6 Views of Ladbroke

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Introduction

6.1. This chapter summarizes the views of Ladbroke, the main party in this inquiry, which were presented in a number of written submissions and at three hearings. The company's overall views on the merger and its views on jurisdictional and legal matters are recorded first. These are followed by its views on the main issues of concern during the inquiry and finally by its views on possible remedies for any adverse effects which might be held to result from the merger.

General

6.2. Ladbroke said that its decision to acquire Coral arose from the opportunity offered when Bass, in autumn 1997, decided to put Coral up for sale. [

Details omitted. See note on page iv.

] It had therefore acquired the Coral business, unconditionally, for £372 million and, having identified 128 local markets (as defined in the 1989 report) in which competition would be eliminated as a result of the merger, had made arrangements to sell a shop in each of these areas, together with a net extra six shops, to Tote Bookmakers for £46.8 million. The sale, conditional only on the outcome of any reference to the MMC, incorporated 82 Coral shops and 52 Ladbroke shops.

6.3. The commercial rationale for the acquisition of Coral was that it represented an opportunity for Ladbroke to buy a substantial betting business that had limited overlap with its own shops in local markets. Indeed it would take Ladbroke into 578 new local markets. The Coral business was both consistent with and complementary to Ladbroke's gaming and betting business that, along with hotels, was a core business for the company. There was also scope for significant synergies. Ladbroke estimated that it would achieve an overall profit improvement of £[✄] million a year by the second year following the merger. Of this, some £[✄] million would result from cost savings from measures such as merging Ladbroke and Coral central functions and closing Coral's head office. Another £[✄] million would result from improved gross margins delivered by investment in security systems and procedures and by improvements to the bet mix. In addition there would be other benefits, arising from the increase in Ladbroke's investment in SIS (see paragraphs 3.30 to 3.33).

6.4. The merger would raise the number of Ladbroke's off-course betting shops from 1,904 (22 per cent of the Great Britain total) to 2,737 (31 per cent), or 2,603 (30 per cent) once allowance was made for the sale of 134 shops to Tote Bookmakers. In turnover terms, the company's share would rise from £1.7 billion (25 per cent) to £2.5 billion (38 per cent), or £2.4 billion (36 per cent) allowing for the sale to Tote Bookmakers. Ladbroke wanted to expand in the off-course betting market because it believed it was the best operator and manager in the business and that its strategy of investing in consumers, staff and shops was the way forward.

Benefits from the merger

6.5. Ladbroke considered that, apart from financial benefits, the merger would bring a number of benefits to the betting industry as a whole, to customers and to the racing industry generally. Among the leading bookmaking companies it was the only one committed to being a long-term player in bookmaking. Bass had put Coral up for sale by way of a public auction and Ladbroke was the only bidder from the trade. William Hill had previously been purchased by Nomura, which had announced immediately after the acquisition that it intended to float it off within three years. Under Ladbroke ownership and management, the Coral shops and the jobs of the staff employed in these shops were safeguarded and could benefit from increased levels of investment. The merger would enable

[Details omitted. See note on page iv.]

Ladbroke to bring its package of standards to some 700 Coral shops and to safeguard both the number and quality of those shops. Ladbroke was a market leader in investing in the industry, in improving the quality of its shops and in the provision of its retail and customer services. Benefits to customers would include a significant increase in shop investment, Ladbroke's early price guarantee, neighbourhood marketing promotions, the 'Customer First' programme of customer service standards and investment in EPOS. The benefits for Coral staff would include Ladbroke's commitment to Investors in People, its award-winning training programmes, its commitment to disabled employees which had recently been awarded 'Double Tick Symbol' accreditation and, most important, long-term job security.

Jurisdictional and legal issues

6.6. Ladbroke accepted that the merger qualified for investigation under the provisions of section 64 of the Act because enterprises carried on by or under its control had, within the four months preceding the date of the reference to the MMC (31 March 1998), ceased to be distinct from enterprises carried on by or under the control of Bass, namely the Coral betting business, and the gross value of the assets taken over by Ladbroke exceeded £70 million.

6.7. It argued, however, that its contract to dispose of 134 betting shops to Tote Bookmakers was specifically enforceable (subject only to a regulatory outcome which would prevent Tote Bookmakers retaining more than 69 of those shops). This had been confirmed in advice received from Leading Counsel. The sale was, therefore, part of the merger situation under review.

6.8. In addition, the sale of the Coral telephone betting business and the Coral name had been offered by way of undertaking to the OFT, to be implemented in the event that the OFT considered that the merger had a materially adverse effect on national competition. Further, Ladbroke had also expressed a willingness to undertake to dispose of one of the greyhound stadia acquired from Coral. Ladbroke's position was that the offers of these undertakings should also be considered as part of the merger situation under review and it confirmed that these offers still stood.

6.9. It submitted that, in reaching a determination whether a merger situation qualifying for investigation operated or might be expected to operate against the public interest, the MMC were required to look to the future and therefore must take into account all relevant circumstances in reaching their conclusions, including any commitments made during the course of the inquiry; and not just to look at a snapshot at the time the enterprises ceased to be distinct. Accordingly, the MMC were required to take into account the specifically enforceable contract disposing of 134 betting shops to the Tote and any proposals in relation to the merger. In support of this Ladbroke cited paragraph 8.69 of the MMC report *British Airways Plc and British Caledonian plc: a report on the merger situation*[1] which said, among other things, 'our conclusion must be related to the actual merger proposals as they have been developed and are now before us'. Ladbroke also cited the High Court judgment of 18 December 1987 concerning that case[2] and in which Lloyd LJ held that the MMC were entitled, and indeed bound, to report on the reference as a whole, including not only the original merger proposals but also the proposals as developed in the course of the reference.

6.10. The company considered that, in the event that adverse consequences were identified by the MMC in relation to those matters which were covered by the subject matter of the undertakings offered, those consequences could be removed by acceptance of the undertakings. Moreover it remained prepared to consider any other constructive proposals that the MMC might wish to put forward to remedy other adverse effects which might be identified.

[1]HMSO, Cm 247, November 1987.
[2]*R v Monopolies and Mergers Commission ex parte Air Europe Limited, British Airways Limited and British Caledonian Limited* (1988) 4 BCC 182.

Off-course betting markets

Regulation and barriers to entry

6.11. Ladbroke noted that the betting industry remained subject to a significant degree of regulation. Although deregulation had brought changes in certain limited features of the controls over the off-course betting market since 1989, it had not altered the fundamental parameters within which betting shops were required to operate. The bedrock of the system of regulation remained the principle that encouragement to people to be attracted to betting should be avoided. The 1963 Act continued to require magistrates to consider new licence applications by reference to demand for betting facilities within the locality of the betting site which was the subject of the application—the locality normally being defined by a radius of 400 metres, as endorsed by the 1989 report.

6.12. Nonetheless, the barrier occasioned by the need to obtain a licence before an LBO could be opened was frequently overcome. It was easier to obtain licences following the 1989 report's encouragement to magistrates to take account of competition in considering licence applications. Many applicants relied on this aspect of the 1989 report. An analysis of a sample of new applications made in the three years between April 1995 and March 1998 showed that some 63 per cent of these had been approved while 37 per cent were rejected. Licence applications had been declining until recently, partly due to the impact of the National Lottery. However, Ladbroke had established from press sources that over the last year all licence applications in England and Wales (including shop relocations, business name changes, shop extensions and new shops) had risen by 6 per cent (from 765 in 1996 to 810 in 1997) and that in Scotland over the same period applications for new shop licences had risen from 14 to 36. Current restrictions on advertising and on the range of activities which betting shops could engage in did not, in the company's opinion, make entry into the off-course betting market difficult or unattractive.

Competition and concentration at national level

6.13. Ladbroke considered that, as in 1989, competition was essentially local and without reference to wider national activity in spite of changes in the market and in its regulation. The company recognized that there had been changes in the off-course betting market since 1989; but it remained convinced that the changes which had occurred in the market did not fundamentally change the appropriateness of the principles accepted by the 1989 report. Ladbroke acknowledged that it was important for the MMC to undertake the task of assessing the extent to which the market had moved on since 1989 at the national level. It believed, however, that the balance of the market and the way competition operated were not such as would justify, in an overall assessment, the conclusion that national considerations should be given priority over local competition considerations.

6.14. Ladbroke's starting point in analysing local markets, therefore, was that the appropriateness of the 400 metre measure adopted for local competition purposes in the 1989 report had stood the test of time and that there was no reason to change it. Numerous research studies had demonstrated that convenience remained the overriding determinant of why customers chose to visit a particular betting shop. For example, an Icon Usage and Attitude Survey carried out for Ladbroke in 1996 had shown that 71 per cent of respondents gave convenience as the reason for visiting the betting shop which they most often visited; only 2 per cent had given better odds or prices as the reason. Ladbroke referred to a report submitted by some MPs opposed to the merger, which had been commissioned from Economia (UK) and paid for by a group of five people from within the industry. This report had sought to show that the 400 metre measure was an incomplete mechanism, that independent bookmakers were ineffective competitors and that pricing was a national phenomenon driven by national chains (see paragraph 5.87). The company said that the Economia report had wholly failed to support any of these claims.

6.15. As far as prices were concerned, the off-course betting market remained characterized by limited price variation because of the predominance of board prices and SPs. These were the same for all bookmakers. SPs accounted for 84 per cent of horse-racing bets and 68 per cent of stakes. Board prices accounted for 14 per cent of horse-racing bets and 30 per cent of stakes. Excluding telephone betting, less than 2 per cent of horse-race betting turnover was made up of bets at ante-post, advertised and morning prices. These were the only prices on which there was a degree of competition between off-course bookmakers, largely at the local level. Moreover while 98 per cent of horse-race bets were made at SPs or board prices in off-course betting shops, the percentage was even higher for greyhound racing.

