

the calendar year following the year to which the return under Clause 5(i) relates shall be reduced to the schedule price level used for the preparations of tenders during that calendar year.

8. In addition to the review provided for under Clause 2(o) (1), the C.E.G.B. and G.S.M. will also review the operation of the Agreement from time to time with the intention of making appropriate changes in the event of:—

(a) any material change of circumstances (e.g. merger of two or more manufacturers or the development of basically new types of switchgear);

(b) the actual (as distinct from notional) average profit of the two most profitable manufacturers at any voltage failing to exceed 16½% in three successive years;

(c) there being a significant variation in three successive years in the relationship of capital employed to turnover from the ratio of 1:1 which has pertained in recent years so that profit on sales ceases to be broadly equivalent to profit on capital employed.

9. The first cost returns will be in respect of the calendar years:

1964 and 1965 for 132kV and 275kV (early in 1966)

1965 and 1966 for 400kV (early in 1967)

and the first adjustments to prices based on such returns will be as follows:—

132kV and 275kV : 1966 for all invoices and schedule prices used for tenders and new contracts.

400kV : 1966 and 1967 for all invoices, 1967 for schedule prices used for tenders and new contracts.

10. Schedule Prices will also be adjusted for variations in labour rates, materials, etc. as agreed between the C.E.G.B. and G.S.M.

Other Conditions

11. All contracts will be placed in accordance with standard Conditions of Contract agreed between the C.E.G.B. and B.E.A.M.A. The C.E.G.B. and the G.S.M. agree to negotiate a contract price adjustment formula consistent with this Agreement for application to contracts completed after 31st December 1966. Meanwhile the existing formula will apply.

12. If requested by the C.E.G.B. the G.S.M. will quote competitively as between themselves for 15% of C.E.G.B. requirements for 132kV switchgear taking one year with another. Any orders placed as a result of such competition will be excluded from the other provisions of this Agreement.

13. The C.E.G.B. do not undertake to order Grid Switchgear exclusively from the G.S.M.

ANNEX I

GRID SWITCHGEAR

Compilation and Presentation of Comparable Costs of Grid Switchgear

1. The following paragraphs set out the basis on which costs of grid switchgear should be compiled and presented.

I. COMPILATION OF COSTS

Materials

2. The quantity of material used in manufacture should include manufacturing scrap where identifiable with individual contracts, and would be obtained from the job cost account which would be compiled from material requisitions issued and charged to the job. Scrap, arising during the course of manufacture, not identifiable with individual contracts should be charged to works overheads. In order to verify that all requisitions have been charged, the job costs should be compared with the material specifications. The material requisitions should be priced at cost and there should be no addition for handling charges. Where castings are produced in the member's own foundry, the cost charged as materials should include the direct labour and overhead costs of the foundry.

3. Where material is purchased in a rough machined state from outside suppliers the charge to materials will include the labour and overhead charges for the rough machining.

4. The realised value of scrap should be credited to the material cost of the job where practicable or alternatively to general works overhead charges.

5. Any excess material issued for the job should be returned to stores and credited to the material cost of the job.

6. Where items are manufactured in other departments or by subsidiary companies the transfer value thereof should be included as part of the cost of