TO: SECRETARY OF STATE FOR TRADE AND INDUSTRY
FROM: JOHN VICKERS
DIRECTOR GENERAL OF FAIR TRADING

3 March 2003

REVIEW OF STATUTORY UNDERTAKINGS GIVEN BY RENTOKIL INITIAL PLC

ISSUE

1. The OFT has reviewed the undertakings given to the Secretary of State for Trade and Industry by Rentokil Initial plc (Rentokil) in 1988 (the Undertakings), following the Monopolies and Mergers Commission’s Report on the Supply of Pest Control Services in the United Kingdom¹ (the MMC Report). A copy of the Undertakings is at Annex A.

2. I am advising you under s88(4) of the Fair Trading Act 1973 (the FTA) as to whether, by reason of any change of circumstances, the Undertakings are no longer appropriate and, if so, whether Rentokil should be released from the Undertakings, or whether the Undertakings should be varied or superseded.

3. Since the Undertakings were signed, there have been significant changes in the law and in the market for pest control services. The Competition Act 1998 (the CA98) gives the OFT stronger powers to act against anti-competitive conduct than were available to it at the time of the MMC Report. Additionally, there is evidence of more competition in the pest control service industry which also suggests that the Undertakings may now no longer be appropriate.

RECOMMENDATION

4. I recommend that you release Rentokil from the Undertakings in their entirety.

TIMING

5. Routine.

TRANSPARENCY

6. Subject to comments from relevant parties, it is intended to publish an edited version of this advice, including the Annexes, as soon as practicable.

¹ Cm 302.
BACKGROUND

The reference

7. The MMC Report on the supply of pest control services concluded that Rentokil was a scale monopolist and that its monopoly acted against the public interest. The MMC found that Rentokil had freedom to fix its prices largely unconstrained by competition and enjoyed high margins that enabled it to defend its monopoly position through selective price-cutting. This caused prices to be higher than they would have been if normal competition had existed. Rentokil subsequently gave undertakings to the Secretary of State for Trade and Industry designed to address the public interest concerns identified by the MMC.

8. The Undertakings require Rentokil:

(i) to ensure that prospective customers are given a written breakdown of the calculation of estimated charges before contracting for the supply of pest control services;

(ii) where pest control services contracts are for a period of one year or more, to give customers an annual written breakdown setting out certain charging details (save where the customer has given notice to terminate the contract);

(iii) to notify the OFT of the Company’s proposed acquisitions of pest control companies;

(iv) not to refuse (or threaten to refuse) to supply bromadiolone on normal commercial terms to competitors;

(v) to supply to the OFT such information as may be required to monitor compliance.

History of compliance

9. Following the MMC Report and the Undertakings being given, the OFT continued to receive complaints about Rentokil. Some complainants argued that the Undertakings were not being complied with. There were also complaints that Rentokil was engaging in selective price-cutting. In 1995, following a further OFT inquiry, Rentokil agreed to issue revised guidance notes to its employees, the purpose of which was to ensure that Rentokil employees complied fully with the Undertakings when negotiating contracts with customers by providing them with a written breakdown of the calculation of estimated charges.

10. Subsequent to the 1995 inquiry, a further substantive complaint was made which led to a more extensive OFT review of Rentokil’s compliance with the Undertakings in 1998. The review, based on a sample of contracts entered into by Rentokil over a three year period (1995–1998), found no evidence to suggest that the Undertakings were being infringed.
11. In the period since this last review we have received only a limited number of complaints alleging that the Undertakings have been breached, none of which have been substantiated following further investigation.

Change of circumstances

12. The Director General of Fair Trading has a duty to keep under review the carrying out of undertakings, and from time to time to consider whether, by reason of any change in circumstances, such undertakings are still appropriate or should be varied or superseded (s88(4)(a) of the FTA), and to advise the Secretary of State if it is concluded that a person can be released from undertakings or whether they should be varied or superseded (s88(4)(b) of the FTA). On 9 April 2002, Rentokil asked the OFT to advise you to release it from the Undertakings on the basis that the Undertakings were no longer required, given changes since 1988 in both the market and the law (most notably the introduction of the CA98).

13. The OFT has considered whether, by reason of any change of circumstances, the Undertakings are no longer appropriate and, if so, whether the parties should be released from the Undertakings or whether the Undertakings need to be varied or superseded by new undertakings.

14. In order to assess the case for the Undertakings' removal, variation, or continuance, the OFT undertook a consultation exercise.

15. The OFT issued a consultation paper in August 2002, which was sent to a wide range of interested parties, and published on the OFT’s website. A copy is attached to this submission (as Annex D). In addition, the consultation was announced by press release and advertised on the OFT website and in Pest Control News, the main trade publication for the industry.

16. The consultation asked for views on a number of issues, including: how the market should be defined; the size of barriers to entry facing new competitors; whether Rentokil has faced more competition since the MMC Report; whether the CA98 would safeguard effective competition if Rentokil was released from the Undertakings in their entirety; whether Rentokil should be released from the Undertakings; whether the Undertakings have been effective in addressing the adverse effects identified in the MMC Report; whether the market is working well for consumers; and, if so, whether the market would continue to work well if Rentokil was released from the Undertakings. A summary of the responses is provided in Annex B.

17. The consultation period ran from 6 August 2002 to 25 October 2002. The OFT received 32 written responses to its consultation. Of these, 20 provided some substantive information, although only a few dealt with every issue.

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Market definition

18. The OFT believes that it may be appropriate to distinguish between the supply of pest control services to (i) domestic, business and public sector customers on a local basis, and (ii) national-account customers, where competition takes place on a national scale. Responses to the consultation indicated that national-account customers generally prefer to use the services of a single, well-known pest control company able to provide national coverage and that – for those particular contracts – local competition may have little effect on constraining the pricing behaviour of larger, better established firms. However, while the distinction between national-account customers and other customers has been maintained in the following analysis, the OFT has not made a firm decision as to whether local and national-accounts are in separate markets. The OFT’s observations on the pest control service industry are set out at Annex C.

Market developments

19. There is evidence of structural change at the local level, where competition appears to have improved considerably over the period since the MMC Report was published. Barriers to entry facing firms aiming to supply pest control services to domestic, business and public sector customers on a local basis are low, as witnessed by substantial numbers of new entrants since 1988.

20. There appears to have been some limited structural change in the supply of pest control services to national-account customers. Barriers to entry are higher for pest control firms wishing to compete for national-account customers because of the need to establish a reputation for quality and to offer suitable geographic coverage within the UK. At the time of the MMC Report Rentokil was the only pest control company with service branches spread across most of the UK. Only a few other pest control businesses operated from more than one location, but none of these were able to offer national coverage.

21. However, competition for national-account customers appears to have increased since 1988 in two ways. First, Rentokil now faces competition for the supply of pest control services to national-account customers from Terminix, a company which entered the UK in 1994. Like Rentokil, Terminix has a network of branches spread across most of the UK. Terminix is currently the second largest company in the pest control industry.

22. Secondly, one response from a trade association suggested that there has been an increase in demand for pest control services from regional multi-site customers. Regional contracts allow smaller pest control companies that provide regional coverage more scope to expand. This opportunity for regional firms to

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3 For the purpose of this analysis, ‘national-account customers’ mean customers who require multi-site contracts i.e. supermarkets, brewers, etc. across several regions i.e. most, or the whole, of the UK.

