

4 The views of other parties

4.1. Apart from the Commission's advertisements inviting evidence (see Appendix 1.1), we sought views and comments from Government departments; the Confederation of British Industry; the Trades Union Congress; trade associations; consumer organisations; as well as the leading and many smaller bookmakers in the United Kingdom. The evidence from these organisations and from other sources is summarised below.

Government departments

4.2. The Home Office said that it was not in a position to form a view on what, if any, effect on competition in the off-course betting market the amalgamation of Mecca and William Hill might have. It mentioned that (as announced in March) the Home Secretary was considering establishing an inquiry into the long-term funding of horseracing (and possibly greyhound racing).

4.3. HM Customs and Excise said that its interest in the off-course betting industry was confined to revenue considerations; it was concerned to safeguard the general betting duty yield (about £400 million a year currently), and to do so by the most economical and efficient use of resources. Customs and Excise expected the merger to leave it at least as well off, and possibly better off, given the economies of scale in revenue collection and control which could result. Besides, off-course turnover had been rising significantly and showed no sign of slackening at the present time. Track attendances had increased since the on-course betting duty was abolished in 1987, and the on-course market had apparently benefited accordingly. If the merger were to lead to the on-course market being influenced to a point where off-course punters withheld their business, that could be deleterious to the revenue. However, with improved facilities including SIS in betting shops, punters seemed unlikely to be alienated.

4.4. The Office of Fair Trading met the Commission early in their inquiry and gave them a summary of the investigations that it had recently made into the betting industry.

Betting industry governing bodies/trade associations

4.5. The Betting Office Licensees Association Ltd (BOLA) represents in excess of 5,000 betting offices, including all the multiple licensed betting office enterprises. It said that as a trade association it did not become involved in the commercial activities of its member companies, and it would not therefore be appropriate for it to comment on the merger.

4.6. The National Sporting League, of which the multiples are also members, the Gaming Board of Great Britain, the Horserace Betting Levy Board, the National Consumer Council, and the Consumers' Association said that they did not wish to comment.

4.7. The National Association of Bookmakers (NAB) represents 13 regional bookmakers' associations in England, Scotland and Wales; their members are in general the smaller bookmakers. NAB attended a hearing and made a written submission. It said that it regarded the present time as a vitally important watershed for the United Kingdom betting industry. In the mind of its membership there was no doubt whatsoever that if matters concerning SIS and the market practices of the Big 4 which went beyond fair competition were simply left to take their course, then the face of the United Kingdom betting industry would be irreversibly and completely changed. Independent bookmakers might be driven from the industry, particularly in the main competitive areas. NAB pointed to the 37 per

cent reduction in the number of licensed betting offices in Great Britain since 1974. The punter's freedom of choice of betting shops was being very much reduced. Whereas at the present time he was able to choose in most towns from a range of betting shops offering different betting opportunities, credit arrangements, facilities etc, there was a risk that in time his choice would be limited to the standardised service offered by each of the Big 4 chains in its outlets. The prospect of a Big 3 replacing the Big 4 would simply aggravate the problem.

4.8. NAB was specifically concerned not only over the Big 4's influence in the operation of SIS and BAGS (including their ownership of greyhound tracks), and the acquisition of competitors' shops in order to close them down, but also over prohibited advertising, unfair competition (through such methods as bonus and free bets), and adjustment of show prices. NAB also feared that if, as a result of mergers like the present one and further concentration of the industry, matters reached a stage where the punter considered he could no longer receive the sort of service he had been accustomed to, he might resort to illegal betting.

4.9. NAB therefore opposed the merger, as it would further concentrate a substantial part of the off-course betting market into yet fewer hands. In general, NAB believed that this drift might be halted by setting a maximum of 500 betting offices under one company or individual.

4.10. The British Greyhound Racing Board (BGRB) and the National Greyhound Racing Club Ltd (NGRC) made a submission through their joint standing committee, and also attended a hearing. They opposed the merger on public interest grounds. They considered that it would influence the share of SIS equity to be held by the Big 3, giving them a bigger stake in the control of the means of dissemination of racing information to the betting shops than would otherwise have been the case. They also considered that the merger would further restrict competition in the betting market and strengthen the influence of the major bookmaking companies over BAGS.

