

EXHIBIT IV

AGREEMENT BETWEEN THE CENTRAL ELECTRICITY GENERATING BOARD AND
THE GRID SWITCHGEAR MANUFACTURERS

Parties to the Agreement

1. The parties to this Agreement are the Central Electricity Generating Board and the Manufacturers of Grid Switchgear comprising Associated Electrical Industries Limited, The English Electric Company Limited, The General Electric Company Limited and A. Reyrolle and Company Limited (hereinafter referred to as "C.E.G.B." and "G.S.M." respectively).

Scope of Agreement

2. (a) The agreement covers the manufacture and installation by the four G.S.M. firms for C.E.G.B. of 400 kV, 275 kV and 132 kV switchgear.

(b) In the manufacture of grid switchgear, the G.S.M. accounts disclose that the turnover:capital employed ratio has been in recent years about 1:1 so that profit on sales is broadly equivalent to profit on capital employed.

(c) The agreement will run for an initial period of five years from 1st January 1966 provided that:

(1) the operation of the pricing mechanism of the agreement shall be reviewed after two years to ascertain whether so far as the actual (as distinct from notional) average profit earned by the two lowest cost producers at each voltage exceeds 16½% on sales it is likely to be reduced to that level over a reasonable period, and also whether the average annual return over the five year period of the four G.S.M. firms on their grid switchgear business with the C.E.G.B. is likely, as expected by the parties to the agreement, to be below 16½%.

(2) if following the review referred to in (1) above the C.E.G.B. on the one hand or the G.S.M. on the other are not satisfied that the agreement is operating or is likely to operate in accordance with the intentions of the parties, either party may give notice to terminate the agreement with effect from 1st January 1969.

(3) if notice to terminate the Agreement is so given it shall continue to apply in respect of contracts already placed but not to any future contracts.

Determination of Prices

3. A uniform method of ascertaining costs, proposed by Cooper Brothers & Co., hereinafter referred to as "the independent accountant" is annexed to this Agreement (Annex I) and has been approved by the parties.

4. Until such time as adjustments are determined under Clauses 5 to 9 below, all new contracts will be placed at the net selling prices ruling at 31st December 1965 and incorporated in the agreed Schedule of Prices subject only to modification of such individual prices as may be agreed between the parties.

5. (i) At the end of each calendar year, each manufacturer will submit to the independent accountant a certified statement showing the total Grid Switchgear invoiced by him during that year for C.E.G.B. contracts together with the resultant profit. This return will show separate figures for 132 kV, 275 kV and 400 kV contracts and initially for the year 1964 as well as 1965 for 132 kV and 275 kV switchgear.

For the purpose of this clause the term "invoiced during that year" is to be interpreted as relating to contracts for gear which during the year concerned have reached the point at which invoices for 95% of the contract price have been submitted (i.e. excluding retention money) and the invoice prices shall be increased in the ratio 100/95.

Where major items of equipment have been sub-contracted between members of the G.S.M. the following procedure shall apply in preparing the above returns:

(a) The subcontractor will include in his costs the cost to him of the sub-contracted items and in his invoiced price the price he obtained from the main contractor.

(b) The main contractor will include in his cost return the cost of handling and engineering. In his contract price return he will include the difference between the price he received from the C.E.G.B. and the price he paid to the sub-contractor.

The term "major items of equipment" comprises circuit breakers, current transformers, voltage transformers, isolating and earthing switches and line traps.