

# **Grand Metropolitan plc and William Hill Organisation Limited**

A Report on the merger situation



THE MONOPOLIES AND MERGERS COMMISSION

Grand Metropolitan plc  
and  
William Hill Organisation  
Limited

A report on the merger situation

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
August 1989**

**Members of the Monopolies and Mergers Commission as at  
24 July 1989**

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Mr S N Burbridge (*Secretary*)

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<sup>1</sup> These members formed the group which was responsible for this report (see Appendix 1.1).

**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 omission is indicated by a note in the text.

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# 1 Summary

1.1. On 24 April 1989, the Secretary of State for Trade and Industry asked the Commission (see Appendix 1.1) to investigate and report on the acquisition in December 1988 of the William Hill Organisation Ltd (William Hill) by Grand Metropolitan plc (Grand Met). Both companies at that time operated as off-course bookmakers in the United Kingdom.

1.2. Off-course bookmaking is a significant leisure industry, with total money staked of over £5 billion a year. Before the merger, William Hill was the second largest bookmaker in the United Kingdom, and Mecca Bookmakers Ltd (Mecca), a subsidiary of Grand Met, the fourth largest. Since the merger Grand Met has disposed of 119 offices and intends to dispose of a number of other offices, but is still estimated to account for 23.2 per cent of the industry's turnover and 15 per cent of off-course betting outlets. The market is characterised by limited price competition, partly due to the preference of punters to bet at starting prices, and the main attraction of betting offices to their customers is one of location. In view of the nature of the industry, we do not believe that the merger would put Grand Met in a position to exert undue market power.

1.3. The industry is, however, becoming more concentrated with three organisations William Hill/Mecca, Ladbrokes Racing Ltd and Coral Racing Ltd (a Bass plc subsidiary) together accounting for almost 60 per cent of the industry's turnover. Concerns were expressed to us about various aspects of the current structure of the industry, in particular the role of the major bookmakers in the development and operation of Satellite Information Services (SIS), which transmits television coverage of racing and information to betting offices; the role of bookmakers in greyhound racing; and the practice of bookmakers 'laying off' money on-course to affect starting prices. Although there may be grounds for unease about various characteristics of the industry, and perhaps scope for abuse given its structure even before the merger, we do not believe that the risks of abuse are increased by the merger.

1.4. We have concluded therefore that neither the increase in Grand Met's share of the betting industry as a whole nor the increase in the overall concentration of that industry which results from the merger may be expected to operate against the public interest.

1.5. Betting offices, however, serve highly local markets and we believe that it is primarily at the local level that the merger may affect competition in a way relevant to punters. In a small number of local areas (which we take as within a quarter of a mile of a particular betting office) where the sole competitors were William Hill and Mecca, the merger has eliminated competition and thus the choice of betting office available to punters within a reasonable distance. In this respect, we have concluded that the merger operates and may be expected to operate against the public interest. We have therefore recommended that Grand Met should be required to divest one of its offices in each of those localities within a period of six months. Such divestments would remove the detriments we have identified.

1.6. During the course of our inquiry we have had to take account of the legislative framework of the industry, which is aimed to prevent the undue proliferation of betting offices, or the stimulation of demand. We believe that if, within those constraints, licensing committees were encouraged to take the promotion of competition into account in granting licences, new entry would be facilitated into many local markets which have a high level of concentration.