

6 Conclusions

The monopoly situation

6.1. We are required to report whether a monopoly situation exists in relation to the supply in Greater London of electrical contracting services at large exhibition halls (the reference services). Under section 7(1)(c) and (2) of the Fair Trading Act 1973 (the Act) a monopoly situation (called, under section 11(1) of the Act, a 'complex monopoly situation') exists if at least one-quarter of the reference services is supplied by members of one and the same group consisting of two or more persons who whether voluntarily or not, and whether by agreement or not, so conduct their respective affairs as in any way to prevent, restrict or distort competition in connection with the supply of the reference services.

6.2. In October 1989 we informed the following electrical contractors that we had provisionally found that a complex monopoly situation existed in their favour:

Business Design Centre Ltd
Ecando Systems Ltd
EGC Ltd
Johnson Smith & Company Ltd
Lightpower Exhibitions Ltd
Logan Electrics Ltd¹
S Seymour (Electrics) Ltd

6.3. The grounds for our conclusion were that:

- (a) at least one-quarter of the reference services in 1988 was supplied by the companies and there had been no material change since then; and
- (b) for the purpose of the sub-sections the companies were members of a group who conducted their respective affairs in the manner described in paragraph 6.4, so as to prevent, restrict or distort competition, in connection with the supply of the reference services in the manner described in paragraph 6.6.

6.4. Each of the companies conducted its affairs in the supply of the reference services in one or more of the ways described below:

- (a) it participated in an arrangement whereby it was nominated for the provision of electrical contracting services at exhibitions at halls owned by Earls Court and Olympia Ltd (ECO), namely Earls Court Exhibition Hall, Olympia Exhibition Hall and Olympia 2 Exhibition Hall, on one of the following bases:
 - (i) where the exhibition was organised by ECO's subsidiary organising company, Philbeach Events Ltd (Philbeach), the company was awarded the whole of the electrical contract; or
 - (ii) where the exhibition was not organised by Philbeach and took place within Earls Court Exhibition Hall or Olympia Exhibition Hall it was awarded between 50 and

¹ We subsequently established that Logan Electrics Ltd was only a subcontractor for the reference services and not, therefore, a member of the provisional group of complex monopolists.

100 per cent of the electrical contract at prices not in excess of and on terms no less favourable to the organiser than those submitted or offered by any other firm of electrical contractors of good standing and repute; or

(iii) where the exhibition was not organised by Philbeach and took place within Olympia 2 Exhibition Hall it was awarded the whole of the electrical contract;

(b) it participated in an arrangement whereby it was one of two nominated contractors at a hall owned by Wembley Plc; or

(c) it participated in an arrangement whereby it was the sole nominated contractor for one or more halls owned by:

Haringey Borough Council	(Alexandra Palace)
Corporation of the City of London	(Barbican Centre)
Business Design Centre Ltd	(Business Design Centre)
Randsworth Trust Ltd	(Kensington Exhibition Centre)
Novotel (UK) Ltd	(Novotel London)
Royal Horticultural Society	(Westminster Exhibition Centre)

6.5. For convenience all the halls referred to at paragraph 6.4(a), (b) and (c) are subsequently referred to as 'tied' halls.

6.6. In consequence of the matters described in paragraphs 6.3 and 6.4:

(a) competition between electrical contractors for work at the tied halls was restricted;

(b) new entry into electrical contracting at large exhibition halls in Greater London was discouraged; and

(c) the growth of potential competition in the supply of the reference services was inhibited.

6.7. We also informed the reference hall owners and all known organisers of exhibitions held in Greater London of our provisional finding.

6.8. We received a number of objections to our finding from individual companies we had provisionally identified as complex monopolists. It was argued that:

(a) There was no monopoly situation. Any restrictions on competition had nothing to do with the electrical contractors; they arose from the conduct of the hall owners or exhibition organisers.

(b) The formulation of the monopoly situation was artificial because it ignored causation which lay in the policies pursued by the hall owners or organisers.

(c) The electrical contractors we had identified so lacked homogeneity that they could not reasonably be described as a group for the purposes of section 7(1)(c) and (2) of the Act. The conduct of an in-house contractor (ie Ecando, Business Design Centre (BDC)) was of its nature different from that of an independent contractor. Furthermore Ecando was in a fundamentally different position from the other electrical contractors because it had no exclusivity.