4.11. The BGRB/NGRC believed that Grand Met refrained from acquiring Sears' 10 per cent holding in SIS simply because that would have given it one-third of the then issued capital which was certain to lead to a reference to the Commission. But SIS held the key to the future financing of racing, and ought not to be in the hands of the bookmakers. They also considered it to be an absurd anomaly that the law, which forbade a greyhound stadium proprietor from having any interest in bookmaking on the track, did not extend to the bookmakers' off-track businesses, so that they could take bets on races that they arranged at racecourses which they actually owned. This was against the spirit, if not the letter, of the law. The same was true of the unfair influence which the major bookmakers were able together to exert through their membership of BAGS over the BAGS computer forecast (paragraphs 3.16 and 3.17). The NGRC showed us an analysis comparing 484 recent greyhound on-course Totalisator forecast dividends, which were tax-free, with BAGS forecast returns for the same races incorporating off-course tax deductions. The Totalisator dividends exceeded the BAGS returns in 335 of the 484 races. The BGRB/NGRC said that this unfair influence would be exacerbated if the power of the Big 4 became ever more concentrated in the hands of a Big 3.

4.12. The BGRB/NGRC also suggested that Mecca's sale of 119 betting offices to Brent Walker following the take-over was a transparent attempt to avoid a reference to the Commission. Moreover, the sale had resulted in an increase in the off-course betting industry's already dominant influence over afternoon greyhound racing because Hackney, owned by Brent Walker, had been one of only three independent non-bookmaker-owned tracks contracted to BAGS. Of the eight, Ladbrokes owned three (one leased to an independent operator), Coral owned two, and with Brent Walker, which owned one, joining the bookmakers, only two would be non-bookmaker-owned.

4.13. In conclusion, the BGRB/NGRC said that if the web of interests created by the merger were to be untangled, SIS's shareholding arrangements should be frozen until the Commission's investigation was completed. Control over SIS was the final piece of a jigsaw of monopoly control over the supply of greyhound racing services to the off-course market. Since the major bookmakers would also own a majority of the greyhound racecourses supplying the betting medium, own 60 per cent by turnover of the betting shops receiving the service and own the means of communication between on-course racing and off-course betting, they would bypass the need for negotiation with the greyhound industry as a whole regarding fair payments for use of the product. Against this background the BGRB/NGRC considered it manifestly against the public interest for SIS to be owned and controlled by bookmakers and their associates. They also believed that a Commission inquiry into the present merger should not,

in the end, be divorced from a wider inquiry into all the implications of off-course betting and its relationship with racing sports and the public.

4.14. The Punters Association made a detailed submission, and attended a hearing. It considered the merger to be a symptom of a serious and widespread disease. Reviewing the existing conditions in betting as a whole, it referred to alleged abuses against fair trading and unsatisfactory legislation, all of which had created a climate in which this sort of merger was not only likely but probably inevitable. The Association opposed the merger on the grounds that it would exacerbate an already desperate situation; it would concentrate still further the powers of the major chains and their ability to manipulate the market; and it would entrench anti-competitive practices and make much needed reforms harder to achieve.

4.15. The Association stressed the probability that the merger would increase the possibility of exploitation of local bookmaker monopolies. This factor in conjunction with the possibility of covert collusion between multiples as well as the manipulation of information transmission made a sufficient case for opposing the merger and alerting the Department of Trade and Industry to the urgent need for a much wider investigation into the totality of on- and off-course betting.

4.16. One of the Association's main criticisms of the industry was directed towards the licensing system. It said that the most sinister development in recent years had been the concentration of power into the hands of fewer and fewer companies. It referred to the dramatic drop in betting shops from some 16,000 in 1968 to under 10,000 today. The Association objected to the Big 3's method of opposing the granting of licences to independent bookmakers, and to the way in which they had taken over shops with the purpose of closing them down, and thereby eliminating local competition. It considered that the price paid by Grand Met for the William Hill shops had no relationship to the assets being taken over. There was a market in licences to operate localised monopolies in betting; these were being bought and sold at astronomical prices. The holder of the licence then abused his position in dealing unfairly with the public. The root of the problem was the provision requiring a new applicant to demonstrate a 'demand'. This was virtually impossible without first opening the shop.

4.17. The Association also complained that SIS was selective about the information it gave and when it transmitted it. By giving its first and subsequent 'shows' later than Extel had used to do, and apparently by delaying them deliberately, SIS allowed bookmakers to keep the punters unaware of odds shortening significantly in the period immediately before the start. Ideally the Association would like to see the major groups being obliged to become market makers in their own right, independently of the on-course market, and for the television screens in betting shops to show all the prices being offered on- and off-course. With proper safeguards this would create a series of genuinely competitive markets. The domination and manipulation of a smallish on-course market by off-course interests would thus be ended.

4.18. In response to questions about the Big 3 laying off bets, the Association said that in principle such a practice should be allowable as a normal response to market forces. However, because it was carried out so near to the start of races, the weighting effect of the bets was not reflected in increased odds for other runners, but only in shorter odds for the selections concerned.