4 There is no need to take a firm view on the relevant market. Adopting a wider market definition, where national-account and local customers are in the same market, would not change a recommendation as to whether or not to release Rentokil from the Undertakings. See footnote 8 below.
establish themselves is potentially important if, as seems plausible, some national buyers would be willing to award pest control contracts on a region-by-region basis. Regional firms should thus have a greater potential to compete with Rentokil for national-account customers.

23. Rentokil estimates that its share of supply of pest control services within the industry as a whole (i.e. including supply to local and national customers) has fallen from between 61-64% in 1985 to 31% in 2000 (see Annex C, Tables 1 and 2). However, during the course of the consultation, one respondent raised concerns, based on findings made by a firm of consultants, that the size of the industry in 2000 had been significantly overestimated and Rentokil’s share underestimated. The consultants in question estimated that, in 2001, Rentokil’s share of supply was between 30-40% for the industry as a whole and was 47% in respect of outsourced work.⁵

24. There are no reliable estimates of the value of the supply of pest control services to national-account customers or local domestic/business/public sector customers, nor of Rentokil’s share of the supply of pest control services to either customer group.⁶

**Legal developments**

25. The CA98, came into force on 1 March 2000. It contains two prohibitions. The Chapter I prohibition covers agreements, decisions by associations of undertakings or concerted practices which have as their object or effect, the prevention, restriction or distortion of competition in the UK. The Chapter II prohibition covers conduct by one or more undertakings which amounts to the abuse of a dominant position in a UK market, which may affect trade in the UK. If there are reasonable grounds to suspect that either of the CA98 prohibitions have been infringed, the OFT may use powers granted under CA98 ss26-28 to investigate the suspected infringement. An undertaking found to be infringing either of the CA98 prohibitions may be subject to a financial penalty of up to 10 per cent of its UK turnover.

26. Third parties may complain to the OFT if they are concerned about anti-competitive conduct, agreements or practices. Third parties suffering loss due to anti-competitive agreements or conduct can also initiate private actions in UK courts.

27. Although not a change of circumstances, it is also worth noting that the merger control provisions of the FTA are due to be replaced by the new merger control provisions of the Enterprise Act 2002, which comes into force later this year. The new provisions will provide a means of intervention against mergers that may be expected to cause a substantial lessening of competition. In the meantime, the merger control provisions of the FTA continue to apply.

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⁵ It is not clear whether ‘outsourced’ refers to the supply of pest control services as a whole or to business customers (local and national) and local authority customers only.

⁶ See Annex C.
28. The change of circumstances arising from the introduction of a new legal regime such as the CA98 could itself be sufficient grounds to justify releasing Rentokil from the Undertakings, in as much as the CA98 is a more appropriate mechanism to deal with anti-competitive agreements or behaviour in the pest control services industry.

Analysis of the appropriateness of the Undertakings

The pricing undertakings

29. The pricing undertakings (undertakings (i) and (ii)) were recommended by the MMC to remedy Rentokil’s ability to charge high prices. Most respondents to the consultation agreed that the pricing undertakings have been largely unsuccessful in achieving this aim and that Rentokil is still able to set prices without regard to its competitors and customers. It should be noted though that the pricing undertakings themselves only address price transparency and do not refer to the level of Rentokil’s prices.

30. Responses also suggest that the pricing undertakings have had only limited success in making customers better informed of prices. Despite this, all of the respondents commenting on this issue nevertheless thought that the pricing undertakings should be retained.

31. While there is clearly support from respondents to the consultation for retaining the pricing undertakings, developments since the MMC Report indicate that Rentokil does now face more competition from rival firms, compared to 1988, at both the local and national level. As noted above, responses to the consultation suggest that, for the supply of pest control services at the local level, Rentokil faces increased competition due to substantial new entry by pest control businesses in the period since the MMC Report was published.

32. Further, national-account customers appear to have at least one more choice of supplier that can provide national coverage (i.e. Terminix), than at the time of the MMC Report, as well as the option to use regional suppliers. This should have improved national-account customers’ negotiating position with Rentokil and it seems likely that national-account customers will now have greater buyer power than at the time of the MMC Report.

33. The developments outlined above suggest that, if Rentokil is released from the pricing undertakings, it is still likely to have to offer a clear breakdown of costs if this is considered important by customers, both to remain competitive with local pest control companies, and because its national-account customers will have sufficient negotiating strength to demand this information if they wish to have it.\(^7\)

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\(^7\) See paragraph 7.23 of the MMC Report.

\(^8\) As set out above, this analysis distinguishes between the supply of pest control services to national-account customers and domestic/business/public sector customers at the local level. If, however, national-account customers will view local suppliers as a realistic alternative to Rentokil, this would re-enforce the conclusion that there has been an increase in competition to supply national-account customers.
34. In any case, the more important change in circumstances has been the coming into force of the CA98 in March 2000. If there are reasonable grounds to suspect that Rentokil’s pricing practices amounted to the abuse of a dominant position, then these could be investigated as a potential infringement of the Chapter II prohibition of the CA98.

35. In view of the above, the case for retaining the pricing undertakings appears weak. I therefore recommend that you release Rentokil from these undertakings.

The undertaking relating to acquisitions

36. Almost all respondents to the consultation thought that Rentokil should continue to be required to inform the OFT of proposed acquisitions of pest control companies (undertaking (iii)). The most common reason for this was a fear that Rentokil would initiate an aggressive acquisition strategy if it was released from the undertaking.

37. This undertaking was intended to assist the OFT to monitor Rentokil’s actions in case, for example, it decided to undertake a series of creeping acquisitions which might have prevented or restricted competition in local markets. However, given that there are now more pest control businesses competing with Rentokil, both at the local and national level, and in view of general merger law, the undertaking does not now seem appropriate.

38. Although not a change in circumstances, the merger control provisions of the Enterprise Act 2002, which will come into force later this year, will allow the prevention of any acquisitions which may be expected to cause a substantial lessening of competition. While notification is not statutory, competitors and customers of Rentokil are free to inform the OFT of any acquisitions which they consider may reduce competition. In the meantime, the provisions of the FTA continue to apply. Furthermore, the OFT carries out its own monitoring of transactions which may give rise to a merger situation.

39. Accordingly, I recommend that you release Rentokil from this undertaking.

The undertaking relating to bromadiolone

40. Bromadiolone is an anti-coagulant rodenticide commonly used in the pest control industry. In 1978 Rentokil made an oral arrangement with a French manufacturer for the exclusive supply of bromadiolone in the UK, which was then a new product. At the time of the MMC Report, Rentokil did not supply bromadiolone to its competitors.

41. As part of the OFT’s review of the Undertakings, consultees were asked whether Rentokil was still the only viable supplier of bromadiolone and whether there were now adequate substitutes such that Rentokil could be released from
the requirement not to refuse or threaten to refuse to supply bromadiolone on
normal commercial terms to its competitors (undertaking (iv)).

42. Responses were mixed but indicate that there are now a number of substitute
products available from suppliers other than Rentokil. Responses also indicate
that Rentokil is no longer the only supplier of bromadiolone, although some
responses suggest that it remains the only supplier of bromadiolone as a dust
contact or in grain bait form.