6.16. Ladbroke was asked whether its submissions on the absence of competition at national level were consistent with certain passages in its five-year strategy document *UK Cash Betting Strategy 1998–2002* (these are set out in Appendix 6.1). It had provided this document to the MMC in response to a request for a copy of the latest business plan or equivalent document for Ladbroke Racing showing the strategy for the next few years. Ladbroke later said, however, that the document was nothing more than an internal discussion document prepared by the commercial director of Ladbroke Racing, in no sense representing views adopted by the Ladbroke Group board but written in June 1997 for an annual meeting of that board to discuss in overview the market in which the company was operating. It was not a planning document in the sense of including specific actions and some of the statements it made had proved inaccurate. Given the unauthoritative and very general status of the document, Ladbroke said that it believed the MMC would be misdirecting themselves if they were to place such reliance on it as to claim that the inclusion in their report of extracts from the document was necessary to the MMC's conclusions and recommendations. It commented that the co-operation referred to in paragraph 4 on page 17 of the document referred to the industry's efforts to recover from the impact of the National Lottery by introducing numbers games, such as 49's and Lucky Choice. This co-operation had replaced the previous high level of infighting in the industry. In the light of the effect of the National Lottery, it was better to introduce new products in a co-ordinated fashion, rather than risk confusion through separate bookmakers launching similar products. In any case protecting the intellectual property involved was not easy. The reference to restrained competition in paragraph 4 on page 20 of the document concerned the fact that there had previously been a larger number of offers and bonuses promoted nationally than was available now. Although such offers had been arranged and promoted on a national basis, they were only accessible locally. Despite this national promotion, there had been limited take-up of these offers and bonuses; and this reinforced Ladbroke's view that local promotion was the only effective way to compete in the betting shop market. A considerable number of offers and bonuses remained available but these were initiated and promoted locally. In contrasting local competitive behaviour (paragraph 3 on page 23) with Ladbroke's earlier description of what it regarded as its leading national competitors, listed on page 22, Ladbroke said that it was not correct to assume that the national scene was uppermost in the company's mind. Although Ladbroke inevitably measured its market share at national level, the activity to drive that share forward was concentrated at local rather than national level. Finally, the company acknowledged in response to questioning that one interpretation of the reference to its removing uneconomic offers (first paragraph on page 23 of the strategy document) would be that it was consistent with a strategy of Ladbroke mobilizing its leadership role and encouraging others to follow. The fact was, however, that Ladbroke could not directly encourage other bookmakers to do anything. In this regard, Ladbroke also made clear that it did not accept that it was able to exercise a leadership role in respect of such aspects as the levels of deductions.

Price competition at bookmakers' prices

6.17. Because of the predominance of board prices and SPs, there was limited price variation in the industry through, for example, ante-post prices, advertised prices and morning prices. On-course bookmakers had low overheads and this gave a strong assurance that the SPs provided off-course bookmakers with very tight margins. Even for bookmakers' prices on non-SP betting products, such as football or other sports or numbers, the high degree of transparency and the commoditized nature of the product ensured that margins were tight and pricing discretion limited, although Ladbroke agreed that its promotion of numbers betting was in part due to this form of betting being more profitable than racing. However, gross margins in off-course bookmaking had been flat for some years. In any event the available research showed that price offers did not feature strongly in reasons given by customers for their choice of bookmaker. The impact and importance of price competition at national level, therefore, were negligible. Within the figure for all off-course betting shop racing turnover which was at odds set by bookmakers (less than 2 per cent), price differences were limited because of the price convergence which occurred after betting shops opened—at 10.15 am on weekdays and 10.00 am on Saturdays.

6.18. Ladbroke expressed surprise that William Hill's data showed that 4.5 per cent of its total LBO turnover was on horse-racing bets at bookmakers' prices, by comparison with Ladbroke's estimate of 1.4 per cent; and surprise also at William Hill's 5.6 per cent for sports betting (Ladbroke 4.9 per cent). The company explained that the long form book prepared for the sale of William Hill in 1997 had indicated that William Hill's figure for January to June that year was considerably lower than 5.6 per cent. That figure could not, therefore, be relied on. It had to be remembered that William Hill had a strong motivation to supply evidence that would help block the merger, as it had been unsuccessful in its own bid to acquire Coral. No one had previously questioned the statement that the level of turnover on horse-race betting at bookmakers' prices was less than 2 per cent despite this figure being widely presented in reports and presentations to various industry bodies. William Hill had consistently failed in the past to come up with useful data at any level below total betting shop turnover, and it was astonishing that it had suddenly been able to do so. Its data had been based on a sample of two weeks' business from 40 shops. Ladbroke expressed surprise at the apparent credence given to the William Hill data. It was possible that the explanation of the differences lay in the sampling. The William Hill data were unsafe and should not be regarded as credible particularly since they were inconsistent with independent third party research data. Ladbroke's data, by contrast, were consistent with independent research data.

6.19. Ladbroke's figure for the percentage of horse-racing turnover taken at bookmakers' prices had been calculated originally in 1989 and it had been shown to have remained constant throughout the following six years of monitoring using the sampling frame established by the University of Southampton. The university itself had completed the monitoring on Ladbroke's behalf for four of those years. The figure had remained constant since then too, as recorded by Ladbroke's own trading information system. This had relied upon a sampling frame set up by the university in 1990 involving some 650,000 betting slips a year (in practice, every 500th slip from every betting shop). Ladbroke added that the evidence appeared to suggest that over the last five or six years the volume of races on which early prices were available had been in decline. The most recent data, however, showed an increase between 1997 and 1998, by some 13 per cent in Ladbroke's own case, reflecting the impact of the Showcase race initiative. Ladbroke was currently (May 1998) offering early prices on 17 per cent of races, though there had been no increase in the volume of, or customers' interest in, early price betting. The turnover generated at these prices was, in its experience, insignificant, just 1.4 per cent of total betting shop turnover, although as much as 12 per cent of its total turnover on single bets on those races for which it quoted early prices was incurred at such prices.

6.20. In practical terms the offer of advertised prices at a national level created a national market only so far as it was focused on telephone betting. Customers wishing to respond to an advertised price or to an early price would usually do so by telephone. In Ladbroke's estimate £60 million was spent in this way. Early prices were available to telephone betting customers, as to others, on those races that were of most interest to customers; and this was reflected in the telephone betting turnover on those races. Its own survey of two recent periods, one in late 1997 and one in 1998, had shown that early price bets accounted for over 36 per cent of total telephone betting stakes on early price races, compared with figures of around 33 per cent and 30 per cent for board prices and SPs respectively.

6.21. The importance of advertised prices should not be overstated by implying that they stimulated customers to go into betting shops. Ladbroke estimated that £89 million was staked at early prices on horse races in betting shops. Most betting on advertised prices was done by telephone. While a small minority of customers might also respond to an advertisement by going to a betting shop it would be fanciful to imagine this to be characteristic of a significant proportion of customers. Early prices changed and converged rapidly, which meant that much of the business taken at these prices was not at the opening prices available on the day in question. In any event the guarantee that prices would be held for 15 minutes after the shop opened applied only to races advertised in the *Racing Post* and not to other early prices. Nor was it generally the case that early prices influenced the opening shows on-course, although a large morning volume of bets on a horse would usually be reflected in the opening on-course show.

6.22. Much had been made by opponents to the merger of price competition on early prices. Ladbroke made two points in this regard. First, bets on horse races at early prices represented only 1.4 per cent of a betting shop's turnover. Second, this 1.4 per cent was derived from all bets taken at early prices up to the opening show from the racecourse. Customers could compare prices using the

'Pricewise' column in the *Racing Post* or using newspaper or teletext advertising but, after the 15 minutes guarantee period, prices changed. Not surprisingly, prices converged. Consequently the proportion of turnover taken at advertised prices was much lower than 1.4 per cent. Customers understood that prices changed. This was part of the betting experience and people simply did not drive or walk from shop to shop comparing early prices before placing their bets. Equally consumers did not sit at home ploughing through pages of teletext information before deciding which shop to visit.

6.23. The apparent lack of interest in early prices among betting shop customers was readily explicable. Bookmakers tended to build a level of over-round into the book on the race that would reflect the on-course market, taking into account the type of race and such factors as the number of runners. In placing their bets at early prices, customers did so without the additional information that would be available to them closer to the start of the race. Customers saw their key challenge as backing the winner—a process that required time and information. In the vast majority of cases customers chose to make their bets in the last 6 minutes before the off when their information was more complete. As well as betting with considerably less information, customers betting at early prices were also taking a chance that their selection was overpriced relative to the prices which would be available from opening show through to SP. Bookmakers also had less information early in the day and if they were consistently to bet to tighter margins on early prices than the racecourse margin they would consistently lose money.

6.24. Ladbroke pointed out that not only was betting shop turnover at bookmakers' prices just 10 per cent of total turnover, but also the future growth trend for numbers betting and football and other sports betting should not be overstated. The football business in 1989 had accounted for 3 per cent. It had taken nine years for it to increase to its present level of 4 per cent. Equally numbers betting at Ladbroke, having risen to more than 4 per cent of turnover following its introduction in 1996, was now exhibiting signs of having reached a plateau—indeed started to decline—in recent months. From a high point in January/February 1997 of a weekly £1.4 million for Ladbroke and £0.7 million for Coral, numbers betting was now at £1.2 million for Ladbroke and £0.5 million for Coral. Ladbroke's monthly numbers turnover reached 5.4 per cent of total turnover at the beginning of 1997 but was now running at between 3.3 and 3.5 per cent.