4.19. The Association concluded that the merger should be disallowed, or that Grand Met should have to divest itself of all but around 600 shops over a given period, to bookmakers other than Ladbrokes or Coral. Brent Walker might acquire some more, but should be limited to 300 shops. SIS should be owned independently.

4.20. The Racecourse Association Ltd said that it had serious concern about the growing concentration of high street betting shops owned by the Big 3, which could have an adverse influence on the market.

4.21. The Scottish SP Bookmakers' Association (SSPBA) opposed the merger. It said that almost 30 per cent of bookmaker outlets in Glasgow were owned by William Hill or Mecca, and about 60 per cent by the Big 3. Its members now considered that they were being squeezed, and the SSPBA was certain that economies of size at least gave the Big 3 a tremendous advantage. The SSPBA was also critical of the monopoly that SIS would now have with the demise of Extel, to the Big 3's advantage, of supplying all betting shops with live pictures of horse and greyhound racing together with on-course prices. It also considered that Ladbrokes and Coral gained extra custom through SIS showing that BAGS races were run at Ladbrokes and Coral-owned greyhound tracks.

4.22. The SSPBA also criticised the way in which the multiple firms in the industry were continually breaking the spirit if not the wording of the law by offering inducements to punters such as free bets, free draws, etc. The SSPBA was not only against such anti-competitive practices, but also considered that if the Big 3 were allowed to expand further, the public would not be given as good value as they presently received. For these reasons the SSPBA considered that no firm should be allowed to own more than 500 betting shops.

Bookmakers

4.23. At the Commission's request Coral made a submission and attended a hearing. It explained that it contributed only a small percentage of the profits of Bass plc as a whole, but was a significant contributor to the leisure division of the Bass group. Coral considered that it had a very balanced geographic spread of betting offices nationally, but that it was under-represented in the London postal areas. It was now significantly smaller than either Ladbrokes or Mecca/William Hill and, while it was continually seeking to add to its chain of betting offices, it told us that it would be particularly disturbed if the outcome of the inquiry was that the present transaction was cleared whilst subsequent acquisitions were opposed on the ground that this merger represented the limit of acceptable concentration in the industry nationally.

4.24. Coral considered that the merger had a demonstrable impact upon the structure of the market. The precise effects of that impact had yet to manifest themselves, but the additional concentration was an adverse factor. Coral believed that the off-course bookmaking was highly competitive and that the competitive process yielded significant benefits to the consumer. Although the role of price competition in the market was limited by the fact that customers choose to make a significant proportion of bets at SPs, competition between bookmakers (in site location, quality of service and amenity, non-SP odds, ranges of bets, promotions, bonuses and consolations and information services) had been intense. Coral said that it would continue to compete as vigorously as possible, but that it would be an illusion to suggest that the merger could not have any effect on the market or to pretend that the merger did not strengthen the competitive forces that Coral and other bookmakers had to confront.

4.25. Coral emphasised that localised concentration was very important in a market where the customers were looking for a convenient neighbouring location at which to place a bet. Coral believed the merger would create a number of localised Mecca/William Hill monopolies, perhaps control, according to the Commission's figures, at least 60 per cent of the City of London area and high concentrations throughout much of the South-East. There might be damage to the public interest in such areas, in that the customer would be deprived of a local competitive alternative, and of the advantage of competitive concessions (since a Mecca office would hardly be competing with a William Hill one). Coral considered that if the Commission were to conclude that the merger was likely to operate against the public interest they might further conclude that some divestment might be an appropriate remedy in those PSDs where the merger had created or aggravated a localised Mecca/William Hill monopoly. While it appreciated that it was always difficult to define what constituted a competitive local market, Coral believed that a limit of 30 to 35 per cent of offices in a PSD would probably preserve sufficient external competition to maintain a truly competitive environment.

4.26. Ladbrokes made a submission and attended a hearing. It did not oppose the merger, but made some observations about it, its likely effects on the industry, and about the industry in general.

4.27. Ladbrokes said that as far as licensed betting offices were concerned, market research indicated that convenience was the dominant factor influencing customers' choice of outlet. Applying the 'demand area' guideline of a quarter of a mile radius, used by the licensing committees, Ladbrokes estimated that 427 of its shops were in direct competition with a Mecca/ William Hill outlet. Ladbrokes considered the Grand Met management to be more aggressive than William Hill's, and so one consequence of the merger would be that competition between the market leaders would be enhanced.

4.28. An area of concern to Ladbrokes was the merged companies' considerable combined strength in the Greater London area, where Ladbrokes itself currently had only 16 per cent of the betting shops. One consequence of the merger had been that Ladbrokes had already begun to mount significant new licence applications in those parts of the London area where it believed the betting public and the licensing courts would welcome a greater choice of outlet, and Ladbrokes hoped that the licensing courts would look sympathetically at these.