43. If Rentokil refused to supply bromadiolone to competitors in the future then it
appears that they could either use competing products or purchase bromadiolone
from other sources. Therefore, the undertaking does not now seem appropriate.
Further, if there were reasonable grounds to suspect that Rentokil had abused a
dominant position by refusing to supply a competitor with bromadiolone, then
this could be investigated as a potential infringement of the Chapter II
prohibition.

44. I therefore recommend that you release Rentokil from this undertaking.

Compliance

45. If you decide to release Rentokil from the undertakings covered above then the
undertaking requiring Rentokil to supply such information to the OFT as is
needed to enable it to monitor compliance with these undertakings (undertaking
(v)) would be redundant.

CONCLUSION

46. Since the Undertakings were given in 1988, two things have changed. The
market for pest control services has become more competitive, at least at local
level, and in particular the CA98 has come into force. Taking these
developments together, there is no longer a need for the Undertakings. The OFT
favours releasing firms from undertakings wherever market developments and/or
the availability of CA98 powers make that appropriate. The OFT will keep the
pest control services market, including the conduct of Rentokil, under scrutiny,
and will be ready to use competition law (including merger) powers if the need
arises.

47. I therefore recommend that Rentokil be released from the Undertakings in their
entirety.

John Vickers
Director General of Fair Trading
ANNEX A: THE 1988 UNDERTAKINGS

PEST CONTROL SERVICES

1. Title of report: Pest Control Services: a report on the supply of pest control services in the United Kingdom (MMC - Cm 302)

2. Date of report: 17 December 1987
   Published: February 1988

3. Date of original undertakings: 14 September 1988

4. Companies giving undertakings: Rentokil Group plc

5. Details of undertakings:

   (i) To ensure that prospective customers are given a written breakdown of the calculation of estimated charges before contracting for the supply of pest control services;

   (ii) Where pest control services contracts are for a period of one year or more, to give customers an annual written breakdown setting out certain charging details (save where the customer has given notice to terminate the contract);

   (iii) To notify the OFT of the Company’s proposed acquisitions of pest control companies;

   (iv) Not to refuse (or threaten to refuse) to supply bromadiolone on normal commercial terms to competitors;

   (v) To supply to the OFT such information as may be required to monitor compliance.
ANNEX B: SUMMARY OF CONSULTATION RESPONSES

The OFT consulted Rentokil, its competitors and customers in August 2002 about the changes in the supply of pest control services since the MMC Report. The consultation paper was sent to: 249 pest control companies, 170 potential buyers of pest control services, 27 manufacturers and distributors of rodenticide products, 14 public sector bodies and government departments\(^9\) and 7 representative bodies, including 2 trade associations of pest control companies. It was also published on the OFT website.\(^10\)

This annex presents a summary of responses to this consultation under a number of main headings.

**Market definition**

Views were invited on whether the supply of pest control services to domestic and business customers comprised two separate product markets. Consultees were also asked whether the supply of pest control services to national-account customers could be considered a separate market; and whether local authorities providing pest control services to domestic customers were also able to supply services to business customers.

Almost all respondents considered that there were separate markets for the supply of pest control services to domestic and business customers due to differences in the types of services required by them.

Most respondents also stated that national-account customers constituted a separate market. Some respondents stressed that multi-site customers might be reluctant to contract with many different service providers for each local site, or even with many different regional suppliers and, thus, that pest control companies with a national network were better placed to compete for these customers.

All the respondents stated that business customers did not regard local authorities as adequate alternatives to private sector pest control firms, chiefly because they lacked the necessary skills and resources to service potential customers across the full range of pest related problems that might be encountered. Local authorities tend to concentrate their efforts in providing services to domestic customers and appear to have few dealings with business customers.

**Entry and exit conditions**

All respondents considered that there were low barriers to entry for the supply of pest control services to domestic and local business customers. No formal training or qualifications were needed and start-up costs were small. Some competitors indicated, however, that it would be difficult for a new entrant to establish itself in the market for national-account customers, with most new entrants lacking either the business skills or reputation to be taken seriously.

\(^9\) i.e departments which the OFT thought might have an interest in the consultation.

One respondent also claimed that business accounts tend to be bundled together with other services, in a ‘facilities management portfolio’, which Rentokil is able to provide (because of the breadth of its general office support services portfolio) but smaller competitors cannot.

On the other hand, the response from a trade association suggested that the industry had evolved since 1988 and that multi-site contracts could now be considered regional as well as national, opening up competition for national-accounts to a greater number of companies.

Pricing

The MMC found that Rentokil’s prices were high enough to allow it to cut its prices drastically to counter competition and that this inhibited competition. The remedy proposed by the MMC against the charging of high prices was to provide customers with more information.

The pricing undertakings were secured in response to the MMC’s recommendations and require Rentokil to provide prospective customers with a written breakdown of estimated charges before contracting for the supply of pest control services. Where contracts are for more than a year, Rentokil is also required to give customers an annual written breakdown setting out certain charging details (save where the customer has given notice to terminate the contract).

Consultees were asked whether the undertakings had been effective and whether the undertakings relating to price information should be removed.

Most of the respondents to this question said that the undertakings requiring Rentokil to supply price information had either not addressed the adverse effects identified by the MMC, or had been only partially effective. One respondent stated that the information given by Rentokil was largely ignored or not understood by customers. Nevertheless, (and somewhat inconsistently) all the competitors and customers who responded to the question stated that the pricing undertakings should remain.

More generally, most respondents commented that Rentokil was still able to charge prices without regard to its competitors and customers. One large national-account customer, for example, commented that it believed Rentokil is still able to set high prices to business customers. The respondent said that business customers who need to use a company with an established reputation have a very limited choice of adequate suppliers, enabling Rentokil to set prices independently of competitive pressure. It is not clear whether this customer had considered Terminix or other reputable companies as appropriate alternatives.

Conversely, other national customers said that they did use local providers and that they would only use Rentokil if there were no alternatives, suggesting that Rentokil does face constraints on its ability to set prices in some locations.

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12 Ibid., paragraph 7.23.
Acquisitions

Consultees were asked whether current market conditions would allow Rentokil to reduce competition by acquiring its competitors or whether there were now sufficient competitors to prevent it exercising its market power in this way. Consultees were also asked whether Rentokil should be released from the undertaking to notify the OFT of all proposed acquisitions.

Only one respondent stated that there were sufficient numbers of new competitors to prevent Rentokil from reducing competition. All the remainder were concerned that Rentokil would be able to restrict competition through acquisition and asked for the undertaking relating to acquisitions to be retained. One of the largest of Rentokil’s competitors stated that Rentokil could buy all major competitors save Terminix out of ‘petty cash’.

It is worth noting here that some replies highlighted an apparent misconception about the scope of the Undertakings. A number of respondents appeared to believe that the Undertakings prevented Rentokil from acquiring any of its competitors, rather than simply requiring Rentokil to notify the OFT of its intention to do so.

The Competition Act 1998

Consultees were asked, if Rentokil was released from the Undertakings, whether the CA98 would act as an appropriate mechanism to deal with any anti-competitive agreements or behaviour adopted by Rentokil.

