

# 7 Conclusions

## The merger situation

7.1. Under the reference, dated 8 July 1987, we are required to consider whether it is or may be the fact that 'enterprises carried on by or under the control of London and Continental Advertising Holdings plc (a body corporate incorporated in the United Kingdom) have within six months preceding the date of this reference ceased to be distinct from enterprises carried on by or under the control of MAI plc'. In Chapters 2 and 3 we have described the circumstances of the acquisition of LCAH by MAI plc. We therefore conclude that enterprises carried on by or under the control of LCAH have so ceased to be distinct.

7.2. In order to establish whether a merger situation qualifying for investigation has in consequence been created, it is also necessary to consider the conditions specified as alternatives in paragraphs (a) and (b) of section 64(1) of the Fair Trading Act 1973 (the Act). As is the general practice, the reference mentions only one of these conditions—in this instance, that under (b), 'that the value of the assets taken over exceeds £30 million'. While our initial inquiries suggested that the value of LCAH's assets exceed £30 million, subsequent investigation revealed that the proceeds of a rights issue received by LCAH in December 1986 were used to repay borrowings rather than to increase the gross assets of the group, and that as a result the gross assets of LCAH, on the enterprises ceasing to be distinct enterprises, were less than £30 million. We have therefore concluded that, on the enterprises ceasing to be distinct enterprises, the gross assets of LCAH were valued at less than £30 million and that, therefore, the condition is not satisfied.

7.3. It is, however, the case that the reference does not contain the requirement which is provided for in section 69(2) of the Act, for 'the Commission, in relation to the question whether a merger situation qualifying for investigation has been created, to exclude from consideration paragraph (a) . . . or . . . paragraph (b)' of section 64(1). We have therefore considered it incumbent upon us to consider whether the result specified in paragraph (a) has occurred in respect, in the present factual circumstances, of the condition specified in section 64(3). This is generally known as the market share test.

7.4. We have considered what is the relevant market. MAI and some others argued that the relevant market was the total display advertising market, of about £4 billion per year. We do not agree. Television, newspapers and radio are quite different and distinct media, as compared with outdoor posters, which represent for many advertisers a valuable medium which they would be reluctant to abandon. The proportion of total advertising spent on posters has not changed significantly over the past five years.

7.5. There is a closer affinity between roadside and transport posters. MAI and some others argued that they are part of the same market. The bulk of the representations which we have received, however, puts forward the opposite case that they are substantially different markets. We agree with that view, mainly because:

- (a) It was the roadside market in which MAI and LCAH primarily competed, and in which the merged company will primarily compete.
- (b) The audiences and often the designs in roadside and transport posters are mostly different, eg the London Underground and railway passenger audiences are different from the motorist and shopping centre audiences at which roadside posters are principally aimed.

- (c) Recent organisational changes designed to improve marketing, such as the introduction of the OSCAR Digest and the setting up of Poster Marketing by the OAA, apply to roadside posters only.
- (d) In addition the 'roadside' market is a predominantly broker-organised market, with the majority of purchases being made by the advertising agencies through the outdoor specialist agencies, whereas in the transport market the outdoor specialist agencies do not operate on such a scale.
- (e) Competition in transport posters is therefore largely distinct from competition in roadside posters.
- (f) We also note that this Commission concluded, in their report on the monopoly inquiry into Roadside Advertising Services in 1981, that roadside posters represented a sufficiently discrete market to justify separate examination.

7.6. We note MAI's comment (see paragraph 5.18) that it did not agree with the OFT's decision to take the roadside market as the relevant market, but, had the wider outdoor market (including transport posters) been used instead, MAI might have taken a quite different view of the effects of the merger and divestments from that which it pressed the OFT to accept.

7.7. We therefore consider that the relevant market is the United Kingdom roadside poster market with a total net annual revenue of £100 million (see paragraph 4.20). We observe that this market was accepted as the basis on which MAI worked in making its proposals to the OFT for the acquisition of LCAH and the divestment of a large part of LCAH's poster sites to other contractors, and which is also widely accepted by those involved in poster advertising. It was in this market that MAI and LCAH were competing, and it is this market in which the effects of the acquisition and divestments will be felt. MAI estimates that its present net annual revenue from roadside posters is about £27.5 million, which gives it a 27.5 per cent share of that market. This contrasts with the situation before the acquisition took place when MAI's corresponding share was about 21 per cent.

7.8. According to this criterion, which it appears to us suitable to adopt, we conclude that the result specified in paragraph (a) of section 64(1) has occurred and that a merger situation qualifying for investigation has been created.