6.25. When pressed on the point that the total LBO turnover at bookmakers' odds, even on Ladbroke's 10 per cent estimate (equivalent to £650 million), gave this aspect of the industry an importance that was difficult to ignore, Ladbroke replied that it was important to restate the fact that where price competition did arise, it arose largely at the local level, and that the merger did not affect local competition. In any event business at bookmakers' odds was very much at the margins of the market. In response to the further point that only a few firms—of which Coral was one—both advertised nationally and had a national chain of betting shops, and hence that the removal of Coral as a major player would lead to an unacceptable reduction in choice and in price competition (or alternatively, to the greater ability of an enlarged Ladbroke to inhibit the development of competitive pressures), Ladbroke said that this would only be true if visits to betting shops were triggered by customers wishing to take advantage of prices advertised in the press or teletext. But this was not how the market operated. Such customers would use the telephone. In any event, for advertised prices, there would remain a wide degree of choice. Ladbroke noted the large number of firms that advertised prices on teletext or in the press.

Non-price competition—general

6.26. Factors likely to influence whether or not non-price competition would be weakened following a merger were likely to be similar to those influencing price competition. These were whether a sufficiently local competitor was being eliminated by the merger and, if so, whether there were no other shops remaining within the local area of the merging shops to provide effective competition. Ladbroke had, however, ensured that local competition was preserved through the sale of 134 shops to the Tote. The reason why this sale was not unconditional, Ladbroke said, was first that an outcome to the merger inquiry that prevented the merger from proceeding could result in Ladbroke losing part of its own estate (52 of the 134 shops sold to the Tote were Ladbroke shops) as well as having to divest the Coral business; and second, if Ladbroke did have to divest the whole business, the more of the Coral business that was available for selling on, the better. If some of the shops were not available, there could be difficulties in terms of value. Subsequently the company added a clarification to the effect that if Ladbroke did have to divest the whole business, it might or might not be commercially beneficial to dispose of the largest possible business.

Range of betting products offered

6.27. The extent to which betting offices could compete by offering a broader product range was largely restricted by regulations. These defined what products and services a betting office could offer. For example, a betting office could have only two all-cash slot machines (AWPs) and it could retail society lottery products, publications which specialized in horse-racing and greyhound-racing form and hand-held pre-packaged snacks. Hence there was very limited ability to differentiate the offering to the customer.

6.28. Within the overall range of products, it might be possible to differentiate by offering products to the specialist betting customer (for example, betting on golf tournaments in the seniors tour) or, within the limits of financial viability, by packaging products in different ways. But consistent with the approach taken in Ladbroke's neighbourhood marketing initiatives, all such initiatives took place at the local rather than the national level. In more general terms, in relation to product initiatives and differentiation, the betting product range was determined by customer choice rather than the bookmaker. Customers expected bookmakers to have prices on nearly all mainstream sporting events and if they requested prices that were not available, bookmakers would very quickly make them available. Indeed, in Ladbroke shops, if a customer requested a price that was not available, the shop manager would telephone the bet acceptance team at Ladbroke's office in Rayners Lane and in most circumstances a price would be quoted. A final area of product differentiation was Tote Direct. Through Tote Direct machines in betting offices off-course customers could bet on horse races directly into the Tote pool. The betting office received a commission on turnover but, unlike the case with fixed odds, carried no liability. This was particularly advantageous to the independent bookmaker who could offer a small stake/big win bet without concern for the liability. Ladbroke was now working with Tote Direct to develop new bets of this sort to increase the customer appeal of Tote off-course betting.

Advertising, promotion and branding

6.29. The primary reason for national advertising, in Ladbroke's experience, was for telephone betting. This was a national market in which price was a more important element in competition than in LBO betting. Telephone betting customers had easy access to the firms who advertised; by using a debit card and telephone, they could take advertised prices and could do so at any time during the day. Generally, however, such advertising was not relevant to the off-course betting shop market. In contrast to other markets, the commoditized nature of the core betting product (a bet on a horse to win at a price determined by the on-course market) made investment in brand building costly and futile. The amount spent by both Ladbroke and Coral on advertising in recent years had been declining. The Deregulation (Betting and Bingo) Advertising Order 1997, which permitted LBOs to advertise their addresses and facilities in newspapers and in other printed form, had not effected an increase in the levels of advertising spend. In fact the regulatory change had resulted in a substantial drop in Ladbroke's spending on media advertising (by 44 per cent from 1994 to 1997) and in a shift in expenditure towards a wide variety of promotions and improvements in services in LBOs. The advertising of numbers betting opportunities by 49's Limited had, however, aimed to have the effect of raising the profile of betting opportunities for the benefit of the industry as a whole. It was successful initially in building awareness of the availability of this form of betting at the local betting shop, but recent evidence had shown that national advertising had not been successful in generating additional numbers betting. 49's Limited, for example, had therefore moved away from national advertising and towards providing subscribers with marketing tools for use in the local market place.

6.30. As far as advertised prices generally were concerned, however, Ladbroke did not believe that the merger with Coral would lead to an unacceptable reduction in choice and in price competition on this score. This would only be the case if a visit to a betting shop was triggered by the wish on the customer's part to take advantage of the price in the advertisement. But the market did not operate in this way. Advertised prices were mainly of interest to the telephone punter who would continue to enjoy a wide variety of choice.

6.31. As to branding, Ladbroke considered that it drew no inherent advantage from its brand name. Brand awareness of the leading companies was high, but this did not translate into brand loyalty. It did not give Ladbroke an ability to command a price premium or to generate higher sales than would otherwise be expected. Unlike the Hilton brand, the Ladbrokes brand carried no value in the company's balance sheet. Survey data showed that brand was not a relevant consideration in satisfying consumer needs: the highest needs of both regular and irregular customers could be satisfied by any shop irrespective of the brand. However, in its five-year strategy document (Appendix 6.1, page 19, paragraph 2) the company stated that 'the brand delivers reassurance and the improving quality of the shop estate means that Ladbrokes is now first choice with no less than [✂] per cent of irregular customers'. Ladbroke explained that the [✂] per cent figure was an error and provided the research data from which this result was drawn. This showed that among irregular customers, who accounted for 2.5 per cent of total industry turnover, [✂] per cent had stated that Ladbroke was their first choice (in circumstances where two or more shops were equally conveniently located). Furthermore, Ladbroke's comment on this was that although the strategy document had acknowledged the high levels of brand awareness, it did not suggest that this awareness provided the basis for turnover growth and/or growing market share. Indeed, the document had also said that 'regular customers are loyal to the shop rather than the brand and location is therefore the key determinant in shop choice, followed by the quality of the shop environment and the staff/customer interface' (Appendix 6, page 19, paragraph 1).

6.32. There was no evidence that high brand awareness delivered a higher proportion of any incremental betting turnover on numbers betting or sports betting by new customers. In any event numbers betting was no longer growing; growth in sports betting over the last eight years had been slow, and there was no reason why it should suddenly accelerate. In addition, there was no evidence to suggest that a well-located and efficiently-run shop would not represent an effective competitive force within the market whatever the name above the shop. The change of name, following their acquisition, of the 114 A R Dennis shops to Ladbrokes had not been accompanied by any growth in turnover. No offer had been made for the Mecca brand when the Mecca/William Hill merger took place. Ladbroke had received no interest in the Coral name during negotiations for the disposal of the 134 shops. And advertising expenditure was at remarkably low levels for a market of this size. In an Icon Usage and Attitudes study carried out for Ladbroke in 1996 the statement 'This company is clearly different from other betting shops' had brought very low levels of agreement for Ladbroke, William Hill and Coral. In fact these levels were among the lowest ever recorded by Icon in its brand status studies on companies throughout Europe.

6.33. Given the apparent lack of advantage from branding, Ladbroke was asked why it proposed to rebrand the Coral shops. The company said that this was partly for reasons of cost and convenience, it being easier to manage one business than two, and partly because the brand was important for the staff; it delivered a certain *esprit de corps*.

Quality of outlet

6.34. Ladbroke said that while branding in general conveyed no advantage, the quality of the betting outlet was very important in attracting customers in new areas of business and in attracting irregular customers—more so than the Ladbroke name on the door. Market research had shown that, next to location, the quality of the shop and the service offered were the most important attributes in the eyes of customers. Following the greater flexibility and increased public access resulting from deregulation, together with more relaxed public attitudes to gambling, Ladbroke considered it necessary to the growth of the business to invest in improved shop quality. Its five-year strategy document (Appendix 6.1, page 19, paragraph 2) also indicated that the company felt that numbers games, sports betting and AWPs delivered new customers, including women, and that improving shop quality meant that Ladbroke was increasingly the first choice for customers. But the company pointed out that irregular customers—those betting less often than once a month—accounted for just 2.5 per cent of betting industry turnover. However, 94 per cent of regular LBO customers betting on numbers also regularly bet on other LBO products. The betting turnover generated on numbers, football and sports was almost entirely derived from the regular horse and/or greyhound racing customer.