4.29. Ladbrokes acknowledged the increased concentration in the market, but said that there had been an over-supply of licensed betting offices in the 1960s. It expected Brent Walker to be a significant entrant to the market, and noted that the fierce nature of the competition between the major bookmakers had recently been highlighted by the introduction of competing odds for a number of races each day and free bet promotions and other similar forms of marketing activity. No proceedings had been taken against this form of promotional activity. Ladbrokes, however, considered that the line between healthy competition and 'stimulating demand' (which was forbidden by law) was sometimes difficult to draw.

4.30. The Horserace Totalisator Board (Tote) was against the merger on the basis that such concentration of ownership of betting shops into fewer hands was dangerous and ought to be diminished. Independent bookmakers, whether they had one shop or 100, were unable to compete with the Big 3 in acquiring existing shops because they could not offer anything like the amount being paid by the Big 3, backed not only by the money they made out of betting, but by the huge non-betting resources of the companies which owned them. This meant that the large concentrations of betting shops in very few hands was bound to increase and could not be diminished. Also there was no reason to suppose that Coral or Mecca/William Hill, for example, might not prefer to get out of betting in return for a very large cash sum which no one but the other two of the Big 3 could afford.

4.31. Added to this the Tote considered that the number of shops was restricted by the licensing magistrates, who once they had given a licence could not take it away unless the betting shop was improperly managed. This meant that the Big 3 were putting increasing purchasing power pressure on what shops came on the market, unnaturally forcing their prices up. It was theoretically possible to open a new betting shop if the licensing magistrates agreed, but the number of new shops created outside the existing ones was negligible.

4.32. The Tote said that a concentration of betting shops among very few owners meant that the punter had less choice in his bets. For instance, though the Tote Authority was available to all betting shops which cared to pay £1.50 a week for the use of it, Ladbrokes only had the authority for a three-month trial period for 100 shops.¹ Mecca/William Hill shops had the authority for all their shops but did not give the same facilities to their punters as the Tote shops did. They did not offer the popular Tote Jackpot, though they could. On the Tote dual forecast bet they limited payout to four times half the ordinary bookmakers' computer straight forecast. This meant that frequently a punter winning a Tote dual forecast in a Mecca/William Hill shop received nowhere near as good a return as a punter in a shop where the Tote dividend was paid out in full. Coral took the Tote Authority in all its shops but limited any win on the Placepot to £5,000.

¹Ladbrokes has, since this was written, taken the authority for all its shops.

4.33. The Tote pointed out that chain-owned shops allowed no independence to a betting shop manager as to what ante-post prices or early morning prices he should offer. They were all dictated to him from central office. This, ipso facto, increasingly denied the punter a real choice because though the big chains and the shops outside the big chains could and did offer different ante-post and early morning prices, the prices were all the same in any given chain.

4.34. The Tote noted that there were some 10,000 betting shops in Great Britain, and the three main chains with their higher-than-average turnover shops had something in the order of 56 to 60 per cent of turnover of all the horserace betting transactions in all betting shops. It was unhealthy and dangerous for the future of the industry for any one chain in the same ownership to have more than 700 shops. The Tote said that if a recommendation were made that the Big 3 should have no more than 700 shops each, the Big 3 would still be holding much the same proportion of shops that the Commission recommended the breweries should hold of public houses. If such a ruling were implemented there would be no difficulty in having the surplus shops divested.

4.35. H Backhouse (Baker Street) Ltd (Backhouse), a bookmaker with offices in London and the West Country, made written representations and attended a hearing. It was against the merger as it had resulted in further concentration of power among the largest bookmakers into three. Backhouse said that the Big 3 had made many offers for its London branches, and, having refused, Backhouse had witnessed increased efforts by the Big 3 to take its business away. Brent Walker was unlikely to emerge as a major new competitor, unless it too acquired a number of independent bookmakers, since a new entrant would be unlikely to be granted licences for offices in new locations. Backhouse also doubted whether the fact that this merger would result in greater concentrations of Mecca or William Hill shops would persuade the magistrates to grant a licence on competition grounds to an applicant. An applicant would still have to prove that sufficient demand existed. Backhouse considered that the system worked in such a way that one of the Big 3 could have many shops in one location due to take-overs, but if another applied for a licence in such a location the fact that he would be a prospective competitor would not operate in the applicant's favour. Demand as such would be the only criterion considered by the magistrates and demand could be considered to be just as adequately met by three William Hill shops in a location, as three independently-owned bookmakers.

4.36. Backhouse saw increased concentration in the industry as damaging the interests of punters. For example, the merger would mean less choice in ante-post and morning board prices being on offer.