(d) As to the arrangement whereby ECO's organiser subsidiary, Philbeach, awarded ECO's electrical contracting subsidiary, Ecando, the whole electrical contract for the exhibitions it organised at ECO halls, it would be wrong to rely on this 'without investigating the whole

pattern of relationships between exhibition organisers and electrical contractors and including all the relevant organiser/contractor arrangements within the alleged complex monopoly'.

- (e) The independent contractors did not conduct their affairs so as to prevent, restrict or distort competition; the ties were subject to a periodic tendering procedure and could also be terminated if work was not satisfactory.

6.9. We have carefully considered these arguments. In our view, section 7(1)(c) and (2) of the Act is widely drawn. It applies to any two or more persons (not themselves being a group of interconnected bodies corporate) who, whether voluntarily or not and whether by agreement or not, so conduct their respective affairs as in any way to prevent, restrict or distort competition. This does not require that the group should be 'homogeneous' in the sense that the ways in which the members of the group conduct their affairs in relation to the supply of the relevant services needs to be identical or even very similar. Here, the reference services are provided by the electrical contractors either on a preferential or an exclusive basis. The preference or exclusivity is conferred in some cases by agreement, in other cases by arrangement between members of the same corporate group or division of the company. We consider that the phrases 'whether voluntarily or not' or 'whether by agreement or not' are wide enough to cover such contracts and arrangements. As regards Philbeach's arrangements to use Ecando exclusively for exhibitions it organises at ECO halls, we believe that the participation by Ecando in them is the result of agreement, formal or informal, between ECO and its subsidiary companies Philbeach and Ecando. These arrangements are part of the complex monopoly situation.

6.10. The electrical contractors are not nominated as either preferred or exclusive contractors for particular halls unless they accept certain terms upon which their exclusivity or preference is to be enjoyed. In the case of the independent contractors these terms often include payment of commission. The electrical contractors at arm's length from the hall owners will not be tied unless in some way, formal or informal, they have indicated their willingness to accept the terms which are offered by the hall owners and such willingness has been communicated to the hall owners. Such conduct necessarily excludes competition either wholly or partly between independent contractors for electrical work at the relevant exhibitions. In the case of the electrical contractors who are either divisions or subsidiaries of hall owners, their participation in such arrangements is itself conduct which has the like effect on competitors although it may not be 'voluntary'. The mere fact that details of arrangements made by such electrical contractors may be reasonable by reference to objective criteria or are regularly reviewed and subject to challenge by open tender would not remove them from the ambit of section 7(2). However, matters of this kind fall to be taken into account when the effects of the practice on the public interest are considered (see paragraph 6.12).

6.11. We accordingly conclude that the criteria required for a complex monopoly have been satisfied. The supply of the reference services is, to the extent of at least one-quarter, supply by the electrical contractors listed below, being members of a group of persons within the meaning of section 7(2) of the Act, who conduct their respective affairs in ways that prevent, restrict or distort competition.¹

Business Design Centre Ltd
Ecando Systems Ltd
Johnson Smith & Company Ltd
Lightpower Exhibitions Ltd
S Seymour (Electrics) Ltd

We therefore conclude that a monopoly situation exists by virtue of section 7(1)(c) and (2) of the Act in favour of these named persons.

¹Towards the end of our inquiry we learned that with effect from 1 January 1990 EGC, which had had the contract to supply the reference services at the Barbican, had been replaced there by McCarthy Bailey Ltd. At that late stage we decided that it would not be reasonable to send a public interest letter to McCarthy Bailey and have accordingly not included either EGC or McCarthy Bailey in our monopoly finding. This has no material effect on the market share of the tied electrical contractors (see paragraph 3.9).

6.12. We now have to consider:

- (a) whether any steps (by way of uncompetitive practices or otherwise) are being taken by the companies for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way;
- (b) whether any action or omission on the part of the companies is attributable to the existence of the monopoly situation and, if so, what action or omission and in what way it is so attributable; and
- (c) whether any facts found by the Commission operate, or may be expected to operate, against the public interest.