6.35. The company had, since 1995, carried out a rapid acceleration in investment in its betting shops to improve facilities and services. Over 1,000 shops had been refurbished between 1995 and 1997 at a cost of some £[✂] million. Coral, whose pace of refurbishment had been slower, had refurbished or relocated 160 shops over the same period. The slower pace of the Coral programme, coupled with its standardized specification and its focus on new sites, meant that its return on investment was not satisfactory. Ladbroke's faster and less costly programme would now be extended to the Coral shops, and the company was proposing substantial investment in an EPOS system. The major bookmakers were not unique in reinvesting in their shops. The company provided evidence to show that independent bookmakers were reinvesting in their shops, and thus were able to compete effectively with Ladbroke, demonstrating that the ability to compete in quality of service did not depend on having a national position or large financial resources.

Acquisition of sites

6.36. As far as obtaining new sites was concerned, the situation was now easier for the industry generally than it had been before 1987. Since the introduction of the Town and Country Planning (Use Classes) Order 1987 betting shops had no longer been included as a use in their own right but were now grouped within the general class of retail and associated retail uses. Ladbroke did, however, frequently find itself in competition with other bookmakers, whether national chains or independents, for sites as they became available, and did not consider that independent bookmakers suffered any inherent disadvantage in this regard. Ladbroke gave a number of examples where it had lost out to independent bookmakers in acquiring sites.

Practices on transmission of information and on deductions

Transmission of information

6.37. In answer to the question whether Ladbroke sometimes delayed transmission of board price signals to its shops because, as had been alleged, it might be financially disadvantageous to transmit them, the company said that it never did this. It was not, however, surprised at this kind of allegation given the nature of the industry as a whole, the atmosphere in the industry, the difficult relationships between its different segments and the general hostility towards Ladbroke, particularly in the context of this inquiry. The fact was that the signal was transmitted by SIS and was relayed instantaneously to Ladbroke's shops. Occasionally the text transmission provided to many independents' shops by Racing Data, a competitor of SIS, would provide earlier shows of board prices than SIS. Often, however, these first shows would not provide a complete list of odds. SIS's policy, as Ladbroke understood it, was not to transmit a show until its staff felt that there was a settled market which covered all runners. An incomplete picture was not representative and to transmit shows before the market settled might lead to manipulation.

Deductions

6.38. Ladbroke said that its deductions, which were 9 per cent in off-course betting shops, were charged so as to cover general betting duty, the horse-race levy and the voluntary greyhound fund. Its practice in this respect was no different from all bookmakers. Customers were given the option of paying a 9 per cent addition to their stakes or having 9 per cent deducted from any winnings. There was an element of cross-subsidy from deductions paid on bets on which no levy was due, such as numbers and sports bets. Ladbroke was not, however, aware of any complaints from customers. If Ladbroke was to try to exert its alleged market leadership by raising the deduction level it would fail. There would be an intensive and hostile press campaign, hostility from the Levy Board and the Government, and no guarantee that William Hill or other bookmakers would follow suit. Indeed these would be likely to exploit their price advantage. Ladbroke added that in its on-course shops, where no betting duty was chargeable, in common with other on-course shop operators it made deductions of 6 per cent to cover administration costs and payments to the racecourses concerned.

Effect of the merger on competition at national level

6.39. In Ladbroke's view there was no evidence that it would be in a position to behave independently of its competitors following the merger, or that the removal of Coral would have any material impact on the principal parameters governing competition in the off-course betting market. Coral was not a national chain in that it had no representation in large parts of the country. For example, it was not represented in Scotland (except for Strathclyde), parts of the West Country and North Wales and had only limited representation in the North-West. While Ladbroke acknowledged that the merger represented a further stage in concentration, there was nothing in the structure of the market at a national level to suggest that Ladbroke would be able to behave independently of competitive constraint from a large number of other effective competitors. Following the merger, in addition to William Hill, there would be two other major chains, Tote Bookmakers and Stanley, each of which would have some 5 per cent of the off-course betting market in both turnover and number of shops. Both had increased their market presence significantly since 1989 in a declining market. These two chains competed strongly with Ladbroke and William Hill over a wide geographic area and no evidence had been advanced to suggest otherwise. The fact that the geographic locations of Tote Bookmakers' and Stanley's off-course betting outlets might not be as widely spread as Ladbroke's or William Hill's was not, in Ladbroke's submission, a reason to treat them as less effective competitors for Ladbroke. Moreover, there was ample evidence of the existence of a large number of competing bookmaker chains that had continued to grow and compete very effectively in a declining market since 1989. Ladbroke listed some 24 competing chains, apart from William Hill, Stanley and the Tote, which had 20 or more shops. There were, in addition, a large number of competing bookmaking chains consisting of less than 20 shops.

6.40. Ladbroke did not accept the argument that Coral should survive in order to be a third force in the industry and restrain the power of a Ladbroke/William Hill combination. This hypothesis was a 'forced fit'. Given the characteristics of the industry, a large player could not derive market power such that it could gain true dominance. Ladbroke did not believe it could get its own way. Pricing considerations were not important to customers' choice; and SPs and board prices, which were set by the on-course market, were 90 per cent of Ladbroke's off-course business. In addition, independent bookmakers competed equally effectively with the larger players because of the local nature of the market. In these circumstances the concept of a third force was irrelevant. Given the nature of the market—in particular the lack of price competition for the preponderance of bets, the industry's low margins and the effective operation of the 400 metre measure—the increased concentration occasioned by the merger at national level would not impede continued effective competition in local markets. Ladbroke repeated its belief that the balance of the market and the way competition operated was not such as would justify a conclusion that national considerations should be given priority, in an overall assessment, over local competition considerations.

6.41. Furthermore, it considered that there was no constraint, legislative or otherwise, which would prevent another company growing to the size of Coral, building up through acquisition a large portfolio of betting shops round the country. The MMC in the 1989 report had encouraged licensing magistrates to take a more generous view of encouraging local competition and, in Ladbroke's experience, over the last nine years in case after case applicants had relied successfully on this encouragement. The effect of the 1989 report had been to give applicants a lever that they had lacked before 1989. In practice, therefore, barriers to entry were low. It had become easier for betting shop operators to acquire new licences and, as 42 per cent of shops were owned by independents, there was considerable opportunity for chains to grow by acquisition. Where local market opportunities existed, new entry had occurred on a significant scale and the expansion of successful bookmakers, like Jack Brown Group (which had grown from 79 to 111 shops), the Tote (129 to 211) and Stanley (182 to 475), had continued despite the overall decline of the market at national level.

Prices

6.42. There was some limited price competition at national level, but because the vast majority of prices were set by the on-course market and because net margins in the industry were very low, there was no room for sustained discounting at levels which might motivate customers to choose one betting shop rather than another. Ladbroke said that national competition was more or less restricted to the telephone betting market, which accounted for only 8 per cent of off-course betting turnover. Choice in this market was extensive and would remain so. The MMC had reached the view in 1989 that there was little scope for price competition at the national level and, in Ladbroke's opinion, this situation had not changed at all. Nor did such competition on prices as there was at national level affect the local betting shop business. In quoting early prices Coral had been no more often out of line with the rest of the market than any other bookmaker because all bookmakers tended to bet to roughly the same level of over-round. Moreover, where a bookmaker was out of line on a price for a horse that attracted support, that price would quickly move into line as prices converged.

Terms of betting

6.43. At the local level price competition centred primarily around concessions, and such offers were a common feature of competition in this market. If it was possible to obtain a competitive advantage through making national offers, there was no reason why Ladbroke would not do so. Such offers did not work, however, so Ladbroke did not offer them. Occasionally Ladbroke's shop managers might, subject to regional director approval, match or exceed semi-permanent changes in betting terms offered by a local competitor (such as 'tax-free' betting for certain products, changes to place terms and bonus bets). Where Ladbroke responded to such changes in betting terms by others, in 80 to 90 per cent of cases that competition was within 400 metres of the Ladbroke shop concerned. Ladbroke's data showed that 143 of its shops were giving such semi-permanent changes in betting terms as at March 1998. However, it pointed out that there were a vast number of short-term price-related promotions which were initiated by Ladbroke shop managers within the framework of the company's *Neighbourhood Marketing Manual*. These required no such approval from regional directors and were not monitored or recorded. It made active use of such offers in order, for example to increase the attraction of particular products or to improve product mix and customer demand. On current evidence, there was a very high volume of local activity in this respect, through discounts and bonuses, and Ladbroke expected this high volume to continue.

6.44. Customers were, however, generally indifferent to price concessions. Nor was the size of maximum payout an issue. In this respect, Ladbroke scored very little higher than independent bookmakers. Most bookmakers offered at least a £25,000 maximum. Ladbroke estimated that on only one in 5 million bets had it paid out more than this amount so far in 1998. Instead of offering price concessions for extended periods, Ladbroke focused its marketing initiatives on areas which mattered most to customers—the quality of the product and service. Its *Neighbourhood Marketing Manual* had been developed with a series of initiatives for this purpose. The manual was used by Ladbroke's betting shop managers and, in its experience, the initiatives encompassed were those that had most appeal to customers. Ladbroke did not believe that there would be any diminution in this kind of competition as a result of the merger. It considered that the extent of offers at local level would continue irrespective of what Ladbroke did because other bookmakers would see such offers as being important for increasing their market share, albeit wrongly in Ladbroke's view.

6.45. In relation to the setting of odds for ante-post, advertised and morning prices, Ladbroke did not consider that the result of removing one of the Big 3 would be to increase the margins of the two remaining. That would only be the case if there were just three players in this market but in practice there were a much greater number, and thus none could behave independently of the rest of the market. More generally, Ladbroke did not expect that the terms of betting would be less favourable to customers as a result of Coral's disappearance. There would be no increase in Ladbroke's margins as a result of the merger.

