

APPENDIX 1.1
(referred to in paragraph 1.4)

List of those who provided evidence

We received evidence from organisations, associations, companies and individuals; they included those listed below. An asterisk indicates attendance at a hearing.

Abatis Ltd
Associated British Foods PLC
Avana Meat Products Ltd
British Airways PLC
British Caledonian Airways Ltd
British Pest Control Association
British Railways Board
Cadbury Ltd
Cleanmaster, formerly Centuryan Services Ltd¹
Convention of Scottish Local Authorities
Peter Cox Group, formerly Verminex Ltd²
Department of the Environment
Department of Health and Social Security
Department of Trade and Industry
Dover District Council
Endapest Ltd
*Erskine Pest Control³
Fisons PLC
Hawley Group PLC
Home Office
House of Fraser
IAI Envirogiene Ltd
Initial Service Cleaners Ltd
*Institution of Environmental Health Officers
Kemkill Pest Control Services Ltd
*Killgerm Chemicals Ltd
Michael Lehrer Associates
London Borough of Hounslow
MASA Professional Pest Control Services
Marks and Spencer PLC
Ministry of Agriculture, Fisheries and Food
National Association of Local Councils
National Farmers' Union
National Farmers' Union of Scotland
Northern Foods PLC
Northern Ireland Department of the Environment
PHS Pest Control Ltd⁴
Pest Control Services (Devon and Exeter)
Pest Control Services (Oxford) Ltd⁵
Pest Protection Services Scotland
Pride and Phelps (Pest Extermination Contractors)
*Rentokil⁶
Restaurateurs Association of Great Britain
Rowntree Mackintosh Sun-Pat Ltd
Royal Environmental Health Institute of Scotland
Safeway Food Stores Ltd

¹ A subsidiary of OCS Group.

² A subsidiary of Mowlem Group.

³ The trading name of Environmental Protection Services Ltd (in Scotland) and W H Groves Ltd (in England and Wales). A subsidiary of Erskine House Group.

⁴ A subsidiary of Tack Industries PLC.

⁵ A subsidiary of West Industries PLC.

⁶ A collective name for Rentokil Group PLC and its subsidiary operating company Rentokil Ltd; see paragraph 4.10.

J Sainsbury PLC
Scottish and Newcastle Breweries PLC
Scottish Home and Health Department
Shield Pest Control
Smith and Nephew Consumer Products Ltd
Tesco Stores Ltd
Thistle Hotels Ltd
Trusthouse Forte PLC
Unilever PLC
Verminex Ltd¹
Whitbread and Company
Whitworth's Food Group PLC

¹ Now part of Peter Cox Group.

APPENDIX 2.1
(referred to in paragraph 2.2)

Current legislation relating to pest control

<i>Statutes</i>	<i>Relevant secondary legislation</i>
Cruelty to Animals Act 1911	
Public Health Act 1936 (amended by Public Health Act 1961)	Public Health (Infectious Diseases) Regulations 1968, as amended SI 1968 No 1366
Hydrogen Cyanide (Fumigation) Act 1937	Hydrogen Cyanide (Fumigation of Buildings) Regulations 1951—SI 1951 No 1759 Hydrogen Cyanide (Fumigation of Ships) Regulations 1951—SI 1951 No 1760
Prevention of Damage by Pests Act 1949	Prevention of Damage by Pests (Application to Shipping) Order 1951—SI 1951 No 967 Prevention of Damage by Pests (Compensation) Regulations 1950—SI 1950 No 548 Prevention of Damage by Pests (Infestation of Food) Regulations 1950—SI 1950 No 416
Animals (Cruel Poisons) Act 1962	Animals (Cruel Poisons) Regulations 1963—SI 1963 No 1278
Medicines Act 1968	Medicines (Sale or Supply) (Miscellaneous Provisions) Regulations 1980—SI 1980 No 1923
Health and Safety at Work etc Act 1974	Hydrogen Cyanide (Fumigation of Buildings) (Amendment) Regulations 1982—SI 1982 No 695
Control of Pollution Act 1974	
Animal Health Act 1981	Infectious Diseases of Poultry Order 1986—SI 1986 No 1755 Sheep Scab Order 1986—SI 1986 No 862 Warble Fly (Ascertainment of Infestation) (England and Wales) Order 1985—SI 1985 No 1766 Foot-and-Mouth Disease Order 1983—SI 1983 No 1950 Aujeszky's Disease Order 1983—SI 1983 No 344 Export of Animals (Protection) Order 1981—SI 1981 No 1051 Diseases of Animals (Approved Disinfectants) Order 1978—SI 1978 No 32 Importation of Animals Order 1977—SI 1977 No 944
Wildlife and Countryside Act 1981	

Food Act 1984

Food Hygiene (General) Regulations
1970—SI 1970 No 1172

Food Hygiene (Markets, Stalls and
Delivery Vehicles) Regulations 1966—SI
1966 No 791

Food Hygiene (Docks, Carriers)
Regulations 1960—SI 1960 No 1602

Food and Environment
Protection Act 1985

Control of Pesticides Regulations 1986—SI
1986 No 1510

National Health Service
(Amendment) Act 1986

Source: Rentokil.

APPENDIX 2.2
(referred to in paragraph 2.8)

**The role of local authorities in enforcing provisions
of pest control legislation**

1. Local authorities have long had a major part to play in enforcing the main provisions of pest control legislation. Thus, in Great Britain the Common Council of the City of London, London boroughs, district and port health authorities have a statutory duty under the Prevention of Damage by Pests Act 1949 to ensure, as far as practicable, that their areas are kept free from rats and mice.