Most respondents who addressed this question (only 7 in total) were pessimistic about the CA98’s ability to do this. However, no substantive reasons why any anti-competitive agreements or conduct entered into by Rentokil could not be addressed under the CA98 were identified.

Changes in the supply of bromadiolone

Consultees were asked whether adequate substitutes to the rodenticide bromadiolone were now available and whether Rentokil was still the only viable supplier of this product.

The majority of respondents stated that there were now more suppliers and viable substitutes available. Two respondents stated that Rentokil was still the only supplier of bromadiolone in the format that they required (grain bait and as a dust contact). However, a competing manufacturer of rodenticides stated that bromadiolone was now available in a number of formulations from sources other than just Rentokil.

General and other considerations and anti-competitive practices

Consultees were asked whether the Undertakings had in general been effective in remedying the problems that had been identified by the MMC. Most respondents thought that the Undertakings had been partially effective, though several replies indicated that the largest benefit had been felt by domestic customers, with the
Undertakings having only limited impact on competition at the business and national-account levels of supply.

Consultees were asked for their opinions on whether the market was working well for consumers and whether it would continue to work well if Rentokil was released from the Undertakings. If not, consultees were asked what other factors prevented the market from operating effectively.

Most respondents considered that the market was working well for consumers, but there was still concern amongst some respondents that business customers only had a limited choice of suppliers.

Respondents were generally pessimistic about developments if Rentokil was released from the Undertakings, but no substantive reasons or problems were identified.
ANNEX C: THE PEST CONTROL SERVICES INDUSTRY

Market definition

Based on the responses to the consultation and further analysis the OFT has considered whether:

- there are local markets for domestic, public sector and most business customers;
- whether there is a national market for larger, national-account customers.

Contrary to most respondents’ views, the OFT believes that small local businesses and domestic consumers do not necessarily form separate product markets. It is feasible that a local pest control company geared to servicing domestic customers could serve some local business or public sector requirements without the need for making substantial sunk investments and vice-versa.

On the other hand, it can be argued that to win national contracts pest control service suppliers need to have an established reputation and to be able to provide national coverage. These attributes are highly valued by national-account holders and the services provided by small local pest control companies are unlikely to be considered as adequate substitutes for these customers. Entry barriers to supply at the national level are also likely to be high. For these reasons the OFT believes that there may be a separate market for national-account customers.

While the OFT has not reached a firm conclusion on this issue, for the purposes of this analysis we distinguish between national-accounts and local accounts.

Market shares

Tables 1 and 2 set out information on Rentokil’s share of supply to all customers in 1985 and 2000.

Table 1 Estimates of the total size of the UK market for the supply of pest control services by sales value in 1985

<table>
<thead>
<tr>
<th></th>
<th>Sales Value (£million)</th>
<th>Sales Value (£million, excluding EFKs)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rentokil</td>
<td>27.7</td>
<td>24.4</td>
</tr>
<tr>
<td>Other Private Sector Suppliers</td>
<td>11.4</td>
<td>11.4</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Total</td>
<td>43.6</td>
<td>40.3</td>
</tr>
<tr>
<td>Rentokil Market Share (%)</td>
<td>64.0</td>
<td>61.0</td>
</tr>
</tbody>
</table>

* EFKs stand for electronic fly killers’ hire and sales. It was not possible to exclude EFK hire and sales from the estimate for private sector suppliers other than Rentokil.

Source: MMC, Cm302, Table 2.1, Page 5.
Table 2: Estimates of the total size of the UK market for the supply of pest control services by sales value in 2000

<table>
<thead>
<tr>
<th></th>
<th>Turnover (£million)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rentokil</td>
<td>66.7</td>
<td>31.0</td>
</tr>
<tr>
<td>7 Main Competitors</td>
<td>48.9</td>
<td>22.8</td>
</tr>
<tr>
<td>182 other service members of BPCA @ £180,000 each</td>
<td>40.3</td>
<td>18.7</td>
</tr>
<tr>
<td>1042 non BPCA members @ £36,000 each</td>
<td>31.0</td>
<td>19.1</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>18.0</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>214.9</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Rentokil

The information supplied by Rentokil (Tables 1 & 2) suggests that its share of supply to the whole industry has fallen from over 60% in 1988 to 31% in 2000. However, one of Rentokil’s competitors indicated in its response that the total value of the pest control industry in 2000 had been significantly over-estimated and Rentokil’s share of supply under-estimated. The respondent suggested that, based on estimates by independent consultants, Rentokil’s share of supply was more likely to be in the region of 47% for outsourced work. This respondent suggested, also, that as much as 90% of Rentokil’s turnover is generated by business sales, either at the local or national level.

The size of the pest control industry by value in 2000, according to Rentokil, was £214.9 million.\(^{13}\) It was noted in the consultation paper, based on Rentokil’s estimates, that national-accounts accounted for 7% of this total.\(^ {14}\) However, some other responses suggested that national-accounts accounted for a far higher share of the total. The OFT accepts that national-accounts may account for more than 7% of this total, but has not come to any firm view on the point.

**Entry and exit conditions**

Estimates supplied by Rentokil suggest that the number of companies operating in the pest control industry rose from 252 in 1987 to 1,299 in 2000.

It seems, however, that most of this entry has occurred at the local level, mainly because potential new entrants face substantial barriers to entry at the national level. These include the sunk costs of setting up a national coverage network and of building up a reputation among customers.

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\(^{13}\) Review of undertakings given by Rentokil Initial plc – a consultation paper. Table 3.2 page 13.

\(^{14}\) Ibid. Paragraph 3.6.
The OFT believes, for instance, that some national-account customers are not very sensitive to price when choosing suppliers, as pest control may be a very small proportion of their expenditure. These customers may be more concerned with the reputation of the company, their ability to provide national coverage and/or to provide a portfolio of services under one national contract.

Nevertheless, as noted above, it appears that there has been some growth in regional multi-site business since the MMC Report. The response from a trade association indicated that multi-site contracts could now be considered regional as well as national, opening up competition to a greater number of companies.

The OFT believes that this is potentially an important development. It may be possible, for example, for smaller pest control companies to grow large enough to compete effectively on a national scale and/or to develop the reputation to serve national-account customers by at first being potentially able to win regional multi-site contracts.

In practice, however, the OFT believes that a player with a regional network of pest control service branches may be more likely to compete on a national scale through links with, or the acquisition of, suppliers in other regions, eventually allowing it to establish a national portfolio.

**Conclusion**

To summarize, it appears likely that:

- Rentokil’s share of supply to the whole pest control industry has declined since 1988. Most of this decline is likely to be due to new entry by pest control firms at the local level.
- Entry barriers are low at the local level but are significantly higher for companies wishing to supply national-account customers.
- The growth in regional multi-site business accounts is potentially an important development which may facilitate increased competition for national-account contracts in the long term.
Review of undertakings given by Rentokil Initial plc

A consultation paper

August 2002
Further copies

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### Annexe

| A | Alphabetical list of consultees | 21 |
| B | The undertakings                | 29 |
1 INTRODUCTION

Review of undertakings

1.1 Following the publication of the Monopolies and Mergers Commission (MMC) report on the supply of pest control services in the UK in 1988, Rentokil Group plc (now known as Rentokil Initial plc) gave undertakings to the Secretary of State for Trade and Industry. These undertakings are now under review.