Levy and sponsorship

6.46. According to Ladbroke the racing industry had fared remarkably well in recent years from the levy mechanism. Levy income had increased by 57 per cent in real terms between 1985 and 1997. Ladbroke said that it did not consider that the merger would affect the racing industry adversely. The company had tried to work together with the racing industry over many years, and not just over the sensitive issue of funding. There might be difficulties in the relationship but there was clearly going to be a continuing dialogue between the racing and betting industries. While off-course horse-race betting had fallen sharply from its 1989 peak, the share of horse-race betting turnover which went to the statutory levy had increased substantially. Between 1985 and 1997 expenditure by the Levy Board had risen by some 70 per cent in real terms. In addition the betting industry paid the racecourses some £14 million for the picture rights for SIS. The allegation that there might be a fall in the combined Ladbroke/Coral sponsorship input in the future simply ignored the facts. Ladbroke had committed itself publicly to the contrary. It had undertaken to maintain and, in certain cases, to extend Coral's sponsorship commitments. Ladbroke's sponsorship for 1998 was planned to be £538,000, a 77 per cent increase over 1997; it had also made a commitment to increase the sponsorship previously given by Coral from £240,000 in 1997 to £324,000 in 1998.

Innovation

6.47. Ladbroke did not consider that the merger would lead to less innovation. There had been substantial innovation in recent years. At the local level this had been through enhanced product and service offering, and at national level through measures to maintain the quality and competitiveness of horse and greyhound races, for example the Showcase races, and by the development of new betting opportunities such as the recent Trifecta bet, the Saturday Special, numbers betting and the continued growth of Tote Direct. These initiatives would continue, enhancing competition and choice, and would benefit the whole racing industry. All bookmakers had found themselves in a position of having to compete with the very significant competitive challenge of the National Lottery. Ladbroke had had to respond to competitive claims for the consumer's disposable income, as had all other bookmakers. In such circumstances, for a bookmaker not to invest in improved facilities and services and new product development would be tantamount to accepting continued decline. The larger chains in the bookmaking market were in no sense insulated from such countervailing market forces. In financial terms, the impact of the Lottery on a Ladbroke betting outlet was the same as it was for an independent bookmaker outlet. Since the costs of bookmaking outlets were largely fixed (other than duty and levy), if turnover declined—as it did following the introduction of the Lottery—that decline dropped straight through to the bottom line, affecting large companies' outlets in exactly the same way as those of smaller independent bookmakers.

6.48. The National Lottery was a serious constraint and would continue to put enormous pressure on Ladbroke and all bookmakers to continue to innovate. The company did not accept that it was any less of an innovator than Coral had been. Indeed Ladbroke was the most innovative player in the market. It had the best record for improving customer facilities and services in the bookmaking industry. It was, for example, a key proponent of the way that some of the new bets within Tote Direct were being developed; it was the first company to operate a guarantee that advertised prices would be held for 15 minutes after the shops opened; and it had been the first to support the Showcase race initiative (see paragraphs 4.180 and 4.181 for other examples). Ladbroke agreed that Coral was innovative, but considered that Ladbroke was equally so if not more. Coral had not, for example, participated in the original moves to set up SIS, which had, without doubt, been the most important development in the betting industry and one which had been a Ladbroke initiative.

Quality of outlets

6.49. The company said that it had led the industry in innovation in shop design and would continue with them following the merger. It had developed new services for customers such as a quick bet facility, better electronic price display boards and television screens, terminals for Internet access and customer-friendly counter design. Staff were given incentives to compete to be top shop for customer standards in their area, region, etc; and, as well as having the initiatives in the *Neighbour-*

hood Marketing Manual at their disposal, were able to benefit from a shop management development initiative, structured training programmes and the Investors in People initiative. Ladbroke was also introducing new point-of-sale technology throughout its shop estate.

Laying-off/hedging

6.50. The merger would not, in Ladbroke's view, result in any increased risk of manipulation of SPs through laying-off. Ladbroke's total on-course hedging turnover was £[✂] million on [✂] bets in 1997 at an overall [✂] of £[✂]. Its hedging represented just less than 1 per cent of the total on-course market.

6.51. Coral's hedging had been much less than Ladbroke's, partly because its field book system had not been sensitive enough to assess real-time liabilities accurately. It had therefore tended to rely on Ladbroke and William Hill to ensure that SPs reflected the market price or off-course liabilities. Coral's expenditure in 1996/97 was £[✂] million on [✂] bets at an overall [✂] of £[✂]. This represented 0.1 per cent of on-course betting turnover. The merger would therefore have virtually no consequences for the workings of the on-course market. Nor would the merger reduce the opportunities for other off-course bookmakers to hedge their liabilities by placing bets with larger bookmakers at competitive prices. There was a wide variety of choice for these bookmakers; they could either hedge with another off-course bookmaker or do so with on-course bookmakers whether in the ring or on the rails. As an off-course bookmaker Ladbroke readily granted accounts to bookmakers wanting to hedge with the company. Occasionally Ladbroke restricted the amount such customers could place at a particular price but this was no different from the practice of all other bookmakers. In any event Ladbroke considered that most hedging by independents was done with the on-course market, where no duty was payable.

Concentration

6.52. In responding to questions Ladbroke accepted that the present situation was unlike that in 1989 to the extent that it had been argued then by Grand Met that the national issue was not a concern because the Mecca/William Hill merger, by bringing together the second and fourth largest firms, strengthened competition through creating a stronger counterweight to the largest—then, as now, Ladbroke. Ladbroke also accepted that a second difference was that the earlier merger had resulted in a reduction of national chains from four to three whereas the present merger took these from three to two.

6.53. However, the company did not accept that the decline from three national chains to two would result in a weakening of competition nor, in particular, that the second national chain, William Hill, would no longer be effective as a competitor. It was inappropriate to infer market power from market concentration data alone, particularly in off-course bookmaking, since all the evidence, including the MMC's own analysis in the 1989 report, pointed to the true nature of the market being local rather than national. It was difficult to see on what possible basis it could be argued that William Hill would no longer be as strong and effective a competitor as it had been. The fact that Ladbroke's market share had increased as a result of the merger was no guide to the question whether the company had greater market power.

6.54. Moreover, there was nothing in the structure of the market at a national level to suggest that Ladbroke would be able to behave independently of competitive restraint. Ladbroke specifically rejected the suggestion that this was an industry where it and other bookmakers were acting in a manner consistent with the existence of a complex monopoly. There were too many checks and balances in the industry. It had never been in a position, for example, to dictate the level of deductions—nor was it now; furthermore it would never have been in a position to do so even if it had wanted to. Ladbroke considered that the contention that it could command a higher level of deduction than that which equated to the sum of the GBD and levy was patently absurd. Furthermore, Tote Bookmakers and Stanley had each increased its market presence significantly since 1989, and there was ample evidence of the existence of a larger number of competing bookmaker chains. There were 27 chains with more than 20 shops and a large number of smaller ones. There was no competitive advantage offered by national coverage. The wide variety of local and regional outlets operated as an effective constraint on Ladbroke's ability to act independently of its competitors.

6.55. As far as Ladbroke's competitive relationship with independent bookmakers was concerned, the merger would not create any imbalance. The market was not one where there were large-scale economies and where a market leader was in a position to obtain unassailable power over smaller rivals. Gross profits were small and Ladbroke's unit costs were very similar to those it had estimated for independents. Ladbroke's advertising had decreased in both absolute and real terms in recent years. On a shop by shop level, independents were investing as much as Ladbroke was investing in its shops. Both were responding to a market imperative, namely the National Lottery, which had adversely affected the off-course betting industry as a whole.

6.56. Ladbroke did not enjoy superior buyer power in any of its major purchases. The only notable bulk-purchased input was the service from SIS, but SIS did not allow large customers to exercise buyer power through volume discounts. Horse-race betting levy was paid on a per shop basis which effectively meant that higher turnover betting shops subsidized lower turnover shops. This conferred no advantage on Ladbroke whose shops on average paid a considerably higher percentage of their turnover in horse-race betting levy than the average for the betting market. Nor did Ladbroke have any advantage over its competitors as regarded the licensing procedures. The environment of the regulatory process was the same for all and independents were just as successful as Ladbroke in obtaining new licences. There had been no substantiated allegation against Ladbroke of predatory behaviour. When it responded to price concessions offered by independents it did not thereby eliminate such activity, and Ladbroke's behaviour in this respect was consistent with its view of the market as one in which all other bookmakers, regardless of brand, represented a potential competitive threat to its business.

Ladbroke's influence in the industry

6.57. Responding to questions as to whether the increased concentration resulting from the merger would enhance Ladbroke's ability to influence various industry bodies so as to further its own interests, or the ability of Ladbroke and William Hill to do so together, Ladbroke said that the merger would have no material impact in this respect. It was quite clear that, in terms of both its representation on, and the operations of, the relevant bodies, the company was quantitatively and qualitatively unable to exercise any undue influence. Ladbroke made a number of points in support of this view:

(a) There was no evidence that the merger itself created or increased the probability of collusion so as to distort competition in the market.

(b) Ladbroke had not taken up the Coral seat on the BOLA Council; hence its position or influence had not changed other than that there had been a reduction from ten to nine Council members. Ladbroke also had one of the six BOLA seats on the Levy Board's Bookmakers' Committee where votes were taken on a one-member-one-vote basis. This represented no change on the previous situation. The removal of the Coral seat effectively reduced the share of votes of the larger bookmaking firms on both BOLA and the Bookmakers' Committee of the Levy Board.