2. Under *section 4* of the Act, a local authority which considers that steps should be taken to get rid of rats and mice on any land may serve a notice on the owner and/or occupier requiring such action to be taken within a reasonable period. The notice may lay down the method of treatment, when it is to be carried out, and (subject to the right of appeal) may require structural repairs or other works to be carried out.

3. Under *section 5* of the Act, if the owner and/or occupier fails to take steps to get rid of an infestation within the time specified in such a notice, the authority may itself undertake the work and recover the expense incurred. On failure to take the steps the owner/occupier is liable to a fine not exceeding £100 for a first offence and £400 for each subsequent offence.

4. Under *section 6* of the Act, a local authority which considers that rats and mice are present in substantial numbers on any land comprising premises occupied by different persons, and that the land should be dealt with as one unit, may itself take the necessary action (although not undertake any structural work) instead of serving notices on the individual owners or occupiers. The authority must, however, give the respective occupiers seven days' notice of its intention and specify the steps it proposes to take. Any expenses reasonably incurred are recoverable from the occupiers; for this purpose, any unoccupied premises are deemed to be in the occupation of the owner.

5. Other powers enabling local authorities to control pests are:

(a) *section 74* of the *Public Health Act 1961* which enables local authorities to take steps to deal with nuisance, annoyance or damage caused by the congregation in built-up areas of house doves, pigeons, starlings or sparrows; and

(b) *section 137* of the *Local Government Act 1972* which enables local authorities to incur expenditure for the benefit of their area or any part of it, or all or some of its inhabitants. These general powers may be used by a local authority which consider that the extent of pest infestation creates a nuisance.

6. In Northern Ireland the legislation is less specific but the practice is broadly similar to Great Britain's. The main provisions are contained in the Rats and Mice (Destruction) Act 1919 although there is no counterpart to the Prevention of Damage by Pests Act 1949. Local authorities in Northern Ireland carry out much the same role as do those in the rest of the United Kingdom.

Source: MMC study of material provided by Government departments.

APPENDIX 3.1
(referred to in paragraph 3.10)

Rentokil Ltd: further detail of sample contract survey

General samples: year and size of contracts

TABLE 1A Branch A

Current price £	Pre-1985	Year of contract			All years
		1985	1986	1987	
0— 99	—	1	—	—	1
100— 199	4	3	2	1	10
200— 499	11	3	6	9	29
500— 999	2	3	2	1	8
Over 1,000	5	1	—	—	6
Total	22	11	10	11	54

Source: Rentokil.

TABLE 1B Branch B

Current price £	Pre-1985	Year of contract			All years
		1985	1986	1987	
0— 99	0	0	0	0	0
100— 199	1	3	3	2	9
200— 499	6	3	3	8	20
500— 999	3	7	5	—	15
Over 1,000	1	2	4	1	8
Total	11	15	15	11	52

Source: Rentokil.

TABLE 2 General sample: type of customer

	Branch A	Branch B
Factories	0	12
Shops	4	2
Restaurants and cafes	11	1
Pubs	0	4
Houses and flats	14	1
Hotels and hostels	13	4
Offices	9	2
Hospitals	1	3
Transport	0	3
Farms	0	1
Other types	2	13
Not known	—	6
Total	54	52

Source: Rentokil.

TABLE 3 General sample: type of pests covered by contract

	Number of contracts	
	Branch A	Branch B
Rats and mice	3	15
Rats	3	1
Mice	2	1
Rats, mice and insects	22	22
Flies	3	6
Insects (other than flies)	15	1
Other	6†	6*
Total	54	52

Source: Rentokil.

* Including rats, mice, feral cats and snails.

† Mice and insects.

APPENDIX 3.2
(referred to in paragraph 3.11)

Rentokil Ltd: example IPC form

Client's Name XXX Surveyor XXX

Is client an existing customer? YES / NO Customer type

PRICE CALCULATION

PREPARATIONS

	1st Treatment			2nd Treatment			Each Subsequent Treatment		
	Quant.	£	p	Quant.	£	p	Quant.	£	p
XXX	X	6	-	X	4	-	X	4	-
XXX	X	6	-						
LABOUR Man hours @ £26.50	1½	39	75	1	26	50	1	26	50
Man hours @									
Overtime hours @									
OTHER ITEMS									
Totals *	A	47	75	B	30	50		30	50

NOTES

	X	3
C	91	50
B	30	50
A	47	75
Inspections where applicable		
SUB-TOTAL		
Surcharge at %		
TOTAL	169	75

PRICE QUOTED £208.00 + VAT

for 4 treatments per annum

AUTHORISED BY _____ (Name)
(Block capitals)

