

THE MONOPOLIES AND MERGERS COMMISSION

Roadside Advertising Services

A Report on the Supply in the United Kingdom
of Roadside Advertising Services

*Presented to Parliament in pursuance of
Section 83 of the Fair Trading Act 1973*

*Ordered by The House of Commons to be printed
1 July 1981*

LONDON
HER MAJESTY'S STATIONERY OFFICE

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* Membership of the Commission as at 1 May 1981

Contents

<i>Chapter</i>	<i>Page</i>
1 Introduction	1
2 General background	4
3 The demand for posters and buyers of poster space	10
4 The supply of poster space — the development and structure of the industry	20
5 The main contractors — including all member companies of British Posters Limited	28
6 British Posters Limited	50
7 The British Poster Advertising Association (BPAA) and the Solus Outdoor Advertising Association Limited (SOAA) ..	69
8 Views submitted by other parties about British Posters and other suppliers of reference services	73
9 The case made by British Posters and its member companies and by the Associations and their member companies ..	78
10 Conclusions.. .. .	87

Appendices

1 Glossary	103
2 The Assessment of the Audience for Posters	106
3 Links between contractors and purchasers of space	111
4 The Poster Audit Bureau	113
5 Contractors supplying reference services from whom data was obtained relating to turnover in 1978 and panels held on 1 January 1979	116
6 'Equivalent Units' and other physical measurements of the industry's size	118
7 Members of Independent Poster Sales Limited.. .. .	120
8 A summary of the more significant changes in British Posters' campaigns and price structure 1972–81	121
9 British Posters' Financial Results 1971–80	124
10 Members of the British Poster Advertising Association ..	125
11 Members of the Solus Outdoor Advertising Association Limited	126
12 Standards of Conduct of the British Poster Advertising Association and the Solus Outdoor Advertising Association ..	127

CHAPTER 1

Introduction

1.1. On 10 November 1978 the Director General of Fair Trading sent to the Commission the following reference:

Fair Trading Act 1973

Monopoly Reference

Roadside Advertising Services

The Director General of Fair Trading in exercise of his powers under Sections 47(1), 49(1) and 50(1) of the Fair Trading Act 1973 hereby refers to the Monopolies and Mergers Commission the matter of the existence or possible existence of a monopoly situation in relation to the supply in the United Kingdom of roadside advertising services.

The Commission shall investigate and report on the questions whether a monopoly situation exists and, if so—

- (a) by virtue of which provisions of sections 6 to 8 of the said Act that monopoly situation is to be taken to exist;
- (b) in favour of what person or persons that monopoly situation exists;
- (c) whether any steps (by way of uncompetitive practices or otherwise) are being taken by that person or those persons for the purpose of exploiting or maintaining the monopoly situation and, if so, by what uncompetitive practices or in what other way;
- (d) whether any action or omission on the part of that person or those persons 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
- (e) whether any facts found by the Commission in pursuance of their investigations under the preceding provisions of this paragraph operate, or may be expected to operate, against the public interest.

For the purposes of this reference—

- (i) 'roadside advertising services' means the undertaking and performance of engagements to display and exhibit advertisements on sites of not less than 40" wide and 60" deep, visible from a highway, excluding sites on or within any form of conveyance;
- (ii) 'highway' includes a pedestrian precinct.

The Commission shall report on this reference within a period of 24 months from the date hereof.¹

(signed) GORDON BORRIE
Director General of Fair Trading
10 November 1978

1.2. On 17 November 1978 the Chairman of the Commission, acting under section 4 of the Fair Trading Act and paragraph 10(1)(a) of Schedule 3 thereto, directed that the function of the Commission in relation to this reference should be discharged through a group consisting of six members of the Commission. These included Sir Dallas Bernard whose term of appointment as a member of the Commission expired on 31 December 1979. On 30 June 1980 Mrs V M Marshall was appointed a member of the group. The names of the six members who formed the group from that date onwards are indicated in the list of members which prefaces this report.

1.3. Notices inviting interested parties to submit to the Commission evidence relating to the reference were placed in:

Campaign
Financial Times
Grocer
Marketfact
Marketing Week
News of the World
Observer
Retail Newsagent, Tobacconist and Confectioner.

1.4. We sought and received written evidence from British Posters Limited, all of its member companies, all other contractors identified as operating at the time of the reference, Independent Poster Sales Limited, Free Trade Poster Sales Limited, the British Poster Advertising Association, the Solus Outdoor Advertising Association, the Poster Audit Bureau, Multimark Limited, Zetetics, all of the specialist bureaux operating nationally, a number of main agencies and advertisers, the Department of the Environment, the Inland Revenue and a number of local authorities. We also took oral evidence from many of these witnesses.

1.5. On 16 April 1980 we informed British Posters Limited and its member companies of our provisional conclusion that both scale and complex monopoly situations existed in favour of British Posters Limited and of its member companies. On 17 April 1980 we informed the British Poster Advertising Association and the Solus Outdoor Advertising Association of our provisional conclusion that a complex monopoly situation existed in favour of the members of the two Associations. We received written submissions from British Posters Limited, from some of its member

¹ The period for completing the report was later extended by the direction of the Secretary of State under Section 55(2) of the Fair Trading Act 1973 to 9 May 1981.

companies, from the two Associations and from certain of their members. Hearings were held with British Posters Limited, London & Provincial Posters Limited and Mills & Allen Limited in September 1980 and with the Solus Outdoor Advertising Association in November 1980.

1.6. We have received a submission from London & Provincial Posters Limited forming part of its reply to the letter of 16 April 1980, and a more detailed separate submission from Mills & Allen Limited, containing legal arguments directed against our provisional conclusion that the scale monopoly situation existing in favour of British Posters Limited also existed in favour of its member companies.

1.7. Some of the evidence obtained during our inquiry was of a confidential nature; we have been careful not to disclose such evidence in our report unless it is essential for a proper understanding of the issues.

1.8. We should like to place on record our thanks to all those who have helped us in our inquiry.

CHAPTER 2

General background

Scope of the reference

2.1. The terms of the reference require us to consider the supply of advertising services on poster sites which are of a size known as 4-sheet (40" wide by 60" high) or larger and are visible from a highway or pedestrian precinct; sites on or within any form of conveyance are excluded from the reference. A glossary of the more technical expressions used in the industry, including those related to sizes, and the use of the terms 'panel' and 'site' in this Report is at Appendix 1.

2.2. The advertising services referred to us include only part of what is understood by the advertising industry as 'outdoor advertising'. In particular it excludes transport advertising which comprises advertisements on the outside or inside of road and rail vehicles and on sites such as those within railway stations and airport terminals. There are other, not unimportant, specialised forms of outdoor advertising which also fall outside the reference, such as advertising in sports stadia.

2.3. Although the broad lines of this distinction are reasonably clear there are areas of uncertainty—for example, advertisements in such peripheral areas as bus stations, car parks, motorway service areas and other comparable sites. We have taken the view that we should understand a highway to include all places where a private motorist may lawfully take his vehicle including such places as car parks and motorway service areas. Pedestrian precincts, which are also included in the reference, are taken to cover both pedestrianised roads and specially built shopping areas, including those which are locked at night; sites within shops, supermarkets and hypermarkets are excluded.

2.4. Some contractors and customers argued that the definition of reference services was somewhat arbitrary and that prime advertisers and the agencies acting on their behalf did not generally make a firm distinction between roadside and other forms of outdoor poster advertising. They claimed that in more sophisticated campaigns individual poster panels would be selected on the basis of broad estimates of the number and the classification of passers-by who would be able to see them, and that there was considerable overlap between transport and reference panels when such choices were made. Also, while certain styles of poster were designed essentially for a captive audience, eg those on railway platforms, and would not serve for the more fleeting view of a motorist, bus passenger or pedestrian, others were interchangeable. It was also pointed out that advertisers were frequently obliged to use transport advertising, for example on the outside of buses, in areas where that part of the outdoor medium which falls within the reference was heavily booked or too sparse for their needs.

2.5. On the other hand we have received evidence that roadside advertising is regarded as a distinct sector of the outdoor medium by some contractors and their customers:

- (a) The activities of British Posters are confined to roadside sites and do not include panels in such locations as railway stations or sports stadia, although some of its members hold such sites;
- (b) British Transport Advertising Limited makes a clear distinction in its marketing between roadside and transport advertising similar to that made in the reference;
- (c) A substantial number of advertisers regard roadside sites as more suitable for their purposes than transport advertisements and do not use the latter for general advertising campaigns where adequate roadside space can be obtained.

We have also been told that while it is feasible to mount a national poster campaign entirely on roadside sites it would be difficult, if not impossible, to mount an effective poster campaign solely on transport and other sites falling outside the scope of our reference.

2.6. We have considered the evidence outlined in the two preceding paragraphs, and also the fact that, as explained in paragraph 3.6., posters are often used to supplement campaigns in the major media of television or the press. Our conclusion is that although there is undoubtedly an element of choice for advertisers and their agents between roadside and other posters, and also between posters and other media, the market defined in the reference is sufficiently discrete to justify our examination.

Acquisition of poster sites by contractors

2.7. Many panels are erected in virtually permanent positions on roadside locations or in shopping areas, either free-standing or on walls or gable-ends. There are, however, also a substantial number of panels on less permanent sites, such as those on land awaiting redevelopment or where building work is being undertaken.

2.8. Few sites are owned freehold by poster contractors. The majority of sites are held under rights acquired from the site-owners, who may range from substantial concerns such as property companies or local authorities to the private householder and the owner of a corner-shop. Even the acquisition of a leasehold interest in a site is unusual; the usual form of agreement is a licence granted by the landowner (or by a tenant so empowered under his tenancy agreement). One of the reasons for the choice of a licence is that when a panel is erected on a building it protrudes very slightly beyond the building itself; the owner of the building therefore often cannot convey in a lease all the land surface underneath the poster panel.

2.9. The most usual form of licence runs from an initial period (generally between 8 and 15 years) and thereafter may be extended from year to year. There is now usually provision for rent reviews during the period of the agreement. Provisions for terminating the agreement vary, but usually only apply after the initial period.

2.10. Before the days of planning controls owners of gable-ends and other sites offering a fair measure of visibility from a road or a railway carrying substantial traffic were readily able to sell their rights to a poster contractor who would erect a wooden or metal advertising panel. The most usual size for one of these panels was 16-sheet. Many of this type of panel survive in the older streets of our towns and cities but their number, and their contribution to contractors' turnover, has been diminishing for many years.

2.11. Since 1945, and particularly since the passing of the Town and Country Planning Acts, different types of poster panels have become more significant. The creative teams of advertising agencies, and through them the major advertisers, have attached increasing value to the powerful impact which a well-sited 48-sheet or larger panel may exert on passing motorists. But relatively few sites for such panels are available and they therefore command a premium price. At the other end of the market poster contractors have, in agreement with local authorities, omnibus operators, and city centre developers, made increasing use of bus shelters and of street furniture in urban precincts for the erection of 4-sheet and sometimes 12-sheet panels. These will be seen chiefly or exclusively by passing pedestrians; hence the approach employed by advertisers is different and, to some extent, the products advertised are of a different kind. Another location frequently used for poster advertisements is the boarded-up site where redevelopment is either planned or in progress, and where the responsible authority finds colourful advertising posters an acceptable means of masking what would otherwise be an eyesore.

2.12. The impact of urban redevelopment, and of the operation of planning controls (see paragraphs 2.13–2.18 below) have meant that a proportion of existing advertising panels estimated at about four to five per cent is lost to the industry annually. Contractors put a substantial effort into offsetting this annual loss by discovering potential fresh sites and negotiating for their use with their owners and the planning authorities. The industry estimates that the new sites brought into use are appreciably fewer than the sites lost to the industry, with the result that the overall number of poster panels has been diminishing by something like one to two per cent per annum.

The role of local authorities as planning authorities

2.13. Planning control over outdoor advertising in England and Wales has been in operation since 1948. It is a statutory responsibility of local planning authorities, under section 63 of the Town and Country Planning Act 1971 and the Town and Country Planning (Control of Advertisements) Regulations 1969. These powers are exercised by London Borough Councils in Greater London and by District Councils elsewhere, except in National Parks where they are exercised by the Peak District and Lake District Planning Boards and by the National Park Committees for the other National Parks. There are similar, but not identical, arrangements in Scotland.

2.14. The Control of Advertisements Regulations provide for various classes of 'deemed consent' for advertisement displays. Panels used for outdoor advertising on 1 August 1948 continue to enjoy 'deemed consent'. Another class of 'deemed consent' applies to advertisements displayed on business

premises, such as shops and similar establishments, provided that the goods advertised are sold on those premises. So long as this condition is complied with, small-sized unilluminated posters (in practice 4-sheets) do not require the planning authority's express consent, except in Areas of Special Control of Advertisements. In both cases the planning authority has the power to serve a 'discontinuance notice' on the advertiser and on the owner and occupier of the site, which has the effect of extinguishing that consent.

2.15. Local planning authorities deal with each advertisement application on its merits. Under the Control of Advertisements Regulations, they are required to consider each advertisement application in relation to amenity and public safety only; no other considerations are relevant. In practice, there are inevitably some differences in the planning judgments made by different authorities. In some extreme cases, poster contractors say, there are local authorities who resist all, or virtually all, applications for displays on poster sites in their administrative area. This viewpoint is not limited to authorities in scenically attractive districts. Various amenity organisations are said to share this antipathy to outdoor advertising. It has been a particular endeavour of certain poster contractors to gain the confidence of local authority planning departments by incorporating local information panels, landscaping schemes and other amenity features within their proposed displays.

2.16. If the planning authority refuses consent for an advertisement application, or serves a discontinuance notice, there is a right of appeal to the Secretary of State for the Environment against the decision. The Secretary of State's decisions on appeal are taken on their merits and are not precedents, but they do have the incidental effect of showing local planning authorities what the Secretary of State's view would be in determining applications in comparable circumstances.

2.17. Areas of Special Control of Advertisements (defined by local authorities and approved by the Secretary of State), where there are stricter limits on outdoor advertising, cover about one-third of the country. These are mainly rural areas and their significance to poster advertisers is therefore less than the area covered might suggest. Nevertheless, in Areas of Special Control, the approach specified in the Regulations has the effect of much reducing the opportunity for poster displays.

2.18. In 1977 the then Secretary of State for the Environment made proposals which would have slightly relaxed the control exercised by planning authorities, except in Conservation Areas or Areas of Special Control, by allowing temporary hoardings to be placed around building sites where construction was taking, or about to take, place. These proposals were not in fact introduced into Parliament and no decision has been taken on them by the present Government. As part of their proposals for reducing the administrative cost of planning controls, the Government have introduced Regulations authorising planning authorities to make a charge for planning and advertisement applications on and after 1 April 1981.

2.19. There has been some concern within the advertising industry at the number of panels which contractors operate without legal authority. In 1979

the two contractors' Associations drew the attention of the Incorporated Society of British Advertisers and of the Institute of Practitioners in Advertising to such illegal panels. They had chiefly in mind panels erected without planning consent rather than 'deemed consent' panels which advertised products not on sale in the premises. The Associations reported that they had been warned by some local authorities that legal action might be taken against the offending contractors and also against advertisers using such panels.

The role of local authorities as site-owners

2.20. Local authorities are, either directly or by virtue of their involvement in urban redevelopment, among the more substantial landowners holding sites suitable for use for roadside advertisements. It has been suggested that some 35 to 40 per cent of the total present population of poster panels are on sites in the hands of local authorities. Local authorities are also concerned in the redevelopment of town centres and similar areas where the rental to be earned from suitable advertising could be a useful source of income which either they or the responsible developer in agreement with them might well wish to earn.

2.21. In their capacity as landowners local authorities are frequently faced with difficult choices. They may have to balance a desire to maximise income from potentially suitable sites in the interests of ratepayers against amenity considerations and may be subjected to strong lobbying both from poster contractors wishing to use the sites and from amenity groups opposed to their use. They could be open to criticism if they were thought to apply less rigorous standards in considering planning applications relating to their own sites than to those belonging to other landowners. They may also have to choose between negotiating for the development of a particular site with one contractor or putting it out to tender. The latter may bring a greater return, but contractors are unlikely to exert themselves to find sites unless they can reasonably expect to have the use of them. Negotiating with individual contractors also puts the local authority in a better position to take into account the contractor's record and the quality of his panels.

2.22. In the past, many local authorities have taken little interest in developing this potential source of revenue. But, in the present financial climate, at least some are now looking at it with greater interest. A group of authorities in one part of the country has recognised the potential value of this source of revenue and exchanged views on and experiences of prices offered for sites; as a result of this exchange of information the benchmark sought for the rental of a 48-sheet site was increased by as much as 300 per cent over the period of a year. Another city council has informed us that it is now sending information about new sites becoming available to a number of contractors.