(c) Ladbroke had not taken up the Coral seat on SIS's board. Its shareholding had increased by five percentage points as a result of the acquisition (and William Hill had increased its shareholding by 4.2 percentage points) but, excluding the Tote, the overall shareholding of major bookmakers in SIS had decreased from 44.4 to 41.8 per cent.

(d) Ladbroke had not taken up Coral's seat on the board of 49's Limited (on which various bookmakers' associations and William Hill were also represented). Voting was on a one-member-one-vote basis; in addition William Hill was able to block any Ladbroke proposal regarding the operation of 49's.

(e) Ladbroke had not taken up the Coral seat on the board of Lucky Choice Limited. Its influence had remained unchanged and, again, William Hill remained able to block any Ladbroke proposal regarding the operation of this joint venture.

(f) Following the merger, Ladbroke and the Tote would each have a 50 per cent holding in the Tote Direct joint venture. Under the joint venture agreement Ladbroke had agreed that the Tote had the sole right to approve and initiate any additional horse-race pool bets. Ladbroke could not, therefore, unfairly or unduly influence the introduction of new Tote products or the rate of the Tote retention.

Coral's ability to survive

6.58. In Ladbroke's opinion there was no reason to think that Coral might not have been able to survive as a separate competitive force if it had not been put up for sale by Bass. However, it had been put up for sale and the most likely outcome, therefore, was that it would have been acquired by a buyer or buyers from the trade. Whether Coral would survive intact outside Bass's ownership was debatable. It was Ladbroke's submission that any financial institution that bought Coral would not maintain it for long. It would then be likely to be split between trade buyers. This would be the only way to extract the synergy benefits from the business. There was no queue of substantial buyers in the trade and a third party was unlikely to come into this industry. Ladbroke submitted that this could not be regarded as a static situation and that the dynamics of the industry supported the contention that at some stage Coral would be split between trade buyers.

Sale of betting shops to the Tote

6.59. Ladbroke's objectives in selling 134 shops to Tote Bookmakers at the time of the merger had been to ensure that competition in local markets, as defined by the 400 metre measure, was not eliminated and thus to seek to avoid a reference to the MMC. Bass had restricted the number of potential purchasers to which Ladbroke could speak. Ladbroke had held discussions with one national chain but those negotiations had ended when it became apparent that the price it was prepared to pay was not sufficient, nor was the speed at which it was prepared to negotiate. With Bass's permission, Ladbroke had then entered into negotiations with the Tote which had offered an acceptable price and was prepared to negotiate as speedily and as efficiently as the circumstances required. There had been no question of Ladbroke choosing to sell to the Tote on the ground that it might be perceived as a weaker competitor. Tote Bookmakers was a strong competitor; it competed very actively in those individual local markets where it had an established presence and would continue to be just as successful as Ladbroke or any other competitive bookmaker.

Competition in off-course bookmaking at local level

6.60. In accordance with its views above and especially in paragraphs 6.2, 6.13 and 6.14, Ladbroke maintained that competition at local level would not be adversely affected by the merger. Whilst there had been some changes in the off-course betting market since 1989, the substance of the analysis in the 1989 report of the nature and structure of competition in the off-course betting market had not materially changed. Demand in relation to betting office services remained local. All empirical evidence since 1989, including Ladbroke's own experience of competition in the market place, confirmed that customers chose a betting shop based on convenience and accessibility, and one to which they typically travelled on foot. It also confirmed that competition was essentially local and that the 400 metre measure provided the appropriate cut-off point for identifying competing outlets. Where people travelled to LBOs by other means, it was important to realize that the LBO was rarely the main destination. For example, they called in to an LBO while engaged in another activity, such as work, visiting pubs or clubs and shopping.

6.61. A reduction in local competition would occur only if shops owned by the two parties that were previously in competition became the only ones in a local market, and there were no other shops to provide a competitive constraint. It was precisely in order to ensure that local competition was not reduced in this way that Ladbroke had arranged to sell 134 shops to the Tote. Nor was it the case that Coral was a stronger local competitor than independents. Ladbroke's response to many promotional initiatives by independents showed that it considered them just as effective a constraint on its activity as Coral had been.

Price and non-price competition

6.62. Ladbroke did not, therefore, consider that there would be an effect on local price competition either as to the odds offered or as to the terms of betting. Price competition was not generally an issue for the local customer and there was in any case little scope for price variability, given the preponderance of betting at SPs and board prices, although local bookmakers competed actively with each other on numbers betting. Assuming that local competition was secured, as was guaranteed by the sale of shops to the Tote, the limited extent of price competition in the local market would continue to be effective. Similarly there was no evidence to show that continued local competition in terms of the range of products offered, quality of outlets, range of facilities or customer choice would be affected by the merger.

6.63. Whilst acknowledging that there had been continuing consolidation in the industry both before and after 1989, Ladbroke maintained that there was no shortage of bookmaker chains competing with itself, William Hill, the Tote and Stanley in various parts of the country. Competition took place primarily at the local level and there was no particular competitive advantage to be obtained from national coverage. Given these factors, it was Ladbroke's submission that there was a wide variety of local and regional bookmaking outlets which operated as effective constraints on Ladbroke's ability to act independently of its competitors. The dynamics of competition were at local level, and at that local level the extent of competition was as strong as it had ever been. The company denied that in local areas where there was a Ladbroke shop, a former Coral shop and an independent it would target the independent outlets by offering special betting terms. Ladbroke had no history whatsoever of this kind of behaviour. Even accepting that the new Ladbroke/Coral organization would be stronger in some locations as a result of the merger, Ladbroke said that in the majority of cases Ladbroke was entering a new market. Of the 698 Coral shops to be retained after the sale of 134 to the Tote (82 Coral shops and 52 Ladbroke shops), 578 were in new local markets as far as Ladbroke was concerned.

6.64. Commenting on the issue of price competition, Ladbroke expressed concern at data from a Quaestor Research & Marketing Strategies (Quaestor) survey conducted for William Hill. The Quaestor/William Hill results differed starkly not only from those of Ladbroke's own research data but, more important, from third party independent research data; it was selective and the methodology suspect. The survey showed that, although a majority (51 per cent) of customers gave convenience of the location as the most important reason for visiting a betting shop, as many as 20 per cent gave prices as the reason. Ladbroke's own survey material showed that only between 2 and 5 per cent of customers considered prices as the main reason for choosing a particular LBO. Therefore, Ladbroke believed that the William Hill data were unsafe. This was particularly so since the answers given to the Quaestor survey by betting shop customers were conditioned by a tightly restricted prompt list which did not include such factors as the quality of the outlet. Further, one of the prompts had been 'prices offered'. The 20 per cent total could well have included a large number of respondents who had equated 'prices offered' with 'odds are available'. The very *raison d'être* for a betting shop's existence was that customers could place bets at odds. Ladbroke noted that this particular aspect of the market research was inconsistent with independent third party data (for example, an RSL survey commissioned by the Levy Board). By contrast, Ladbroke's data were consistent with the independent material. Indeed the second phase of the Quaestor research had changed the prompt list and had produced results which contradicted the first phase; and these were more consistent with Ladbroke's own data and other third party research results.

6.65. As to the strength of competition from independents, while they had been under pressure in recent years along with the whole industry, recent information indicated a rise in licence applications, as noted in paragraph 6.12, and there was considerable vigour in recent times on the part of independent bookmakers to judge by what was now being said to licensing magistrates by applicants.

Local market issues

6.66. Ladbroke's practice in objecting to applications from others could not be said to be more severe than Coral's. Although Ladbroke had objected to an average of 19 applications a year in the recent past, compared with Coral's rate of five a year, this almost certainly reflected the fact that Ladbroke had a larger estate and the fact that independents would often perceive Ladbroke as an easier target against which to aim in order to obtain a new licence. It felt that magistrates were particularly sympathetic to applications where Ladbroke was the only objector. Ladbroke acknowledged that on occasion it objected to applications for sites which were more than 400 metres from one of its shops: this had applied in 7 cases out of 60 objections since 1995. Equally, from some of its own analysis it might be possible to infer that in some areas, notably London, local markets were smaller geographically than in other areas. But none of this meant that the 400 metre measure was becoming less appropriate. In almost every application a 400 metre radius map was produced by one side or the other to address the issue of whether or not demand was satisfied. And almost all the objections lodged by Ladbroke in the last three years were in respect of applications for premises within 400 metres of one or more of its shops.

6.67. The measure, as acknowledged in the 1989 report, was a pragmatic approach to assessing licence applications which magistrates used as a starting point in their assessment. Thus it was Ladbroke's experience that the 400 metre measure was the most important factor in licensing applications. It was very rare, in Ladbroke's experience, for there to be any indication that a 400 metre radius was not an appropriate measure. Finally, the company drew attention to one aspect of the report submitted by a group of MPs and commissioned from Economia (UK) (see paragraph 6.14). The report had made a theoretical prediction that there were chains of substitution linking local 400 metre markets together and thus forming larger markets. Ladbroke said that this was not supported by any evidence.

Competition in telephone betting

6.68. Ladbroke said that the differences between telephone betting and the rest of the off-course betting industry were sufficiently great for telephone betting to be analysed separately from local bookmaking markets. There were no locational or shop quality considerations in telephone betting; minimum bet sizes were higher (usually £10) and customer profiles were different—a high proportion of telephone customers were ABC1 compared with the equivalent proportion for betting shop customers. Ladbroke, certainly, regarded telephone betting and LBO betting as separate markets, although it agreed that the telephone market acted as a constraint on the betting shop market. Ladbroke said that 80 per cent of telephone customers were regular customers of betting shops too, but if they wanted to take the odds offered in an advertisement they would do so by phone, because they would be well aware that the price could easily have changed by the time they arrived at the shop.