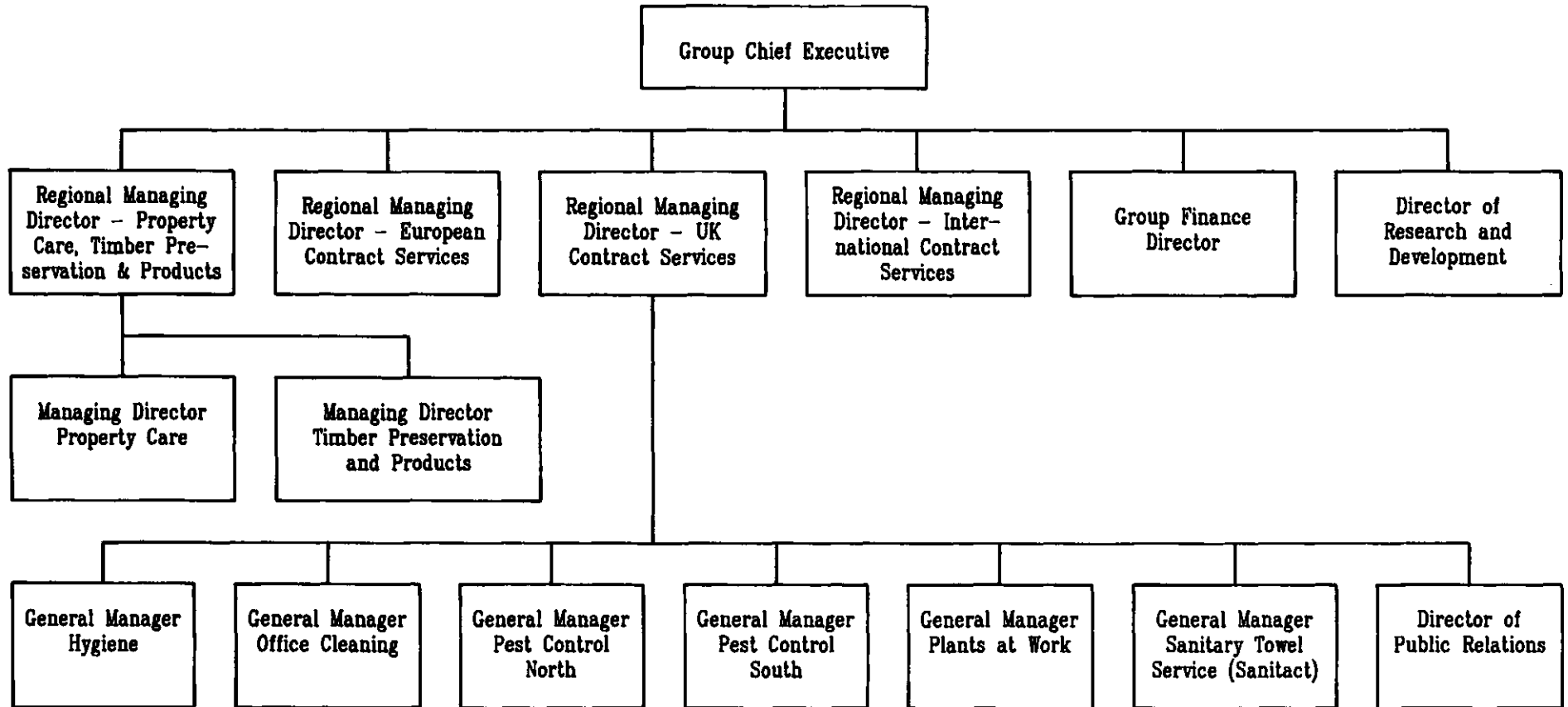
_____ (Position)

Source: Rentokil.

* We note that the figure for first treatment (total A) has been wrongly calculated.

APPENDIX 4.1
(referred to in paragraph 4.11)