The role of local authorities as rating authorities

2.23. The payment of rates on poster panels, as on other forms of land and property, is governed by the General Rate Act 1967. The only specific reference to advertisements in that Act is a provision (section 28) whereby

if the right to display an advertisement is let out to a poster contractor, the rates on that advertising right are payable by the contractor and not by the occupier of the land or building on which the structure is situated. There are provisions for an abatement of rates in respect of certain types of property (eg railways, gas and electricity undertakings) but no provision for rates to be payable on any property at a higher rate than that which applies generally.

2.24. Because there has been no regular rate review since 1973, Valuation Officers are still assessing new property on the basis of what its rateable value would have been in 1973 by comparison with similar property then existing. Since the 1973 review the rental value of different classes of property has risen by markedly varying amounts, thus affecting significantly the relationship between rents and rates on different types of property.

CHAPTER 3

The demand for posters and the buyers of poster space

Posters as part of total advertising expenditure

3.1. In 1978 total expenditure on display advertising, including media and production costs (but excluding VAT), is estimated by the Advertising Association to have amounted to £1,242 million. Display advertising covers those media used generally to promote products or services or for corporate advertising, and includes television and the bulk of press advertising (excluding financial and classified advertisements and all advertisements in trade and technical journals). Roadside posters are one of several media in this category.

3.2. In the period 1968 to 1973 there was a rising trend in real expenditure on display advertising as is shown in Table 3.1 below. Since 1973 expenditure on display advertising in real terms has fluctuated rather than grown.

TABLE 3.1 Expenditure on display advertising

<i>£m</i> Year	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Expenditure (current prices)	349	371	373	409	480	572	579	649	814	1,020	1,242	1,428
Expenditure in 1970 prices*	361	384	373	376	412	469	429	379	389	411	437	436

Source: Advertising Association

* Obtained by adjusting the current price figures according to the Advertising Association combined index of media rates.

3.3. The Advertising Association divides display advertising into five sectors: press, television, posters and transport, cinema and radio. Table 3.2 shows annual expenditure in each sector during the period 1968 to 1979. The press is the largest sector, accounting for over 50 per cent of display advertising expenditure, while the press and television together account for about 90 per cent. Posters and transport, the sector which includes reference services, have accounted for between 5½ per cent and 6½ per cent of display advertising expenditure. The Advertising Association does not collect separate information for roadside advertising but we have been given estimates from within the industry that transport advertising accounts for about 40 per cent of this sub-total and that other non-reference poster advertising is small. This information suggests that reference services account for between three and four per cent of display advertising.

TABLE 3.2 Annual expenditure on display advertising in the United Kingdom 1968-79

(£m current prices)

Year	Press	TV	Posters & transport	Cinema	Radio
1968	193	129	20	6	1
1969	214	129	21	6	1
1970	219	125	22	6	1
1971	236	143	23	6	1
1972	270	176	26	7	1
1973	322	210	31	7	2
1974	328	203	34	8	6
1975	361	236	35	7	10
1976	438	307	43	8	18
1977	533	398	54	9	26
1978	644	482	68	13	35
1979*	795	471	93	17	52

Source: Advertising Association

* The 1979 figures were affected by a prolonged strike in the television contracting companies.

Advertisers' choice between posters and other media

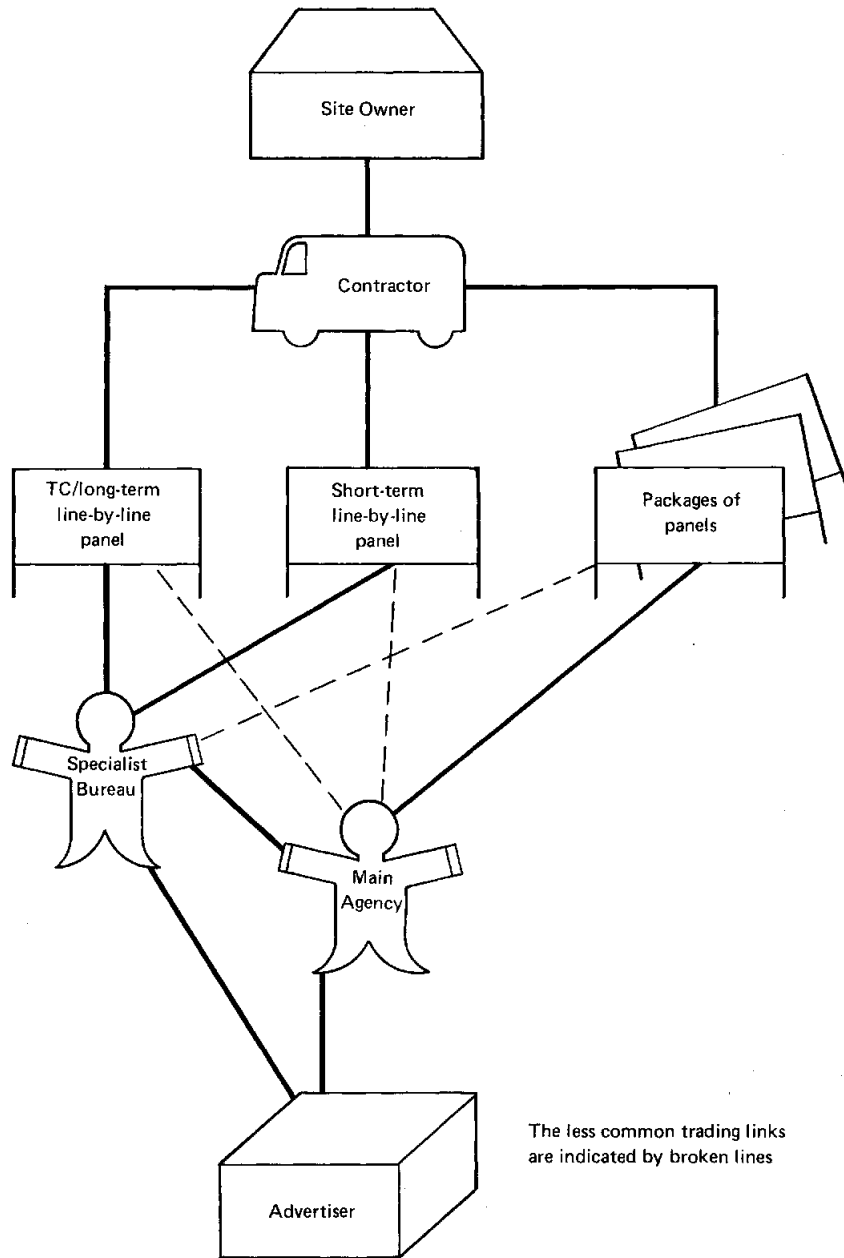
3.4 Each of the display media listed in paragraph 3.3 has its own characteristics. Advertisers, guided by their advertising agents, decide on an appropriate budget and on the best allocation of that budget to meet their particular purpose. Advertisers and advertising agents have told us that their choice of media depends on such factors as the target audience, the message to be conveyed, the length of campaign, media prices and the available budget.

3.5. The assessment of the audience reached by posters is a difficult problem for the medium. Each panel is virtually unique in terms of location and potential audience. It is therefore considerably more difficult to assess the audience likely to be reached by a campaign on posters than by one on other media, such as television or the press, for which audience and circulation or print data are readily available. This has been a handicap to the poster medium. An account of what has been done to overcome the problem is given in Appendix 2.

3.6. For many products the potential market is limited to a section of the consuming public. The advertiser, therefore, aims to focus his publicity on the target group by a selective use of advertising media. Roadside posters are generally regarded as less effective in this respect than the other media. On the other hand some advertisers and agents see it as an advantage that posters have a longer period of exposure than other media. Many users have told us that outdoor posters are a relatively cheap medium which has particular value as a complement to major press and television campaigns since it tends to prolong their effects.

3.7. Advertisers' choice among the media is in any case limited by availability. Television advertising time is limited by statute to six minutes per hour of viewing time and the quantity cannot be increased to meet demand.

The supply and sale of Roadside Advertising Services



Advertising on commercial radio is similarly controlled. There is no such formal quantitative restriction on press advertising but it is generally accepted that editors attempt to maintain a balance between features and editorials on the one hand and advertisements on the other. In the case of roadside advertising, the availability of space is subject to planning controls, and the high proportion taken on a long-term basis by traditional users imposes a serious limitation on the space available for new or short-term customers of the medium.

The purchasing of poster space

3.8. About half of the turnover from sales of poster space is derived from panels held on a 'till countermanded' (generally known as TC)¹ or long-term¹ basis by advertisers who have a long-term requirement for advertising one or more of their products or services. The rest of the available poster space is let out on a short-term¹ basis, to a small extent to local advertisers, but now increasingly to national or semi-national manufacturers, retailers or suppliers of services who wish to undertake short-term advertising campaigns, usually in more than one medium simultaneously, to promote their particular wares. For this latter purpose, there is now a substantial demand for packages of panels which are often put together by contractors.

3.9. The pattern of transactions is complex. The diagram at Table 3.3 shows, at one end of the chain, the site owner who receives a payment for his site and, at the other end, the prime advertiser who wishes to use posters to advertise his product or service. Though different patterns exist, the advertiser normally employs a main advertising agency as his adviser with responsibility for devising and presenting his campaigns throughout the media. This agency is generally paid by a commission, granted by the contractors, of 15 per cent of the advertising spend, although there are an increasing number of departures from this system. The rate of commission, and the criteria determining the companies to which it should be granted, are the subject of recommendations by the contractors' Associations. The agreement of which they form part is under discussion with the Office of Fair Trading.

3.10. If the advertiser is permanently committed to or makes heavy use of outdoor advertising (whether reference or otherwise) it is not unusual for him also to enter into direct contractual arrangements with a specialist poster bureau.¹ These bureaux do not undertake creative work on poster design, but advise on the use of poster space and negotiate to acquire panels on a long- or short-term basis. Alternatively, these tasks may form part of the contract between the advertiser and his main agency. If so, the main agency may either do this poster work in house, or through its own specialist subsidiary or, with the advertiser's agreement, it may sub-contract some or all of it to a bureau. The allocation of responsibility, and the pattern of sharing the commission between an agency and a bureau, is likely to vary greatly according to circumstances and the judgment of the parties.

¹ See Glossary: Appendix 1.

3.11. It is considerably easier and less expensive for an agency to buy a package¹ of panels put together by a contractor than to negotiate for the supply of individual panels from a number of contractors. If an advertiser, or an agency acting on his behalf, chooses to use packages made up by contractors, he is less likely to regard the use of a specialist bureau as necessary. Both main agents and bureaux buy poster space on all the bases described in paragraph 3.8, but specialist bureaux are strongest in the market for individual panels, whether on a long- or short-term basis, and main agents' buying is concentrated on packages.

Current users and trends in demand

3.12. The largest users of posters have for many years been the major drink and tobacco companies who have built up, often over a long period of time, substantial TC or other long-term holdings of panels. Our enquiries of some of the larger contractors have shown that between 40 per cent and 50 per cent of their direct sales are for cigarettes and tobacco and that a further 15 per cent or so is for beer. The contractors have become increasingly concerned at their heavy dependence on the advertising of cigarettes, beer, spirits and a few other products. The voluntary agreement with the Government in 1965 under which cigarette advertisers ceased to use television was seen by the contractors as likely to lead to further restrictions. In November 1980 the Government and the tobacco industry reached a further agreement under which the latter are to reduce their expenditure on cigarette advertising on posters. The reduction will be in two stages; in the 12 months ending 31 July 1981, this expenditure will be reduced by as close to 10 per cent as is feasible; and in the following 12 months by 30 per cent. The reductions in both periods are calculated from expenditure in the year ended 31 March 1980, with agreed allowances for inflation. Because this development is so recent, there is no experience on which we can base an assessment of its longer term effect on demand.

3.13. In recent years the contractors have made considerable efforts to sell the medium to a wider range of advertisers, principally through the marketing of short-term packages suitable for use by occasional purchasers in conjunction with major advertising campaigns in other media. There is evidence, for instance, that the range of products advertised on panels sold in British Posters' packages (see paragraphs 6.27 and 6.28) has been much wider than that on panels sold line-by-line by contractors.

3.14. The figures in Table 3.1 suggest a cyclical element in the demand for display advertising since 1973, with a relatively low level of demand in 1975 and 1976. The financial returns of contractors, which we analyse in Chapter 5, show a similar pattern. There have been indications of a softening of demand from late 1980. British Posters, for example, has told us that occupancy¹ figures for 1980 were 10 per cent lower than those for 1979 (see paragraph 6.55); that customers have been slow in booking campaigns in 1981; and that some of the sales made under the special arrangements with the

¹ See Glossary: Appendix 1.

agencies (see paragraph 6.29) have not been renewed in 1981. One of the larger contractors told us that it expected sales in the first quarter of 1981 to be less in cash terms than in the same quarter of the previous year. Another large contractor, Mills & Allen Limited, announced redundancies in its staff early in 1981. It is, however, too early for us to judge how significant this downturn will be and for how long it will last.

The development of the buying side of the industry

3.15. The purchase and management of a TC holding of outdoor advertising sites, and still more the organising of a short-term line-by-line advertising campaign, calls for staff with specialised knowledge of outdoor advertising who can cover large areas of the country. Hence there have for many years been a number of specialist bureaux which have been employed by advertisers or main agencies as expert advisers and as buyers of outdoor advertising space. Whilst some main agencies maintained their own poster departments to service their clients, not all judged it necessary to maintain this expertise in-house.

3.16. By the late 1960s a group of main agencies with clients using the medium had formed the Advertising Association Poster Bureau (AAPB) to handle their poster business. At that time three of the independent specialist bureaux (Walter Hills Limited, A W Newton Limited and Poster & Outdoor Services Limited) were controlled by a holding company called Outdoor Publicity Limited. This came under the control of Barclay Securities Limited in 1970. Barclay Securities Limited also owned Mills & Allen Limited, one of the leading contractors, and as a result of the hostility in the trade to contractors owning agencies Barclay Securities felt obliged to sell the agencies. The firm was accordingly sold to the agencies controlling the Advertising Agency Poster Bureau, which thereby came to possess something like 80 per cent of the total poster buying power: it was known within the industry as the AAPB (Mark II).

3.17. In the following years the AAPB (Mark II) lost some of its business. The surviving smaller specialist bureaux were increasingly gaining clients from it, and other new bureaux were set up. It finally succumbed in 1976 when a number of agencies resigned from the organisation. The AAPB was liquidated at very short notice, at the time causing substantial financial problems to numerous contractors to whom it was in debt. Ultimately these debts were fully paid off.

The specialist bureaux

3.18. The specialist bureaux vary considerably in size and method of functioning. The following is a brief summary of the companies which may be regarded as specialist bureaux and which according to our information now operate on a national scale. There is no association representing the specialist bureaux.

Concord Advertising Limited

3.19. This bureau was set up in 1979 as a subsidiary of Malcrest Limited, the parent of Posterlink Selection Limited (see paragraph 3.25). The two companies operate independently with separate management and field-forces.

Outdoor Advertising Services Limited

3.20. This company is the newest of the bureaux having been established at the end of 1979. Its business is currently entirely with main agencies.

Portland Outdoor Advertising Limited

3.21. Portland Outdoor Advertising Limited (Portland) was set up in 1976 by two major advertising agencies, J. Walter Thompson & Company Limited and Collett Dickenson Pearce & Partners Limited, to handle their purchases of poster space. Both agencies have clients heavily committed to outdoor advertising with substantial TC holdings. The company initially handled only long-term business, the parent agencies continuing to place short-term business (primarily with British Posters). From the beginning of 1979, however, all forms of poster business were handled by Portland.

3.22. Portland's business is not entirely confined to buying space to meet the requirements of its parent companies. From the beginning of its operation Portland has also acted for KMP Limited on one client's account. From the latter part of 1980, Portland has also undertaken a small amount of business with other agencies. We understand that Portland is organised so that the management teams concerned with purchases for each of the parent companies and also of other agencies operate quite separately although they work through a common field-force.

3.23. The 1978 purchases of space by Portland (for its two parents and KMP Limited) and direct purchases by its two parent companies totalled £8.1 million of which about £7.95 million was in respect of reference services.

The Poster Business

3.24. Rich and Beckett (Posters) Limited, trading as The Poster Business, is a subsidiary of Rich and Beckett Limited, trading as The Media Business, which acts as a buyer of various media on behalf of main agencies and advertisers. The turnover of The Poster Business in 1978 amounted to about £1.5 million of which 80 per cent related to reference services.

Posterlink Selection Limited

3.25. Posterlink Selection Limited (Posterlink) is a subsidiary of Malcrest Limited, a private company which also owns Concord Advertising Limited; it was founded in 1974. The company's total turnover in 1978 amounted to £7 million, of which 92 per cent related to reference services. About 80 per cent of the company's turnover is in TC or long-term advertising.

3.26. The activities of Posterlink and Concord Advertising Limited are carried out separately by different staffs operating from separate offices. Each has its own field-force. The two companies have two directors in common.