6.69. The MMC had included in the 1989 report the assessment that, given the extensive competition in the telephone betting market and the greater ease of entry compared with off-course betting shop activity, the Mecca/William Hill merger gave no cause for concern over telephone betting. In Ladbroke's view this analysis applied even more today because of the introduction of debit card betting, which meant that customers did not need to hold a credit account with a bookmaker. Ladbroke's research had shown that its credit account holders had an average of [✂] credit accounts with other suppliers. Those customers could simply take the best odds advertised on teletext or in the press—for example, from the 'Pricewise' tables of the *Racing Post* which featured different tables of bookmakers' prices for racing and other sports—and place their bet immediately. Alternatively they could telephone around the telephone call-betting centres to enquire about prices. The telephone betting market was characterized by a large number of firms, some of which had no connections with the off-course betting shop market. Telephone betting had also seen a considerable amount of entry, including the recent example of Littlewoods, suggesting that barriers to entry were low. The telephone punter would certainly not lack continued choice.

6.70. Competition in terms of price, innovation and quality of service would continue. As telephone betting customers tended to have accounts with a number of operators, the likely result of the merger was a [✂] dissipation of the Ladbroke/Coral telephone betting turnover. Even without that, however, William Hill would continue to be the largest telephone betting company (with a 39 per cent market share compared with the Ladbroke/Coral 36 per cent).

On-course betting—laying-off/hedging and SPs

6.71. Ladbroke said that in on-course betting it was represented on the rails at 34 of the 59 racecourses and that Coral was represented at 14. The role of the rails betting positions was largely that of providing a service to credit account holders. William Hill had by far the largest telephone betting business and therefore had more rails positions that any other bookmaker. It was essential, in Ladbroke's view, that off-course bookmakers were able to lay-off into the racecourse market. This was so as to manage their liabilities and ensure the integrity of the market in a situation in which the relatively small on-course market determined the prices available in the off-course market, which was ten times larger.

Ladbroke's influence

6.72. The company knew that concerns had been expressed that a merged Ladbroke and Coral would have increased scope to manipulate the market by laying-off money on-course to affect SPs. However, this was not the case; the 1989 report had concluded that there was no risk of manipulation, and the current merger would have no material impact on the operation of the on-course market not least because Coral's hedging (£[✄] million in 1996/97) had been a fraction both of Ladbroke's hedging (£[✄] million in 1997) and of Ladbroke's estimate of William Hill's activity. Coral, like many off-course bookmakers, relied on hedging by William Hill and Ladbroke to protect it against attempted betting coups and/or weak racecourse markets where prices did not reflect the real market place.

6.73. In any event, the level of hedging had been declining as Ladbroke and other bookmakers had learned more about the benefits and disbenefits of the activity. There would not, however, be a reduction in laying-off activity due to possibilities such as the enlarged Ladbroke/Coral book being better balanced or to the avoidance of Ladbroke and Coral hedging on different horses in the same race. There had been 41 races in which both Ladbroke and Coral had hedged, out of a total of 2,030 races, in the four months to 30 April 1998. Of these 41 races, Coral and Ladbroke had hedged on a different horse on 11 occasions, representing just 0.5 per cent of all races. Ladbroke also refuted the suggestion that it attempted to influence SPs in order to widen its margins at the expense of its customers' average returns. Nor was it the case that Ladbroke laid-off so late in the day that there was no time for the odds on other runners to be adjusted in consequence. It agreed that it tended to hedge late in the proceedings, but this was in order to take account of the most up-to-date information before it hedged.

6.74. The company hedged when it believed that a horse's price in the on-course market was bigger than its real possibility of winning the race in question and when the company had a substantial liability. It pointed out that in some 70 per cent of cases where Ladbroke had laid-off on the winning horse, the SP had still been more favourable to the customers than the Tote's odds. Finally, the suggestion that the merger would make it easier for Ladbroke to seek to influence SPs through the setting of ante-post, advertised and morning prices was misconceived. The setting of such prices did not materially influence SPs and in any event less than 2 per cent of bets (including telephone bets) were made at such prices. Most important, however, no evidence had been provided now or in 1989 that Ladbroke had sought to influence SPs other than through laying-off. Nor had evidence been provided now or in 1989 that Ladbroke had manipulated SPs.

6.75. Ladbroke also stated, in answer to the concern that bookmaker-owned greyhound tracks somehow gave the customer poorer value by organizing betting to bigger bookmaker margins, that the on-course greyhound market which determined the SP was entirely independent of track ownership.

Satellite Information Services

6.76. Referring to the conclusion in the 1989 report (paragraph 6.42 of that report) that the reduction in the number of bookmakers from four to three would not increase the likelihood of any abuse by the major bookmakers of their position in SIS, Ladbroke said that this analysis applied with equal force to its continued participation in SIS following the present merger.

6.77. Following the 1989 report, the evolution in the shareholdings in SIS had meant that the major bookmakers' aggregate shareholding had been brought down to 44.4 per cent from 85 per cent so as to observe a 45 per cent ceiling agreed with the RCA. As a result of the present merger and the exercise of the pre-emption provisions in SIS's Articles of Association over the disposal of Coral's 11.84 per cent share, the total shareholding of the major bookmakers had reduced by 2.6 per cent to 41.8 per cent even though Ladbroke's stake had risen from 17.8 to 22.8 per cent and William Hill's stake had gone up from 14.8 to 19 per cent. The presence of other strong shareholders and the decrease in the major bookmakers' share excluded the possibility of the merger leading to Ladbroke, or Ladbroke and William Hill together, exercising undue influence in relation to SIS's operations. Ladbroke said that SIS subscribed very strongly to the view that, where there was a conflict of interest on the board, the members concerned could have no say in the matters at issue. Nor, therefore, would the merger enable the major bookmakers to consolidate or increase any alleged relative advantage over other off-course bookmakers taking SIS's services. The service provided by SIS was non-discriminatory and made no provision for bulk-buying procurement advantages for bookmakers with large numbers of shops. It was not the case that Coral had been a lone voice on the SIS board that had now been removed nor was it the case that Ladbroke and William Hill normally saw eye to eye. It was also incorrect to think that BAGS services were only available to those bookmakers that subscribed to SIS. While this might be true as far as live pictures were concerned, Racing Data offered a complete text service to its subscribers including BAGS shows and results. In any event, there was no regulatory barrier to Racing Data or a new market entrant offering a live picture service for BAGS shows and results.

6.78. Questioned as to a possible conflict of interest involving the major bookmakers in a recent SIS board vote on extending SIS's Racing Channel service to pubs and clubs, [

Details omitted. See note on page iv.

] Ladbroke said that the major bookmakers had agreed with the rest of the board that the Racing Channel should be further commercialized but that Ladbroke had expressed certain concerns, together with William Hill and the Tote, in relation to the circumstances and timing of such further commercialization. In this respect the bookmakers all had slightly different positions. Both Ladbroke and William Hill were concerned about the RCA objection to extending the Racing Channel contract from the year 2000 to 2002 in order to be coterminous with the main RCA/SIS contract. Ladbroke had also been concerned, as had the Tote, about the possibility that the further commercial distribution of the Racing Channel would stimulate illegal betting, although this aspect was now being handled to its satisfaction. Concern on these matters did not amount to a conflict of interest. In any event Ladbroke considered that the approach to the relevant provision of the Articles of Association should be purposive: that is, if the particular matter being voted on did not appear to be of direct benefit to Ladbroke, as a bookmaker, there would be no breach of the Articles. Second, in so far as there was any concern in the area of corporate governance issues within SIS, this would not be a matter for the MMC inquiry.

Greyhound racing

6.79. Asked what its corporate objectives were in owning greyhound tracks, Ladbroke said that its present aims were to provide a high-quality service to BAGS and to raise the standards for tracks generally in their provision of these services.

6.80. Ladbroke said that the vertical integration resulting from the ownership of greyhound tracks by bookmakers, the presence of the same bookmakers on the board of BAGS and their position as major customers of BAGS had been considered in the 1989 report. However, the MMC had concluded that the participation of bookmakers in the operations of BAGS was not a matter of concern. The company noted that although, as a result of the present merger, Ladbroke's supply of BAGS fixtures in

1997/98 would rise from 24 to 41 per cent—as, in addition to the two Ladbroke greyhound tracks at Crayford and Monmore Green, it had acquired Coral's Hove and Romford tracks—the BAGS board had the right to terminate track agreements in the event of a change of ownership. BAGS contracts were awarded through a competitive tendering process in which no board member with an attachment to a track-owning company could take part. Following the merger, with one director on the board of nine, Ladbroke would not be in a position where it could unfairly influence the operation of BAGS. Hence the conclusion reached in this respect in the 1989 report applied with equal force in the present case.

6.81. Ladbroke also said that fears that the merger would enable off-course bookmakers more easily to influence the greyhound on-course market were misplaced. The company did not hedge much into the on-course market, partly because it did not build up substantial liabilities and partly because it was sensitive about hedging into what was occasionally not a very strong market. The company had no plans to change tote retentions at the Coral tracks that it had acquired. Nor was it even committed to owning as many as four tracks—see paragraph 6.89*(b)*.