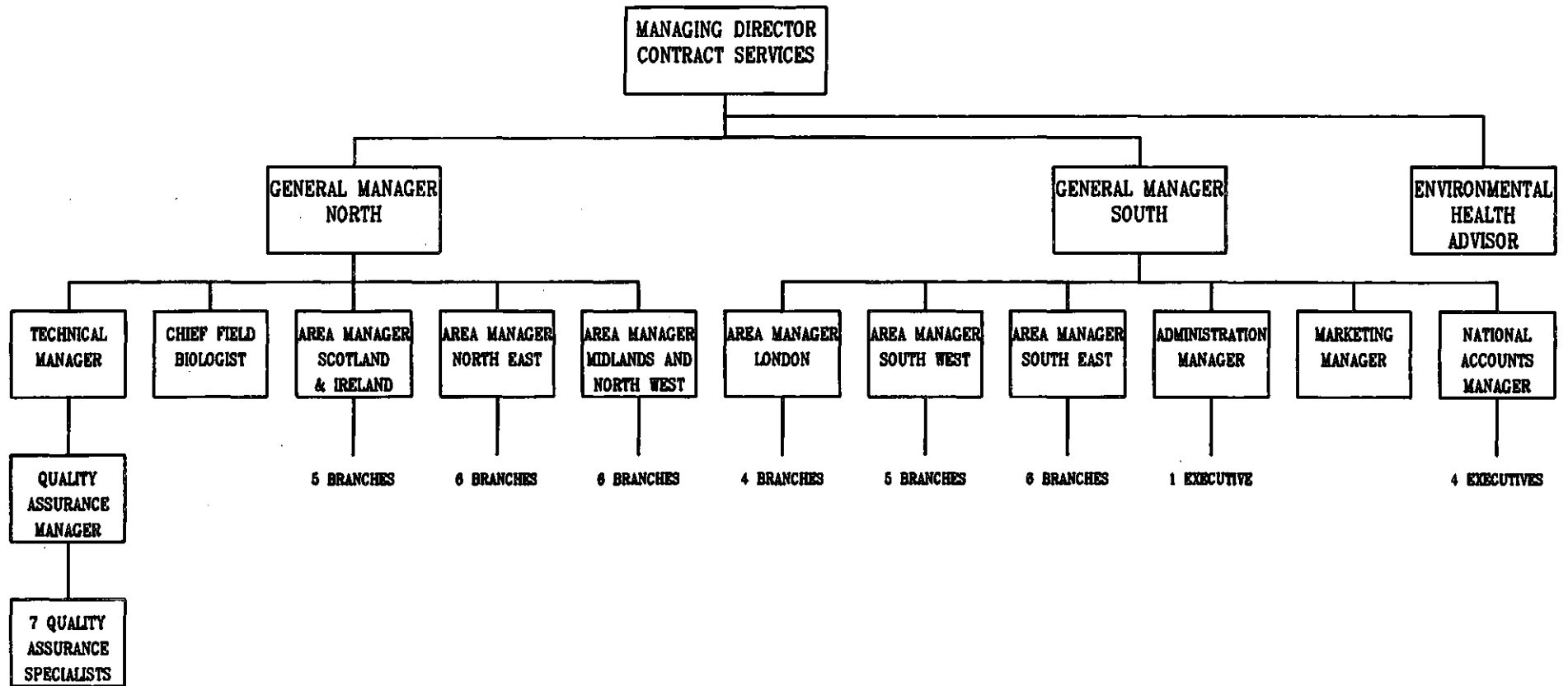
Rentokil Group organisation



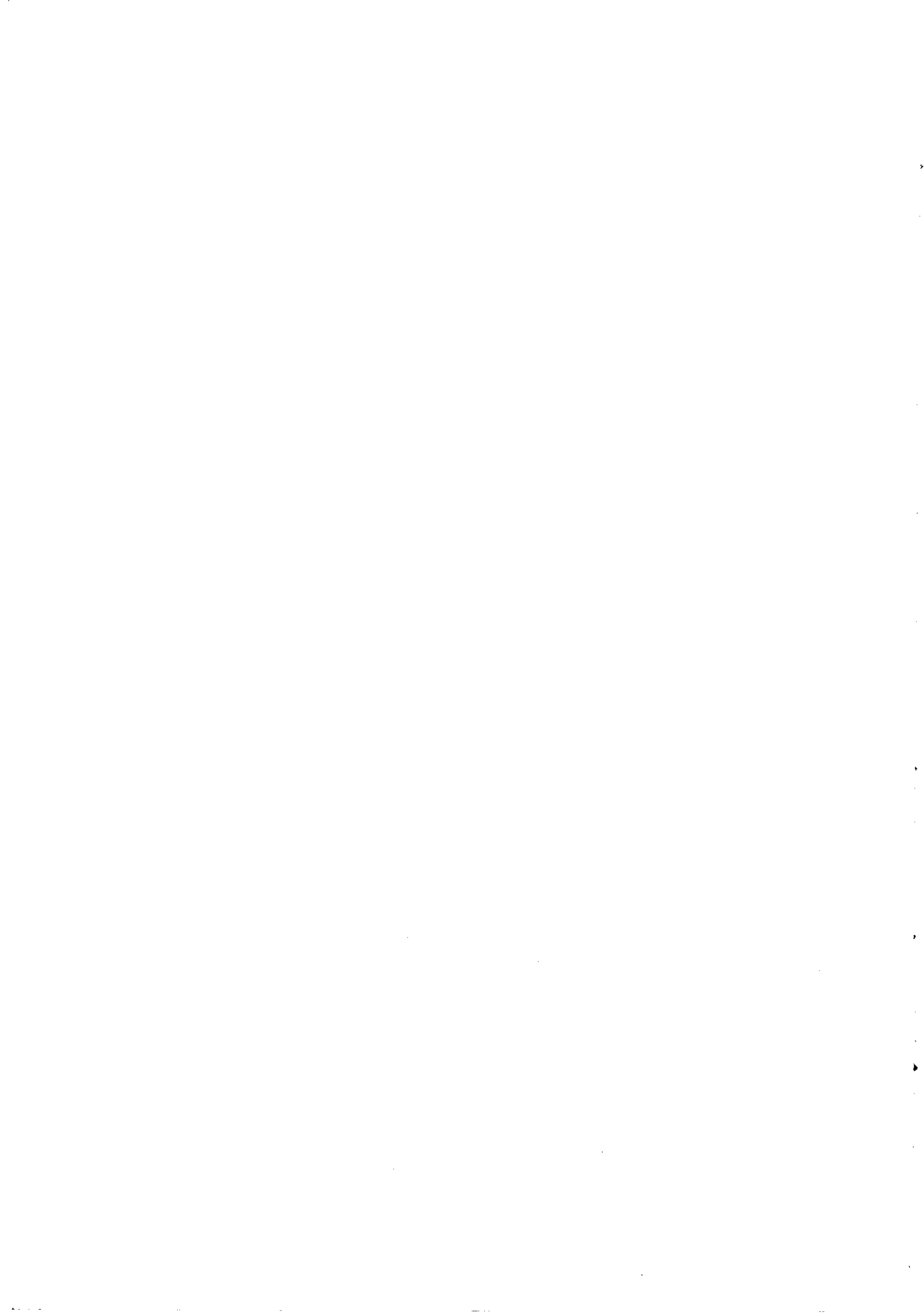
Source: Rentokil.

APPENDIX 4.2
 (referred to in paragraphs 4.11, 4.13 & 4.15)