Poster Media Limited

3.27. Poster Media Limited was set up in 1974 and commenced operating in the following year. The company's turnover in the year ending August 1978 amounted to £3.6 million of which 83 per cent related to reference services. Of this 21 per cent comprised TC and long-term advertising.

Poster Publicity Limited

3.28. Poster Publicity Limited (Poster Publicity) was set up in 1969 under the name of J & H Outdoor Advertising Services. The company operates in a somewhat different manner from other specialist bureaux in that the bulk of its business stems from direct contracts with advertisers. Its turnover in 1978 amounted to £7.0 million, about 96 per cent of which related to reference services. About 96 per cent of these sales represented long-term or TC bookings.

3.29. The company acquired Focal Media Limited, a contractor which is a member of British Posters, in 1977 (see Appendix 3).

Universal Poster Agency Limited

3.30. The origin of Universal Poster Agency Limited (UPA) goes back to 1902. During the whole of this period it has been concerned with the purchase of poster space for the tobacco companies which now form part of the Imperial Group Limited. It is based in Nottingham and currently virtually all of its work is for this group. In 1978 UPA's turnover in the United Kingdom amounted to £4.9 million of which about 90 per cent related to reference services.

3.31. UPA is now a subsidiary of Mills & Allen International Limited, which also controls Mills & Allen Limited, one of the two largest poster contractors, and a member of British Posters (see Appendix 3).

Multimark Ltd

3.32. This private company (Multimark) has provided a rather different range of specialist and advisory services connected with the poster medium. Its main two areas of activity have been:

- (a) advising agencies and advertisers on the poster medium and monitoring displays on their behalf;
- (b) acting as a consultant and agent on behalf of landowners in connection with the licensing of their sites to poster contractors.

3.33. In 1977 the company published a booklet known within the industry as the Multimark Report. This dealt with certain general topics relating to the poster industry (including the claims of coverage made for its pre-selected campaigns by British Posters) but concentrated largely on criticisms, with illustrations, of the poor quality of maintenance of poster displays and panels.

3.34. Multimark has told us that it also operates as a poster contractor in respect of a small number of panels.

The main agencies

3.35. There are about 750 advertising agencies in the United Kingdom of whom the 306 belonging to the Institute of Practitioners in Advertising are estimated to be responsible for between 85 and 90 per cent of all advertising business placed through agencies.

3.36. A large number of agencies make some use of poster services on behalf of their clients and most of the largest are significant users of the medium. We have not considered it necessary or appropriate to obtain turn-over figures from individual companies for inclusion in this report as we are satisfied that none purchases 25 per cent or more of reference services.

3.37. As mentioned in paragraph 3.21, two leading agencies which make considerable use of the outdoor medium set up their own jointly owned body as, in effect, a specialist bureau to manage this part of their work. Other agencies do not have their own field-force though a few have small in-house teams which specialise in the outdoor medium and others expect their account executives and media departments to manage the outdoor medium for their clients. Some agencies enter into ad hoc or across-the-board arrangements with one or more specialist bureaux to deal with or advise them on the particular problems which this medium presents. When such arrangements are made between an agency and a bureau agreement has to be reached for some division of the commission allowed by the contractor (whether or not the standard 15 per cent) between them.

Advertisers

3.38. Virtually all major advertisers belong to the Incorporated Society of British Advertisers Limited. A large number of these use posters to some extent. We have not thought it necessary or appropriate to obtain information from major advertisers about their expenditure on posters for inclusion in this report, as we are satisfied that none purchases more than 25 per cent of reference services.

Poster Audit Bureau

3.39. In the early 1970s there was substantial criticism by purchasers of outdoor advertising of the quality of maintenance of poster panels and of the general efficiency of the service offered by contractors. As a step to meet these criticisms the two contractors' Associations organised, in conjunction with NOP Market Research Limited, an inspection service for members' panels. This is called the Poster Audit Bureau (PAB) and was set up in 1976 as a means of providing a reliable and independent inspection service to report back to the contractors and agencies alike on whether posters had, in fact, been posted correctly and by the due date. It normally confines itself to inspecting the panels owned by members of the Associations. One-third of the sites is inspected each fortnight so that all sites are covered over a six-week period. The PAB has primarily been concerned with short-term campaigns but has also undertaken inspection of TC/long-term displays. All British Posters' packages are monitored by the PAB unless the purchaser chooses to contract out.

So far its work has not been extended to cover other matters such as the maintenance of the panel itself or the question of juxtapositioning (the posting of advertisements for directly competing products on adjacent panels — see paragraph 6.33). About half of the cost of the service is borne by contractors, the remainder by advertisers through a levy of $\frac{1}{2}$ per cent of the price paid for space which is inspected by the PAB. A more detailed account of the work of the PAB is given in Appendix 4.

3.40. The inspection service offered by the PAB is to some extent in competition with the services provided by specialist bureaux (although many of the specialist bureaux use the PAB service), and by Multimark Limited in monitoring clients' campaigns. There are, however, significant differences between the two types of operation. The bureaux are able to offer a wider range of services through the experienced personnel in their field-forces. The PAB monitors a limited aspect of contractors' performance with non-specialist part-time staff but completes its regular fortnightly surveys within a period of two days.

CHAPTER 4

The supply of poster space — the development and structure of the industry

The development of the industry

4.1. Old photographs of the Victorian town scene frequently show a multitude of fly-sheets advertising any message from a religious text through the virtue of patent medicines to the bills for a forthcoming music hall performance. At the same time as these fascinating fly-sheets were being posted other enterprising small businessmen throughout Victorian Britain were starting to acquire poster panels on which more permanent notices could be erected — often in those days prominent metal signs advertising standard products. The increasing use of paper posters led contractors to develop a standard range of sizes. This was initially centred on the 16-sheet size (six feet eight inches wide by ten feet high) with a smaller number of 32-sheet panels of double the width. Subsequently other sizes have been developed, notably larger sizes for general use on highways and smaller panels designed for pedestrians and particularly suited for use in shopping precincts and similar locations.

4.2. In Victorian times the vigour of local enterprise and the limited use of road transport discouraged the development of national or even regional poster contractors. The characteristic pattern was that one, or sometimes a small number, of poster contractors became dominant in a particular city or large town. They were frequently well informed local personalities, well-known alike to local landowners from whom they acquired rights over sites and to the local advertisers who took up the bulk of the space they sold. As a consequence local monopolies tended to emerge. In 1861 a trade association, the United Kingdom Bill Posters Association, was formed to represent the majority of these regional contractors, and in its early years one of its main purposes was to seek to protect its members' exclusive interests in their respective areas. The Association changed its name to the British Poster Advertising Association (BPAA) in 1926.

4.3. In the 1920s a different type of poster contractor emerged with the growth of road transport. Rather than using the closely placed panels that had been customary, these new contractors sought, where possible, to have on a site only one 'solus' panel. Being on its own, this was considerably more prominent and commanded a higher rental from advertisers. Also, as better transport became available, some of these newer contractors aimed to manage and service panels over a wider area, or at least in those major centres of population where they saw financial advantage in doing so. In this they differed from the older type of contractor. Hence they were not eligible or did not wish to join the BPAA but formed a new organisation, the Solus Outdoor Advertising Association (SOAA), in 1938 to represent their interests. This Association, whilst not seeking to protect rights over geographical areas, sought to protect its members' interests in panels which they had acquired.

4.4. In the 1950s and more particularly the 1960s this diverse pattern of ownership tended to change. The coming of commercial television was initially a heavy blow to other advertising media, and perhaps to the outdoor medium most of all. Many of the smaller regional companies merged. This process led to the creation of two large companies, the London & Provincial Poster Group Limited and Mills & Allen Limited, each with substantial holdings in very large areas. Both of these companies had areas where they inherited from a predecessor company a high proportion of existing panels and other areas where they had either no holding or only a very small holding. Only a relatively small number of the old established local contractors have survived as independent companies.

4.5. The poster industry thus long antedates the development of a sophisticated advertising industry. But its importance to the majority of advertisers was limited. For many years the leading advertising agencies regarded it as a primitive 'beer and baccy' medium, and few industries other than brewers and tobacco manufacturers made substantial use of it.

4.6. During the 1960s the advantages of commercial television compared with the traditional media became increasingly apparent to advertisers and to poster contractors themselves. Television provided a high-impact medium which, in contrast to posters, offered national campaigns which could be purchased easily from the small number of television contractors involved, and was backed by sophisticated monitoring of the size of audience reached by advertisements. In order to stimulate the interests of agencies and advertisers in the poster medium the members of the British Poster Advertising Association set up their own promotional body in 1966, the Poster Promotion Organisation.

4.7. The Poster Promotion Organisation was superseded in 1968 by Cosales, a large body supported by members of both the British Poster Advertising Association and the Solus Outdoor Advertising Association, whose 35 members included all of the larger contractors. Like its predecessor, Cosales was essentially a promotional organisation; it did, however, develop a type of package called 'Impactaplan' by which customers could purchase a campaign from the available panels held by all members. Cosales arranged with member contractors what panels they could offer against customers' requirements, but any order was placed with one of the large contractors which acted as a clearing-house for the entire membership. This facility of a single enquiry point and a single contract constituted a significant advantage for advertisers and agencies who wished to book short-term campaigns offering a wide spread of display.

4.8. In September 1971, Mills & Allen Limited (then part of the Barclay Securities Group) and the London & Provincial Poster Group Limited withdrew from Cosales. This effectively brought it to an end as the two companies accounted for some 70 per cent of the total sales of all members. The following month these two companies, together with More O'Ferrall Limited and British Transport Advertising Limited, set up British Posters Limited (British Posters). There are currently ten contractors belonging to

British Posters. The organisation and operation of British Posters are dealt with in detail in Chapter 6.

4.9. The formation of British Posters and the enlargement of the Advertising Agency Poster Bureau as the predominant purchaser of space (see paragraph 3.16) made smaller contractors anxious about their future prospects. As a result, in October 1971 16 of the other contractors set up their own central selling organisation, Independent Poster Sales Limited, as a non-profit-making company (see paragraphs 4.27–4.28). This organisation differs from British Posters in that it does not attempt to sell blocks of sites selected in advance but makes up campaigns (known as ‘Keyplans’) from members’ available sites against specific enquiries. Subsequently a number of other contractors joined Independent Poster Sales Limited. One major contractor, Arthur Maiden Limited, left it in 1975 to join British Posters. There are now 24 members.

4.10. A third smaller organisation, called Free Trade Posters Sales Limited (see paragraphs 4.29 and 4.30), was established in 1979 to sell sites owned by other contractors, at times in packages comparable with those of Independent Poster Sales Limited. In addition two individual contractors also market packages made out of their own specialised types of panels. These are More O’Ferrall Limited (which sells packages of ‘Supersites’¹ known as ‘Networks’) and Adshel Limited which offers packages of 4-sheet panels on bus shelters.

The size of the industry today

4.11. In the absence of any comprehensive information on the size of the industry we have sought information from all contractors believed to be providing reference services in the year 1978 on the extent of their business in that year. The 71 contractors known to have supplied reference services in that year and from whom figures were obtained are listed in Appendix 5. This list may not be comprehensive in that a few small poster contractors believed to have supplied reference services at that time have since ceased trading. A number of contractors have entered the industry subsequently, but are believed to be operating as yet on a relatively small scale.

4.12. The figures we have obtained show that in the calendar year 1978 the total net value of reference services provided in the United Kingdom (after deduction of all discounts and commission) amounted to £34,990,000. We have not sought detailed information from the numerous contractors within the industry on their turnover in 1979. The Advertising Association’s figures of expenditure on outdoor advertising in 1978 and 1979 (which includes transport and other non-reference outdoor advertising) given in paragraph 3.3 indicate an increase of 37 per cent in 1979 over the preceding year. Information that we have obtained from the major contractors listed in Chapter 5 indicates that their aggregate turnover increased by about 38 per cent in 1979. On the basis of these figures we estimate the net value of reference services supplied in 1979 to be in the range of £47–£50 million.

¹ See Glossary: Appendix 1.

4.13. We also sought information about the size of the industry and of individual contractors in terms of some unit of physical measurement. This has not proved easy as the only widely used measurement employed to aggregate different sizes of panel, the concept of 'equivalent units',¹ has certain disadvantages (see Appendix 6). We have therefore also calculated capacity in terms of panel area and of the number of panels.

4.14. We have obtained from 72 contractors² figures showing the number and size of panels which they held on 1 January 1979 for the provision of reference services. These total 153,300 panels representing 220,800 equivalent units and approximately 11.1 million square feet of poster space. We are satisfied that these contractors, whose figures include services provided by associated contractors, supplied virtually all of the reference services in the year 1978.

The major contractors

4.15. Table 4.1 shows the percentage of the total space available for reference services on 1 January 1979 held by each of the major contractors and by all other contractors, together with the percentage of the total turnover of reference services supplied in 1978. Space made available to British Posters, and sales through British Posters, are included in these figures. (Fuller figures are set out in Appendix 6.)

TABLE 4.1

	<i>% space (equivalent units)</i>	<i>% services (value)</i>
<i>British Posters members</i>		
Mills & Allen Limited	27.3	24.2
London & Provincial Posters Limited	25.2	24.9
Arthur Maiden Limited	8.5	9.3
British Transport Advertising Limited	5.8	4.7
More O'Ferrall Limited	4.4	10.0
Other members	5.8	5.9
Total for British Posters members	77.0	79.0
<i>Other contractors</i>		
National Solus Sites Limited	6.9	5.6
Adshel Limited	5.5	5.0
Others (60 contractors)	10.6	10.4
Total	23.0	21.0

¹ See Glossary: Appendix 1.

² One contractor, C P Poster Advertising Limited, commenced business on 1 January 1979 (see paragraphs 5.12 to 5.15).

Geographical structure of the industry

4.16. For many years the members of the British Poster Advertising Association had an agreement not to move into towns where another member was recognised as the predominant contractor. This agreement lasted until the late 1960s when the BPAA merged with the London Poster Advertising Association whose members did not have such an agreement.

4.17. In 1966 Mills & Allen Limited and London & Provincial Posters Limited established a joint development organisation known as Development Services which sought new panels (principally in new town centres and shopping developments) jointly on behalf of the two companies. Development Services then allocated such new panels for any particular town to the company into whose 'area' that town fell.

4.18. When the BPAA arrangement was abandoned Mills & Allen and London & Provincial agreed, because they were still co-operating closely in the acquisition of new sites through Development Services, that, with certain exceptions, neither company would acquire sites in the territory of the other as defined in the old BPAA arrangement. This agreement was generally observed until about 1975 when Development Services was dissolved and thereafter the two companies began moving into each other's territory. The agreement was finally terminated in December 1978. Both companies have told us that they now regard themselves as free to move into any parts of the country where the economic criteria for doing so are met. The most notable incursions by one company into the territories of the other to date appear to have been the move of Mills & Allen into the London area and of London & Provincial into the West Country.

4.19. In order to illustrate the present geographical structure of the industry we have analysed the space held at the beginning of 1979 by the seven largest contractors in the seven major English conurbations. These contractors held at that time 83 per cent of the total space for reference services available throughout the United Kingdom. We have set out in Table 4.2 the amount of space held by these contractors in each conurbation and how that space is shared between the seven in percentage terms. The inclusion of space held by other contractors would of course reduce the percentage share of each company (probably most significantly in the London area) but the figures nevertheless indicate the degree of concentration in site ownership among the seven largest contractors in most of the conurbations.

4.20. Even where ownership is fairly evenly spread within a conurbation as a whole, individual contractors may hold a large proportion of the space in individual towns and cities. This is shown in Table 4.3 which gives similar figures for each of the towns and cities in the West Midlands conurbation.

The supply of packages of sites owned by different contractors

4.21. We have described in paragraphs 4.8–4.10 the formation of three organisations to supply packages of sites owned by different contractors. We have set out below a brief analysis of their size and of the nature of their operations. Of these, British Posters is much the largest and its operations are discussed more fully in Chapter 6.