Purpose and scope of the review

1.2 The Office of Fair Trading (OFT) has a duty to review undertakings, given in consequence of an adverse public interest finding by the MMC under section 88(4) of the Fair Trading Act 1973, to ensure they remain appropriate. We shall consider whether circumstances have changed, making it necessary to vary the undertakings, supersede the undertakings with new undertakings, or release Rentokil from them.

Timing

1.3 Responses to this consultation paper are requested by 25 October 2002. It may not be possible to take into account responses received after this date.

Consultation aims

1.4 In the light of the introduction of the Competition Act 1998 and in particular the prohibition contained in that Act of conduct by one or more undertakings which amounts to the abuse of a dominant position in a UK market, which may affect trade within the UK, the OFT is seeking views that will enable it to assess:

- whether the undertakings are still an effective way of protecting competition, and therefore customers

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1 Cm 302
2 Company No. 224814
• whether the undertakings need to be changed or replaced, or

• whether there has been a sufficient change in circumstances, for example in the structure of the relevant market, to indicate that there would be effective competition without the undertakings.

Consultees

1.5 This consultation paper is being sent to the respondents listed in Annexe A and is available on the OFT’s web site at www.oft.gov.uk/news/consultations/index.htm

1.6 The OFT welcomes comments from other interested parties on the issues set out in this paper.

Confidentiality

1.7 The OFT may wish to disclose information provided in response to this consultation to Rentokil or to others. Although there are restrictions on the ability of the OFT to disclose information regarding a particular business or individual, it can disclose information without consent if disclosure would assist the Director General of Fair Trading (the Director General) in carrying out any of his statutory functions (including other investigations and inquiries). However, if the OFT wishes to disclose any such information, it will consider the implications of this very carefully, and may consult the provider of the information first.

1.8 If you consider any part of the information supplied in response to this paper to be confidential, then that part should be clearly marked as confidential and should be put in a separate confidential annexe.
2 BACKGROUND TO THE REVIEW

2.1 It is often necessary to protect homes and the workplace against pests. Many pests can dangerously contaminate food and spread epidemic diseases. The control of pests is therefore subject to a range of legislative controls.

2.2 Local authorities play a major part in enforcing the main provisions of pest control legislation, such as the Prevention of Damage by Pests Act 1949, and are also active in the supply of some pest control services. The majority of customers that use local authority pest control services are domestic consumers rather than businesses. Suppliers of pest control services do not normally specialise in the type of pests that they deal with. In 1985, the MMC found that nearly all pest control businesses dealt with rodents and insects, and over 70 per cent also dealt with birds. Approximately one third of businesses dealt with fumigation, with a few specialising in this activity. Nearly all carried out work on domestic and business premises, but only about a third provided services to hospitals.

2.3 Services can be supplied on either a one-off basis (the norm for domestic consumers) or on a contract-basis (more likely with business consumers). Jobs include dealing with existing infestations and carrying out proofing against pests. For those customers involved with food, regular visits from pest control staff are needed to monitor and provide early action against the outbreak of infestation.

The MMC report

2.4 In 1986 the MMC was asked to investigate the supply of pest control services in the UK and to report whether a monopoly situation existed and, if so, which provisions of sections 6 to 8 of the Fair Trading Act 1973 applied and in whose favour the monopoly situation existed.

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3 Cm 302, 2.16, p7
**The monopoly situation**

2.5 The MMC found that a scale monopoly existed in favour of Rentokil, which in 1985 provided an estimated 61 to 64 per cent of the UK market for the supply of pest control services.

**The public interest**

2.6 Having established that a monopoly situation existed, the MMC was required to consider:

- what steps were being taken (by way of uncompetitive practices or otherwise) for the purpose of exploiting or maintaining the monopoly situation
- whether any action or omission by Rentokil was attributable to the monopoly situation, and
- whether any facts found during the investigation operated or were expected to operate against the public interest.

2.7 The MMC looked at:

- whether Rentokil was able to charge higher prices than if it faced greater competition, allowing it to earn unduly high levels of profit
- whether Rentokil used its market power to reduce prices selectively in order to defend its position
- whether Rentokil had reduced competition by refusing to supply bromadiolone, which it imported under an exclusive agreement, and

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4 A scale monopoly exists when at least 25 per cent of the supply is by the same person or group of inter-connected bodies.
• whether Rentokil’s acquisitions of competing suppliers of pest control services had reduced competition and allowed it to behave anti-competitively.

2.8 The MMC found that Rentokil had established a monopoly position in the pest control market, giving it the freedom to fix its prices largely unconstrained by competition. High prices and high profitability figures confirmed this. In addition, the high margins enjoyed by Rentokil enabled it to defend its position through selective price-cutting. This had the effect of causing price levels to be higher than they would have been if normal competition had existed, and limited the choice of suppliers, particularly at a national level.

The MMC’s recommendations

2.9 To remedy the charging of high prices, the MMC recommended that Rentokil should be required to provide its customers with more information. In particular, the MMC recommended that Rentokil should accompany every quotation for pest control services with a written statement specifying: the estimated number of hours to be spent on the work, the hourly charging rate, the total labour charge and the estimated charge for the chemicals and other materials to be used. The MMC also recommended that Rentokil should be required to give its contract customers an annual statement showing the actual number of hours spent on the contract, the hourly charging rate, the total labour charge and the charge for chemicals and materials used.

The Undertakings

2.10 As a result of the MMC report, Rentokil gave the following undertakings:

• to ensure that prospective customers are given a written breakdown of the calculation of estimated charges before contracting for the supply of pest control services
• where pest control services contracts are for a period of one year or more, to give customers an annual written breakdown setting out certain charging details (save where the customer has given notice to terminate the contract)

• to notify the OFT of any proposed acquisitions of pest control companies

• not to refuse or threaten to refuse to supply bromadiolone on normal commercial terms to competitors, and

• to supply to the OFT such information as might be required to monitor compliance with the undertakings.

2.11 The undertakings commenced on 14 September 1988.
3  ISSUES FOR CONSULTATION

3.1 This paper sets out below various issues on which the views of respondents are invited. When analysing how well competition is working the OFT’s usual approach is to:

- define the boundaries of the relevant market in which competition takes place
- assess the effectiveness of competition from suppliers active in that market, and
- assess whether there are barriers to entry or exit that would prevent competition from new suppliers entering the market.

Views are sought below on these issues and also on whether the undertakings are still necessary and effective at protecting customers and the process of competition.

Market definition

3.2 The relevant market comprises those services that consumers view as close substitutes to the services offered by Rentokil. Services are included in the relevant market if customers would switch to them in response to a small but significant increase in price by Rentokil above competitive levels. Services can also be included if their suppliers would start competing with Rentokil in response to such a price increase. In defining the market it is necessary to consider both the product market (those services which provide effective competition) and the geographic market (the areas from which competing suppliers might operate).
Product market

3.3 The 1988 MMC report defined pest control as ‘...activities undertaken to remedy existing infestations and also to prevent and to control future infestations by excluding pests from the premises, by depriving them of suitable harboursages and by monitoring the incidence of pests.’ The MMC only looked at services for which a charge was made, therefore, pest control carried out by undertakings or householders for their own benefit was not included as part of the market. The market was also limited to services performed to prevent or remedy infestations by insects, rodents and birds (e.g. rats, cockroaches, wasps, ants, lice, pigeons and sparrows). Pests of animals, pests of crops or trees, woodworm and other wood-boring insects were excluded.