Rentokil Ltd: Pest Control Division

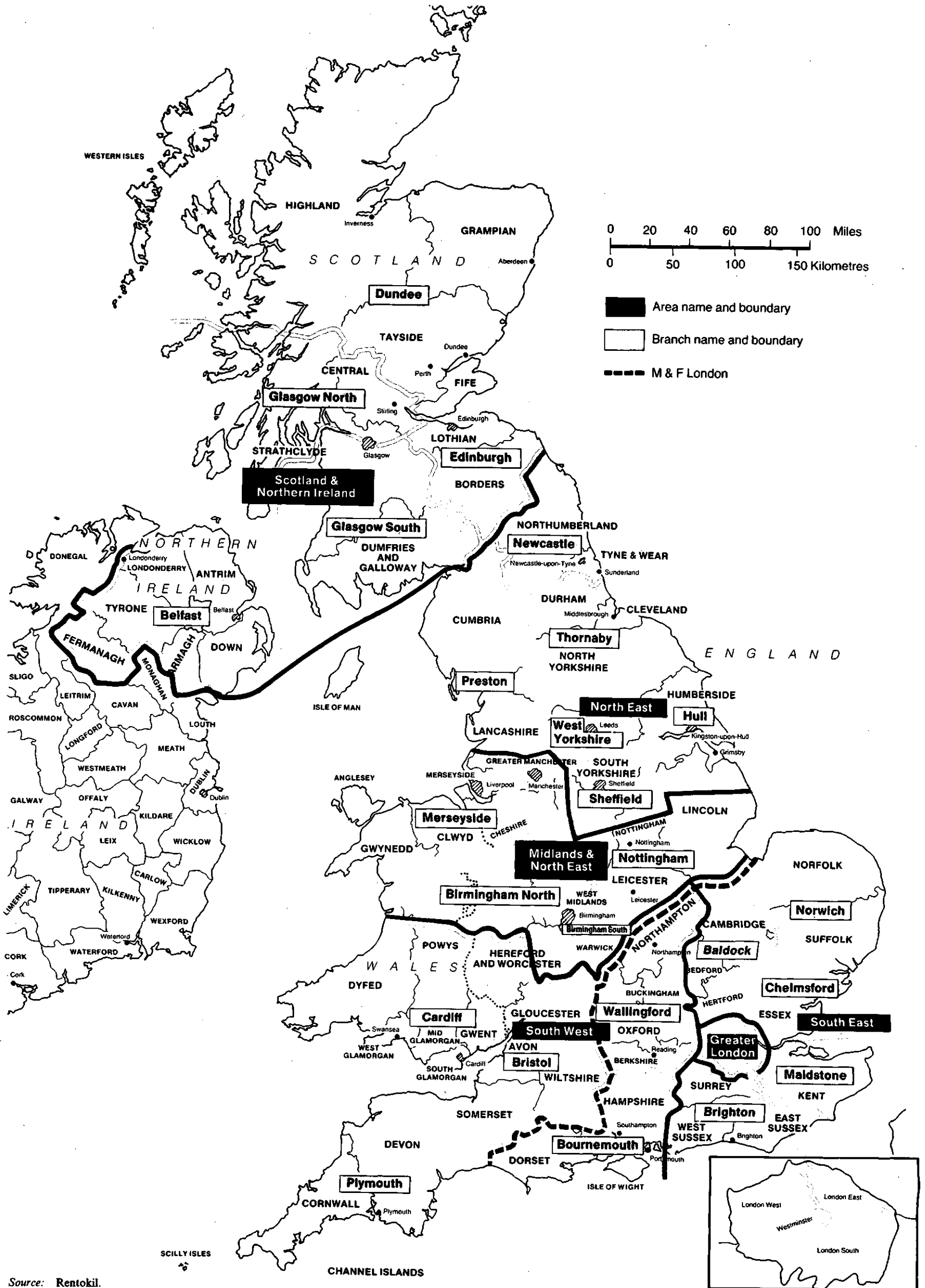


Source: Rentokil.



APPENDIX 4.3
 (referred to in paragraph 4.13)

Rentokil Ltd: Pest Control Division branch and area boundaries



57



APPENDIX 4.4
(referred to in paragraph 4.13)

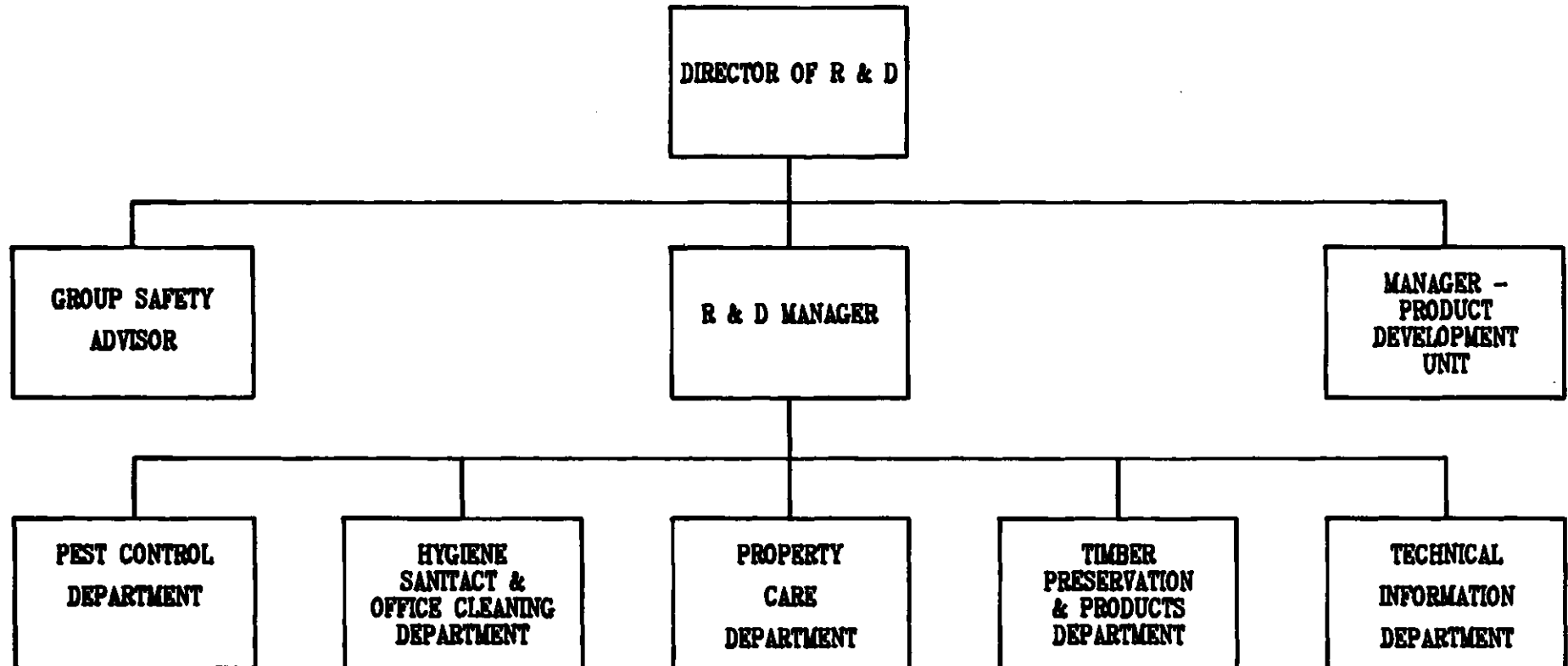
Rentokil Ltd Pest Control Division: staff by area and branch, 1986