TABLE 4.2 Ownership of panels by the Seven Largest Contractors (Figures are of Equivalent Units)

	<i>NSS</i>	<i>Mills & Allen</i>	<i>More O'Ferrall</i>	<i>BTA</i>	<i>London & Provincial</i>	<i>Arthur Maiden</i>	<i>Adshel</i>	<i>Total</i>
Greater London	2,126	973	2,079	1,618	16,271	2,035	2,536	27,638
%	8	4	8	6	59	7	9	
Merseyside	353	2,896	137	141	61	1,100	744	5,432
%	6	53	3	3	1	20	14	
West Midlands	1,269	3,159	1,378	529	6,748	1,190	604	14,877
%	9	21	9	4	45	8	4	
Tyne & Wear	661	4,107	144	90	89	394	226	5,711
%	12	72	3	2	2	7	4	
South Yorkshire	721	727	66	106	2,713	248	120	4,701
%	15	15	1	2	58	5	3	
West Yorkshire	1,295	4,405	177	211	2,769	529	728	10,114
%	13	44	2	2	27	5	7	
Greater Manchester	892	1,525	596	338	19,112	744	220	23,427
%	4	7	3	1	82	3	1	

TABLE 4.3 Ownership of panels in the West Midlands Conurbation by the Seven Largest Contractors (Figures in Equivalent Units)

	<i>NSS</i>	<i>Mills & Allen</i>	<i>More O'Ferrall</i>	<i>BTA</i>	<i>London & Provincial</i>	<i>Arthur Maiden</i>	<i>Adshel</i>	<i>Total</i>
Birmingham	658	6	781	316	4,249	434	150	6,594
%	10	—	12	5	64	7	2	
Coventry	112	1,578	40	33	0	105	38	1,906
%	6	83	2	2	—	6	2	
Dudley	51	43	45	28	585	119	78	949
%	5	5	5	3	62	13	8	
Sandwell	266	196	228	43	839	237	152	1,961
%	14	10	12	2	43	12	8	
Solihull	7	0	2	38	189	8	50	294
%	2	—	1	13	64	3	17	
Walsall	62	198	113	8	836	91	136	1,444
%	4	14	8	1	58	6	9	
Wolverhampton	113	1,138	169	63	50	196	0	1,729
%	7	66	10	4	3	11	—	

(i) *British Posters Limited and its member companies*

4.22. British Posters is essentially a sales consortium marketing pre-selected packages of panels made available to it by its members. Its sales, all of which relate to reference services, amounted to £9,582,000 in 1978. After deduction of sales of space made by member companies under the special agreements (see paragraph 6.29) the value of services supplied by British Posters amounted to £8,837,000. This represented just over 25 per cent of the total turnover in reference services. Details of turnover in other years are given in paragraph 6.44.

4.23. Sales of reference services by British Posters Limited and its member companies (including member companies' sales of space independent of British Posters) amounted to £27,640,000 in 1978 and £38,100,000 in 1979. The former represented 79 per cent of all reference services supplied in that year. Comparable figures for earlier years are not readily available in view of the different

financial years member companies adopt, but in 1975 the figure was of the order of £13 million.

4.24. At 1 January 1979 British Posters Limited had 55,000 panels representing 68,300 equivalent units made available by its members for the provision of pre-selected campaigns.¹ This represented 30.9 per cent of the total space available (in terms of equivalent units) for reference services. Fuller information about the space available to British Posters is included in paragraph 6.13.

4.25. As at 1 January 1979 the members of British Posters Limited had a total of 113,000 panels representing 170,000 equivalent units available for the provision of reference services (including both services supplied by British Posters Limited and those directly by the members themselves). These represented 77 per cent of the total space available (in terms of equivalent units) for reference services.

4.26. A fuller analysis of these figures is set out in Appendix 6, including an analysis based on possible alternative physical measurements.

(ii) *Independent Poster Sales Limited (IPS)*

4.27. IPS is a sales consortium whose members are listed in Appendix 7. Of these, National Solus Sites Limited is much the largest. Altogether these companies held 12.8 per cent of space (in equivalent units) at the beginning of 1979 for the provision of reference services, and provided 11.1 per cent of the reference services supplied in 1978. IPS does not handle all the sales of its members, who also make direct sales under long and short-term contracts. It offers customers the facility of purchasing through a central point either line-by-line or packages, known as 'Key Plans' selected from members' available panels. IPS aims to provide national coverage. Its members are strong in some areas (in London holding about 35 per cent of roadside space) but are relatively weak in some other areas.

4.28. IPS has a discount structure which provides for 12 month period discounts and volume discounts. A monitoring fee of 5 per cent is paid to authorised poster bureaux placing orders for Key Plan packages.

(iii) *Free Trade Poster Sales Limited (FTPS)*

4.29. FTPS is an independent company which provides a service to contractors in selling space. Unlike British Posters and IPS the company was not formed by a group of contractors. A fee is charged for the service which is at present used by the following contractors:

- D S Sites Limited
- Fordlyn Limited
- Poster Advertising
- Quail Advertising Limited
- Tower Advertising Limited

¹ See Glossary: Appendix I.

Victor Battle Advertising
Northern Outdoor Advertising
A W Posters Limited
Pioneer Signs
Longman's Billposting Limited
P D International Advertising Limited.

FTPS handles only part of these contractors' sales; its turnover consists mainly of line-by-line sales although it also produces packages against customers' requirements from panels held by the above companies or, where necessary, other contractors. In view of its different constitution and of the fact that it was only founded in 1979, we have not set out a consolidated figure for the size of the operations of these contractors.

4.30. In addition to this activity FTPS has recently started to operate as a poster contractor in its own right, building up a stock of panels under a form of profit-sharing agreement with site-owners which the company has devised.

Prices

4.31. Rate cards are produced by companies supplying packages (eg British Posters, Independent Poster Sales Limited, More O'Ferrall Limited and Adshel Limited) but are rarely produced by contractors for their line-by-line sales, although they were formerly used for this purpose. The price for line-by-line panels is essentially a matter for negotiation between the contractor and his customer, either when orders are accepted initially for short- or long-term contracts or when price increases are sought under TC contracts. Some contractors give long-term discounts of between 5 and 20 per cent varying according to the period of the contract and whether or not it is cancellable.

4.32. We have not been able to calculate the movement in the prices of panels sold line-by-line. Such calculations could be made in respect of many individual panels but would not necessarily give a valid indication of the general movement in market prices. Many contractors do not possess adequate records of the prices charged for individual panels in past years to enable us to construct a price index for a random sample of panels.

4.33. However, since members of British Posters account for more than 70 per cent of the space available for reference services and since each has the choice between placing panels with British Posters or selling them itself, it seems likely that the prices of panels sold by the contractors will have risen at a rate broadly similar to that of the prices charged by British Posters. The movements in price of the small and non-random samples of contractors' sites that we have been able to secure support this conclusion. We have therefore considered the movement of prices and the factors that determine that movement more fully in Chapter 6.

4.34. Neither of the two contractors' Associations make any recommendations to member companies on prices or discounts.

CHAPTER 5

The main contractors—including all member companies of British Posters Limited

5.1. In this chapter we set out certain basic information about the main contractors, starting in paragraphs 5.2 to 5.94 with all member companies of British Posters Limited. In the following chapter we discuss more fully the operation of British Posters and the relationship between British Posters and its members.

British Transport Advertising Limited

5.2. British Transport Advertising (BTA) was incorporated in 1961. It is owned jointly by the British Railways Board and the National Bus Company, each having a 50 per cent shareholding. In addition to its work on behalf of its two shareholders, BTA acts as an agent for the following transport undertakings in the public sector:

- British Transport Hotels Limited
- Sealink (UK) Limited
- British Rail (Hovercraft) Limited
- British Transport Docks Board
- British Waterways Board
- National Carriers Limited
- National Freight Company Limited
- Scottish Transport Group
- West Midlands Passenger Transport Executive.

BTA has also been appointed, together with WHS Advertising Limited, as joint commercial advertising contractors to the National Exhibition Centre in Birmingham.

5.3. The company undertakes the marketing, selling, servicing and administration of commercial advertising space on land and vehicles owned by its shareholders and by the undertakings listed in paragraph 5.2.

5.4. The company's total revenue (after payment of agency commission) amounted to £7,250,000 in 1978, and £8,726,000 in 1979. Of these amounts £1,643,000 in 1978, and £2,014,000 in 1979, fall within the scope of our reference.

5.5. In marketing its space BTA makes a clear distinction between railway and roadside sites, the latter generally commanding higher rentals and being taken to include all panels (other than those on vehicles) which are primarily visible from the highway.

5.6. Until 1970 a large part of the company's stock of roadside sites was let to other poster contractors under long-standing arrangements dating back

to the days of the independent railway companies before 1948. Long-term agreements for these sites were negotiated with a committee of the two contractors' Associations which consisted of representatives of all of the contractors renting sites. In 1970, when the agreements came up for renewal, BTA secured short-term agreements with individual contractors. BTA has however been dissatisfied with the operation of some of these agreements and has not renewed them when they expired but taken the sites into its own stock. As a result of this the proportion of its roadside panels which is licensed to other contractors has fallen to about 30 per cent of its total stock.

5.7. BTA has also wished to be more directly involved in the marketing of panels under the arrangements with other contractors which have continued and has since 1973 entered into joint selling arrangements (either as a formal registered partnership or as a joint sales venture) with More O'Ferrall Limited, London & Provincial Posters Limited and Samuel Miles Limited in place of the licensing agreements which formerly operated.

5.8. BTA was a founder-member of British Posters. At 1 January 1979 the company had 3,058 equivalent units included in British Posters' pre-selected campaigns, representing 24 per cent of the 12,840 equivalent units of space it had available for the provision of reference services. The stock of panels made available for inclusion in British Posters' pre-selected campaigns produced a revenue of £453,000 in 1978 representing 28 per cent of the revenue from reference services on all BTA sites. Because the company considers that its 4-sheet and 16-sheet panels can be most effectively sold in British Posters' packages it has offered to British Posters a higher proportion of these sizes of panel than of its 48-sheet stock. About 85 per cent of its turnover from reference sites outside British Posters is under long-term contracts.

5.9. The accounts of BTA do not differentiate between costs incurred in reference and non-reference business in such matters as the servicing of sites and sales and administration costs. The company has only been able to allocate costs between reference and non-reference services for calendar years after 1978. In 1979 it had net sales revenue of £2,014,000 and expenditure of £957,000, yielding a surplus of £1,057,000 (52 per cent of net sales revenue). In 1980 the surplus of £1,256,000 represented 47 per cent of sales revenue.

5.10. The figures of 52 and 47 per cent are not comparable with the net profit to turnover ratio of other contractors. The company does not pay rent and frequently does not pay rates, both of which charges other contractors bear as a direct cost. Like British Posters, BTA does not operate as a profit-making company and as such its balance sheet does not represent the same situation as with other contractors. It would not therefore be appropriate to calculate a ratio of profit to capital employed.

5.11. BTA is not a member of either of the contractors' Associations.

C P Poster Advertising Limited

5.12. C P Poster Advertising Limited, which trades as C-P Posters, is a family-owned private company which was registered in January 1979. In that month it acquired from Arthur Maiden Limited a total of 599 panels, representing in all 664 equivalent units. These were located in a wide area of southern England extending to Dorset, Oxford, the southern fringe of the Greater London Council area and Worthing.

5.13. A number of these panels were included in British Posters' pre-selected campaigns whilst in their former ownership and the company formally joined British Posters in May 1979.

5.14. The company is a member of the Solus Outdoor Advertising Association Limited.

5.15. At the time of our reference the company was not operating as a poster contractor and the panels it acquired were under the control of Arthur Maiden Limited. In view of this, and of its small size, we have not sought information about turnover or profit levels as we have with other members of British Posters.

James Davey Sites Limited

5.16. James Davey Sites Limited is a family-owned private company which has operated as a poster contractor for well over a hundred years. It has grown over this time partly through the acquisition of many smaller contractors. James Davey Sites Limited also trades as Four Sheet Posters in the Midlands area.

5.17. The company's panels, almost all of which fall within the scope of the reference, are located in Greater London and in the southern, midland and eastern areas of England. The company joined British Posters in December 1971. At 1 January 1979 57 per cent of its total stock of panels, in terms of equivalent units, were used in British Posters' pre-selected campaigns.

5.18. James Davey Sites Limited is a member of the British Poster Advertising Association.

5.19. Trading results for James Davey Sites Limited for the years 1974-79 were as follows:

	Year ended 31 December					
	1974	1975	1976	1977	1978	1979
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover (after deducting agency commission):						
Own panels	145	164	181	227	299	481
British Posters' panels	109	108	163	226	297	380
Sub-total	254	272	344	453	596	861
Expenditure	228	270	318	390	529	709
Profit before interest and taxation	26	2	26	63	67	152
Return on turnover	10.2%	0.7%	7.6%	13.9%	11.2%	17.6%

Note: The above table includes a small element of non-reference activity (amounting to about 2 per cent of reference business) which cannot readily be excluded from the accounts prepared by the company. In our view the inclusion of this activity has no significant effect on the figures of the return on turnover for reference services.

5.20. The average capital employed and the returns thereon represented by trading profits (including the relatively small non-reference business) were as follows:

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit before interest and taxation	26	2	26	63	67	152
Average capital employed	204	210	218	266	433	643
Return on average capital employed	12.7%	0.9%	11.9%	23.7%	15.5%	23.6%

Focal Media Limited

5.21. Focal Media Limited was formed in 1964 to develop poster advertising panels in locations such as public car parks (particularly multi-storey car parks and underground car parks) and motorway service areas, although during the last two years the company has also acquired other roadside sites. In 1969 the founder sold 51 per cent of the equity to London & Provincial Posters Limited and the remainder to the same company in 1976. As a wholly-owned subsidiary of London & Provincial Posters Limited a number of the company's sites were then included in British Posters' pre-selected campaigns. In 1977 London and Provincial Posters Limited sold the company to a nominee of Poster Publicity Limited, (see paragraph 5.31) one of the principal poster specialist bureaux. (Information about the working relationship between the two companies is set out in Appendix 3.) Subsequently, in July 1978, Focal Media Limited joined British Posters. About 80 per cent of turnover on the company's own panels is under TC or long-term contracts in which a period discount of up to 20 per cent is given.

5.22. On 1 January 1979 the company's stock, excluding a small number of panels of a size falling outside the scope of our reference, consisted of 1,450 panels, representing the same number of equivalent units. This was made up entirely of rear-illuminated 4-sheet panels in public car parks and motorway service areas. As indicated in paragraph 2.3 above we have regarded such sites as falling within the reference. 126 of these, or 8 per cent, were then incorporated in British Posters' pre-selected campaigns, this figure having fallen from over 300 as a result of the withdrawal of sites.

5.23. The company's turnover (after deduction of agency commission) in 1978 amounted to £263,000. This included £22,000 relating to its space sold through British Posters. Of the remainder about 92 per cent represented sales on TC and long-term contracts.

5.24. The company publishes a rate card giving details of charges and period discounts given.

5.25. The company is not a member of either of the contractors' Associations.

5.26. In view of the company's small size, its limited activity within British Posters and the fact that it has only recently re-emerged as a separate poster contracting company, we have not considered it necessary to obtain the financial information that we have sought from the larger companies about costs and profitability.

London & Provincial Posters Limited

5.27. London & Provincial Posters Limited is a subsidiary of London & Provincial Poster Group Limited which in turn has been a subsidiary of Reed International Limited since June 1980. London & Provincial Posters Limited and Mason-Lang Signs (Rental) Limited (a small company with a stock of 400 painted signs) are the only companies within the group supplying reference services. Other activities of London & Provincial Poster Group Limited include advertising interests in Australia and the Netherlands, and Arena Sports Advertising Limited which handles advertising in sports stadia in the United Kingdom and is outside the scope of our inquiry.

5.28. London & Provincial Poster Group Limited was set up in 1966 to acquire the assets of the following contractors:

- Hastings, St Leonards and Bexhill Poster Advertising Company Limited
- Hill & Sherwin Limited
- London Poster Advertising Company Limited
- National Poster Group Limited
- Partington's Kent Poster Advertising Company Limited
- Partington's Poster Advertising Company Limited
- Sheffields Limited and subsidiaries
- Southampton and District Billposting Company Limited
- Walter Hill's Poster Advertising Company Limited
- Willing's Poster Advertising Company Limited
- Willing's Southern Poster Sites Limited

5.29. These companies were old established ones, in many cases dating back to the last century. In common with other companies supplying outdoor advertising services they had their origin in small local family concerns serving the towns in which they were based. About 1950 they formed themselves into a loose trading federation through cross-shareholdings and established a system of regular business co-operation. This federation, which became known as the London & Provincial Poster Group, enabled the companies to offer advertisers a more comprehensive service although it still fell short of providing national coverage.

5.30. After the 1966 merger London & Provincial Poster Group Limited acquired a number of smaller contractors. The largest merger was with Boro Group Limited which had itself been formed from an amalgamation of ten contracting companies operating in London, Southern England, the Midlands, Lancashire and Yorkshire. Boro Group Limited was wholly owned by the IPC Group (now part of Reed International Limited) which thereby acquired 43 per cent of the London & Provincial Poster Group's share capital. The merger was partly a protective measure in the face of the activities of Barclay

Securities Limited in taking over a number of companies in the industry (see paragraphs 5.63 and 5.64) but it also provided London & Provincial Posters Limited with a substantially improved coverage in all of the areas in which it operated. In addition London & Provincial Poster Group Limited acquired the 50 per cent shareholding in Adshel Limited which Boro Group had held (see paragraph 5.99).

5.31. Other acquisitions included:

Focal Media Limited (see paragraphs 5.21 to 5.26). Shareholdings were acquired in 1969 and 1976, but the company was sold in 1977 to nominees of Poster Publicity Limited.