Domestic and business sectors

3.4 The pest control market can be divided into a domestic sector and a business sector. Domestic consumers are more likely to want only one-off treatments as and when a problem arises. The domestic sector is essentially local in nature, with a large number of small businesses advertising their services mainly through Yellow Pages and the local press.

3.5 The business sector is much larger than the domestic sector. Business consumers are more likely to require regular inspections and treatments for pests, as well as one-off treatments as and when required. Within the business sector there are both single-site and multi-site service contracts. Some business contracts are agreed at a national level (these will be multi-site contracts), others are agreed locally.

National account customers (multi-site)

3.6 National account customers account for seven per cent of the total pest control market and of this sector, Terminix and Rentokil account for more than 96 per cent. Our own earlier research leads us to believe that the majority of national/multi-site contract customers would use either Rentokil or Terminix. The national/multi-site business is a low margin business, but is considered to

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5 Cm 302, 2.3, p3
be an essential part of the pest control service business because of the beneficial knock-on effect it has on a company’s reputation and ability to generate further business in other market sectors i.e. domestic and business.

**Local authorities**

3.7 The environmental health departments of many local authorities offer a limited range of pest control services within their area. Charges for these services may or may not be levied, and where they are levied they are often subsidised. Local authorities provide pest control services to both domestic and business customers. However, local authorities usually provide only those pest control services that are most commonly required (rats, mice and crawling insects) and charges vary widely - some services are free, some charge per visit and others charge an hourly rate. There is usually a charge to business customers while domestic customers are more likely to be able to get work done for free. The majority of the work done by local authorities is in the domestic sector while the bulk of Rentokil’s business is in the business sector.

**Geographic market**

3.8 Geographic markets have local and national elements. As noted above, domestic consumers are more likely to look to local suppliers. Business consumers may also consider local suppliers although those with national networks may favour suppliers who themselves have national coverage. Rentokil itself operates from 26 branch offices, which enables it to provide a service on a national basis. Its pricing policy differentiates between Greater London and the remainder of the UK.

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**Market definition**

**Views are invited on:**

- **the product and geographic market definitions, in particular, whether the domestic and business sectors are separate markets**

- **whether local authorities are an adequate alternative for business customers**
• whether pest control services for national account customers constitute a distinct market

Entry and exit conditions into the pest control services market

3.9 The 1988 MMC report found that the materials, equipment and technical knowledge necessary to provide pest control services would be available to new entrants. Training to a competent standard in pest control was considered to take approximately three months, and was available from local authorities and Rentokil. Indeed, the MMC found that it was not uncommon for ex-Rentokil employees to set up their own pest control businesses.

3.10 Overheads and equipment were not found to form the major costs of supplying services. Pesticides are readily available on the market (although Rentokil is one of the main suppliers), and the other main costs of set-up include a vehicle, offices, storage facilities and advertising. Most pest control businesses are also members of either the British Pest Control Association (BPCA) or the National Pest Technicians Association (NPTA). Overall, in the domestic sector, new entrants do not have higher costs than Rentokil.

3.11 Barriers to entry for the supply of pest control services to business consumers appear to be higher than for supply to domestic consumers. As stated above, domestic consumers are more likely to require a one-off, single-site job, for which they are generally happy to approach a local business. Business consumers however, sometimes require multi-site, long-term contracts, for which a national coverage and reputation is necessary.

3.12 The 1988 MMC report concluded that Rentokil’s ability to charge high prices was linked to the fact that business consumers preferred a trusted, high quality brand over a less well known or local supplier.
3.13 There do not appear to have been any significant exits from the market since the MMC’s report. Terminix, Rentokil’s main UK competitor, entered the market by acquiring Peter Cox. Since 1994, Terminix has been part of the US company Servicemaster, one of the largest pest control companies in the world.

3.14 The number of pest control firms in the UK has increased from 252 in 1987 to 1,299 in 2000.

---

**Entry and exit conditions into the pest control services market**

**Views are invited on:**

- whether there are sufficiently low barriers to entry to allow new competitors to enter the domestic sector or, to enter and establish themselves in the business sector.
Changes to the structure of the industry and the nature of competition

3.15  As mentioned above, Rentokil’s market share of the pest control market was estimated at between 61 and 64 per cent in 1985:

<table>
<thead>
<tr>
<th></th>
<th>£million (Excluding Electronic Fly Killers (EFKs))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rentokil</td>
<td>27.7 24.4</td>
</tr>
<tr>
<td>Other private sector suppliers</td>
<td>11.4 11.4*</td>
</tr>
<tr>
<td>Local authorities</td>
<td>4.5 4.5</td>
</tr>
<tr>
<td>Total</td>
<td>43.6 40.3</td>
</tr>
</tbody>
</table>

Rentokil market share (%) 64% 61%

Source: MMC, CM302, Table 2.1, p5

* It was not possible to exclude EFKs from other private sector suppliers, so the figure remains the same.

3.16  Since the MMC report, Rentokil’s market share appears to have halved. The information contained in the following tables was provided by Rentokil using the company accounts of its seven main competitors, and estimates of the turnover of members of the BPCA. Rentokil has attempted to prepare the information consistently with the previous MMC methodology.
### TABLE 3.2 - ESTIMATES OF THE TOTAL SIZE OF THE UK MARKET FOR THE SUPPLY OF PEST CONTROL SERVICES BY SALES VALUE IN 2000

<table>
<thead>
<tr>
<th></th>
<th>Turnover (£million)</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rentokil</td>
<td>66.7</td>
<td>31.0</td>
</tr>
<tr>
<td>7 main competitors</td>
<td>48.9</td>
<td>22.8</td>
</tr>
<tr>
<td>211 other service members of BPCA @ £191,000 each</td>
<td>40.3</td>
<td>18.7</td>
</tr>
<tr>
<td>1080 non BPCA members @ £38,000 each</td>
<td>41.0</td>
<td>19.1</td>
</tr>
<tr>
<td>Local authorities</td>
<td>18.0</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>214.9</strong></td>
<td><strong>100</strong></td>
</tr>
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</table>

Source: Rentokil

### TABLE 3.3 - ESTIMATES OF MARKET SHARES OF RENTOKIL'S MAIN COMPETITORS IN 2000

<table>
<thead>
<tr>
<th></th>
<th>Estimated turnover (£million)</th>
<th>Market share (%)</th>
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<tbody>
<tr>
<td>Terminix</td>
<td>34.2</td>
<td>15.9</td>
</tr>
<tr>
<td>Igrox/Dynokil</td>
<td>5.5</td>
<td>2.6</td>
</tr>
<tr>
<td>Forward</td>
<td>3.2</td>
<td>1.5</td>
</tr>
<tr>
<td>Eagle</td>
<td>3.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Rokill</td>
<td>1.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Check</td>
<td>0.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Microbee</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48.9</strong></td>
<td><strong>22.8</strong></td>
</tr>
</tbody>
</table>

Source: Rentokil
3.17 There has also been significant growth and expansion in the number of small operators, which suggests that barriers to entry are indeed lower in the local, domestic sector (See Table 3.4).

