

Events arising from the merger situation

6.1. On 30 November 1978 on GEC's initiative a meeting took place between Lord Nelson of Stafford, Chairman, Sir Arnold Weinstock, Managing Director, and Sir Kenneth Bond, Deputy Managing Director, all of GEC, and Mr R C Hale, Chairman, Mr R D Turner, Director, and Mr J S Gilks, Finance Director, all of Averys. The companies were accompanied by representatives of their financial advisers, S G Warburg & Co Ltd for GEC and J Henry Schroder Wagg & Co Ltd for Averys. The object of the meeting was for GEC to put to Averys the advantages which it envisaged from a merger of the two companies, and GEC gave its views on how Averys might be fitted into its organisation. It said that Averys would continue to run as a separate entity. Its units, its name and its responsibilities would be maintained, and the position of its board members protected. A board exchange with an Averys representative on the GEC board was mentioned as a possibility. After the meeting separate press announcements were issued on behalf of the two companies. They are reproduced in Appendix 14.

6.2. On 5 December 1978 the Board of Averys decided to proceed with an investigation into the likely benefits to Averys of merging with GEC, and appointed a team to do this. On 11 December 1978 a meeting was held at GEC's head office attended by the Chairmen of the two companies and some of their Directors, at which GEC's views were expounded and arrangements were made for the visits to GEC by the team from Averys.

6.3. At this meeting GEC said it was interested in evolving systems in which machines and equipment performing different functions were linked:

- to transfer and to process information, such as point of sale equipment in supermarkets;
- to control the movement of goods, say in computer-controlled automatic stores;
- to transfer money, as in banking operations; and
- to implement the relevant documentation and accounting arising from such functions.

In this context, GEC wanted Averys' machines to be capable of fitting into a total systems activity. But it wanted to retain and expand Averys' traditional business, although Averys' representatives cannot recall anything being said on this point by GEC; it also wanted to take fuller advantage of Averys' sales and servicing organisation. GEC could offer complementary products as well as large research resources, electronics expertise and developments in the use of microprocessors.

6.4. The Averys team visited four GEC establishments between 14 December 1978 and 3 January 1979 and eventually reached the conclusion that they perceived no benefit, industrial or commercial, to Averys in merging with GEC.

6.5. Unions which are represented in the United Kingdom companies of the Avery Group are:

- Amalgamated Union of Engineering Workers, including Technical Administrative and Supervisory Section (TASS) and Foundry Section
- Union of Construction, Allied Trades and Technicians
- Furniture, Timber and Allied Trades Union
- Association of Professional, Executive, Clerical and Computer Staff
- Transport and General Workers Union
- National Society of Metal Mechanics
- Association of Scientific, Technical and Managerial Staffs
- Electrical, Electronic, Telecommunications and Plumbing Union
- National Union of Scalemakers
- Association of Patternmakers and Allied Craftsmen.

6.6. On 15 December 1978 a meeting of lay and full time officials of these unions was held to discuss the proposed merger. Resolutions were passed indicating opposition in principle to the proposed merger of Averys with GEC and particular concern about job security. A co-ordinating committee was set up and directed to negotiate with the main board of Averys an agreement giving job security for the employees. The Chairman explained to them that because of the bid situation he was precluded from doing this¹. Meetings were held with officials of the Office of Fair Trading on 17 January 1979, with Rt Hon Roy Hattersley, Secretary of State for Prices and Consumer Protection, on 2 February 1979 and with Labour and Conservative Members of Parliament on 13 February 1979. On 17 January 1979 representatives of the Averys unions visited the Mergers Panel and stated their strong opposition to the proposed merger. On 1 February 1979 a number of union members wrote to Rt Hon P K Archer QC, MP, Rt Hon Roy Hattersley MP, Mr A M W Faulds MP and Rt Hon Eric Varley MP complaining of lack of information on the outcome of GEC's approach. On the motion for the adjournment in the House of Commons on 7 February 1979 Mr Andrew Faulds (Warley East) raised the subject of the GEC approach to Averys, and particularly the possible effect on employment in the Birmingham area, referring to the opposition of several trade unions to the proposal. Other Birmingham area MPs of both the main parties spoke in support of Mr Faulds as did Members for other areas. The Minister of State, Department of Prices and Consumer Protection, Mr John Fraser, stated in reply that the advice of the Director General of Fair Trading had been received and that this advice and the views expressed in the debate would be considered.

6.7. On 9 January 1979 the Chairman of Averys issued a press announcement indicating that Averys could see no purpose in further discussions regarding a merger, and on 24 January this announcement was embodied in a circular to shareholders which is quoted in Appendix 15.

6.8. At a meeting with national trade union officials held on 4 May 1979, GEC gave an assurance that no redundancies would be enforced at Averys for a period of two years, and that strenuous efforts would be made

¹ Later advice to Averys was that it was no longer in a bid situation and therefore free to make such an agreement.

to increase job opportunities by increasing overseas sales. An exception was made in respect of Averys' foundry at Tame Bridge, Walsall, because of what GEC understood to be some uncertainty on Averys' part about its future. At the meeting it was also stated that existing terms and conditions of employment would continue to apply, as would existing agreements with trade unions, and that any review of pension arrangements would be in consultation with trade unions and trustees.

6.9. At an early stage in our inquiries GEC told us that Averys would form part of the Measurements Group (see paragraph 3.12). From further enquiries we ascertained that apart from some of Averys' activities outside the weighing and measuring field, Averys' present operations would be maintained in one business under a Managing Director who would run it as a separate entity under the supervision of the Managing Director of the Measurements Group. Units of the Averys' business would report separately to the GEC Central Management in the manner described in paragraph 3.11. The Managing Director of Averys would be expected to discuss with the Managing Director of the Measurements Group such matters as capital expenditure, the launch or withdrawal of products, entry into new markets, prices, pay and conditions of service, development or curtailment of Averys' servicing organisations. Formal approval would be needed only for what the Managing Director of the Measurements Group considered were fundamental changes in the nature of the business. Proposals for capital expenditure of any kind would be notified to GEC head office by inclusion in the annual budget of each individual unit of Averys whose individual Managing Directors would discuss them direct with the Managing Director of GEC itself.