Henry Roberts Limited and *Shellstone Limited* These outdoor poster companies were acquired for cash in 1971 in order further to expand and reinforce the services by the company to advertisers on a national scale.

Frank Mason & Company Limited The company was acquired for cash in 1973 with a view to broadening the activities of the group into transport advertising, but more importantly to expand the group's business in Australia which had been started in a small way in 1970. The United Kingdom activities of Frank Mason & Company Limited proved less profitable in the adverse trading conditions of the mid-1970s and in 1975 the transport advertising business in the United Kingdom was combined with that of W H Smith Advertising Limited in a joint venture. The group's interest was sold to W H Smith Advertising Limited in 1976.

Ja-El Signs Limited and *Universal Signs Limited* These companies, acquired for cash in 1974 and 1973 respectively, specialised in the construction of outdoor advertising panels and had previously been used by the group as sub-contractors.

Howard Cook Advertising Limited This contracting company was purchased for cash in 1974 with a view to expanding the group's representation in Yorkshire and Lancashire.

Other smaller companies acquired (with the years of acquisition) were:

Regent Premier Sites Limited	1969
Regent Car Parks Limited	1969
Bournemouth, Boscombe & District United Billposting Co Limited	1969
Star Solus Sites (Leeds) Limited	1974
The Accrington & District Billposting Company Limited	1974
Bacup District Poster Service Limited	1974
Todmorden District Poster Service Limited	1974

In addition to its overseas interests in Australia the group acquired a 50 per cent interest in a small Dutch outdoor advertising contractor in 1979.

5.32. At the beginning of 1979 London & Provincial Posters Limited held 38,700 panels, representing 55,700 equivalent units for the provision of reference services. The number of equivalent units of reference panels available for sale has declined from 63,000 in 1974 (the last year in which it made

significant acquisitions) to 56,000 in 1978 (these figures exclude Mason-Lang Signs (Rentals) Limited for which figures are not available):

<i>Year</i>	<i>Total equivalent units</i>
1974	63,000
1975	61,000
1976	59,000
1977	57,500
1978	56,000

This stock is concentrated in the London area, the south of England and various areas in the Midlands, north west and north east of England (including Birmingham, Sheffield, Leeds and Manchester). The geographical agreement with Mills & Allen Limited described in paragraph 4.18 has helped to preserve this pattern.

5.33. The company was a founder member of British Posters and at 1 January 1979 had a total of 27,500 equivalent units used in British Posters' pre-selected campaigns, representing nearly 50 per cent of its total stock of roadside sites. The company's turnover, including that of Mason-Lang Signs (Rentals) Limited, in respect of reference services amounted to £8,705,000 in 1978. £3,757,000 of this (43 per cent) was derived from sales through British Posters, including £205,000 in respect of panels supplied for British Posters' Individual Site Service.

5.34. Of the company's direct sales of space (ie excluding sales through British Posters) in 1978, about 90 per cent was in respect of TC and long-term contracts, (on which the company gives discounts varying from 5 to 20 per cent according to the type of contract).

5.35. The company is a member of the British Poster Advertising Association.

5.36. The company's turnover from the provision of reference services and the profit derived from these services (before interest and taxation) for the six years ended 31 December 1979 are as follows:

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deducting agency commission):						
Own panels	2,759	2,929	3,091	3,899	4,875	6,625
British Posters' panels	1,625	1,717	2,215	2,863	3,757	4,611
Other	174	352	297	233	135	126
<i>Sub total</i>	<i>4,558</i>	<i>4,998</i>	<i>5,603</i>	<i>6,995</i>	<i>8,767</i>	<i>11,362</i>
<i>Expenditure</i>	<i>3,753</i>	<i>4,735</i>	<i>4,868</i>	<i>5,518</i>	<i>6,738</i>	<i>8,350</i>
<i>Profit before interest and taxation</i>	<i>805</i>	<i>263</i>	<i>735</i>	<i>1,477</i>	<i>2,029</i>	<i>3,012</i>
<i>Return on turnover</i>	<i>17.7%</i>	<i>5.3%</i>	<i>13.1%</i>	<i>21.1%</i>	<i>23.1%</i>	<i>26.5%</i>

Note: The above table includes a small element of non-reference activity (amounting to less than one per cent of reference business) which cannot readily be excluded from the accounts prepared by the company. Furthermore, it does not include the financial results of Mason-Lang Signs (Rental) Limited. In our view these small variances have no significant effect on the figures of the return on turnover for reference services.

5.37. The average capital employed within the reference service company and the proportions represented by trading profits, again including a small amount of non-reference business and excluding Mason-Lang Signs (Rental) Limited, for the six years ended 31 December 1979 were as follows:

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit before interest and taxation	805	263	735	1,477	2,029	3,012
Average capital employed	1,846	2,075	2,204	2,633	3,648	4,951
Return on average capital employed	43.6%	12.7%	33.3%	56.1%	55.6%	60.8%

5.38. We have been informed by the company that certain assets used in the reference service business are held by other companies within the group. Accordingly the capital employed set out in the previous paragraph is understated to that extent. Furthermore the profit or income attributable to those assets has not been included in the profit before interest and taxation set out above. The company has only been able to supply the relevant information regarding these elements of capital employed and profitability for the last two years under review (ie 1978 and 1979). On the basis of that information the returns on turnover and average capital employed are as follows:

	<i>Year ended 31 December</i>	
	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>
Turnover	8,767	11,362
Revised profit before interest and taxation	2,151	3,197
Revised average capital employed	5,299	6,696
Revised returns on: Turnover	24.5%	28.1%
Average capital employed	40.6%	47.7%

5.39. Unlike other members of British Posters, the company has an amount for goodwill in its balance sheet which it considers should be taken into account in calculating capital employed. It is the Commission's standard practice to exclude goodwill, but if it were included the return on average capital employed would be reduced to:

	<i>%</i>
1974	22.9
1975	7.0
1976	19.0
1977	34.3
1978	30.9*
1979	38.3*

* In 1978 and 1979 the returns on capital employed, including goodwill, have been based on revised information available for those years as explained in paragraph 5.38 above.

5.40. A comparison of the returns on the bases of historic and current cost accounting for the years 1978 and 1979 is given in paragraph 5.103.

Arthur Maiden Limited

5.41. Arthur Maiden Limited (Arthur Maiden) is a private family company. The business was started in 1925 by Mr Arthur Maiden who formed the present company two years later.

5.42. During the 1950s and 1960s the company expanded its activities significantly. Several small contractors operating in the north of England were acquired and integrated into the main business. The company set up a Dublin office which built up a holding in the Republic of Ireland and subsequently in Northern Ireland. It also built up contracting businesses in France and Belgium (which were run by a subsidiary company, Maiden Publicité SA) and a very small business in Gibraltar run by the parent company.

5.43. By 1970 the company was experiencing management problems caused partly by the extended lines of communication. To alleviate this the interests on the Continent were sold and a separate company, Maiden Poster Sales Limited, was set up in Dublin to manage its operations in both the Republic of Ireland and Northern Ireland. In 1979 some of the company's stock in the south of England (excluding the London area) was sold to C P Poster Advertising Limited, a newly established contractor whose directors are linked with the Maiden family (see paragraphs 5.12-5.15).

5.44. Arthur Maiden had for many years sought to establish its presence in the London area. This was achieved in 1977 when the company acquired the family contracting concern of W R Churchill Limited. This business was integrated into the main company, although the name is retained for trading purposes and the operation is carried on from an office in London under a director resident there.

5.45. In 1980 the company acquired Poster Panels Limited, a contractor operating mainly in Manchester, Merseyside, the Midlands and West Yorkshire, and Adam Anderson Advertising Limited, a Glasgow-based contractor, in February 1981.

5.46. It has always been the policy of Arthur Maiden to build up holdings of panels in the main conurbations. Thus, although the company is strongest in the Merseyside area, where the business was first started, there are significant holdings in London, the West Midlands, the Manchester area, north east England, Central Scotland and parts of Wales. The stock is predominantly of 4-, 16- and 48-sheet panels in typical roadside locations but the company also has a number of larger panels and is also active in bus shelter advertising.

5.47. In the year 1978 Arthur Maiden's net turnover in supplying reference services amounted to £3.27 million. Of this £898,000 (27 per cent) represented business through British Posters. Of Arthur Maiden's remaining sales direct to agencies or other customers, 91 per cent were under TC contracts or for

fixed periods of more than six months. The company does not give long-term discounts.

5.48. Arthur Maiden was not invited to join British Posters when the latter was set up in 1971 and the company was one of the founder members of Independent Poster Sales Limited, being the largest contractor in that organisation. It ceased to be an active member (though retaining a nominal membership by reason of a technicality in the constitution of IPS) when it joined British Posters in 1975.

5.49. Arthur Maiden is a member of the Solus Outdoor Advertising Association Limited.

5.50. The tables below relate to the profitability of Arthur Maiden's reference business in Great Britain (together with its activities in Gibraltar and the Isle of Man, which are too small to affect the overall position significantly). The company's limited activities in Northern Ireland, which are administered by its Dublin-based subsidiary, are excluded. The results of reference business are based on audited accounts using an allocation made by the company of trading results and capital employed between reference and non-reference activities. The figures do not include those of Poster Panels Limited.

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deduction of agency commission):						
Own panels	1,033	938	989	1,546	2,331	3,496
British Poster panels	—	214	441	642	898	1,067
Joint ventures	18	16	20	32	42	53
Sub-total	1,051	1,168	1,450	2,220	3,271	4,616
Expenditure	1,032	1,140	1,348	1,905	2,504	3,551
Profit before interest and taxation	19	28	102	315	767	1,065
Return on turnover	1.8%	2.4%	7.0%	14.2%	23.4%	23.1%

5.51 The average number of equivalent units available for sale, after taking into account 2,250 acquired with W R Churchill Limited in 1977 as well as other acquisitions and disposals, increased from some 17,300 at the beginning of 1976 to 18,700 on 1 January 1979. This latter figure excludes the sites in the south of England, representing 664 equivalent units, which were sold to C P Poster Advertising Limited on that day. From 1975, some 6,300 were made available to British Posters in each year, and on 1 January 1979 5,288 panels representing 6,428 equivalent units were available for inclusion in pre-selected campaigns.

5.52 In the following summary, we set out the returns on capital employed represented by net profits for reference business after adjusting profits to include revenue from certain non-reference services which are included in the

figures of capital employed. In our opinion these adjustments do not materially affect the returns attributable to reference services.

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profits (including rents received)	24	32	104	319	776	1,066
Average capital employed	400	396	427	660	973	1,298
Return on average capital employed	6.0%	8.1%	24.4%	48.3%	79.8%	82.1%

The Miles Group of Companies

5.53 This contractor has operated as a family business since it was founded by Samuel Miles in 1874. It is a private company.

5.54. Between 1963 and 1973 the company acquired the following poster contractor businesses:

- Southern Poster Sites Limited
- Smith and Gray (Sites) Limited
- A Leopold and Company Limited
- Clements Kiosk Advertising Limited
- Key Sites Limited
- Martin Brothers (Sites) Limited

All of these businesses were absorbed into Samuel Miles Limited which now forms the only trading company in the group.

5.55. The activities of Samuel Miles Limited are confined to the provision of advertising services falling within the terms of the Commission's reference. Its area of operation consists of London and the home counties, Sussex and Hampshire.

5.56. The net turnover of the company in the calendar year 1978 amounted to £722,000, of which £181,000 represented business through British Posters. Of the remaining sales, direct to agencies and other customers, 88 per cent related to TC contracts and contracts lasting 6 months or more and is subject to a long period discount of 20 per cent. At 1 January 1979 22 per cent of the company's stock of panels was included in British Posters' pre-selected campaigns.

5.57. The company is a member of the British Poster Advertising Association.

5.58. The trading results and return on turnover of Samuel Miles Limited, were as follows for the periods stated.

	<i>Year ended 30 September</i>				<i>18 months ended</i>	<i>Year ended</i>
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>31 March 1979</i>	<i>31 March 1980</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deduction of agency commission):						
Own panels	229	224	249	360	820	1,013
British Posters' panels	68	68	104	139	273	226
Sub-total	297	292	353	499	1,093	1,239
Expenditure	254	266	323	430	977	1,032
Profit before interest and taxation	43	26	30	69	116	207
Return on turnover	14.5%	8.9%	8.5%	13.8%	10.6%	16.7%

5.59. In the following summary, we set out the returns on capital employed represented by net profits for reference business after adjusting profits to include revenue arising from certain non-reference services which have been included in the figures of capital employed. In our opinion these adjustments do not materially affect the returns attributable to reference services.

	<i>Year ended 30 September</i>				<i>18 months ended</i>	<i>Year ended</i>
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>31 March 1979</i>	<i>31 March 1980</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profits including interest and rents received but before interest paid and taxation	49	33	37	76	78*	210
Average capital employed	167	182	200	229	282	389
Return on average capital employed	29.3%	18.1%	18.5%	33.2%	27.7%	54.0%

* Annual equivalent.

Mills & Allen Limited

5.60. Mills & Allen Limited is a subsidiary of Mills & Allen International Limited, a public company with extensive interests in foreign exchange broking, cinema and outdoor advertising (both in the United Kingdom and overseas), printing, film studio management and leisure operations.

5.61. The present company originated from a merger of David Allen & Sons Limited and Mills & Rockleys Limited in 1965. David Allen & Sons Limited was registered in Belfast in 1857. It was originally engaged in printing, including the printing of posters, but in 1889 commenced poster advertising contracting in the north of Ireland and later in Dublin and other cities in

the south. Subsequently poster contracting businesses were purchased in Liverpool (1903), Glasgow (1907) and Newcastle (1930). From these bases its operations were extended throughout Scotland, the north east and north west of England and the whole of Ireland.

5.62. Mills & Rockleys Limited was formed by the merger of two family poster contracting companies in 1928, the Mills family having operated in the Coventry area and the Rockleys in Leicester and Nottingham. Subsequently the company extended its activities to other towns such as Cambridge, Peterborough, Ipswich, Norwich, King's Lynn, Bristol, Cheltenham and Gloucester, largely by the purchase of existing businesses. In the early 1960s further poster contracting businesses were added in Leeds and Wolverhampton. Mills and Rockleys Limited was the first company to attempt audience measurement for poster advertising by means of studies commissioned between 1948 and 1955 (see Appendix 2).

5.63. In June 1970 the whole of the ordinary share capital of Mills & Allen Limited was acquired by Barclay Securities Limited, a conglomerate enterprise under the chairmanship of Mr John Bentley with numerous other interests. The new management sold a considerable amount of the company's property: Barclay Securities reported in 1971 that assets worth £1.7 million had been put up for sale in the first year of its ownership of the business and that this and other measures had resulted in the realisation of £2.76 million from the business of Mills & Allen Limited against the purchase price of £4.1 million paid for the company. As far as is known none of the money realised from the sale of these assets was reinvested in the poster business, which consequently suffered from the loss of stock arising from the sale of valuable poster sites in city centre locations.

5.64. The range of poster contracting activities was however expanded under the direction of Barclay Securities Limited. The latter brought within Mills & Allen Limited, CAG Publicity Limited, a contractor it had acquired before it secured control of Mills & Allen Limited, and also two contracting companies it subsequently acquired, which operated in Scotland, the north east of England and in the Potteries. After these businesses had been integrated into Mills & Allen Limited in 1972 the company claimed to be the largest poster contracting group in the United Kingdom.

5.65. In late 1972 Barclay Securities Limited sold Mills & Allen Limited to Lion International Limited in exchange for shares in the latter company, giving it a controlling interest (which was subsequently reduced by a public offer for sale of part of the shares acquired). Lion International Limited already owned Pearl and Dean Limited, a company which was originally concerned with cinema advertising but had subsequently expanded into outdoor poster advertising. The latter activity was therefore merged with Mills & Allen Limited. In 1973 the group acquired Special Publicity Projects Limited, a company engaged in outdoor advertising in sports stadia and in providing neon sign advertising in Piccadilly Circus.

5.66. In February 1973 Barclay Securities Limited, whose assets by then were in a relatively liquid form, including quoted securities, was itself acquired by J H Vasseur & Company Limited, whose main interests were in banking, money broking, property, personal financial services and investment management.

5.67. The collapse of the property market and the crisis in the secondary banking sector in the winter of 1973–74 resulted in severe financial difficulties for both J H Vasseur & Company Limited and Lion International Limited, the total net indebtedness of the former amounting at one time to over £70 million. At the instance of a consortium of banks (the Bank of England Support Group) new management headed by Sir Ian Morrow was brought in and substantial loans made available in order to provide time for an orderly unwinding of the financial position and to avoid the necessity of forced sales. A series of financial reconstructions followed, culminating in 1977 with J H Vasseur & Company Limited acquiring the remainder of the shares of Lion International Limited and adopting the name Mills & Allen International Limited. As a result of the measures taken by the new management to repay borrowings Mills & Allen International Limited was able early in 1979 to negotiate with its bankers for normal commercial terms and to obtain its release from the Support Group.