**The roadside poster market**

**The structure of the roadside poster market**

7.9. MAI and some others argued that the roadside poster market was a unitary one (and itself part of a still larger market). But the bulk of the representations which we received from advertisers, agencies and contractors was to the effect that the 4- and 48-sheet sectors should be regarded as substantially different and distinct sectors of the roadside poster market. We agree with that assessment, for the following reasons:

- (a) The two sizes are aimed at mainly different audiences, employing mainly different designs.
- (b) If the two were effective substitutes, we would have expected to find a much greater use of both sizes in the campaigns of the outdoor specialists than the evidence which we received and analysed suggested. As an illustration, of the campaigns for which the OAA provided data (a total of 481 campaigns in the second quarter of 1987 and 368 in the first quarter) we found that about 50 per cent used only a single panel size. However, of the remaining 50 per cent which used a mixture of different panel sizes together in the same campaign, we found that some concentrated their coverage on a single panel size and used only insignificant quantities of other panel sizes. We considered individually the composition, by panel size, of the 50 campaigns making greatest use of 48-sheets and the 50 campaigns making greatest use of 4-sheets; together these accounted for a large part of the revenue from all roadside poster advertising in the second quarter of 1987. We found that, in all, nearly three-quarters of these campaigns used either the large panel sizes (48-sheets and supersites) or the small 4-sheet panels for the main part of their coverage. Just over a quarter of these campaigns used a significant

mixture of different panel sizes by either combining 48-sheets and supersites together with smaller panels, or by combining 4-sheets with larger panels. We found that only about one-eighth of these major campaigns used both 4- and 48-sheets together in significant quantities (see Appendix 4.2).

- (c) All contractors' packages on offer at present are of single sheet sizes. If 4- and 48-sheets were effective substitutes we would have expected to find both sizes used in at least some packages.
- (d) MAI's decision to divest all of its own and LCAH's 4-sheets (except in Northern Ireland) does not fit well with its argument that the roadside poster market is a unitary one. If that were so, we think it unlikely that MAI would have chosen to concentrate its business on 48-sheets, thus leaving itself with no direct involvement in the only other sector of the roadside market, in addition to 48-sheets, of significant revenue-earning capability.
- (e) MAI's argument, as put to us, that the merger and divestments have created two pairs of strong competitors, rests in our view primarily on the argument that the 4- and 48-sheets parts of the market are distinct; MAI and Arthur Maiden are not competing with each other in 4-sheets; More O'Ferrall and Primesight Fours are not competing with each other in 48-sheets.

#### **Methods of analysing the roadside poster market**

7.10. Although net revenue provides a satisfactory basis for estimating the total (national) roadside poster market, it does not provide a satisfactory basis for assessing regional market shares since comprehensive revenue data on a regional basis are not available. To obtain some indication of regional market positions, we have therefore used numbers of panels, but have made separate calculations for 4- and 48-sheets. We regard the results as giving reasonably satisfactory comparisons between the main contractors, but accept, as MAI argued, that differences in the quality of sites need also to be borne in mind. MAI provided us with estimates of its regional shares for 48-sheet revenues (see Appendix 4.1). Those estimates are based on average selling prices achieved by MAI in the year to June 1987, and, for the industry as a whole, on estimated average prices. As such, they are inevitably somewhat imprecise, but provide an alternative view of regional market shares.

7.11. Two other methods of analysing the roadside market which have been used by MAI need to be considered. The method by which MAI argued to us that its shares of the regional roadside poster market were seriously out of balance was to calculate those shares as percentages of the total numbers of all panels in each region, irrespective of size. We do not regard that as satisfactory both because different panel sizes have very different earning capacities and because, as we have explained, we consider that the 4-sheet and 48-sheet sizes represent substantially different parts of the roadside poster market. In its evidence to us, MAI acknowledged that it was not valid to add together numbers of panels of different sizes, and said that figures obtained by doing that, while giving an indication of regional spread, should be read with caution.

