



THE MONOPOLIES AND MERGERS COMMISSION

**The General Electric
Company PLC
and
The Plessey Company PLC**

A Report on the proposed merger

*Presented to Parliament by the
Secretary of State for Trade and Industry
by Command of Her Majesty
August 1986*

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**Members of the Monopolies and Mergers Commission
as at 18 July 1986**

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Mr S N Burbridge (*Secretary*)

* These members formed the Group which was responsible for this report (see paragraph 1.2).

Note by the Department of Trade and Industry

In accordance with section 83(3) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest. The omissions are indicated by a note in the text.

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CHAPTER 1.

Introduction

1.1. On 20 January 1986 the Department of Trade and Industry sent to the Commission the following 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 a merger situation 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 (a body corporate 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; and
- (b) the value of the assets which will be taken over exceeds £30 million.

Now, therefore, the Secretary of State in exercise of his powers under Sections 69(2) and 75 of the Act hereby refers the matter to the Monopolies and Mergers Commission for investigation and report within a period of six 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 Section 64(1)(a) of the Act.

(Signed) R E ALLEN
Assistant Secretary,

Department of Trade and Industry

20 January 1986

1.2. On 23 January 1986 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and Part II of Schedule 3 thereto, directed that the functions of the Commission in relation to this reference should be discharged through a group consisting of six members of the Commission, with himself as Chairman. The composition of the Group is indicated in the list of members of the Commission which prefaces this report.

1.3. We were assisted in our inquiry by Mr I L Davies CB MA, as Technical Consultant. Prior to his retirement Mr Davies was Director, Admiralty Underwater Weapons Establishment.

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

<i>The Times</i>	<i>Electronics Weekly</i>
<i>The Guardian</i>	<i>Electronic Times</i>
<i>Financial Times</i>	<i>British Business</i>
<i>Daily Telegraph</i>	<i>Management Today</i>

1.5. In addition we sought evidence and views from Government departments, the Director General of Telecommunications, the Confederation of

British Industry, the Trades Union Congress, the Telecommunication Engineering and Manufacturing Association, a number of manufacturers of electronic products, supply and distribution companies and other interested bodies.

1.6. We received written evidence from the General Electric Company PLC (GEC) and from the Plessey Company PLC (Plessey), the Director General of Telecommunications, British Telecommunications PLC (BT), the Ministry of Defence (MOD), the Department of Trade and Industry (DTI), the Department of Transport, the trade unions, a number of suppliers to the main parties as well as from other interested parties.

1.7. Members of the Commission and staff visited a number of GEC and Plessey research establishments, and factories.

1.8. We held 11 hearings—two each with GEC, Plessey and the MOD and one each with the Director General of Telecommunications, BT, the DTI, the trade unions and the Earl of Halsbury.

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

1.10. We wish to thank all who helped us in the inquiry and particularly the two companies principally concerned, upon whom we made considerable demands for evidence.