5.68. During this period the strategy of the group was to preserve and retain as far as possible those businesses, including the poster advertising activities, which were seen to have long-term potential. Capital investment in these activities was maintained as far as possible but was necessarily limited for a time, as were other forms of expenditure, by the need to repay creditors and eliminate interest charges as soon as possible. In the case of the poster advertising activities in the United Kingdom the relatively poor trading conditions in 1975 and 1976 added to the difficulty. However, the decision was taken during this period to broaden the basis of the group's advertising activities and media businesses have been established or acquired in Belgium, Singapore, Malaysia and Hong Kong.

5.69. The ultimate holding company, Mills & Allen International Limited, owns Universal Poster Agency, an old-established specialist bureau (see paragraph 3.30), and has links through its largest shareholder, Hambros Bank Limited, with Collett, Dickenson Pearce and Partners, one of the largest advertising agencies (see Appendix 3).

5.70. Partly as a result of the territorial agreement with London & Provincial Posters Limited (see paragraph 4.18) the geographical spread of the company's activities still basically reflects the areas in which the constituent companies operated (parts of the Midlands, Yorkshire, the north west and north east of England as well as Scotland, Northern Ireland and Wales). The company has, however, within the last two years acquired sites outside its traditional areas, in London and elsewhere.

5.71. The company's net turnover in the calendar year 1978 on sites falling within our reference was £8,477,000, of which £3,608,000 (amounting to 42

per cent) represented sales through British Posters. Of the remaining sales to agencies and other customers, over 90 per cent were under TC and long-term contracts and are subject to a long-period discount of up to 20 per cent.

5.72. At 1 January 1979 the company had available for the provision of reference services a total of 41,000 panels representing 60,400 equivalent units. At that date panels representing a total of 28,700 equivalent units (47 per cent of the company's stock) were made available to British Posters for inclusion in pre-selected campaigns.

5.73. Mills & Allen was a founder member of British Posters and is a member of the British Poster Advertising Association.

5.74. The overall profitability of the company's reference business is shown from the following table:

	<i>15 months</i>		<i>Year ended 30 June</i>			
	<i>Year ended 31 March</i>	<i>ended 30 June</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deducting agency commission):						
Own panels	2,537	3,376	2,736	3,366	4,355	5,973
British Posters' panels	1,002	1,601	1,556	2,081	2,906	4,022
Public Information Displays	228	219	162	194	208	196
Non-reference	103	135	205	264	298	491
Sundry sales	35	27	35	38	31	45
Sub-total	3,905	5,358	4,694	5,943	7,798	10,727
Expenditure	2,665	4,018	3,854	4,404	5,899	7,826
Profit before interest and taxation*	1,240	1,340	840	1,539	1,899	2,901
		equivalent to an annual profit of £1,072				
Return on turnover	31.8%	25.0%	17.9%	25.9%	24.4%	27.0%
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Average capital employed	3,296	4,295	3,791	3,861	4,589	4,858
Return on average capital employed	37.6%	25.0%	22.2%	39.9%	41.4%	59.7%

* The above results have been arrived at after deducting management charges in each of the periods under review. The substantial increase in expenditure for the year ending June 1978 was partly a consequence of a change in the Group's accounting policy whereby central group costs were allocated to each subsidiary instead of, as previously, being borne centrally by the Group.

5.75. A comparison of the returns on the basis of historic and current cost accounting is given in paragraph 5.103.

More O'Ferrall Limited

5.76. More O'Ferrall Limited (More O'Ferrall) was started as a private company by its present Chairman in 1936 and went public in 1973. The company has specialised in 'solus' outdoor displays (ie with a single panel on a site), particularly of sizes larger than 48-sheet panels, for which the company has adopted the name Supersites. Two-thirds of the company's panels are of smaller sizes, but it has put its main effort into developing and marketing Supersites.

5.77. The company has eight subsidiary companies of which the following five are trading companies:

- (a) Queensbury Signs Limited
- (b) The Canton Property Investment Company Limited
- (c) The Kildoon Property Company Limited
- (d) More O'Ferrall SA (France)
- (e) Claude Legrand SARL (France)

There are also two associated companies:

- (f) Adshel Limited
- (g) Moreraces Limited (Ireland).

Of these seven companies only Adshel Limited is engaged in the supply of reference services covered by the present inquiry.

5.78. Adshel Limited was formed in 1969 as a joint company with Boro Group Limited (now part of London & Provincial Poster Group Limited) to develop bus shelter advertising by providing bus shelters for local authorities or transport undertakings and selling the advertising on these shelters. Each of the partners holds 50 per cent of the capital of Adshel Limited. Further information on this company is set out in paragraphs 5.99-5.102.

5.79. In 1971 More O'Ferrall formed Precinct Advertising Limited as a joint venture with the Miles Group Limited and National Solus Sites Limited to provide and market advertising space in pedestrian precincts. The venture did not prove as successful as had been hoped and the joint company was liquidated voluntarily in 1978.

5.80. In 1973 the company formed a partnership with British Transport Advertising Limited, under the name of 'Supersites' to develop and market advertising sites on locations owned by British Rail and the National Bus Company. The partnership continues in force (see paragraph 5.7).

5.81. The company's net turnover in the provision of reference services (excluding the turnover of Adshel Limited) in the calendar year 1978 amounted to £3,513,000. Of this £175,000 (5 per cent) represented revenue from its sales through British Posters. Of the remaining turnover from its own sites and from those which are the subject of joint ventures or shared site agreements about 92 per cent was from TC and long-term contracts and about 8 per cent from short-term sales. These short-term sales were traditionally made line-by-line, but in 1976 the company started to provide packages of Supersites known as 'Networks' covering five major urban areas (London, West Midlands, Bristol/Cardiff, Manchester and Glasgow). These proved

popular with advertisers and the company's receipts from short-term sales doubled between 1977 and 1978. The company allows a 10 per cent discount on TC and 12-month sales as well as quantity discounts.

5.82. At 1 January 1979 the company had 3,686 panels available for the provision of reference services in the United Kingdom representing a total of 9,726 equivalent units. Of this stock, 584 panels representing 886 equivalent units, ie 9 per cent of the total, were made available to British Posters for use in pre-selected campaigns.

5.83. It is the company's aim to provide reference services throughout Great Britain. Its few panels in Northern Ireland are controlled by the company's subsidiary in Dublin. The current regional breakdown of sites is:

London, southern England and South Wales	34%
Midlands	32%
Northern England	17%
Scotland	17%

5.84. The company was a founder-member of British Posters and is also a member of the British Poster Advertising Association.

5.85. The company's emphasis on developing and marketing Supersites has resulted in a trading profile which is different from that of most other contractors in various respects, including:

- (a) the proportion of its turnover (5 per cent) coming from British Posters is small and its own TC/long-term and short-term sales represent a higher proportion of its turnover than is the case with members of British Posters as a whole.
- (b) Slightly less than 30 per cent of the company's direct sales of space are used for tobacco advertisements compared with typical figures of 40-45 per cent for the industry's TC and line-by-line sales (see paragraph 3.12).

5.86. The following table, based on the audited accounts of the holding company after deducting that element which relates to the Irish division, summarises the results of the company's United Kingdom reference business.

	<i>Year ended 31 December</i>				
	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deducting agency commission):					
Own panels	1,127	1,406	2,125	3,113	4,608
Shared panels	101	125	173	183	225
British Posters' panels	97	129	172	175	224
Joint ventures	16	11	25	42	85
Sub-total	1,341	1,671	2,495	3,513	5,142
Expenditure	1,246	1,529	1,990	2,512	3,291
Profit before interest and taxation	95	142	505	1,001	1,851
Return on turnover	7.0%	8.5%	20.2%	28.5%	36.0%

5.87. We have been unable to make precise calculations of the amount of capital employed in the reference business, as information relating to operations of its Irish division in Northern Ireland is not readily available. However, as the Irish business in total accounts for only some 5 per cent of the company's total business, the return on capital employed for the reference business would be unlikely to differ greatly from that for the total, including all of its Irish business, which is set out below:

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit before interest and taxation	268	118	170	541	1,059	1,895
Average capital employed	637	678	724	865	1,350	2,124
Return on capital employed	42.1%	17.4%	23.5%	62.5%	78.4%	89.2%

The Paddington Poster Group

5.88. The Paddington Poster Group (Paddington) was registered as a business name in 1972 to consolidate the contracting activities of two private companies, H E Orme Limited and G F Kruse Limited. Previously these two companies traded under the names of Paddington Advertising Company, Hendon and District Billposting Company and Harrow Billposting Company, all of which had been founded and operated by the same family management since the first named was established in 1895.

5.89. The net revenue of Paddington in the calendar year 1978 (all of which related to reference services) amounted to £455,000. Of this amount £188,000 (41 per cent) represented sales through British Posters. Of the remaining turnover from sales to agencies and other customers, 88 per cent were TC and long-term sales (on which discounts of up to 20 per cent are given) and 12 per cent short-term line-by-line sales.

5.90. On 1 January 1979 45 per cent of Paddington's total space, in terms of equivalent units, was available to British Posters for use in pre-selected campaigns.

5.91. As a family concern the Group considers it can best serve its customers by concentrating its management resources in a compact geographical area. Consequently the Group's activities have been limited to its traditional trading districts of north and north-west London together with some expansion into south-west Hertfordshire on 4-sheet panels over the last ten years.

5.92. The Group is a member of both the British Poster Advertising Association and the Solus Outdoor Advertising Association Limited.

5.93. The combined results of the two companies trading as the Paddington Poster Group (relating entirely to reference business) for each of the five years ended 31 December 1979 are summarised below:

	<i>Year ended 31 December</i>				
	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover (after deducting agency commission):					
Own panels	170	177	217	267	359
British Posters' panels	82	136	189	188	234
Sub-total	252	313	406	455	593
Expenditure	211	267	346	392	487
Profit before interest and taxation	41	46	60	63	106
Return on turnover	16.3%	14.7%	14.8%	13.8%	17.9%

5.94. The return on capital employed for the two companies together is summarised below. This has been based on profits adjusted to include revenue arising from certain non-reference service items which are included in the figures of capital employed. In our opinion these adjustments do not materially affect the returns attributable to reference service.

	<i>Year ended 31 December</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profits (including rents received)	49	44	53	67	71	114
Average capital employed	131	165	218	245	256	281
Return on average capital employed	37.4%	26.7%	24.3%	27.3%	27.7%	40.6%

National Solus Sites Limited

5.95. National Solus Sites Limited is a wholly-owned subsidiary of Allam & Co Limited, a private company with some 70 shareholders. The following companies are also wholly-owned subsidiary companies of Allam & Co Limited:

A A Sites Limited
 Advertising Sites Limited
 Burnley Tradesmen's Poster Services Limited
 Grocery Agencies Limited

Each of the companies owns advertising panels which are sold through National Solus Sites Limited. At the end of each year the net income is apportioned between these companies in accordance with the number of advertising panels owned by each company.

5.96. At the beginning of 1979 the companies together owned panels totalling 15,200 equivalent units. The turnover (excluding agency commission) in 1978 was £1,948,000. The group's panels are situated all over England and South Wales and are controlled by eight regional offices. All of them come within the scope of our reference. In October 1979 Allam & Co purchased the entire share capital of Dominant Sites Limited which owned panels totalling 1,200 equivalent units. The company has continued to trade separately within the Allam group.

5.97. National Solus Sites Limited is a member of the Solus Outdoor Advertising Association Limited. It is also the largest member of Independent Poster Sales Limited which became a subsidiary company of Allam & Co Limited in 1979 when the latter's shareholding became 53 per cent following its purchase of Dominant Sites Limited. We have been told that it is intended at the forthcoming Annual General Meeting of Independent Poster Sales Limited to adjust members' shareholdings to conform to their respective current site holdings. This will mean that Independent Poster Sales Limited will cease to be a subsidiary of Allam & Co Limited.

5.98. The overall profitability of the Allam group is shown in the following tables. The first table relates to National Solus Sites, which is the sales organisation for all the group's reference business apart from Dominant Sites. The second table concerning capital employed relates to the group capital employed within the reference business. Dominant Sites Limited is not included since it only became part of the group in October 1979.

	<i>Year ended 30 June</i>					
	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
National Solus Sites						
Turnover (after deducting agency commission)	875	994	1,040	1,360	1,638	2,184
Expenditure	705	887	971	1,114	1,379	1,633
Net profit before rents, interest and tax	170	107	69	246	259	551
Return on turnover	19.4%	10.8%	6.6%	18.1%	15.8%	25.2%
Allam Group						
Net profits including rents received but before interest, extraordinary items and taxation*	174	109	72	246	262	556
Average capital employed	434	405	377	487	636	865
Return on average capital employed	40.1%	26.9%	19.1%	50.5%	41.2%	64.3%

* The profits include revenue from some non-reference business which forms part of the figures of capital employed. We consider that these adjustments do not materially affect the returns relating to reference services.

Adshel Limited

5.99. Adshel Limited was set up in 1969 to promote the sale of advertising space on bus shelters with equal shareholdings by More O'Ferrall Limited and the Boro Group Limited. London & Provincial Poster Group subsequently acquired the shares formerly held by the Boro Group (see paragraph 5.30).

5.100. At the beginning of 1979 the company held 12,200 equivalent units of space (all 4-sheet panels on bus shelters) in the United Kingdom. Its activities extend to almost all parts of Great Britain and also into the Irish Republic. Turnover (excluding agency commission) in 1978 was £1,756,000.

5.101. The company sells panels both in its own pre-selected campaigns (either on the basis of the television areas in all regions except Ulster or as town campaigns in over 200 towns and London boroughs) and also line-by-line.

5.102. The two parent companies provide the majority of the directors of Adshel Limited and the company operates from the headquarters of More O'Ferrall Limited. Adshel Limited does not belong to either of the contractors' Associations.

Current cost accounting information

5.103. Two companies, London & Provincial Posters Limited and Mills & Allen Limited have provided us with information about the profitability of reference services on a current cost accounting basis. However, the former company's figures are based on the Hyde Guidelines and the latter's on SSAP 16. Consequently the figures cannot strictly be compared with each other but give a broad indication of the differences in the rate of return resulting from current cost accounting. The figures are summarised below, along with each company's historic cost figures for the same year for purposes of comparison.

London & Provincial Posters Limited

Period	Turnover £'000	Current Cost Basis		Historic Cost Basis	
		Profit before interest and taxation £'000	Average capital employed £'000	Profit before interest and taxation £'000	Average capital employed £'000
Year ended 31 December					
1978	8,767	1,796	9,007	2,151	5,299
1979	11,362	2,801	10,367	3,197	6,696
		Return on turnover %	Return on capital %	Return on turnover %	Return on capital %
Year ended 31 December					
1978		20.5	19.9	24.5	40.6
1979		24.7	27.0	28.1	47.7

Note: If goodwill is included in capital employed the returns on capital employed are:

1978	—	16.8	—	30.9
1979	—	23.3	—	38.3

Mills & Allen Limited

<i>Period</i>	<i>Turnover £'000</i>	<i>Current cost basis</i>		<i>Historic cost basis</i>	
		<i>Profit before interest and taxation £'000</i>	<i>Average capital employed £'000</i>	<i>Profit before interest and taxation £'000</i>	<i>Average capital employed £'000</i>
<i>Year ended 31 March 1974</i>	3,905	677	6,270*	1,240	3,296
<i>15 months ended 30 June 1975 (annual equivalent)</i>	4,286	518	6,318	1,072	4,295
<i>Year ended 30 June</i>					
1976	4,694	220	6,105	840	3,791
1977	5,943	993	6,226	1,539	3,861
1978	7,798	1,469	7,121	1,899	4,589
1979	10,727	2,329	7,699	2,901	4,858
		<i>Return on turnover %</i>	<i>Return on capital %</i>	<i>Return on turnover %</i>	<i>Return on capital %</i>
1973-74		17.3	10.8	31.8	37.6
1974-75		12.1	8.2	25.0	25.0
1975-76		4.7	3.6	17.9	22.2
1976-77		16.7	15.9	25.9	39.9
1977-78		18.8	20.6	24.4	41.4
1978-79		21.7	30.3	27.0	59.7

* Year end only basis.

CHAPTER 6

British Posters Limited

Membership

6.1. The four members who set up British Posters Limited (British Posters) in October 1971 were:

Mills & Allen Limited
London & Provincial Posters Limited
More O'Ferrall Limited
British Transport Advertising Limited.

In December 1971 they were joined by three other smaller poster contractors, all based in the London area and with all or most of their panels there. These were:

H E Orme Limited and G F Kruse Limited
(trading as Paddington Poster Group)
Samuel Miles Limited
James Davey Sites Limited.