6.82. While it might have been alleged that Ladbroke's position was unhealthy for greyhound racing because of the extent of vertical integration in which it was involved, the company said that the reality was very different. The BAGS board excluded Ladbroke when determining which tenders were to be chosen and, because of its leading position in the betting industry, Ladbroke had to try all the harder to convince other BAGS board members of its case. It had no advantage over the rest of the industry from its position on the board when it came to meeting the criteria for BAGS contracts because these criteria were available to all bidders and BAGS always gave new bidders help with their tenders. BAGS had not given thought to the possibility of restructuring its board so as to diminish concerns on this or on vertical integration.

6.83. Ladbroke was asked to comment on the issue that, although it had only one director among the nine on the BAGS board, BAGS' Articles of Association provided that a members' vote on a poll should be weighted by the number of betting shops operated by each member and that this would give the large firms the ability to determine the outcome in any dispute. The company responded that it had been unaware of this provision; it had certainly never been used and, in Ladbroke's view, it would never be used. It should not be there.

6.84. Ladbroke also admitted that, despite the provision that board members could not take part in the competitive tendering process if they had an attachment to a track-owning company, the Ladbroke BAGS director had, in fact, been present at the 1997 BAGS board meeting to determine the 1997/98 contracts and had not declared an interest, although the company also said that he had not taken any part in the decision-making process. His presence was due to exceptional circumstances; because of the venue it was difficult for him to be asked to leave the meeting (which had a number of other items on the agenda) while the discussion on the 1997/98 contract was taking place. He had not been asked to leave as he would have had to stand in the street for at least an hour. Ladbroke agreed, however, that this had not been a good exercise of corporate governance but said that the Ladbroke director had not been involved in earlier stages of the decision-making process and had taken no part in the board's discussion of the contracts.

6.85. Finally, dealing with revisions made to the formulae for BAGS forecasts and tricasts in 1979, 1983, 1986 and 1996, Ladbroke said that these changes were necessary to rectify shortcomings in the formulae which resulted in customers receiving returns which were too low in some instances and too high in others. In 1996 a change had been required to rectify an imbalance with BAGS single margins, which were higher. This imbalance was illogical given that the customer had the potential to get a much larger win with a forecast and that the bookmakers' liability was therefore also higher.

Employment

6.86. Ladbroke did not consider that there would be a significant impact on employment as a result of the merger. There would be about 200 job reductions in Barking as a result of the closing of Coral's head office. Ladbroke would be able to offer alternative employment to very few of the people concerned. [

Details omitted. See note on page iv.

] Coral staff had been told that their pay and conditions would remain at present levels for the time being. [

Details omitted. See note on page iv.

]

Remedies

6.87. On the hypothetical basis that the merger was held to damage competition unacceptably at the *national* level and to be against the public interest, Ladbroke was asked about the practical implications of a number of possible remedies, set out below. Ladbroke's comments were as follows:

(a) Even though a remedy involving the *divestment of the whole of the Coral business*, or at least the core shop estate, to a financial institution or some such other third party might be possible, in Ladbroke's view the business would ultimately be split between trade buyers in the foreseeable future given the dynamics of the industry. Moreover very serious questions were raised by Ladbroke concerning the price to be obtained in a forced sale and the areas where Ladbroke did not have a free hand to act unilaterally, such as Tote Direct and 49's Limited. An established basis to assess dominance was a 40 per cent market share and, in a market where on any basis local competition considerations were of considerable significance, this led to the conclusion that total divestment would be a draconian remedy disproportionate to any public interest concerns given the structure and nature of competition in this market.

(b) If the concern was about the desirability of *reinstating a third national force*, it should be borne in mind that, on present plans, the Tote would already be a sizeable player (but see paragraph 6.89*(d)*). The Tote and Stanley taken together were already larger than Coral had been at the time of the 1989 report.

(c) Any serious concerns about competition at national level could be met by Ladbroke's offer to the OFT, which was still on the table, to sell *the Coral telephone business* and *the Coral brand*. In Ladbroke's view telephone betting was the only area where national market considerations were relevant.

(d) There would be no objective justification to require Ladbroke to *divest its shareholding in SIS*. It had originally had a 30 per cent stake. It now had one of just over 20 per cent. It would also be very difficult for the company were it *required to play no part in SIS decisions affecting the off-course betting industry*. There was a mix of interests on the SIS board and Ladbroke was already barred from voting on decisions in which its companies had a direct interest, other than as a shareholder; and it said that it wished to ensure that this provision in the Articles of Association was effectively enforced by the SIS board in the future. This was sufficient.

(e) Similarly, *a requirement to withdraw from BAGS* would be unfair on the company. It should be borne in mind that BAGS was wholly an organization of bookmakers and that Ladbroke held only one of nine board seats. The company had, however, indicated its readiness to consider disposing of at least one of its greyhound tracks (but see paragraph 6.89*(b)*). This would go at least some way to addressing any public interest issues that might be related to BAGS.

(f) If a *cap on national market share* was under consideration, there was in Ladbroke's view no objective justification for this to be below 40 per cent of the national market. 40 per cent was generally accepted as the test for assessing dominance in a merger context and in this market, given the facts that competition was largely focused at the local level and that the scope for price competition was restricted by the preponderance of SP betting and regulatory intervention, any cap on national market share should be higher than 40 per cent.

6.88. Considering possible remedies for any adverse effects of the merger at *local* level, the company's views were that, consistent with the findings of the 1989 report, the sale of 134 shops to the Tote—so as to avoid the creation of any local markets where there were no competitors to Ladbroke/ Coral shops—meant that the merger did not pose any threats to competition in the market. Ladbroke also put forward the following reactions and suggestions in the local market context:

(a) A requirement for a *different rule of thumb to the 400 metre measure in rural areas* (assuming its suitability in urban areas) ran contrary to the evidence. There was nothing to show that the pulling power of a shop was to any extent different in rural areas than it was in urban areas. 400 metres was a logical measure of the locality of a betting shop, irrespective of whether it was in an urban area or otherwise. It had stood the test of time.

(b) A requirement *not to object to the granting of betting office licences* within the local competition area, whether this was defined as 400 metres or something different, would be difficult if not impossible for Ladbroke to accept; it would put Ladbroke at a unique disadvantage in relation to its competitors and would thus be wholly without objective justification. Furthermore, such a remedy would be wholly out of line with the legislative regime under which bookmakers operated; the mechanism for objecting was an integral part of that regime.

(c) A requirement to *dispose of additional shops within any local market*, however defined, *in which Ladbroke already had a presence* would make less sense than a requirement to restore the level of choice in local (400 metre) markets that existed prior to the merger. For example, if, as a result of the merger, a local area went from having three firms' shops to two, an additional shop would need to be sold to restore the previous level of choice between separate operators (see paragraph 6.89*(c)*). Moreover, such a remedy would have no objective justification and indeed would be outside the ambit of the MMC's powers since the inquiry should only be addressing the effects of the merger.

(d) Ladbroke would be prepared to look at a requirement to *subject its laying-off activities to monitoring* by, for example, the Levy Board or the Jockey Club. However, this kind of monitoring occurred in the ring already.

6.89. Overall, however, Ladbroke's position on possible remedies was that in addition to the disposal of 134 shops to the Tote, Ladbroke was offering on an individual or cumulative basis depending on the MMC's findings in relation to individual issues:

(a) disposal of the Coral telephone betting business and brand so as to address any concerns in terms of customer choice relating to the national market; and

(b) disposal of two greyhound tracks to address any concerns in relation to BAGS and a restriction on the number of BAGS fixtures provided by Ladbroke to the pre-merger level of 25 per cent.

There were, however, additional remedies that Ladbroke advanced:

(c) The first, as suggested in paragraph 6.88*(c)*, would be to dispose of shops in those local markets defined by reference to the 400 metre measure which would maintain the same number of operators as were in existence prior to the merger. This would result in the disposal of a further 98 shops.

(d) Alternatively, and without prejudice to its arguments that no further remedies were justified, Ladbroke had considered further the points made concerning the maintenance of the third force in the market (see paragraph 6.87*(b)*). As a result Tote Bookmakers had agreed in principle to purchase the 98 shops identified in paragraph 6.89*(c)*, plus a further 69 shops. Forty-three of these would be in 18 PSDs where Ladbroke now had significant concentrations so as to reduce these to no more than 50 per cent or the pre-merger level, whichever was the higher. A further 26 disposals would be in areas where within an 800 metre radius customer choice was currently restricted to Ladbroke and Coral so as to address the rural area issue in paragraph 6.88*(a)*. Thus the remedy would result in Ladbroke selling a further 167 shops to the Tote, in addition to the 134 shops already agreed to be purchased from Ladbroke.

6.90. This further agreement with the Tote was subject to the shops being of the required quality and to finance being available to enable the purchase to proceed. Ladbroke was prepared to consider providing vendor finance if this proved necessary to enable a sale to the Tote to proceed. Acquisition of these further shops would result in Tote Bookmakers having 6 per cent of LBOs in Great Britain (a total of 523 shops, including seven additional shops it had itself separately purchased earlier in 1998). In turnover terms its share would rise to 6.5 per cent. It would thereby become the clear third player in the market, ahead of Stanley that had 5.4 per cent of shops. But the two would be strong third and fourth players in the market. Ladbroke would be left with 531 of the Coral shops, giving it 28 per cent of shops in the industry and about one-third of the turnover. It would be difficult to see that as being against the public interest.

P G CORBETT *(Chairman)*

N H FINNEY

J F PICKERING

R D D BERTRAM

H SHOVELTON

P A BOYS *(Secretary)*

23 July 1998