<i>London</i>	
London East	58
London South	42
London West	47
Westminster	46
	<hr style="width: 100%; border: 0.5px solid black;"/>
	193
 <i>South-East</i>	
Baldock	31
Brighton	27
Chelmsford	27
Marine and Fumigation	11
Maidstone	24
Norwich	25
	<hr style="width: 100%; border: 0.5px solid black;"/>
	145
 <i>South-West</i>	
Bournemouth	29
Bristol	35
Cardiff	33
Plymouth	29
Wallingford	35
	<hr style="width: 100%; border: 0.5px solid black;"/>
	161
 <i>Midlands and North-West</i>	
Birmingham North	38
Birmingham South	35
Manchester North	29
Manchester South	31
Merseyside	61
Nottingham	43
	<hr style="width: 100%; border: 0.5px solid black;"/>
	237
 <i>North-East</i>	
Hull	35
Newcastle	29
Preston	35
Sheffield	32
Thornaby	17
West Yorkshire	42
	<hr style="width: 100%; border: 0.5px solid black;"/>
	190
 <i>Scotland and Northern Ireland</i>	
Belfast	26
Dundee	34
Edinburgh	26
Glasgow North	37
Glasgow South	42
	<hr style="width: 100%; border: 0.5px solid black;"/>
	165
 Total	 1,091

Source: Rentokil.

APPENDIX 4.5
(referred to in paragraph 4.16)

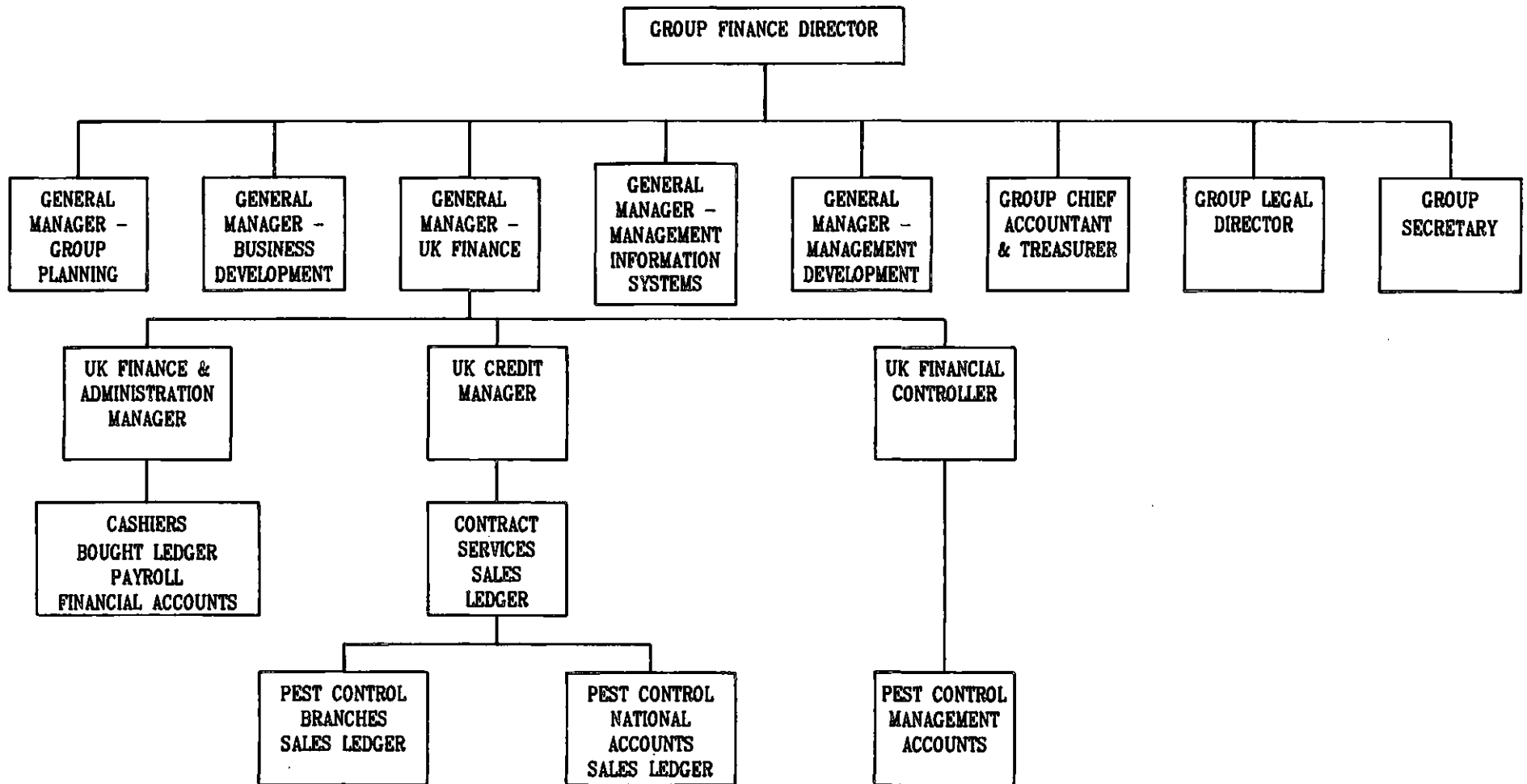
Rentokil Ltd: Group Research and Development



Source: Rentokil.