6.2. Two other companies were temporarily members of British Posters in its early days. Adshel Limited (see paragraphs 5.99–5.102) became a member in January 1972 and certain of its panels were included in one of British Posters' packages during that year. They were returned to Adshel Limited in December 1972 and the company ceased to be a member. Pearl & Dean Limited became a member in January 1973 but ceased to be a member in its own right following the merging of its poster interests with those of Mills & Allen Limited.

6.3. In April 1975 Arthur Maiden Limited, formerly a member of Independent Poster Sales Limited, joined British Posters. Two other small companies have since joined British Posters, Focal Media Limited in July 1978 and C P Poster Advertising Limited in May 1979. The former had been a wholly-owned subsidiary of London & Provincial Posters Limited, which sold the company in 1977 (see paragraph 5.31). The panels operated by C P Poster Advertising Limited at its formation in January 1979 were all transferred from Arthur Maiden Limited and included a number which the latter company had put into British Posters (see paragraph 5.43).

6.4. British Posters has told us that it considers any application for membership on its merits. The two criteria which it takes into account are whether the applicant's operations satisfy the requirements of British Posters in such matters as the standard of site maintenance and the extent of the contribution which the applicant's panels would make to British Posters' pre-selected campaigns.

6.5. Nine other poster contractors operating in the United Kingdom applied to join British Posters, or expressed interest in joining, at the time that it

was set up or subsequently. Six of these were rejected. Three enquirers were accepted or viewed favourably, but none of these companies then chose to join on the terms offered. Two of these three have since been absorbed in companies which are members. A tenth company which applied to join was rejected because its business was conducted in the Isle of Man which was outside the scope of British Posters' activities.

6.6. Discussions relating to a possible merger between British Posters and Independent Poster Sales Limited took place in 1973. Agreement on terms was not reached and in January 1974 British Posters decided that the time was not ripe for a merger.

Constitution and organisation

6.7. British Posters was set up as a company limited by guarantee and not having a share capital. Under its Memorandum of Association the objects of the company include the promotion of poster advertising and the marketing of poster advertising by means of national campaigns, line-by-line sales and otherwise. In practice its business consists almost entirely of marketing pre-selected campaigns (PSCs) or packages of panels made available by its members.

6.8. The Board consists of an independent non-executive Chairman; two members each appointed by Mills & Allen Limited and London & Provincial Posters Limited; one each appointed by More O'Ferrall Limited, British Transport Advertising Limited and Arthur Maiden Limited; one drawn from and representing the other smaller member companies; and the Managing Director. Neither the Chairman nor the Managing Director is the employee of a member company.

6.9. No decision relating to the basic subscription rate, the determination of the units of relevant turnover used to calculate each member's subscription (see paragraph 6.42) or the appointment of a Managing Director may be taken except on the basis of unanimity among the original four members. Furthermore no resolution of the Board of Directors is valid unless those supporting it possess 75 per cent or more of the total votes. Both Mills & Allen Limited and London & Provincial Posters Limited have more than 25 per cent of the total votes and together they hold more than 75 per cent. The effect of these constitutional provisions is therefore that these two companies together can, if they wish, carry measures (except on the reserved topics) without the agreement of the other members and that no board resolution can be passed unless both these two companies concur with it. Neither of the two companies has exercised this voting power. They have told us that agreement is reached by consensus rather than by voting and that since the exercise of this voting power would have a seriously disruptive effect on British Posters, they would only do so for the most compelling reasons.

6.10. The Managing Director exercises the role of a Chief Executive Officer. He is responsible to the Board for the efficient management and control of the company and the employment of appropriate personnel. The company is intended to operate and to be seen to operate as an independent commercial

unit within the advertising industry. To this end substantial authority is vested in the Managing Director in the formulation and implementation of strategic policies.

Supply of panels

6.11. The basis on which member companies provide, and service, panels for incorporation into pre-selected campaigns is set out in agreements which British Posters made with each member company in 1976-77. As these are separate agreements with each of the member companies they are not subject to registration under the Restrictive Trade Practices Act 1976.

6.12. At the time of its formation, British Posters' first seven members agreed that a selection from all their panels not currently used under TC or long-term agreements should be used for the creation of a range of pre-selected campaigns. All their available panels which fell within the proposed range of activities of British Posters (that is, generally speaking, 4-sheet, 16-sheet and 48-sheet panels visible from the highway) were considered by the British Posters' management and some 32,000 were selected. The remaining panels were left to members to sell themselves and formed what is known in the industry as the 'pool'.¹

6.13. The number of panels which members put into British Posters to meet demand increased in the ensuing years, and particularly in 1976 after Arthur Maiden Limited became a member. Since 1976 the total number has declined, largely as a result of the withdrawal of 16-sheet panels and their conversion to 48-sheets. The numbers of the three different sizes of panel marketed as at 1 January each year by British Posters were as follows:

TABLE 6.1

	<i>4-sheet</i>	<i>16-sheet</i>	<i>48-sheet</i>	<i>Total</i>
1974 (estimate)	15,323	31,003	4,261	50,587
1975 (estimate)	16,364	30,728	4,475	51,567
1976	23,790	34,597	5,043	63,430
1977	21,609	32,827	6,366	60,802
1978	23,566	28,442	7,147	59,155
1979	23,981	24,882	7,614	56,477

Note: The figures for 1976 and subsequent years include certain 4-sheets and 48-sheets which were not among the panels licensed to British Posters but were managed by it under the agreements with certain main agencies (see paragraph 6.29).

6.14. A need to improve the quality and balance of panels in British Posters' packages led to a complete reselection in 1977. This was based on a paper study of members' available panels after rejecting the worst 10 per cent in British Posters' packages. The company's objective was to secure the best balance of coverage for all its campaigns that could be obtained from members' available stock. The exercise was carried out by computer according to the location (on a grid) of panels irrespective of their quality, with a subsequent manual scrutiny limited to checking that the balance was not impaired

¹ See Glossary: Appendix 1.

by having concentrations of panels on the borders of adjacent grids. British Posters therefore considered that this exercise had no significant effect on the balance of quality between panels used for its campaigns and those which members themselves sold line-by-line.

6.15. Except for the special arrangements at the initial entry of member companies into British Posters and at the reselection in 1977, member companies retain the right to decide which panels they will make available to British Posters. But British Posters also has the right under its agreements with members to decline to accept any panel, in which case the panel reverts to the 'pool' held by the member company individually. It may so decline either when the panel is first offered it, or later if it becomes evident that its continued inclusion would be detrimental to future campaigns.

6.16. Under the agreements any member may give notice of withdrawal of panels from British Posters. The period is in principle 12 months unless otherwise agreed. But poster contractors always expect to lose a proportion of their panels each year and have been converting their smaller sizes of panel to larger sizes. British Posters has told us that withdrawals from its stock for these reasons amount on average to 2 per cent a month and accordingly the full 12 months notice of withdrawal is not in practice insisted upon. In view of this, the management of British Posters finds it necessary to maintain pressure on its members to provide other panels commensurate in number and quality with those lost. In 1978-79 one of the larger member companies withdrew 1,000 16-sheet panels from British Posters without replacing them.

Campaigns on offer

6.17. The range of campaigns offered by British Posters has been developed and modified as described in Appendix 8. At the time of the reference in November 1978 British Posters had the following campaigns on offer:

- (1) Sixty-one area 16/4-sheet campaigns. Forty of these comprised four national campaigns covering all ten television areas. Each area had two further regional campaigns on offer except London, the Midlands and the South, which each had three, and Ulster which had none.
- (2) Nine area 4-sheet campaigns (one in each television area except Ulster).
- (3) Nine area 16-sheet campaigns (one in each television area except Ulster).
- (4) Fifty-eight area 48-sheet campaigns. Thirty of these comprised three national campaigns covering all ten television areas. Each area had three further regional campaigns on offer except the North East, which had four, and Ulster which had none.
- (5) Two Conurbation 16/4-sheet campaigns. These covered all seven English conurbations and also central Clydeside.
- (6) Two Conurbation 48-sheet campaigns, covering the same eight conurbations.
- (7) Eight specialised shoppers' campaigns, including campaigns covering toiletry, cosmetic and pharmaceutical outlets; confectioners, tobacconists and newsagents; grocery outlets; as well as general retail outlets.
- (8) Eighty-three town campaigns.

6.18. The map forming part of its published rate card shows that British Posters does not, in any of its campaigns, claim to cover Cornwall or the further parts of the Scottish Highlands and Islands. These are areas of relatively low advertising potential in which there is limited poster space available; the contractor with the largest holding in Cornwall is not a member of British Posters.

6.19. Campaigns are sold for a minimum of one calendar month with multiples of half-months available as an extension (except that December is sold only as a complete month). If British Posters has not sold a campaign eight weeks before the 'in-charge date'¹ the panels included in it are returned to their owners, who are free to sell them, if they can, line-by-line for the unsold period. British Posters has told us that it is ready in principle to modify the content of campaigns to meet special requirements of advertisers and their agents. The extent to which this can be done, however, must be limited by its likely effect on other campaigns on offer.

6.20. British Posters also sells panels line-by-line for topping up pre-selected campaigns. These are obtained from members' stocks of panels not included in PSCs and are arranged between British Posters and member companies to meet the requirements of customers. The price charged is the member's price for the panels. The policy of British Posters relating to these line-by-line sales has developed since the company started trading in 1972. Initially British Posters offered to sell panels which could be purchased independently of campaigns, but it ceased to do so in 1973. This facility, now described as the Individual Sites Service, was re-introduced in 1977 and modified in 1978, in view of the limited demand, so that it is now available only for topping-up PSCs. The gross value of such sales amounted to £366,000 in 1978 and £118,000 in 1979, representing respectively 3.2 per cent and 0.8 per cent of its turnover in these years.

Site and campaign evaluation

6.21. Purchasers of campaigns are given campaign print-outs containing information on the panels included in the campaign and the estimated coverage of the campaign. This gives the total number of each size of panel in each district and lists each panel, with a classification of the panel according to certain criteria (type of location; type of road; degree of visibility; number of adjacent panels) specified in the Posters Buyer's Handbook 1971 produced by the British Poster Advertising Association. No assessment is made of the traffic flow past individual panels.

6.22. Each campaign is designed to provide a certain coverage of the target audience and the campaign print-out gives estimates of the coverage achieved expressed in terms of the adult population of the district. These estimates are based on the Poster Audience Model (see Appendix 2) which estimates by means of research into the movement of a sample of the population of various towns the number of people who would see a random selection of

¹ See Glossary: Appendix 1

sites in that town, and the number of passages past the site (opportunities to see) each would have. British Posters has carried out some independent research into sites included in pre-selected campaigns which in its opinion shows that the audience for these panels is not significantly different from that for the average panel to which the Poster Audience Model applies. However, there has been no material change in the method of the evaluation of poster campaigns over the last ten years although the formulae used in the Poster Audience Model were refined in 1974 and again in 1977 as a result of further research.

6.23. British Posters has recently undertaken research into the audience reached by 4-sheet panels. The Poster Audience Model has only limited application to such panels as they are intended to be seen predominantly by pedestrians and are mainly located in shopping centres. This research has entailed both counting passages past the panels and interviewing a random sample of passers-by in order to build up a profile of the audience they reach.

Promotional activities

6.24. British Posters has also been active in promoting the concept of poster advertising to agencies and prime advertisers. One method it has adopted is to commission research into the effectiveness of particular campaigns. The research, which is published as case histories, attempts to evaluate both the degree of awareness of the advertisements among people in the target audience and their attitude to the products advertised.

6.25. British Posters jointly with the Institute of Marketing sponsors the annual Marketing Awards for the Poster Industry. These awards are made on the basis of the effectiveness of poster campaigns in terms of marketing criteria and achievement, and the evidence of the effective use of posters as a factor within the overall marketing strategy.

Customers

6.26. The specialist bureaux' share of British Posters' business has increased since 1975 when they accounted for only some 10 per cent of sales. In 1978 the share of the four independent specialist bureaux then operating was 20 per cent, and is continuing to increase. The whole of the remainder was from main agencies (among them those agencies which use Portland Outdoor Services Limited as their vehicle in the outdoor medium).

6.27. The spread of demand between different classes of advertisers in the years 1974 and 1978 is shown by the following table listing the top ten product groups by expenditure on British Posters advertising in those years. The tobacco industry occupies a relatively low place even in 1978 by comparison with its very large commitment to TC outdoor advertising.

TABLE 6.2

<i>Top 10 - 1974</i>		<i>Top 10 - 1978</i>	
	%		%
Food	33.1	Drink	25.9
Drink	25.3	Food	24.4
Household stores	6.7	Motors	14.4
Clothes	5.5	Tobacco	9.3
Motors	5.3	Household stores	6.2
Government	4.1	Government	5.0
Publishing	3.7	Toiletries/cosmetics	3.9
Institution/industrial	2.9	Pharmaceuticals	3.4
Tobacco	1.9	Household equipment	1.7
Household equipment	1.9	Household appliances	1.4
	<hr/> 90.4 <hr/>		<hr/> 95.6 <hr/>

6.28. In the company's early years many major advertisers and their agencies were reluctant to make much or any use of poster campaigns for advertising. The range of products and services advertised through British Posters' campaigns has, however, expanded considerably over the ten years since the company's formation. For example, in the category of car and motoring advertising the expenditure (virtually all on national campaigns) increased from £277,000 in 1973 to £1,625,000 in 1978. There has been also a noticeable shift from regional to national campaigns.

Special agreements

6.29. Since 1975 British Posters has negotiated special arrangements with a number of agencies which agreed to take certain campaigns for the whole, or a very large part, of the year. In both 1979 and 1980 there were such agreements with Collett Dickenson, Pearce and Partners Limited, J Walter Thompson & Company Limited and Leo Burnett Limited. In 1979 the revenue under these agreements amounted to about 23 per cent of the company's gross sales. In all cases the space can only be used for client companies' products handled by the agency concerned at the time of the agreement and which are pre-named by the agency when the agreement is signed. In some agreements the campaigns sold by British Posters are supplemented by space selected from panels marketed directly by member companies. As a matter of convenience British Posters administers such sales within the framework of the overall agreement. The agencies have a prior opportunity to negotiate for the use of campaigns in successive years. This has been done in a number of cases, although British Posters has informed us that some of the agreements have not been renewed for the year 1981.

British Posters' business practice and terms of business

6.30. British Posters has told us that, with certain exceptions, it accepts business on the basis of first-come-first-served and does not differentiate between different classes of purchaser. The exceptions relate to enquiries for regional campaigns (which may be declined if British Posters considers that

a sale would prejudice the sale of the national campaign incorporating the regional campaign) and to enquiries for campaigns which would give rise to problems of juxtapositioning with a campaign which has already been sold. The special agreements with agencies described in paragraph 6.29 may have the effect of pre-empting the campaigns involved as the agencies concerned have the option of negotiating the renewal of the agreements from year to year.

6.31. The procedure by which customers purchase campaigns is based on an options system. Any enquirer for a campaign which is still available may place an option on it. British Posters records the number of options on each campaign and the enquirer is informed in which place his option stands (ie first option, second option, etc). An advertiser with a first option has ten working days in which to convert the option into a definite option ('D option') which effectively means that a firm order is being prepared. If he fails to register a 'D option' within this period the second option gains priority, and so forth. Once an advertiser has placed a 'D option' on a campaign all subsequent options are cancelled.

6.32. British Posters' General Terms and Conditions of Contract are set out in the rate cards published periodically. They are similar in many respects to the current Standard Conditions of Trading of the two contractors' Associations. Among their terms are the following:

- (a) provisions relating to recognition and the payment of commission as described in paragraphs 6.36–6.39 below;
- (b) the requirement that the advertiser who will use the space must be named when the contract is placed. British Posters has told us that this is of importance in carrying out its policy of minimising juxtapositioning of advertisements for similar products (see paragraphs 6.33–6.34 below);
- (c) sales are for a minimum period of one month;
- (d) advertisements are posted within five working days of the in-charge date and removed within a similar period from the final day of the period of display contracted.

The Associations' Standard Conditions of Trading form part of the agreement at present under consideration by the Office of Fair Trading, and British Posters has told us that (whilst not a member of either Association) it intends to adopt the terms of trading which emerge from these discussions.

6.33. British Posters markets a variety of campaigns composed of a large number of panels to be serviced by different member companies in all regions of the country. Posters advertising similar or competing products are displayed simultaneously, and the panels within British Posters' stock may be adjacent to panels owned by individual members but not licensed to British Posters. These considerations have given rise to British Posters' policy on juxtapositioning, ie the avoidance of posting of an advertisement on a panel adjacent to one advertising a competing product. The terms of business allow up to 10 per cent of a campaign to be posted in juxtaposition, except that where

this is unacceptable to the advertiser British Posters leaves the panels concerned blank but charges the contract price for the total campaign. However, British Posters has told us that it is not its policy to rely on this tolerance of 10 per cent and that in the year 1978–79 the average level of such juxtapositioning in all PSCs was 1.05 per cent.