The United Kingdom exhibition industry

6.13. The Incorporated Society for British Advertisers Ltd (ISBA) estimated that exhibitors (excluding those from overseas) spent £495 million on site rental, display and construction of stands at trade and consumer exhibitions in the United Kingdom in 1988; about half on exhibitions within Greater London.

6.14. Exhibitions consist mainly of 'space-only' and 'shell' stands. As to space-only, exhibitors pay for a floor area and are responsible for erecting their own stands. Shell schemes, on the other hand, provide exhibitors with modular stands which are built in blocks. Exhibition organisers commonly supply shell schemes but at some halls the hall owner provides the scheme as part of the hire of the hall; this is the case at Olympia 2, the Barbican Centre (the Barbican) and BDC.

6.15. We found that the typical small to medium-sized exhibition had a build-up time of two or three days, was open for three days and had to be dismantled in one day. A larger exhibition typically had a five-day build-up, was open for five days and had two or more days for breakdown.

6.16. We identified 13 large exhibition halls in Greater London and 27 elsewhere; they accounted for nearly all the exhibitions expenditure estimated by ISBA (see paragraph 6.13). The National Exhibition Centre (NEC), owned by Birmingham City Council and the London halls, Earls Court, Olympia and Olympia 2, all owned by ECO, accounted for some 40 and 38 per cent respectively of ISBA's estimate, and are the only venues capable of mounting the largest exhibitions.

6.17. There are over 200 exhibition organisers but we estimate that the five largest accounted for 40 to 50 per cent of organisers' turnover in 1988. Their role is central to an exhibition. They hire space from the halls, promote and sell their exhibitions, commonly provide shell schemes and take the main financial risk; they may book halls a year or more in advance. It has for many years been their usual practice, whether or not the hall is tied, to nominate a single electrical contractor for an exhibition and to require exhibitors to use that contractor. They normally issue an exhibitors' manual for each of their exhibitions, containing amongst other things information about the nominated contractor and usually his price list and order form.

6.18. Setting up an exhibition involves a variety of contractors. Apart from stand and electrical contractors, they may include carpenters, caterers, florists, photographers, graphic designers and security firms. We estimate that on average around 11 per cent of stand construction costs were spent on electrical fixtures and fittings. The reference services therefore represent only a small part of the cost of exhibiting.

Tied halls

6.19. The practice has been increasing in recent years of requiring organisers to use, or to give preferential treatment to, an electrical contractor chosen by the hall owner. In Greater London nearly all the large halls are now tied (see Table 3.1). Elsewhere the largest hall, NEC, is not tied (other than exceptionally) but ten of the others are. The estimated total size of the market for electrical contracting at the reference halls was some £8.3 million in 1988. Those electrical contractors who were tied at one or more of the reference halls accounted for £6.4 million or 77 per cent of the market.

The market for reference services

6.20. It was put to us that the concept of a Greater London market for the electrical contracting services at large exhibition halls was narrow and artificial. We do not share this view. First, large halls account for nearly all the exhibitions market. Secondly, our survey of exhibitions suggests that Greater London is a distinct market for the exhibitions industry; for a large number of the exhibitions in Greater London, the organisers would not wish to move elsewhere (see paragraph 3.15).

The public interest issues

6.21. The electrical contracting services are a very small segment of an increasingly important exhibitions industry which is characterised by a shortage of space, particularly a shortage of large venues, and a consequent need for fast turnaround times. The direct financial impact of electrical contracting services on the industry cannot be very great but these services are a crucial element in mounting exhibitions and we recognise that failure to deliver satisfactory electrical services could have serious repercussions, not least on the sensitive matter of safety (see paragraph 6.23 et seq), and on meeting the need for fast turnaround times.

Arguments in favour of the hall tie

6.22. The tied hall owners and tied electrical contractors argued that the tied system brought substantial advantages to the exhibitions industry. The rest of the industry was generally opposed to the tie.

Safety

6.23. We were told that fire or shock from faulty electrical wiring was a major risk to the public and that risk was increased in the case of exhibitions where temporary electrical wiring was continually being set up. It followed that the hall owners, who bore the ultimate responsibility, should be able to stipulate that all such work should be done by nominated electrical contractors tied to the halls or done by themselves.