7.12. MAI also used the 16-sheet equivalent approach to demonstrate the effects of the merger and divestments to the OFT. This is a method which has been used in the industry for expressing different panel sizes in terms of a common unit—the 16-sheet poster equivalent. It was originally based on physical differences in size, but has over the years become a hybrid measure using both size and price. It was one method of estimating the size of the roadside poster market used by this Commission in their monopoly inquiry in 1978 to 1981. The Commission noted in their report (paragraph 4.13) that the method had certain disadvantages: for example no account was taken of the variations in quality between panels of the same size, and a 48-sheet commanded a price considerably more than three times that of a similarly-positioned 16-sheet panel. The latter defect has since become more serious, and because the 16-sheet panel itself is much less important than it was at the time of the previous inquiry, we do not consider that this form of measurement is any longer a reliable method of assessing market size. This was the view we obtained from most of the witnesses in our inquiry. MAI commented that although it thought the 16-sheet equivalent approach was a better

guide to market shares than the shares of the total numbers of panels, the 16-sheet equivalent approach still needed to be treated with caution. More detailed data on panel size, quality and revenue are now available, and we consider that those data now form better bases for examining the market.

## Public interest issues

### Effect of the merger on prices

7.13. In considering the possible effects of the merger, we have concentrated on 48-sheets, since the preponderant part of MAI's business is now in 48-sheets. In doing so, we have assumed that the 1,087 48-sheet sites transferred by MAI to Regent Advertising Ltd will be sold within a reasonable period, and have left them out of consideration. We first deal with the possible effects of the merger on the prices paid for posters. MAI holds twice as many 48-sheet panels as its only other competitor of any consequence, Arthur Maiden (see Table 4.2). MAI argued that this numerical difference overstated its market power because its panels were on average of lower quality than those of its competitors, and therefore produced a lower revenue. It stated that its aim was to put itself on the same level of competitiveness as that of its main competitors. The evidence shows that MAI's 48-sheets taken as a whole do have a below-average audience rating. MAI has estimated its average revenue yield on 48-sheets to be lower than that of the other poster companies. However, its estimate of its share of revenue in the 48-sheet market is still substantial, at about 34 per cent. Furthermore, we would expect MAI's average revenue to increase because of its increased selling power, and also as a result of its planned investment in site improvement and service.

7.14. Given MAI's share of the 48-sheet market, we believe that advertisers will have to turn to MAI to meet, wholly or partly, a large part of their needs for 48-sheets, acknowledged by all witnesses as the most important poster size in roadside advertising, and accounting for some two-thirds of the roadside industry's total revenue. This dependence is likely to be particularly evident at times of peak demand. We conclude that MAI will be able to increase its prices, with little fear of being undercut by Arthur Maiden or other competitors; indeed, they can be expected to follow MAI's price leadership.

7.15. MAI told us that price increases would be justified, because of the better quality of product and service which they intend to provide. There is general agreement that there is scope for improving the quality of service, since the past performance of LCAH, and the recent performance of MAI have been poor. Where such improvements could be demonstrated, price increases may be justified.

7.16. The main question is whether market forces would prevent MAI from raising prices beyond that point. MAI argued that the advertisers, the advertising agencies and the outdoor specialists have sufficient purchasing power, and alternative choices of media, to prevent price increases not accompanied by compensating benefits. We accept that advertisers and advertising agencies (but not the outdoor specialists, whose main business is with the roadside poster market) could, ultimately, prevent unreasonable price increases by MAI, for example by stopping their use of posters; but it is also clear that, for many of them, that would represent a serious loss of an effective advertising medium, so that there would be considerable reluctance to take that ultimate step, particularly if the advertiser was in practice already largely committed to engaging in a poster campaign. In a market in which, as MAI admitted, price is not an overriding consideration, we believe that there is considerable latitude for MAI to increase its prices because of its dominant position.

7.17. MAI's enhanced market strength will also be greater in so far as it is able to increase the amount of its panels sold in national or large regional packages. Such selling tactics are likely to increase its income further by reducing the number of occasions on which its panels are not sold, because advertisers will have taken them instead of those of another contractor. MAI has already announced some

expansion of its packages, and intends to go further if the market demands, or can be induced to absorb, more packages. The price of a 48-sheet panel in a national package is considerably higher than the average price for the total stock, as given to us by MAI. This can no doubt be justified to some extent by reason of the additional cost in preparing and marketing packages, and the convenience to buyers, particularly to agents, of purchasing in bulk, but we believe it also illustrates the power of a large supplier to force up prices if he can sell his product in this way. MAI's large stock of 48-sheets will enable it to do that to a much greater extent than Arthur Maiden or others—indeed, at present, no other competitor offers a national 48-sheet package solely from its own resources (except for the special case of Arthur Maiden's Motopak, on motorway service stations, but this is quite a small package of thirty 48-sheets).