4.37. Backhouse considered that in several ways it was difficult for a small bookmaker to compete effectively with the Big 3. The cost of the legal advice necessary to fight licence applications was huge. Queen's Counsels were retained by the Big 3 as a matter of course. The management cost of preparing all the necessary evidence was also high. It was not worthwhile for small bookmakers to advertise, as the Big 3 could, since unlike the latter's their shops were not generally recognisable. A potential customer could easily walk past an independent bookmaker's without realising it was a betting office. The Big 3 had a further advantage in their ability to buy and sell large groups of betting offices in one transaction. There were one or two offices in the sale of William Hill shops to Brent Walker and of Leisure Bookmakers to Coral that Backhouse would have liked to bid for, but the deals were completed before it knew of their existence. The Big 3 could also prevent independent competitors from competing effectively. The latter might, for instance, offer tax-free doubles and trebles before the first race, and would eventually be matched precisely by the nearest shop of the Big 3. Needless to say, this concession was not available in other shops of this member of the Big 3. The independent therefore never gained any competitive advantage.

4.38. Backhouse suggested a number of reforms of the present law, aimed at restoring the balance between the multiples and independent bookmakers. It also hoped that if the Commission recommended that Grand Met should dispose of further offices, they would insist that the offices were sold individually and advertised properly.

4.39. Reg Boyle Ltd, a Teesside bookmaker, considered the merger to be against the public interest. It referred to the Big 3's control of 70 per cent of off-course betting turnover, and to the possible further restriction of the punter's freedom of choice. It also feared that the Big 3's involvement in SIS could lead to a situation whereby they could increase their control of the betting market. It said that the Big 3 were already following a practice of giving concessions and bonus bets in an effort to squeeze the smaller independents out of business. Reg Boyle concluded by suggesting that the number of betting offices owned by any one company should be limited to a reasonable figure.

4.40. Brooke (Enfield Wash) Ltd (Brooke), a North London bookmaker, said that it could see no reason why the merger should not take place, especially since where Mecca and William Hill overlapped the shops had been sold to a third party. Brooke said that the loss to the trade of William Hill as a hedging outlet might have caused concern a few years ago, but with the advent of advanced portable telephones, access could easily be had to the on-course bookmakers, and so such concerns no longer applied.

4.41. E Coomes (Holdings) Ltd (Coomes), operating some 120 London betting shops, wrote in opposition to the merger, which was furthering the trend towards domination of the industry by the largest bookmakers. Coomes said that historically the industry had been highly competitive, giving the betting public a wide range of choice where they placed their bets. However, in recent years a third of all outlets had been closed down, so that now the Big 3 operated some 45 per cent of betting shops, commanding almost 65 per cent of United Kingdom betting turnover.

4.42. Coomes feared that with such increased power the Big 3 would attempt to reintroduce iniquitous penalties like the 1/6 odds system for place bets on odds-on favourites. This system had been tried out some years ago, but with the exception of Ladbrokes the large bookmakers reverted to 1/5 odds in response to competitive pressures from independent bookmakers. Coomes also complained about the way in which independents received a standardised SIS service, but the Big 3 were able to transmit their own exclusive in-house texts on it, whereas the independent bookmakers were not. This might well not benefit the punter.

4.43. Coomes concluded that no company, whether public or private, should be allowed to own more than 10 per cent of the off-course betting outlets (about 1,000 shops), which would mean in theory that the punter would have at least ten different companies to bet with, as against, if the present trend continued, sooner or later, three, or even less.

4.44. Jeff Dee Ltd, a South London bookmaker, said that its experience was that as the number of bookmakers declined so the choice to the public deteriorated. It was concerned that the multiple bookmakers ignored the law on advertising, and thereby seriously inhibited the service of smaller bookmakers.

4.45. Jeff Dee said that there were agreements between the major bookmakers, whereby one of the Big 3 had the monopoly in one area in return for not competing in another. It considered therefore that any area lacking a strong independent bookmaking presence would be subject to unsatisfactory monopoly activities. Jeff Dee said that it was also unhappy with the SIS system with respect to early morning odds betting, display of which was available only to the large multiples; the independent bookmakers, in order to compete, were therefore forced to display the latter's odds under their name.

4.46. A R Dennis plc, a bookmaker with over 100 offices in London and the Home Counties, attended a hearing, and submitted written evidence including details of the local bookmaking monopolies in existence in the Harrow and West Central London licensing divisions, monopolies which it said the merger would intensify. It said that as the United Kingdom's leading independent bookmaker it opposed the Mecca/William Hill merger. It had witnessed over the years the gradual elimination of the small bookmaker as a result of take-overs. A R Dennis considered that given the changes in the operating conditions of the industry and allowing for its very competitive nature, changes in the ownership structure had been inevitable, and that commercial success was most likely to be achieved by multiple operators. However, it now believed that the process had gone too far and that the threatened domination by the two largest multiples, Ladbrokes and Mecca/William Hill, represented a level of monopoly that in the long term could not be in the public interest.