**Changes to the structure of the industry and the nature of competition**

**Views are invited on:**

- whether the reduction in Rentokil's total market share is indicative of low entry barriers in either the domestic sector or the business sector or both

- the extent to which Rentokil faces more competition in the domestic sector or the business sector or both and whether this provides sufficient grounds to warrant the removal of the undertakings in their entirety.
Pricing

3.18 The MMC found that consumers were generally more concerned that a pest control job could be dealt with competently than with the cost of the service provided. The MMC found that customers preferred to use Rentokil due to its established reputation, even if its competitors were charging a lower price and providing comparable services. This, the MMC argued, helped to reinforce Rentokil’s monopoly position, and gave it a considerable degree of freedom to charge its customers what it liked within the loose constraints of what the consumer considered value for money. As a result, many smaller customers were charged much higher rates than larger customers, and the difference was much greater than would be expected under normal competitive conditions.

3.19 The MMC found an additional feature of Rentokil’s pricing policy was that the first year charge to a new customer, which included the initial evaluation and treatment of any existing infestation, continued to form the basis of the charge for subsequent years when only routine service visits were normally necessary. In other words, there was no reduction despite the fact that some of the work charged for was no longer necessary.

3.20 The result of these factors was that prices were high enough to allow Rentokil to cut them drastically when it needed to counter competition. While some customers may have benefited in the short run, the MMC believed that Rentokil’s ability to drastically reduce prices prevented competitors from establishing themselves in the market and prospering, resulting in a lack of choice for consumers in the long run.

3.21 The first two undertakings were intended to remedy this problem. In the absence of any significant competition, Rentokil was in a position to set prices without regard to costs, and was able to undercut competitors when necessary.
It was hoped that ensuring consumers were provided with a breakdown of costs, both before signing a contract and on a yearly basis, would enable both consumers and competitors to see if the prices charged by Rentokil were a genuine reflection of costs, as might be expected in a competitive market.

Pricing

Views are invited on:

- whether Rentokil is able to set prices without regard to its competitors and customers

- whether the undertakings requiring Rentokil to supply price information have been effective in remedying the adverse effects identified by the MMC

- whether either domestic or business consumers, or both, are now better informed than at the time of the MMC report

- whether Rentokil should be released from the undertakings it has given relating to the provision of price information.

Competition Act 1998

3.22 The Competition Act 1998, which came into force on 1 March 2000, contains two ‘prohibitions’ that are designed to prevent businesses from behaving anti-competitively. These are:

- a prohibition of agreements between undertakings, decisions by associations of undertakings or concerted practices which have as their object or effect, the prevention, restriction or distortion of competition in the UK (the Chapter I prohibition), and
• a prohibition of conduct by one or more undertakings which amounts to the abuse of a dominant position in a UK market, which may affect trade within the UK (the Chapter II prohibition).

3.23 The infringement of either of the above prohibitions is unlawful, and if Rentokil is found to have infringed either prohibition, it may find itself the subject of an OFT investigation, and ultimately, may be fined up to 10 per cent of its turnover in the UK. Also, third parties who consider that they have suffered loss as a result of any unlawful agreement or conduct on the part of Rentokil, can claim damages in the courts.

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**Competition Act 1998**

Views are invited on:

• in the event that Rentokil was released from the undertakings, whether the prohibitions contained in the Competition Act 1998 would provide sufficient safeguards to protect effective competition in the pest control services market.

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**Acquisitions**

3.24 The MMC found that some of Rentokil’s past acquisitions were clearly designed to reduce competition or frustrate potential competitors. The MMC thought that the best opportunity for the growth of vigorous competition lay in the growth by acquisition of one or more substantial businesses able to develop a national reputation and so challenge Rentokil’s monopoly position.

3.25 The third undertaking was designed to require Rentokil to give pre-notification of any prospective acquisitions of pest control businesses so that the Director General had an early opportunity to exercise his powers under the Fair Trading Act 1973.
Acquisitions

Views are invited on:

- whether it would be feasible for Rentokil to reduce competition through the acquisition of competing firms, given current market conditions

- whether there are sufficient competitors operating in the market to prevent Rentokil from exercising market power to the detriment of competition

- whether Rentokil should be released from its undertaking to notify the Director General of all proposed acquisitions of pest control companies.

Changes to the supply of bromadiolone

3.26 In 1988 Rentokil imported the rodenticide bromadiolone to the UK under an exclusive arrangement. The MMC acknowledged in its report the existence of substitutes to bromadiolone, such as difanecoum, which are still available today. However, the MMC pointed out that these substitutes were more expensive than bromadiolone.

3.27 Since 1988, a new supplier of bromadiolone has entered the market, Bell Laboratories (Bell), with the brands Tomcat and Contrac. Rentokil is no longer the sole importer of the chemical. However, its market share of the supply of bromadiolone is currently over four times as high as Bell’s.

3.28 The undertaking requiring Rentokil not to refuse to supply bromadiolone to competitors was given voluntarily, as Rentokil saw the exclusivity of bromadiolone to be of little significance.
Changes to the supply of bromadiolone

Views are invited on:

- whether there are adequate substitutes to bromadiolone available in the market
- whether Rentokil is still the only viable supplier of bromadiolone
- whether Rentokil should be released from this undertaking.

Compliance

3.29 The final undertaking was made so that the OFT could obtain the information required to monitor compliance with the undertakings.

General

Views are invited on:

- whether the undertakings have been effective in addressing the adverse effects identified in the MMC report.
Other considerations and anti-competitive practices

3.30 The undertakings effect the way in which Rentokil provides price information to
its customers (and its content) and the supply of bromadiolone. The additional
obligations in terms of acquisitions and monitoring principally concern Rentokil’s
relationship with the OFT.

3.31 This review will also consider whether there are other factors, beyond the
scope of these undertakings and the adverse practices identified in the MMC
report, that OFT should take into account in assessing whether the market for
pest control services is working well for consumers.