7.18. MAI argued that its ability to offer more packages did not mean that it could put pressure on buyers. Since it made commercial sense to do so, it was prepared to offer packages to anyone, including outdoor specialists who could use them to meet their client's needs. It was also prepared to break up packages for part sale if necessary; MAI told us that all its packages so far launched had been sold to the outdoor specialists. We accept that these practices, if continued, would reduce MAI's ability to exploit its position in this part of the market, but conditions may not always lead MAI to behave in this way. MAI also said that it was having to sell packages at well below the rate card price. This, however, appears to be normal practice throughout the industry.

7.19. We conclude that MAI will be in a position to increase prices to a greater extent than it could in a more competitive market than the roadside poster market has now become, and that in this respect the creation of the merger situation may be expected to operate against the public interest.

**Effect on freedom of  
customer choice**

7.20. We received many expressions of concern from other contractors, advertising and outdoor specialist agencies and from advertisers about the potential consequences of MAI's increased share of 48-sheets, regionally as well as nationally. Much of this was on the lines that MAI was now dominant in all regions (whereas LCAH was previously the dominant supplier in some important regions), and could therefore engage in conditional selling; that is, it could press buyers to purchase its packages, or its line-by-line panels, in locations or regions where they were less willing to buy, because otherwise MAI would not make available the most sought-after sites, especially in London and the other main conurbations. A particular cause for concern was the dominance which MAI had obtained in nearly all conurbations and large towns, where MAI admitted that it did not face stronger competitors except in Merseyside, which was Arthur Maiden's original 'home territory'. We believe that it would be difficult for advertisers to buy national campaigns without, on most occasions, having to use at least some of MAI's panels. National campaigns account for some 20 per cent by number of all campaigns, but a larger proportion by value.

7.21. We discussed these concerns with MAI, who replied that the fears were understandable but groundless. It argued that the agencies and advertisers had sufficient countervailing power to defeat any attempts at such conduct by MAI. We have already dealt with this point (in paragraph 7.16 in considering prices). MAI also argued that the OFT would be available to deal with any complaints people might wish to make.

7.22. MAI contended that there was ample competition from other contractors, some of whom had national networks, though much smaller than its own, and that the percentage share figures for numbers of 48-sheets in any case overstated its market power because its sites were on average of lower quality than those of its main competitors. We accept that Arthur Maiden provides strong competition in the important London region, but in almost all other television regions MAI's holdings of 48-sheets are much greater than Arthur Maiden's. We do not consider that Arthur Maiden will be able to compete on a national scale, though the divestments by MAI have enabled it to increase its share of the market

in a number of regions; in part, it was Arthur Maiden's own choice not to acquire more sites from MAI during the divestment process in regions where its presence was minimal because it regarded small regional holdings as not very economic to manage and to operate. There is in our view no other individual competitor of consequence, on a national basis, in 48-sheet panels in a position to challenge MAI. This is indeed strongly implied in MAI's own argument; if it needs some 13,000 48-sheets to be able to offer national packages, neither Arthur Maiden, with half that number, nor others with far less, can aspire to offer such packages from their own stocks of 48-sheets.

7.23. MAI argued that there was no evidence of past abuse by a dominant contractor of its market power, although both LCAH and MAI itself had long had regional or local dominance, and More O'Ferrall had held a dominant position in 4-sheets for some considerable time. But MAI's present strength in 48-sheets, throughout all regions and therefore nationally, represents a new situation; previously, MAI and LCAH had their own separate strongholds; neither could offer national packages using their own resources alone, nor could they pressurise buyers on the basis of such a comprehensive geographical coverage as is now enjoyed by MAI. Moreover, such abuse of market power is particularly difficult to demonstrate; to be successful, it does not need to be pursued in a very overt fashion. Indeed, the only overt form which it might take would be the refusal to sell the most attractive sites individually, but instead only to sell them as part of national or large regional packages, which MAI, with its much greater holding of 48-sheets, is in a position to do more extensively than its competitors. We received mixed views from the advertisers and advertising agencies about packages. They welcomed packages which would meet advertisers' needs fully, but had found in the past that that rarely happened. They were therefore anxious that the outdoor specialists should continue to be able to supplement and to vary packages by sites sold individually, and to take only parts of packages if the remainder did not meet advertisers' needs; some of them did not see difficulties in doing so in future. ISBA said that it thought that the growth of packages would reduce freedom of choice, which it regarded as having improved following the abolition of British Posters. The outdoor specialist agencies were inevitably concerned that the reservation of key sites to packages would limit their freedom to assemble for their clients the sites which most suited their clients' needs, and, therefore, might threaten the future existence of the business of the specialist agencies.