6.24. We learned that regulation of exhibitions was primarily a matter for local authorities. The London Fire and Civil Defence Authority told us that it knew of 'no recorded fires in London during an exhibition'. However, we saw indications that much depended on the vigilance of the hall owners as licensees. We note that they could refuse to connect an exhibition stand to their mains if they considered it would be unsafe to do so. The National Inspection Council for Electrical Installation Contracting said that standards in exhibition hall work were not always as high as it would hope, but the safety record was good, probably because of the continuous, round-the-clock supervision of the site and immediate attention to any problems or difficulties which might arise. The Royal Borough of Kensington and Chelsea mentioned that its staffing was limited; if one of its officers was not available to inspect an exhibition, reliance was placed on the licensee and the good working practices of the electrical contractors concerned.

6.25. We should not wish in any way to underestimate the importance of the safety of electrical installations at exhibitions. It was put to us, for example, that particular care had to be exercised when an exhibition hall was part of an hotel. Nevertheless, none of the 'official' bodies which gave evidence on the regulation of exhibitions and expressed a view considered that nomination of electrical contractors for on-stand electrical work was necessary for reasons of safety, provided suitably qualified electricians were employed. We accordingly feel that the general view of the tied hall owners and tied electrical contractors that the present system of nomination makes a key contribution to safety overstates their case. Certainly, some reasonable limitation on the number of principal electrical contractors engaged to set up an exhibition might be expected to make a contribution to safety, simply by reducing the number of such contractors the licensee has to supervise. However, safety is an important element in the argument against a free-for-all in electrical contracting at exhibitions rather than a conclusive argument for preserving the hall tie.

Security

6.26. Some hall owners believed that the tie provided a worthwhile improvement in security during the build-up and breakdown of an exhibition, bearing in mind the large amount of valuable material which was often on site. Given the large number of contractors commonly working on an exhibition and the extensive employment of subcontractors by the tied electrical contractors themselves, it is difficult to see how any reasonable increase in the number of principal electrical contractors could materially affect security.

Control and organisation of work

6.27. We found quite convincing the argument that the reference halls could not function with a fast turnover of exhibitions and short build-up and breakdown intervals in a free-for-all situation where electrical contracting work on site was performed by any electrical contractor selected by the exhibitor. We had evidence from the Machine Tool Technologies Association that it had recently abandoned such an approach to setting up an exhibition because of the difficulties it had caused. We came across only one exhibition in the United Kingdom, at the large venues we studied, where unlimited exhibitor choice of electrical contractor was still allowed, the Farnborough International air show. However, this venue is so different from those of the general run of exhibitions (see paragraph 2.34) that we feel there are no conclusive lessons to be learned from this isolated case.

6.28. Similarly we were told that the practice of halls tying electrical contractors other than for mains connections was not prevalent in Europe, but it emerged that the European exhibition scene was generally so different from that prevailing in the United Kingdom that the comparison had little utility (see paragraph 2.35).

Efficiency

6.29. It was also put to us that there were gains in efficiency from tying electrical contractors in respect of both economies of scale and continuity of work. We believe that in this labour-intensive industry economies of scale are likely to be limited. There are evidently some economies in the provision of standby maintenance during an exhibition and the longer the exhibition lasts the greater the potential for savings. We were told that contractors would be unwilling to come to pooling arrangements for maintenance. However, if the cost savings are significant this might change. Employing more than one electrical contractor may not be sensible in the case of a small exhibition but as exhibitions increase in size any loss of efficiency from provision of multiple standby facilities will diminish.

Ensuring the use of financially sound and technically competent electrical contractors

6.30. There seems little doubt that the system of nomination, whether it is the organiser's own choice or at the hall owner's direction in the case of a tied hall, has resulted in the use of financially sound and technically competent electrical contractors. But, for example, the choice of any BECA contractor would be likely to have a similar effect, given the Association's financial guarantee scheme and technical standards (see paragraph 2.20).

Arguments against the hall tie

6.31. For the most part arguments against the hall tie were advanced by electrical contractors who felt that hall ties deprived them of work, organisers who wished to be free to nominate their preferred electrical contractors, and stand contractors and exhibitors who sought complete freedom to use the electrical contractor of their choice.