APPENDIX 4.6
 (referred to in paragraph 4.17)

Rentokil Ltd: Group Finance Function



Source: Rentokil.

APPENDIX 5.1
(referred to in paragraph 5.7)

Variations in service time spent on Rentokil contracts 1985 to 1987

1. Rentokil explained that the list price for a particular contract often changed materially from one year to another, mainly because of variations in the time required to deal with infestations. There was therefore an element of 'insurance' in the pricing of its contracts which was of value to its customers. Rentokil provided an analysis of the service time for three years (1985, 1986 and 1987, the latter expressed on an annualised basis) on a sample of contracts held by branches B and C (paragraph 3.9).

2. Rentokil arrived at a list of contracts to be used for this analysis on a 'random selection' basis. It took its 'master listing' for contracts of two branches (B and C), and selected from that list the first contract on each page which had begun during or before 1984. This selection produced 127 contracts. Contracts were then excluded where specification changes precluded meaningful year to year comparisons or where information covering the period under review was incomplete. This reduced the initial sample of 127 to 79, of which 12 were 'small' contracts.

3. The 12 small contracts (those with a list price below £100 in all three years) were excluded because any small errors in recording could show up as large percentage changes. In fact, the inclusion of the 12 omitted contracts made no material difference, as the following table which analyses the size of the variation in the two years 1985-1986 and 1986-1987 on a combined basis shows:

<i>Annual percentage variation</i>	<i>67 'large' contracts</i>		<i>All 79 contracts</i>	
Up to 10%	53	(39.6%)	64	(40.5%)
10-19.9%	35	(26.1%)	43	(27.2%)
20-29.9%	16	(11.9%)	20	(12.7%)
30-39.9%	12	(9.0%)	12	(7.6%)
40-49.9%	6	(4.4%)	7	(4.4%)
50% and over	12	(9.0%)	12	(7.6%)
	<hr/>	<hr/>	<hr/>	<hr/>
	134*	(100.0%)	158*	(100.0%)
	*67 × 2 (for 2 years)		*79 × 2 (for 2 years)	

4. *The size distribution* (by contract size) within the smaller sample of 'large' contracts is as follows:

<i>Contract price 1987</i>	<i>Number of contracts</i>
Up to £99	6
£100-£249	43
£250-£499	12
£500-£999	1
£1,000 & over	5
	<hr/>
	67
	<hr/>

There were two service time variations for each contract—the percentage increase (decrease) of the 1986 service times compared with the 1985 service times; and that of the 1987 service times compared with the 1986 service times.

5. The 134 time variations (two for each of the 67 contracts) were as follows:

		<i>Number of contracts</i>	<i>%</i>
<i>No change (ie 0%)</i>		4	3.0
<i>Decreases</i>			
Up to 10%	26		19.4
10—29.9%	32		23.9
30% & over	9		6.7
	<hr/>	<hr/> 67	<hr/> 50.0
<i>Increases</i>			
Up to 10%	23		17.1
10—29.9%	19		14.2
30% & over	21		15.7
	<hr/>	<hr/> 63	<hr/> 47.0
		<hr/> 134	<hr/> 100.0

6. A fuller analysis of the time variations for the 67 contracts has also been made. For this purpose any variation below 10 per cent has been treated as not 'significant'. The 67 contracts can then be classified as follows:

	<i>Number of contracts</i>	<i>Percentage of contracts</i>
No 'significant' change in either period	13	19.4
Significant change only in one period	27	40.3
Significant change in both periods: in same direction	8	11.9
Significant change in both periods: in opposite direction	19	28.4
	<hr/> 67	<hr/> 100.0

It will be noted that variations in opposite directions operated for over one-quarter of the contracts. This tendency for variations to offset one another could be expected to be more pronounced over a longer period than that considered here.

7. The percentage variations analysed have been derived from data subject to some minimal rounding. 1987 figures are based upon an annualisation of the eight months to August 1987.

Source: Rentokil.