4.47. A R Dennis considered that the only safeguard that would ensure some continued element of competition would be to place a limit on the market share of any one company. This could be expressed either as a percentage of off-course betting turnover or of total number of outlets. A R Dennis favoured the latter approach, which was simpler. It realised that there would still be localised monopolies, but that would be fairer than a turnover limit requiring annual revision in line with the overall increase in betting turnover; that way the companies in question would also be penalised for their own success should their business efficiency result in a turnover increase above the norm.

4.48. A R Dennis said that originally the Big 4 had between them approximately 3,000 betting offices. If the merger were given the blessing of the Commission, there would be three multiples and two of these would own 3,400 shops together; if Coral were included, the three companies would control in the region of 40 per cent of the entire betting office market. In fact, their penetration would be closer to 50 per cent if one took turnover rather than the number of outlets as a basis for comparison. A R Dennis stressed that the multiples naturally occupied in the main the best sites and as a result had a higher average turnover per branch. There were already parts of London where, as a result of an aggressive purchasing policy, whole areas were virtually the domain of one multiple bookmaker, and there must be several areas in the provinces similarly affected. While offering no criticism of the operation or customer service of the Big 3, A R Dennis considered that such domination without competition would inevitably lead to lower standards.

4.49. A R Dennis concluded that unless a halt was called now to this steady growth in concentration, choice would soon become extremely limited and lack of competition from an independent sector would allow the giants of the industry to impose their own conditions on a captive audience. The merger was a major step in this direction and if permitted would be detrimental to the interests of the racing industry and the general public.

4.50. Jack Grant Racing Ltd (Jack Grant), a bookmaker in the South of England, considered that the inquiry might need to examine matters wider than the merger itself. Independent bookmaking outlets were being progressively eroded by a combination of activities of the Big 3, which could not be in the public interest.

4.51. The merger had meant that Jack Grant, which previously held trading accounts (for the purpose of hedging bets) with both Mecca and William Hill, now had less choice. Also as a subscriber to SIS, it was concerned that the service was a monopoly and owned by its competitors, and that independent bookmakers contrary to their earlier understanding had not been given the opportunity to acquire shares in it. Jack Grant believed that SIS had been considering a service to public houses against the background that Mecca's holding company was one of the country's largest brewers. Such a concept was not new, since some years ago Mecca had conducted an experiment with a public house near to one of its betting shops and had installed a viewdata system which gave betting shows and results.

4.52. Jack Grant noted that for some three or four years there had been a tendency for the Big 4 to advertise their facilities in the press and on posters, and the industry was now witnessing a more aggressive and larger-scale programme of advertising by the Big 3. It also complained that the Big 3's involvement in BAGS had a bearing on advertising, since SIS screens in independent bookmakers' shops carried every day the banners of Ladbrokes, Coral and Mecca.

4.53. James Lane (Bookmaker) Ltd (James Lane), a bookmaker in London and the South-East, whose owner had sold a previous chain of betting offices to Mecca in 1984, and then started again, said that the merger was not against the public interest. As a competitor in the London area, James Lane said that it had always considered Mecca to be a more formidable rival than William Hill, and although it was not perhaps in its own commercial interest, it felt that a Mecca-operated shop would be more competitive than a William Hill one.

4.54. J Manning plc, a London bookmaker, considered the increased concentration in the book-making industry to be regrettable. It said that the Big 3 market leaders now controlled over 65 per cent of the off-course betting turnover. Coral had been provoked into purchasing over 100 shops since the merger, further concentrating the industry. J Manning feared that there were now fewer independents to counter such measures as, for example, if the Big 3 were again to reduce the payment on a place for an odds-on runner. Some years ago the independents had managed to counter that move.

4.55. J Manning expressed concern that SIS was controlled by the market leaders, and that they should be able to add variants to their text displays, whereas the independents could not. It considered that this could mean that in a competitive situation the text service offered to independents might not be the best possible, and that the pricing situation at a later date might be adjusted so that higher costs would be apportioned to the text screen displays rather than the single satellite screen. He also criticised the way in which the Big 3 were advertising. They were offering free bets on production of a newspaper coupon. This form of advertising was not practicable for smaller concerns. J Manning complained that Mecca/ William Hill would still have a large percentage of shops within the London area, even though they had sold 119 of their poorer shops to Brent Walker. They would be able to get great benefits from newspaper advertising to promote their business.