Other considerations and anti-competitive practices

Views are invited on:

• whether the market is working well for consumers

• whether it would continue to work well for consumers if Rentokil were released
  from its undertakings

• if not, what other factors prevent the pest control services market from operating
effectively?
ANNEXES

A ALPHABETICAL LIST OF CONSULTEES

A F Blakemore & Son Limited
AAH Pharmaceuticals Limited
Abatis Limited
AgriSense-BCS Limited
Agropharm Limited
Aldi Stores Limited
Allerders plc
Alliance UniChem plc
Allied Domecq plc
Alpha Catering Services Limited
Amersham plc
Anheuser-Busch Europe Limited
Aramark Limited
Archer Daniels Midland International Limited
Arriva plc
Associated British Foods plc
AstraZeneca plc
Aventis Environmental Sciences
BAA plc
Barrentine Environmental Health
Barry Callebaut (UK) Limited
BASF plc
Bayle & Wylie Limited
Bell UK
Bentalls plc
Bestway (Holdings) Limited
BFS Group Limited
Birds Eye Wall's Limited
BJ Sherriff
Blackstone Hotel Acquisitions Company
Blyth Valley Pest Control Products (Aluline Limited)
BOC Group plc
Booker Cash & Carry Limited
Boots Company plc
Brent Walker Group plc
Brian Jones & Associates Limited
Britannia Soft Drinks Limited
Britanny Ferries
British Airways plc
British Pest Control Association (and members)
Britvic Holdings Limited
Budgens plc
BurgerKing Limited
Burton's Foods Limited
Cadbury Schweppes plc
Camellia plc
Canandaigua Limited
Carlsberg-Tetley Brewing Limited
CCL Industries (UK) Limited
Chartered Institute of Environmental Health
Check Pest Control (Reading) Limited
Cleveland Place Holdings Limited
Coca-Cola Enterprises Great Britain Limited
Command Pest Control Limited
Compass Group plc
Connex Rail Limited
Consumers' Association
Convention of Scottish Local Authorities
Coors Brewers Limited
Courtaulds plc
Crystal Environmental Services Limited
Deben Group Industries Limited
Department for Environment, Food and Rural Affairs
Department for Transport
Department of Health
Department of Trade and Industry
DeVere Group plc
Diageo plc
Dow AgroSciences Limited
Eli Lilly Holdings Limited
Eligor UK Limited
English Nature
Erskine Pest Control
Eurobrom BV
Eurotunnel
Fenwick Limited
FirstGroup plc
Fisons plc
Food Manufacturers (GB Company) Limited
Gasco International Limited Methyl Bromide Sales
Gate Gourmet London Limited
Geest Prepared Foods
George Craig Group Limited
Gerber Foods Soft Drinks Limited
GlaxoSmithKline plc
GNER Railways Group plc
Go Ahead Group plc
Great North Eastern Railways Limited
Greenalls Management Limited
Greene King plc
Guinness Limited
Guinness United Distillers & Vintners Limited
H J Heinz Company Limited
H P Bulmer Holdings plc
Hanover Acceptances Limited
Harrods Limited
Hazelwood Foods Limited
Hibernia Foods Bakeries Limited
Hilton Group plc
HM Group Limited
Home Office
House of Fraser plc
Hoverspeed
Iceland Foods plc
Inchape Motors International Limited
Industrial Pesticides (N/W)
Interbrew UK Limited
ISS Mediclean Limited
J E Beale plc
J H Leeke and Sons Limited
J Sainsbury plc
J V Barrett & Co Limited
James Beattie plc
Janssen Pharmaceutical Limited
Japan Tobacco Inc.
J arvis Hotels plc
John Wyeth & Brother Limited
Justerini & Brooks Limited
Kellog Marketing and Sales Company (UK) Limited
Killgerm Chemicals Limited
Kraft Foods UK Limited
LACORS
Lanes For Drains Limited
Letheby & Christopher Limited
Lewis’s Retail Limited
Linde Gas (UK) Limited
Littlewoods Retail Limited
Local Government Association
London Park Hotels Limited
London Underground Limited
Loveland Industries Limited
Luminar plc
Luxan UK Limited
Marks and Spencer plc
Mars UK Limited
McDonald’s Restaurants Limited
Mebrom NV
Merial Limited
Millennium & Copthorne Hotels plc
Ministry of Defence
Moto Hospitality Limited
National Assembly for Wales
National Association of Local Councils
National Express Group plc
National Farmers Union
National Farmers Union of Scotland
National Pest Technicians Association
Navy, Army and AirForce Institute
Nestle UK Limited
Netto Foodstores Limited
Network Pest Control Systems Limited
Northern Foods Grocery Group Limited
Northern Foods plc
Northern Ireland Assembly
Northern Ireland Department of the Environment
O Rooney
Office of the Deputy Prime Minister
P&O Stena Line
Palmer & Harvey McLane (Holdings) Limited
Pelgar International Limited
Pepsico Holdings
Perkins Foods Limited
Pest Control Services (Devon And Exeter)
Pest Protection Services Scotland
Pizza Hut (UK) Limited
Posthouse Hotels Limited
Premier Holdings Limited
Premier International Foods UK Limited
Primark Stores Limited
Prohygenia Limited
Pronto Services (UK) Limited
Quadrant Catering Limited
Queens Moat Houses plc
RCO Support Services
Rentokil Initial UK Limited
Restaurateurs Association of Great Britain
Rokill Limited
Royal Environmental Health Institute of Scotland
Roys (Wroxham) Limited
Russell Environmental Products
Safeguard Pest Control and Environmental Services
Safeway plc
Sara Lee Household & Body Care UK Limited
ScotRail Railways Limited
Scottish & Newcastle plc
Scottish & Newcastle Retail Limited
Scottish Courage Limited
Scottish Executive
Sea France
Select Service Partner Limited
Selfridges plc
Shield Pest Control
Six Continents plc
Smith & Nephew plc
SmithKline Beecham plc
Sodexho Limited
Sommerfield plc
Sorex Limited
South African Breweries plc
Stagecoach Holdings plc
Stakis Limited
STV International Limited
Sumiagro (UK) Limited
Swallow Group Limited
Syngenta Limited
T J Hughes plc
Teijin Limited
Terminix Limited
Terry's Suchard Limited
Tesco PLC
Thames Trains Limited
The Big Food Group plc
The Chef & Brewer Group Limited
The Isle of Wight Traditional Beer Company Limited
Thistle Hotels plc
Thorntons plc
Towercliff Limited
Translink
Travelrest Services Limited
Trebor Bassett Limited
Ulsterbus Limited
Unilever plc
Uniq (Holdings) Limited
United Norwest Foodstores Limited
Van Den Bergh Foods Limited
Virgin Rail Group Limited
Virgin Trains
W M Morrison Supermarkets plc
WAGN Railway Limited
Waitrose Limited/John Lewis Partnership plc
Wal-Mart Stores (UK) Limited
Weetabix Limited
Welcome Break Holdings Limited
Westmorland Limited
WEW Group plc
Whitbread plc
Witlington Investments Limited
Wolverhampton & Dudley Breweries
Wrigley Company Limited
B THE UNDERTAKINGS

PEST CONTROL SERVICES

1. **Title of report:** Pest Control Services: a report on the supply of pest control services in the UK (MMC - Cm 302)

2. **Date of report:** 17 December 1987
   Published: February 1988

3. **Orders:** N/A

4. **Date of original undertakings:** 14 September 1988

5. **Companies giving undertakings:** Rentokil Group plc

6. **Details of undertakings:**

   (i) To ensure that prospective customers are given a written breakdown of the calculation of estimated charges before contracting for the supply of pest control services

   (ii) Where pest control services contracts are for a period of one year or more, to give customers an annual written breakdown setting out certain charging details (save where the customer has given notice to terminate the contract)

   (iii) To notify the OFT of the Company’s proposed acquisitions of pest control companies
(iv) Not to refuse (or threaten to refuse) to supply bromadiolone on normal commercial terms to competitors.

(v) To supply to the OFT such information as may be required to monitor compliance.

7. Date of amendments: N/A

8. Index information: Publication of prices, merger control, withholding supply.
   SIC code: 74.70 (Industrial cleaning)