Index

- A W G Elliot (Rid-A-Pest)
acquired by Rentokil, 4.8
Anker-Petersen Services Ltd
acquired by Rentokil, 4.8
- British Railways Board
views, 6.6
- Competition
Rentokil's views on, 7.17
- Contra Pest Group Ltd
acquired by Rentokil, 4.8
- Convention of Scottish Local Authorities
views, 6.18
- Customers
contracts: reasons for terminating, 2.33-2.35;
size of those terminated, 2.35
- Department of the Environment
views, 6.16
- Department of Health and Social Security
pest control: arrangement for contracts on hospitals, 2.30; policy on
tenders in hospitals, 2.30
views, 6.17
- Elebert Brothers (Pest Control) Ltd
acquired by Rentokil, 4.8
- Elliot, A W G (Rid-A-Pest)
see A W G Elliot (Rid-A-Pest)
- Evidence
sources, 1.4, Appendix 1.1
- Hospitals
pest control tenders: policy on, 2.30
- Institution of Environmental Health Officers
views, 6.19
- Local authorities
charges for services, 2.8-2.10, 3.4
pest control services supplied from, 2.23
statutory responsibilities for pest control, 2.8, Appendix 2.2
- Monopolies and Mergers Commission
bromadiolone: considers Rentokil's position on, 7.18
conclusions and recommendations of the report, 7.21-7.23
investigation of Rentokil's pricing policy, 3.9, 7.9-7.16, Appendix 3.1
surveys of the pest control market: businesses, 2.6; local authorities,
2.6
terms of reference, 1.1
- Monopoly situation
existence, 1.5, 5.1, 7.1-7.4
- National Farmers Union
views, 6.8
- Pest control
(*see also* Local authorities)
background: general, 2.2; historical, 2.1
businesses: characteristics, 2.14; entry into the market, 2.37; number
of locations, 2.15; plans for expansion, 2.39-2.40; size, 2.13;
specialization, 2.16; views on the pest control market, 2.41-2.42;
year of entry into the market, 2.38
competitive tenders for, 2.29-2.30
contracts: duration, 2.18; location, 2.22; reasons for termination,
2.33-2.35; value, 2.19-2.21
definition of, within terms of the reference, 2.3-2.4
labour: costs per hour, 3.3
market size, 2.5-2.12
services: quality of, 2.32; users of, 2.24-2.29
statutes and statutory instruments, 2.2, Appendix 2.1
- Pestagon Ltd
acquired by Rentokil, 4.8
- Pestoxin Ltd
acquired by Rentokil, 4.8
- Premier Pest Services
acquired by Rentokil, 4.8
- Pricing
conclusions and recommendations of the report on Rentokil, 7.9-
7.16, 7.22-7.23
local authorities, 3.4
wasps' nests: charges for destroying, 3.2
- Protim Pest Control Ltd
acquired by Rentokil, 4.8
- Public interest
conclusions and recommendations of the report, 7.21-7.23
defined, 7.5-7.6
Rentokil's views on, 5.20-5.24
- Ratsouris Ltd
acquired by Rentokil, 4.8
- Rentokil¹
acquisitions of pest control businesses: AWG Elliot (Rid-A-Pest), 4.8;
Anker-Petersen Services Ltd, 4.8; Contra Pest Group Ltd, 4.8;
Elebert Brothers (Pest Control) Ltd, 4.8; Pestagon Ltd, 4.8;
Pestoxin Ltd, 4.8; Premier Pest Services, 4.8; Protim Pest Control
Ltd, 4.8; Ratsouris Ltd, 4.8; Sewell (Pest Prevention Services) Ltd,
4.8
area turnover, 4.13
automatic price increase (API), 3.8
budgets, 4.20
commercially available preparations supplied to, 4.43
companies that comprise the Rentokil group, 4.10
competing suppliers' attitude to, 7.7-7.8
contracts: new business gained in 1986, 2.36; sample survey, 3.10,
Appendix 3.1; with a large group, 3.29-3.31
directors, 4.5
employment, 4.24-4.26
Group Finance Function, 4.17, Appendix 4.6
history, 4.1-4.2
instruction and pricing calculation form (IPC), 3.11-3.14, Appendix
3.2
'list price', 3.8
management accounting systems, 4.18-4.23
materials and equipment: manufacture and supply of, 4.38-4.47;
turnover, 4.40
Monopolies and Mergers Commission investigation of contracts,
3.10-3.19
organisation, 4.9-4.16, Appendices 4.1, 4.3, 4.4
Pest Control Division: organisation, 4.9, 4.11, 4.13, 4.15, Appendix
4.2; total turnover for 1986, 2.11
pest control: no monopoly on formulations, 4.47; on ships, 4.14; stops
selling its own products to competitors, 4.46
pricing: automatic increases, 3.8; calculations, 3.6, 3.12; comparison
between contract prices and list prices, 3.26-3.28; instruction and
pricing calculation form (IPC), 3.11-3.14, Appendix 3.2; 'list
price', 3.8; Monopolies and Mergers Commission investigation of,
3.9, 7.9-7.16; reductions, 3.20-3.25, 3.32-3.38; views on, 5.6-5.8,
Appendix 5.1
profits, 4.3, 4.48-4.53
Quality Control Department, 4.15
Research and Development Department, 4.16, Appendix 4.5
share capital, 4.4
staff: methods of payment, 4.25
standard labour charge-out rate, 3.5, 3.11
training: area managers, 4.35; branch managers, 4.34; inspectors,
4.30; public speaking course, 4.37; quality assurance specialists,
4.32; servicemen, 4.28-4.29; supervisors, 4.31; surveyors, 4.33
views on: acquisitions, 5.11; bromadiolone imports, 5.15-5.17;
competition, 7.17; contribution to the public interest, 5.20-5.24;
new entry into the pest control market, 5.4-5.5; the pest control
market, 5.2-5.3; pricing, 5.6-5.8, Appendix 5.1; productivity, 5.10;
quality of service, 5.18-5.19; research, 5.12-5.14, 7.17
- Restaurateurs Association of Great Britain
views, 6.9
- Sewell (Pest Prevention Services) Ltd
acquired by Rentokil, 4.8
- Views
of the British Railways Board, 6.6; of the Convention of Scottish
Local Authorities, 6.18; of the Department of the Environment,
6.16; of the Department of Health and Social Security, 6.17; of the
Institution of Environmental Health Officers, 6.19; of interested
parties (other than Rentokil), 6.1-6.19; of the National Farmers
Union, 6.8; of Rentokil, *see* Rentokil; of the Restaurateurs
Association of Great Britain, 6.9

¹ A collective name for Rentokil Group PLC and its subsidiary operating company Rentokil Ltd.

(References are to paragraph numbers, not page numbers)