4.56. I Morris Ltd, a London bookmaker, did not wish to express a view about the merger as such, but said that it considered the number of licensed betting offices owned by one company should be limited to 1,200. I Morris explained that it was not possible for it to expand, since one of the Big 3 would offer more for any independent outlet which became available. Concentration of power had also enabled the major bookmakers to increase their maximum winning limits to £250,000; much more than many independent bookmakers could afford. The Big 3 took away custom from independents in this way, and also by offering better hi-tec screen services to their punters.

4.57. I Morris was concerned that the large conglomerate betting groups could buy properties which never officially came on the market, and use their muscle unfairly against the smaller independents' attempts to expand. I Morris concluded that unless urgent action was taken to limit the number of licensed betting offices held by any one company, within five years there would be very few small licence-holders left to compete.

4.58. Stanley Leisure Organisation plc (Stanley), which has some 250 betting shops in Northern Ireland, the Isle of Man and North and Central England, made a submission and attended a hearing. Stanley did not consider the merger to be against the public interest or likely to be harmful to the horseracing industry generally. It made a number of comments about competition in the betting market and concluded that the Big 3 had over the past 30 years substantially improved the facilities offered to the public. However, it expressed concern that SIS would now have a monopoly over the transmission of racing coverage.

4.59. Stanley considered that the number of betting shops would continue to decline, and that therefore concentration in the industry would increase still further. The Big 3 had operated a monopoly in terms of their approximate 60 per cent control (by turnover) of the industry. In particular their acquisition of prime high street sites had been so successful that on average each Big 3 shop had a turnover 75 per cent higher than an average Stanley shop. Stanley considered the maximum number of shops to be held by any one company should not exceed 1,000, to give a better choice to the betting public and allow development on the part of smaller companies which at the moment were being kept out of the market. In any case the large bookmaker chains should not be allowed to continue to acquire shops, causing further contraction of the smaller bookmakers' share of the market.

4.60. Stanley was critical of the licensing system, and of the number of appeals which the Big 3 made against applicants. In many cases the time delay and the cost of an application prevented fair competition. Advertising costs were too high for small bookmakers, and the Big 3 had monopolised the advertising field through sponsorship. Shopfitting was another area of inequality; there had been numerous instances recently where the Big 3 had spent over £100,000 fitting out one shop. Staff were also difficult for small bookmakers to obtain and retain, because of the much higher wages offered by the Big 3.

4.61. One of the larger bookmakers told us that it was confident that it would eventually become a major participant in the industry and planned to increase substantially in the future.

4.62. It considered the merger to be against the public interest in as much as it would result in a general reduction in competition, increase the risk of abuse of power by the leading bookmakers, and create or intensify localised monopolies of betting shops. It considered that the immediate effect of creating localised monopolies would be a loss of choice in prices for the punter. The control of a significant percentage of shops in a restricted area was much more important than control of perhaps 1,500 shops nation-wide. The industry was a convenience one, in that punters rarely bet outside their immediate vicinity, whether that be their home, place of work, or social centre.

4.63. This bookmaker said that the Big 4 had at times used their dominant positions to introduce special offer and free bets which were anti-competitive, in that smaller bookmakers could not be expected to compete with such. It was also aware that they had sometimes offered bets on a selective 'no tax' basis. It considered that the Big 4 had on occasions only offered such inducements to punters in areas where the competition was significant, either from another of their number or an independent bookmaker.

4.64. It was also critical of the potential for abuse that selective use of SIS in the Big 3's own shops would give. The law had laid it down that all bookmakers should receive the same picture, but it had not applied that to sound, which was a pity. The Big 3 intercepted the SIS sound in their studios, and superimposed their own commentary. Not relaying common information, or delaying it, could have considerable effect though it had no evidence that the situation was being abused.

4.65. It hoped that the Commission would decide on the need for a restriction to be set on the numbers of shops owned by one company, within any given licensing area. It would be nice to divide the areas more narrowly, to reflect the local nature of the competition, but the problem was how to do so. Undoubtedly there were a number of concentrations to be found within quite a small radius, or even along one high street.

4.66. It did not believe that as a result of the merger licensing magistrates would be more likely to grant new licences to other bookmakers, whether independently Coral or Ladbrokes, on the grounds that Mecca/William Hill shops now monopolised any given location. It was of the opinion that the criterion of demand would remain the one upon which a magistrate would or would not decide to grant a new licence.