Prices

6.32. Stand contractors and exhibitors expressed considerable dissatisfaction about the general level of prices of the reference services and the wide variation in these prices for similar services. Our survey of exhibitions confirmed that there was a wide variation in prices, which are on a 'per item hired' basis, from one exhibition to another, the highest for our two mixes of prices being nearly 2.5 times the lowest. However, one of the difficulties in making such comparisons is that the prices of fittings sometimes include the charge for electricity consumed during the exhibition and/or the charge for connection to the mains, and neither of these hall charges is subject to our inquiry. If these and commission payments are excluded the range of prices about halves but is still large. Leaving aside any element of market pricing, possible further explanations for the price variations lie in the size, nature and duration of the different exhibitions. For example, when we excluded from our data exhibitions over 10,000 square metres or with a hire period of more than ten days the difference between the highest and lowest prices was reduced to 32 per cent in all but one case. Prices are in general higher at the large exhibitions.

6.33. We did not find any evidence of a systematic variation in prices between exhibitions in Greater London and elsewhere in the United Kingdom nor between tied and non-tied halls. Moreover, our survey of the profitability of the reference services did not indicate excessive profits. For their reference business net margins on sales, on a like-for-like basis, earned by the independent tied electrical contractors were approaching 7 per cent and Ecando's approaching 10 per cent.

Price transparency

6.34. As we explained in paragraph 6.32, price comparisons are not straightforward in this industry. It would help exhibitors to compare prices if hall charges for electricity and mains connections were shown separately in exhibition price lists; we note that this is already done in some cases. We conclude that the failure of the electrical contractors always to show their reference prices separately from the hall charges for electricity and mains connections is an omission attributable to the existence of the monopoly situation that impedes the comparison of the electrical contractors' prices and that this operates and may be expected to operate against the public interest (see paragraph 6.12(b)).

Commission

6.35. Commission is often paid by electrical contractors to hall owners and/or organisers. The level is usually 10 to 15 per cent but we have seen an example as high as 20 per cent and there may in addition be payment of a lump sum or sums (see paragraph 3.3). Some hall owners told us that the commission was paid in consideration of services (eg storage facilities and office accommodation) provided for their tied electrical contractors. Organisers gave three broad reasons for being paid the

commission which they saw as covering administrative costs, as a commission for introducing the electrical contractor to exhibitors or simply as a source of revenue (see paragraph 3.4). We note ECO's fear that if hall ties were ended, there would be a process of bidding up commission which could distort competition between contractors. In the circumstances of this industry, we believe that it is inappropriate for electrical contractors to reimburse specific services by paying a general commission. In our view this practice distorts competition between electrical contractors because the level of commission offered may be expected to influence the choice of contractor. We conclude that payment of commission by tied electrical contractors to hall owners and/or organisers is a step taken to maintain the monopoly situation, distorts competition between electrical contractors and operates and may be expected to operate against the public interest (see paragraph 6.12(a)).

Use of subcontractors

6.36. The tied electrical contractors commonly subcontract a proportion of their work at large exhibitions because it is uneconomic for them to carry a workforce large enough to cope with peaks of work. On the face of it, this might be thought to detract from the arguments advanced in favour of the tie, particularly those about safety and security. However, we do not give much weight to this view since the tied contractor remains responsible as principal for the work he has subcontracted, and it is therefore in his interests to ensure that it is carried out satisfactorily.

Effects of the tie on competition

6.37. The three biggest halls at Earls Court and Olympia plus Wembley and Alexandra Palace accounted for nearly three-quarters of the hall space available at reference halls in 1989. Moreover, the shortage of exhibition space in Greater London has enhanced the dominance of this handful of tied halls.

6.38. Although there is some opportunity for competition between electrical contractors for the tied contracts, for example when contracts fall to be reviewed or for part of the work at ECO halls, the overall effect is restrictive. The existing tied contractor has an advantage when contracts are reviewed and is apparently rarely dislodged. We found little evidence of a rigorous tendering system. On the face of it ECO appeared to have introduced competition into its arrangements but Ecando is clearly in a protected position. At Earls Court and Olympia the organiser is obliged to give Ecando a 'reasonable proportion' of the electrical contracting work, usually 50 per cent, if Ecando quotes prices not in excess of and on terms no less favourable to the organiser than those submitted or offered by any other firm of electrical contractors of good standing and repute. Additionally it is the only electrical contractor at Olympia 2. Furthermore, the negotiations between Ecando and other electrical contractors to establish common prices for an exhibition where the work was shared seemed less than fully competitive (see paragraph 3.27).

