

APPENDIX 1.1
(referred to in paragraphs 1.1, 2.68 and 6.1)

Conduct of the inquiry

1. On 11 January 1989 the Department of Trade and Industry sent to the Commission the following terms of reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which if carried into effect, will result in the creation of merger situations qualifying for investigation, as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), in that:

- (a) enterprises carried on by or under the control of The Plessey Company plc (incorporated in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of The General Electric Company, plc;
- (b) enterprises carried on by or under the control of The Plessey Company plc will cease to be distinct from enterprises carried on by or under the control of Siemens AG (incorporated in the Federal Republic of Germany); and
- (c) in each case, the value of the assets which will be taken over exceeds £30 million:

Now, therefore, the Secretary of State, in the exercise of his powers under sections 69(2) and 75 of the Act, hereby refers these matters to the Monopolies and Mergers Commission for investigation and report within a period of three months beginning with the date of this reference.

In relation to the question whether a merger situation qualifying for investigation will be created if the arrangements herein referred to are carried into effect the Commission shall exclude from consideration one of paragraphs (a) and (b) of section 64(1) of the Act if they find the other satisfied.

11 January 1989

(signed) S W TREADGOLD
An Under Secretary
Department of Trade and Industry

2. On 30 January 1989 the Chairman of the Commission, acting under paragraphs 10 and 12 of Schedule 3 of the Fair Trading Act 1973, directed that the functions of the Commission in relation to the reference should be discharged through a Group consisting of six members of the Commission. He further appointed himself, being one of those members, to act as Chairman of the Group. The composition of the Group is indicated in the list of members which prefaces this report.

3. We were assisted in our inquiry by Mr B W Lythall CB MA as Technical Consultant. Mr Lythall was formerly a member of the Admiralty Board as Chief Scientist (Royal Navy), and Deputy Controller, Establishments and Research in the MOD Procurement Executive, responsible inter alia for supervision of the Ministry's programme of electronics research.

4. Notices inviting interested parties to submit evidence to the Commission were placed in:

<i>Electronics Weekly</i>	<i>Financial Times</i>
<i>Electronics Times</i>	<i>Independent</i>
	<i>The Times</i>

5. In addition we sought evidence and views directly from Government departments; the Confederation of British Industry; the Trades Union Congress; the Director General, Telecommunications; competitors and customers of, and suppliers to, the three main parties involved in the proposed merger; and some trade and professional associations. Evidence was received from many of these parties and from other sources, including Members of Parliament and members of the public. A summary of views is given in Chapter 4.

6. We received written evidence from The General Electric Company, plc (GEC), Siemens AG (Siemens), and The Plessey Company plc (Plessey). We held two hearings with Plessey and two joint hearings and a private hearing each with GEC and Siemens. Members of the Group accompanied by staff spent one day with each company visiting facilities.

7. We also held hearings with the Cabinet Office representing Government departments; the Department of Trade and Industry; the Department of Transport; the Ministry of Defence (twice); national representatives of trade unions with members employed by both Plessey and GEC; the Plessey Joint Shop Stewards Committee and employee representatives from individual Plessey sites.

8. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

9. We should like to place on record our thanks to all those who helped us in our inquiry, and particularly to the representatives of GEC, Siemens and Plessey.