers*, since they were the ones who erected it, in an ideal location, that was placed in the lower part of the town (to facilitate gas distribution), between the port and the railway station (for a better supply of coal).

Nominal capital was £200,000, although only £12,490 were disbursed. This paid-up capital was the same until the end of the company. The mentors were a small group of London industrialists, along with the aforementioned *Gibbons Brothers*. Conservative MP James Ernest Spencer also appears. The presence of parliamentarians - normally from the country of destination of the investment - on the Board of Directors was a fairly common practice in foreign companies, especially in public utilities, with the purpose of guaranteeing contacts with political power. The company shows great stability in the Board of Directors.

This stability of the Board contrasts with the bustle, especially in the early years, of legal representatives and local directors. This seems to point at the problems that the English firm tackled in order to recruit trustworthy and professionally solvent native delegates, which was a key issue and always difficult to articulate for foreign companies.

This same business group also owned the *Tuscan Gas Company*, founded in 1876, which had the concessions of six cities in that Italian region. In 1887 it constituted the *Anglo-Portuguese Gas and Water Company*, which obtained the concession for the Portuguese port of Figueira da Foz. This strategy seems to be oriented towards the investment in public utilities in small towns in Mediterranean countries, seeking a market niche with less competition, which would also probably be related to its late implementation. The noteworthy difference between their nominal capital and that actually paid-up, especially in Spanish and Portuguese companies, seems to reveal a significant inability to convince investors that this was an effective strategy. Ultimately, this would force the issuance of bonds, whose stronger security and guaranteed profitability will attract depositors to finance the construction and expansion of the networks. In choosing Dénia, the existence of an active raisin export trade to England - with a peak in the late 1880s - might have influenced, as it was hoped

to reduce freight costs of British coal sent to that town, as well as the presence of British merchants, and the creation of a consulate of that country.

According to the small size of the company, the capital was quite scattered among a relatively large number of shareholders (34), with a low degree of concentration.<sup>6</sup> The largest group of shareholders came from connected business and activities, such as industrialists, managers, accountants, engineers, and lawyers. They also used to be the ones with the highest number of shares per capita. At the territorial level, the vast majority of investors (30) resided in London.

As happened in many other Spanish cities, the chronic lack of economic resources of the town councils of Dénia and Xàtiva caused, from the first years, an increasing problem of late payments and delinquency that threatened the financial stability of the company. The end-of-the-century crisis and electricity competition deteriorated business results. These poor results were caused both by a drop in income (lower tariffs) and an increase in municipal delinquencies but, above all, by an increase in costs (that is, coal, due to the deterioration of the exchange rate). The impact of financial expenses to meet the bond interests, as well as the increase in the tax burden must be added. The determining factor in the final crisis of the firm, which was liquidated in 1910, was the increasing electrical competition and the reduction of income that it meant.

## 5 Conclusions

British investment in the Spanish gas sector was secondary, both in relation to French capital and in relation to British investment in the gas sector at the international level or in urban public utilities as a whole in Spain. Yet, the presence was greater in the technological field, which is more evident in the important role played by British engineers and in technology transfers.

In an early stage, approximately until 1878, British participation was embodied in a series of specific actions that simply aimed at obtaining the concession of the service in various cities. However, and based on the little information available, there was not a consistent and minimally lasting presence of British companies in this period.

The most stable and lasting presence began coinciding with one of the expansive cycles of British international gas investment, in the last quarter of the nineteenth century. The only two confirmed cases of lengthy management

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6 Public Record Office (PRO) Anglo-Spanish Gas 1886 BT 31-1554-5011.



materialized under the corporate formula of the *free-standing companies*. This category, which was quite common in foreign British investment, provided flexibility and stronger confidence to investors.

British capital sought its niche in secondary markets: e.g. a medium-sized city and two small Mediterranean towns. In both cases they were located on the coast in order to guarantee a better supply of coal. The large cities markets were left in the hands of French companies, which had more solid bank support.

The installation in Huelva is related to the mining boost and the historical importance of the British presence. It is an interesting example of FSC, as the owners tried a vertical integration and, above all, for having developed organizational capabilities that allowed to tightly control the activities of the company from headquarters.

The investment in Dénia and Xàtiva presents two important peculiarities that, in the end, drove to business failure. Firstly, the fact that these were small towns, which limited expansion and taking advantage of economies of scale. The second handicap was the late start-up of the business, at a time when electrical competition was already beginning to be suffered.

The history of these companies is representative of the evolution of the gas industry in Spain, and also of the difficulties that companies had to face: insufficient demand, municipal delinquencies, and electricity competition. And in the foreign companies, difficulties to hire trustworthy skilled employees, and exchange rate instability. In the end, the critical situation of WWI made the continuity of the activity unviable.

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