6.39. It is difficult for a new entrant to get work in the tied halls. This is so even when choice of tied contractor is reviewed from time to time because reputation tends to be more important than the offer of a lower price. It would be a considerable risk to use an untried firm at a large exhibition since the exhibition's success inter alia depends on the electrical contractor completing the work on time. We were told that one way to enter the industry as a principal contractor was to start at small venues and slowly work up, for example following a successful exhibition as it grew. However, the opportunities for such entry are limited if halls are tied. It is also possible to enter as a subcontractor at the larger exhibitions but this tends to be less attractive financially because the available profit margin is shared with the principal contractor. A more open market would provide better opportunities for an objective test of the ability of a new entrant to deliver a satisfactory level of service at a competitive price.

6.40. Similarly, the growth of established electrical contractors with experience of the exhibitions industry is impeded by the difficulties in the way of their getting contracts as principals at tied halls.

6.41. We conclude that the electrical contractors' participation in the arrangements tying them in the various ways we have described to certain exhibition halls in Greater London represents steps taken by way of uncompetitive practices to exploit and maintain the monopoly situation which operate and may be expected to operate against the public interest (see paragraph 6.12(a)).

Summary of conclusions on the public interest

6.42. We have considered the facts we have found in the course of our inquiry including those which flow from the practices of the electrical contractors who are within the complex monopoly we have described. We have concluded that certain of those facts operate or may be expected to operate against the public interest as follows:

- (a) the failure of the electrical contractors always to show their reference prices separately from the hall charges for electricity and mains connections is an omission attributable to the existence of the monopoly situation that impedes comparison of the electrical contractors' prices (paragraph 6.34);
- (b) the electrical contractors' payment of commission to hall owners and/or organisers distorts competition between electrical contractors and is a step taken to maintain the monopoly situation (paragraph 6.35); and
- (c) the electrical contractors' participation in the arrangements tying them in the various ways we have described to certain exhibition halls in Greater London represents steps taken by way of uncompetitive practices to exploit and maintain the monopoly situation (see paragraph 6.41);
 - (i) restricts competition between electrical contractors for work at tied halls (paragraph 6.38);
 - (ii) discourages new entry into electrical contracting at tied halls (paragraph 6.39); and
 - (iii) inhibits the growth of potential competition in the supply of the reference services (paragraph 6.40).

6.43. We have also concluded that the above facts have the particular effects adverse to the public interest described at paragraph 6.42(a), (b) and (c)(i), (ii) and (iii).

Recommendations

6.44. We are required by section 54(3) of the Act, as part of our investigations, to consider what action (if any) should be taken for the purpose of remedying or preventing any adverse effects we find and if we think fit may make recommendations as to such actions.

6.45. On the matter of price transparency (see paragraph 6.34) we recommend that for each exhibition where an electrical contractor is nominated a schedule of the electrical contractor's prices for the supply of the reference services should be included in the publication commonly known as the exhibitors' manual which organisers send to exhibitors before an exhibition. The schedule should show clearly and separately from any associated charges the price for hire and installation of electrical fittings.

6.46. As to the payment of commission by the electrical contractors to hall owners and/or organisers (see paragraph 6.35), we recommend that the practice should be prohibited.

6.47. Devising a suitable remedy in respect of the hall tie is not an easy matter. We have rejected as impracticable the so-called 'free-for-all' under which each exhibitor would be free to choose his own electrical contractor (see paragraph 6.27). We considered a number of other suggestions, including that the organiser's choice should be made from a list of electrical contractors approved by the hall owner, but concluded that they either would not introduce a sufficient measure of competition in the choice of electrical contractor or were impracticable. Freedom of choice for the exhibition organiser is, however, a different matter.

6.48. The effects of electrical contractors either being tied to halls or being independently nominated by organisers are in some respects similar. In both cases the disadvantages inherent in a free-for-all in respect of safety, security and control and organisation of work are avoided (see paragraphs 6.23 to 6.28). They equally have the effect of denying exhibitors the freedom to choose the electrical contractors who will work on their stands. However, a significant difference between the hall tie and independent nomination by organisers emerges in their effect on competition because there are many more organisers than hall owners. For example, we identified some 130 organisers of exhibitions in reference halls in 1988 compared with 11 reference hall owners. Allowing organisers independently to nominate electrical contractors at the halls which are presently tied would thus provide more opportunities for electrical contractors to compete for work, and allow a greater number of electrical contractors to remain in the market as principal contractors.