7.24. We conclude that the fears of competitors and buyers as regards freedom of choice are well founded, and that the merger is likely to lead to a reduction in the freedom of choice of 48-sheet posters available to agencies and advertisers, and in this respect may be expected to operate against the public interest.

**Effect on the structure of the roadside poster industry**

7.25. We put it to MAI that as a result of the merger, and of the subsequent divestments, the creation of two powerful contractors in each of the 4- and 48-sheet sectors would inhibit the growth of other contractors which might provide stronger competition. In particular, some of the smaller contractors had represented that MAI's power in the 48-sheet market meant that it would be able to weaken its smaller competitors, or deter new entrants, by outbidding them on prices for new sites. It was also put to us that MAI could reduce its prices selectively, in regions and localities, to weaken or drive out smaller competitors (as well as by depriving them of sales through conditional selling). MAI told us that it saw no force in those arguments. Small contractors usually held higher quality sites than MAI and were more aware of opportunities to acquire new sites locally. It argued that, in addition to Arthur Maiden as a stronger, established competitor, smaller enterprises such as NSS and BTA operated on a national scale, and would be able to expand, as also could Arthur Maiden itself. New entry was not costly, and was taking place all the time.

7.26. We accept that there is some force in MAI's arguments, especially as regards comparative quality of sites at present. But that can only go a small part of the way to counteract MAI's dominance; MAI holds large numbers of good quality sites, as well as sites of lower quality. MAI's own attempts to expand in the

past few years, by buying new sites or acquiring small competitors, did not, on its own admission, produce the expansion and improved geographical coverage that it sought. It was as a result of the unusual opportunity presented by the financial difficulties of LCAH that any large and rapid increase in MAI's market share was made possible. Arthur Maiden told us that it would not be able to expand further to any significant degree in the normal course of events. We accept that view, bearing in mind that MAI was also unable to expand significantly before it acquired LCAH. We conclude that, in the 48-sheet market in particular, MAI's dominance would inhibit the emergence of any effective new competitor aspiring to operate on a national scale.

7.27. We therefore conclude that the creation of the merger situation may be expected to operate against the public interest so far as future developments in the structure of the 48-sheet market are concerned.

**Effect on employment**

7.28. MAI provided us with forecasts of the effects of the merger on employment within the enlarged MAI (see paragraph 5.40). Taking into account also the additional jobs created in Primesight Fours and Arthur Maiden, we conclude that no issue of public interest arises so far as employment is concerned.

**Effect on efficiency**

7.29. We now consider whether the merger is likely to produce benefits, so far as the public interest is concerned. MAI argued that the merger would improve efficiency by the removal of LCAH from the industry, because LCAH's standards of performance and service had deteriorated, and with them the reputation and standing of the poster industry as a whole. We received representations from many quarters which supported MAI's assessment of LCAH's performance. But we also received criticisms of MAI's efficiency, and of the reductions in standards which had occurred in MAI's business since it had acquired LCAH. MAI admitted that some of its sites had not in recent years received the care and attention which they should have received. It explained its recent poor performance as due to LCAH's poor organisation and assured us that it was doing everything possible to bring its enlarged operation up to the required standard of efficiency. We have no reason for thinking that MAI will be unable to overcome the temporary problems caused by its acquisition of LCAH.

7.30. MAI laid much stress on its plans to improve its marketing by providing more packages, and by closer contact with advertisers and main agencies. MAI quoted More O'Ferrall/Adshel as an example to follow in these respects, and we received favourable comments from others on More O'Ferrall/Adshel's marketing and performance. MAI also told us that its intention to assume market leadership had been welcomed by advertisers and buyers, most of whom, however, told us that they were waiting to see whether MAI would improve its marketing and its standards of service, as it had promised to do. We note that, along with the other roadside contractors, MAI has played its part in the launching of the OSCAR Digest and of Poster Marketing.

7.31. We do not foresee the benefits from improved efficiency attributable to the merger to be of such significance as to offset the detriments to the public interest that we have found.

**Summary of conclusions as to effects adverse to the public interest**

7.32. Although the merger has already taken place MAI has been operating at its present level in roadside posters only since the end of June 1987. This is too short a period for any assessment of the actual effects of the merger to be made. For example, we recognise that there has been some decline in the quality of service offered to customers by MAI—which it admits—as a consequence of the increased administrative load on the company resulting from the merger (the scale of which it underestimated because it had not appreciated the extent of the internal disorganisation within LCAH). But it is reasonable to expect that this decline in quality of service will be temporary. In what follows our assessment is based on the effects which may be expected to operate against the public interest, rather than actual effects.