4.67. A medium-sized bookmaker gave us its view of the effects which recent developments in telecommunications had on the off-course bookmaking business. Some time ago the Big 4 had individually decided to develop their own multi-screen text systems to go out to their shops integrated with the SIS television/audio service. By this means they could provide a daily 'own brand' service exclusively to their shops, giving them fast, marketing control. The basic elements to provide this service to any number of shops were a central site with staff, the necessary hardware for each shop, and a network to carry the text and audio to the shops. A large company had the advantages of being able to amortise the costs of the central site into the number of shops, and enjoyed other obvious economies of scale.

4.68. According to this bookmaker, the Big 4 gained two further advantages over smaller bookmakers with the emergence of SIS. First, four portions of the six available on the SIS satellite were rented exclusively to each of them (the other two being allocated to SIS), thus reducing their data transmission costs significantly because there was one fee for any number of shops. Secondly, SIS allowed companies to disseminate information from SIS through their own central sites to their own, but restricted by means of their contract, smaller bookmakers from combining to operate a central site co-operatively and sending their own service to all the shops in their group by way of a third party relay. In order to compete effectively, this bookmaker told us, some medium-sized bookmakers had nevertheless developed their own systems. But they had to pay considerably more for the transmission of data to their shops over British Telecom landlines, and suffered a downgrading in quality by comparison with FM satellite reception. Each bookmaker also had to bear the cost of a central site. Smaller companies were even more severely limited because they could not afford to send their own text and were prevented from setting up a competitive co-operative venture by the restriction on third party relays. Meanwhile of course the effect of the merger was to give further advantage to Mecca/William Hill which now needed only one central site and one space on the satellite against their previous two.

4.69. A long-established comparatively small rural bookmaker said that the merger had seemingly somewhat stabilised the position in the industry. It had no evidence of abuse by the combined group, but it was concerned that three companies could control as much as 60 per cent of the market. It recommended that Mecca/William Hill and Ladbrokes should be required to divest themselves of at least 100 shops each. This bookmaker was further disquietened by Extel's impending exit from the market, and therefore of the consequent total monopoly by the Big 3, of transmission of races to bookmakers, through SIS.

Other interested parties

4.70. The Trades Union Congress, the Confederation of British Industry, Sears plc and Skyport Pools Group all said that they did not wish to comment. SIS also did not wish to comment on the merger, but answered a number of questions which the Commission asked about its share structure, ownership, management and services.

4.71. A correspondent with an extensive background in racing journalism gave us his view that the merger would lead to an increase rather than a decline in competition. He said that Mecca was particularly aggressive in its approach to marketing and promoting its business, and therefore the merged company would be better equipped to compete with the market leader than Mecca and William Hill had been separately. In his opinion, the bookmaking industry was fiercely competitive, in spite of restrictive Home Office regulations. Any retail activity which offered basically one product (a bet) required an imaginative and competitive approach if it was to persuade a potential customer to patronise one betting office rather than another operated by a rival.

4.72. A number of members of the public wrote to the Commission, all expressing views against the merger. Many points were made, including a number of criticisms of how the industry was run. The main points made against the merger were:

- (a) More localised monopolies of Mecca/William Hill bookmakers would be created, thereby forcing punters to travel several miles to find a 'non-cartel' bookmaker.
- (b) The choice of odds on offer to punters would be further reduced.
- (c) The concentration of power in the industry had been further increased, and this cartel could now more easily manipulate on-course prices.
- (d) The Big 4 had used the licensing system to their advantage, and would continue to oppose licence applications by potential competitors. Collusion, such as tacit agreements between the Big 4 to co-operate with each other in order to prevent prospective new entrants from being granted licences, might also be made easier.
- (e) The influence of the major bookmakers on prices, through their own chains and through SIS, would be strengthened, so that prices were no longer set in response to market forces, but rather in response to bets being taken by the Big 3.
- (f) One of the Big 3 might reduce the odds on offer since they had still less competition than before. They also often had a captive audience, and more so in areas dominated by Mecca/William Hill.
- (g) There would be less variety in the Tote odds on offer since Mecca would be imposing its more restrictive rules in William Hill shops.

4.73. As for criticisms of the structure of the industry, we were told that bookmakers were wrongly taxing winnings at 10 per cent (see paragraphs 3.36 to 3.38). This practice was said to increase the profits of the industry by several million pounds each year. Bookmakers were also said to be contributing too little to the industry in the form of prize money or track improvement, and the suggestion was made that the industry would benefit from central control. It was said that there was a case for a Tote monopoly as in France, America or Australia, where in contrast to the United Kingdom huge sums were ploughed back into racing.

4.74. A William Hill branch manager wrote to us anonymously, alleging that staff morale had never been so low.

4.75. A firm of solicitors explained to us, with recent examples, how difficult it was for a new entrant to the industry to obtain a betting office licence against the opposition of one of the big multiples.