6.49. We also note that some 40 per cent of respondents to our survey of organisers used competitive tendering as part of their selection process (see paragraph 3.20) whereas we found little evidence that the tied halls had a rigorous tendering system (see paragraph 6.38). Furthermore, although organisers may stay with a particular electrical contractor indefinitely, we understand that they keep his performance and prices under continuous review. It might also be argued that the organiser is closer to the exhibitor and therefore more likely to recognise the exhibitor's reasonable expectation of receiving good electrical services at a competitive price.

6.50. However, there has been some increase in concentration amongst organisers (see paragraph 2.12). We estimated that in 1988 the five largest organisers had between 40 and 50 per cent of the United Kingdom market. Their share of the Greater London market was probably a little larger. ECO told us that in 1990 its six biggest customers (excluding Philbeach) would organise 54 per cent by number of exhibitions in the ECO halls whereas in 1988 the percentage for the top seven was 44 per cent. Another important feature is that some of the larger organisers have agreements with a single electrical contractor to service all their exhibitions over a number of years. We also recognise that probably only the larger electrical contractors with an established reputation in the exhibitions industry could have any expectation of gaining a long-term nation-wide contract with a leading organiser. Nevertheless, in the existing state of the market, we believe that organiser choice of electrical contractor would improve competition because the organisers presently have less market power than the tied hall owners. Protection for hall owners against unsafe or shoddy work would remain in their rights of inspection and their control of connection to the mains supply.

6.51. The position could change if concentration amongst organisers increases to any great extent. The Director General of Fair Trading will no doubt watch for further increases in organiser concentration and make a further reference to the Commission if that is appropriate.

6.52. Our recommendation regarding the hall tie is that the practice of hall owners requiring their tied electrical contractors to be employed either wholly or partly for the supply of electrical contracting services at large exhibition halls in Greater London should not be allowed.

6.53. When the exhibition organiser is itself within a corporate group which includes (a) a hall owner and (b) an electrical contractor, we believe that the nomination of such an electrical contractor by that organiser should not be permitted at the hall owner's hall(s) nor should the organiser or hall owner be permitted to carry out the reference services itself, since in such circumstances the restriction of competition in the provision of electrical contracting services would still effectively remain. Consistently with this we recommend that Philbeach should not be permitted to nominate

Ecando or any other electrical contractor within the same corporate group, nor following any reorganisation of the corporate structure or of the activities of the group should Philbeach or ECO be permitted to carry out the reference services itself, at ECO halls. By parity of reasoning, we also make the general recommendation that where a corporate group includes an exhibition organiser, a hall owner and an electrical contractor the nomination by the organiser of such an electrical contractor, or provision of reference services by the organiser or hall owner itself, should not be permitted at the hall owner's halls.

6.54. We carefully considered whether we should distinguish between space-only and shell schemes in our recommendations. We note, for example, that ECO felt very strongly that the semi-permanent shell scheme at Olympia 2 could be efficiently serviced only by Ecando, its own in-house electrical contractor. ECO told us that the hall was on four floors (a fifth would open in 1990) and access for exhibitors and contractors was limited. Ecando's ability to leave much of the electrical equipment on the floors was essential to ECO's achieving the short intervals between exhibitions usual at Olympia 2.

6.55. In our view, it would be impracticable to make an exception for shell schemes. Nor do we believe that such an exception is necessary. Should there be strong efficiency advantages in having an in-house electrical contractor in a particular location, whether the contractor is a separate subsidiary company, the hall owner himself or a recommended independent contractor, those advantages can no doubt readily be reflected in the electrical contractor's price and organisers and their exhibitors may be expected to recognise where their best interests lie in the choice of electrical contractor.

D G RICHARDS (Chairman)

J EVANS

M R HOFFMAN

G C S MATHER

L A MILLS

S WAINWRIGHT

S N BURBRIDGE (Secretary)

9 February 1990