7.33. We have therefore considered the effects to be expected from the merger. In our opinion, the effects of the dominance of MAI in the 48-sheet sector of the market may be expected to:

- (a) enable MAI to increase its prices for 48-sheets to a greater extent than it would be able to do in a more competitive situation;
- (b) reduce the freedom of choice available to agencies and advertisers of 48-sheet panels for their campaigns; and
- (c) inhibit the emergence of effective new competitors in 48-sheets.

We therefore consider that the merger situation qualifying for investigation which we have identified may be expected to operate against the public interest, with the particular effects adverse to the public interest which we have identified in (a) to (c) above.

7.34. We have considered the action which we should recommend to remedy or prevent those adverse effects. We consider that the only effective safeguard is for MAI to be required to reduce its share of the national total of 48-sheet panels to a level considerably below its present one of approximately 40 per cent. In considering the size of the reduction to be made we do not recommend that MAI should reduce its shares, nationally or in any region, to below the percentages it held before it acquired LCAH unless it has already done so. We consider that such a recommendation would be beyond the scope of this merger inquiry.

**Recommendation for divestment of 48-sheet panels**

7.35. We recommend that MAI should now divest itself of sufficient 48-sheet panels (in addition to the 1,087 48-sheet panels which it has already passed to Regent Advertising Ltd for subsequent sale) so as to:

- (a) reduce to 25 per cent its share of the total number of 48-sheet panels in each of the London, Southern, North-West and South-West television regions, where before the merger its shares were below 25 per cent, but are now in excess of that figure (see Table 4.3); and
- (b) reduce, where applicable, its shares of 48-sheet panels in each of the other regions (except in Ulster, which is a special case), to the percentages which applied on 8 January 1987, ie before it acquired LCAH, or to the August 1987 percentage shares, if lower.

7.36. On the basis of the August 1987 figures which we have used in our report, this would require a divestment as follows:

Recommended divestment of 48-sheet panels by MAI

	<i>Percentage shares to be retained</i>	<i>Numbers of 48-sheets to be divested</i>
London	25	640
Midlands	35	370
North-West	25	150
Yorkshire	38	230
North-East	50	0
Central Scotland	43	100
Wales and West	34	0
Southern	25	375
Anglia	54	75
South-West	25	20
Border	55	0
North Scotland	51	40
Sub-total	32	2,000
Ulster	99	0
National total	34	2,000

7.37. We recognise that the holdings of MAI and the other contractors are changing all the time, and that situations vary between regions, but recommend that the required level of divestment by MAI should be at or near to the percentages and numbers shown in the above table.

7.38. It would not be satisfactory to work only on the basis of percentage shares or numbers of panels, since that could lead to MAI divesting only its poorest panels. We therefore recommend also that the average quality of the panels divested by MAI in each region should be at the average quality of all MAI's panels in that region. We suggest that that could be achieved by reference to the detailed audience ratings for MAI's panels used to prepare the OSCAR Digest, and by reference to MAI's records of actual revenue earned from its 48-sheet panels over a suitable recent period.

7.39. In calculating the numbers of panels to be divested, all categories of MAI's panels and sites should be embraced, including for example those at present chartered-in from other contractors, or held on agreements from British Rail or other bodies. The divestments should be made within one year from a specified date. In our opinion, the form of the divestment should be such as to extend to the whole interest of MAI in the assets to be divested, and should not permit of any conditions or provisions which would derogate from that objective; for example, there should be no arrangement for leasing back by MAI.

7.40. The calculations in paragraphs 7.35 and 7.36 are made on the basis that Regent Advertising Ltd will, within a reasonable period, sell to third parties all the 48-sheet panels which it has received from MAI, and in which MAI retains the beneficial interest. If Regent has not been able to do so by the time that the divestment programme which we have recommended is nearing completion, account should be taken of that situation in calculating the divestments required of MAI. If, towards the end of the period specified for the divestments we have recommended, it appears that the number of divestments required is unlikely to be made, we consider that MAI should be required to sell the remaining panels by auction (without a reserve price) or by tender.

H H HUNT (*Chairman*)

C C BAILLIEU

L BRITZ

ROBERT CLAYTON

P S G FLINT

S WAINWRIGHT

S N BURBRIDGE (*Secretary*)

5 November 1987