6.34. In order to implement its policy on juxtapositioning, British Posters has entered into a standard form of agreement with each of the member companies. These agreements prescribe the conditions under which panels are considered adjacent and what products are considered to be in competition with each other (eg tea and coffee beverages are considered competitive but not beer and lager). These agreements are currently being considered by the Office of Fair Trading.

6.35. British Posters undertakes to provide customers with a Posting Completion Voucher certifying that the campaign has been posted. Under Rate Card 9, operative from January 1979, the company undertook to provide such Vouchers within 15 working days of the in-charge date. It proved impossible, with the procedures then in operation between British Posters and the members' 35 regional offices, to meet this deadline consistently and the following Rate Card, operative from January 1980, contained no undertaking as to when Vouchers would be provided. British Posters has told us that after testing newly installed electronic data transfer systems between the company and its members' regional offices it is now confident that it will be able to supply Posting Completion Vouchers within 15 working days after the in-charge date.

Recognition and commission

6.36. British Posters' policy on the recognition of agencies follows the Standard Conditions of Trading of the two contractors' Associations. An advertising agency recognised as such by British Posters is deemed to contract as a principal and, by implication, is given normal credit facilities. All main agencies belonging to the Institute of Practitioners in Advertising are automatically accorded recognition. Other persons or companies (including the specialist bureaux) purchasing space on behalf of an advertiser are deemed to act not as a principal, but as an agent for a disclosed principal. The credit-worthiness of such agencies is assessed case by case.

6.37. British Posters allows recognised agencies a commission of 15 per cent. It has informed us that, notwithstanding the provision on recognition, sales are made on the same basis as to a main agency in the relatively few cases where a specialist bureau acts directly for a prime advertiser, provided that the bureau is credit-worthy. Where a bureau is regarded as acting as an agent for a main agency, the latter is invoiced, deducting the commission. Such arrangements as may then be made for the sharing of the commission between the bureau and the agency are not the concern of British Posters.

6.38. British Posters has assured us that it welcomes business from specialist bureaux and that it does not discriminate against them. The bureaux in practice receive commission (where they act directly for advertisers) on the same

basis as main agencies and the fact that they are not recognised as principals in the same way as main agencies does not, in the view of British Posters, appear to affect the degree of competition they offer.

6.39. In other media changes in the agreements for the recognition of advertising agents were introduced in 1980 with the object of making credit-worthiness the main criterion for recognition. The Associations and the Office of Fair Trading are currently discussing comparable changes in the outdoor medium. As in the case of the Associations' Standard Conditions of Trading (see paragraph 6.32) British Posters expects to follow these guidelines when agreed and implemented by members of the Associations.

Financial arrangements

6.40. British Posters distributes all its revenue to its members according to the contribution made by each member's panels to its campaigns. This allocation has presented difficulties since the comparative contribution of each panel cannot easily be determined. The original system was based on each contractor's assessment of the value of his panels. This was replaced by a 'points' system in which an agreed value was attributed to each panel within British Posters' campaigns. This in turn was replaced by a system called Relative Site Valuation Procedure (RSVP) which was designed to offer a more sophisticated classification of panels for the benefit of intending purchasers as well as for the distribution of revenue. After detailed work by an independent field study it was judged that this system lacked the necessary accuracy required for the first purpose and was unacceptable for the second. From October 1978 therefore distribution was again based on the 'points' system.

6.41. A new system of revenue sharing was introduced in January 1980 under which a series of price bands was introduced for 4-sheet, 16-sheet and 48-sheet panels. Each member ascribes a notional economic rental to each panel made available to British Posters, by taking the existing monthly rental value of the nearest equivalent panel sold under a line-by-line agreement. This information is then tabulated; any member with panels in a particular area (and therefore liable to be affected by variations in the value ascribed to panels in the area) can make objections to the value ascribed to any panels in that area. When a notional value is agreed the panel is regarded as falling within the appropriate price band, a standard value being attributed to all panels falling within each band. Hence major differences in panel value are reflected in the choice of the appropriate band but lesser differences are accepted as cancelling one another out.

6.42. Under the provisions of its Articles of Association each member pays an annual subscription to British Posters to meet its expenditure. Until the end of 1975 this was in proportion to members' total audited turnover for the previous year (except that by agreement More O'Ferrall Limited and British Transport Advertising Limited excluded from their turnover for this purpose that derived from activities outside the scope of British Posters' operations). The pattern was changed with effect from 1 January 1976 so that contributions are made by members in proportion to the revenue they receive from British Posters.

6.43. By its constitution British Posters is a non-profit-making company and retains no part of its own revenues as profits. But since a part of its expenditure is disallowed by the Inland Revenue for the purposes of calculating Corporation Tax it is liable for tax. Members vote an additional annual subscription, calculated on the same basis as their contribution to its expenses, to cover this liability.

Turnover

6.44. A summary of British Posters' turnover (excluding all discounts and agency commission), expenditure and amounts available to members for the period 19 October 1971 to 31 December 1980 is set out below:

TABLE 6.3

<i>Period</i>	<i>Turnover (after agency commission) £'000</i>	<i>Expenditure by British Posters £'000</i>	<i>Available for members £'000</i>
19 October 1971 to 30 September 1972 15 months ended	1,076	205	871
31 December 1973 Year ended 31 December	2,999	298	2,701
1974	3,387	289	3,098
1975	3,731	346	3,385
1976	5,182*	416	4,766
1977	6,999*	484	6,515
1978	9,582*	568	9,014
1979	11,829*	742	11,087
1980	13,542*	842	12,700

* Turnover figures for the years 1976-80 include sales of members' panels managed by British Posters under the special agreements referred to in paragraph 6.29.

A general analysis of British Posters' annual expenditure is set out in Appendix 9. The increases in turnover reflect both the higher prices charged for pre-selected campaigns and the higher occupancy achieved by British Posters in the later years.

Prices

6.45. British Posters' rate cards are usually effective from January of each year. They set out details of campaigns available, prices and its general terms and conditions of contract. The management of British Posters prepares its proposed rate card incorporating the range of campaigns to be offered and their prices in the summer. This is circulated to the members of the Board in advance of a meeting, usually held in June, when the new rate card is approved. It is usually published in July and in 1977 and later years has been valid for the whole of the following calendar year.

6.46. The best indication of the movement in the prices of British Posters' pre-selected campaigns is given by the following figures of the gross price per panel of the two most common national PSCs, the national 16/4-sheet and national 48-sheet campaigns set out at (1) and (4) in paragraph 6.17:

TABLE 6.4

Rate card	Seasonal structure*	List price per panel	Index	Gross price per panel	Index
		per month [†]		per month	
		16/4		48	
		£		£	
RC 1 April 1972	—	5.90	100.0	28.36	100.0
RC 2 April 1973	—	6.41	108.6	32.28	113.8
RC 3 January 1974	—	6.88	116.6	34.36	121.2
RC 4 July 1974	—	7.32	124.1	36.66	129.3
RC 5 July 1975	—	8.61	145.9	42.50	149.9
RC 6 April 1976	—	9.55	161.9	51.01	179.9
RC 7 January 1977	A*	10.74	182.0	57.39	202.4
	AA	11.70	198.3	62.22	219.4
RC 8 January 1978	B*	10.34	175.3	63.89	225.3
	BB	12.92	219.0	75.11	264.8
	BBB	13.95	236.4	81.67	288.0
RC 9 January 1979	1*	11.89	201.5	79.81	281.4
	2	14.86	231.9	93.89	331.1
	3	16.35	277.1	103.28	364.2
	4	17.09	289.7	107.97	380.7
RC 10 January 1980	1*	14.23	241.2	103.75	365.8
	2	17.79	301.5	122.06	430.4
	3	19.57	331.7	134.26	473.4
	4	20.46	346.8	140.37	495.0
RC 11 January 1981	1	17.11	290.0	124.50	439.0
	2	21.39	362.5	146.47	516.5
	3	23.53	398.8	161.12	568.1
	4	24.60	416.9	168.44	593.9

* A = January to April inclusive, September and December.

AA = May to August inclusive, October and November.

B = January, February and March.

BB = April, August, September and December.

BBB = May, June, July, October and November.

1 = January, February and March.

2 = April and December.

3 = May, June, July, August and September.

4 = October and November.

[†] Where national discounts are given the rates taken are those before the deduction of such discounts.

6.47. The average price paid for panels in British Posters' pre-selected campaigns appears to be lower than an advertiser would pay for a similar panel bought line-by-line. At one time British Posters contemplated pricing on the basis of a fixed 15 per cent discount, but did not find it practicable to maintain a fixed discount. A comparison of the published rates for British Posters' and Independent Poster Sales' campaigns suggests a lower price for panels in pre-selected campaigns. This is also corroborated by financial information provided by member companies, which shows that their average income per equivalent unit of space offered for sale through British Posters is generally at least 20 per cent less than the corresponding figure for space sold directly by the member company. Panels held on long-term contracts may, on average, be of better quality than those available for short-term sales, but some discount could reasonably be regarded as reflecting both the quantity of panels sold in one transaction and the fact that the selection is made by the contractor.

6.48. However, there is no reason why the movement in the price of line-by-line sales should be very different from that of packages. We have pointed out in paragraph 4.33 that the movements in price of the small and non-random samples of contractors' panels which we have obtained support this conclusion. British Posters has told us that in its view the TC and long-term market is a distinct one in which contractors negotiate prices on the basis of different criteria—the long-term nature of the contracts and prices charged over previous years being significant factors. There is clearly some inertia in the movement of prices of panels held on a long-term basis because of their advantage to the contractor both in security and in helping to maintain a high level of occupancy. However, British Posters accepted that their contractor members must be concerned at the relationship between the return they achieve from selling direct and from sales of part of their stock through British Posters. Therefore if there were a marked divergence in the movements of prices for packages and those for panels sold from contractors' stock, we would expect this to be reflected in significant increases or decreases in the number of panels which contractors were willing to commit to packages.

6.49. In columns 2 and 3 of Table 6.5 below we show how the price indices (Rate Card 1 = 100) of both categories of British Poster's pre-selected campaigns have increased from the period starting April 1972 when the first rate card was issued. In columns 5 and 6 we show respectively annual progressions in both the Advertising Association's index of combined media rates and the general index of retail prices (all items) from 1972.

TABLE 6.5

	Rate Card operating from Col 1	16/4-sheet index of prices Col 2	48-sheet index of prices Col 3	Year Col 4	AA index of combined media rates 1972=100 Col 5	RPI (all items) 1972=100 Col 6
RC1	April 1972	100.0	100.3	1972	100.0	100.0
RC2	April 1973	108.6	113.8	1973	105.1	109.1
RC3	April 1974	116.6	121.2	1974	116.1	126.6
RC4	July 1974	124.1	129.3			
RC5	July 1975	145.9	149.9	1975	147.3	157.2
RC6	April 1976	161.9	179.9	1976	180.1	183.2
RC7	Jan 1977	190.2*	206.4*	1977	213.2	212.3
RC8	Jan 1978	215.3*	264.6*	1978	244.5	222.9
RC9	Jan 1979	256.1*	340.7*	1979	281.7	260.7
RC10	Jan 1980	306.6*	437.0*	1980	349.4	307.6
RC11	Jan 1981	364.4*	531.5*	1981 (Jan)	N/A	323.5

Sources: MMC, Advertising Association, *Economic Trends*.

* The indices of prices in columns 2 and 3 for the years 1977 to 1981 are calculated from the weighted averages of the monthly rates given in the notes and Table 6.4.

Over the period April 1972 to July 1975, the prices of panels in British Posters' packages moved fairly closely in line with the movement in the Advertising Association's Index of Combined Media Rates. From that time the price of panels of British Posters' 16/4-sheet campaigns rose more slowly than the AA Index and more in line with the retail price index. However, particularly from 1977, the price of panels in British Posters 48-sheet campaigns rose

markedly more rapidly than both the AA Index and the retail price index. This divergence reflects the increasing strength of demand, in relation to supply, for 48-sheet and larger sizes and the relatively weaker demand for 16/4-sheet sizes. Over the period of 1976 to 1979, as we have shown in paragraph 6.13, the number of 16-sheet panels in British Posters' packages declined from 34,597 to 24,882, while the number of 48-sheet panels increased from 5,043 to 7,614.

6.50. Because of the limited and relatively static supply of panels available, prices are determined primarily by demand and not by costs. This was made clear in the evidence given to us both by British Posters and by other contractors. Poster contractors are in competition with other media for a share of the advertisers' budgets and need to set their prices at a level which will attract sufficient demand to achieve a high level of occupancy. For these reasons we would expect the movement in the rates charged for other media to be the principal determinant of the general movement in the prices charged for posters though, as we have shown, there are significant differences between the movements in price of different types of panel.

Discounts and occupancy

6.51. British Posters has sought to improve the occupancy achieved in the winter months by offering various financial inducements. We have shown in Table 6.4 the spread of prices which it now adopts for different parts of the year. In 1980, in addition, an advertiser buying 16/4- or 4-sheet campaigns in the previous December could continue them in January or January-February at 60 per cent of the rate for these months. A similar discount was also offered on these campaigns to advertisers who had not used the medium for three years.

6.52. In the case of campaigns which are available either nationally or regionally (broadly the general 4- and 16-sheets campaigns and also campaigns covering 16/4-sheets, 48/4-sheets and 48/16-sheets) a national combination rate is applicable to purchasers of national campaigns. This represents a discount of 5 per cent on the aggregate of the cost of the constituent regional campaigns.

6.53. British Posters also offers advertisers a volume discount. This is calculated on the basis of the advertiser's expenditure with British Posters (after deduction of all discounts but not of agency commission) during a calendar year and is paid to the advertiser at the end of the year. For 1981 the discounts range from 2.5 per cent on expenditure of £340,000 to 10 per cent on £1,050,000 or more.

6.54. British Posters has told us that the purpose of the discounts, related to volume of business, size of campaign and period of the year, is to encourage and reward advertisers who make a positive and substantial contribution to the company's objective of maximising revenue through high rates of occupancy of panels. The discounts are not related to any specific savings in costs although in so far as they are successful in increasing revenue they reduce the proportion of turnover represented by the fixed-cost overheads of British Posters and member companies.

6.55. As a result of these measures and of the increase in demand, British Posters improved its occupancy levels as follows:

TABLE 6.6

Year	Occupancy%*
1976	62
1977	68
1978	83
1979	79
1980	69

* In this table occupancy is calculated as actual sales (after deduction of discounts) as a percentage of potential sales (without any deduction of discount). The effect of discounts on sales ratios is said to be slight and the actual occupancy percentages would therefore be only marginally higher than the figures stated.

6.56. Because most contractors do not publish rate cards and prices are subject to negotiation, it is impossible to establish a pattern of discounts offered by individual contractors. We have obtained detailed occupancy figures from certain members of British Posters, including some of the major firms. Aggregating these would not provide a valid general conclusion. However, the information we have suggests that occupancy levels have broadly been at the same level as British Posters and have tended to follow the same pattern.

Profitability

6.57. British Posters does not itself make a profit; the costs of its operations are borne by its members either directly, eg servicing the panels, or by subscription and its revenue is returned to its members. The surplus arising from its operations therefore forms part of the total profit earned by its member companies. Among its members, British Transport Advertising Limited does not show a profit comparable with that of an ordinary commercial concern (see paragraph 5.10). We have therefore set out in the table below a summary of the aggregate turnover, profit before interest and taxation and the returns on turnover and on average capital employed of members of British Posters other than British Transport Advertising Limited. These are based on historic costs.

TABLE 6.7

	1974 £'000	1975 £'000	1976 £'000	1977 £'000	1978 £'000	1979 £'000
Turnover net of agency commission and discount	11,620	12,609	14,428	19,011	25,052	34,540
Profit before interest and taxation	2,434	1,527	1,921	4,028	5,922	9,294
Average capital employed	6,681	8,001	7,782	8,759	11,531	14,544
	%	%	%	%	%	%
Return on turnover	20.9	12.1	13.3	21.2	23.6	26.9
Return on average capital employed	36.4	19.1	24.7	46.0	51.4	63.9

Notes:

- (1) Where the year-ends of members of British Posters are not co-terminous with the 31 December accounting date of British Posters, the results have been allocated to the nearest calendar year.
- (2) The results of Focal Media Limited have not been included for 1978 and 1979, and figures for C P Poster Advertising Limited have not been included for 1979, for the reasons set out in paragraphs 5.26 and 5.15 respectively.

6.58. In view of the nature of this business, which does not necessitate a high level of investment, we consider the return on turnover to be a more significant measure than the return on capital employed. We have information on a CCA basis only for the reference services provided by the two largest members, London & Provincial Posters Limited (for 1978 and 1979) and for Mills & Allen Limited (1974 to 1979) and we have shown in paragraph 5.103 how they compare with the companies' historic cost accounts.

6.59. These results have been achieved during a period when the number of sites was decreasing slowly, though there have been substantial conversions to larger and higher-value panels. Turnover has increased by substantial amounts in each year. Because of the high proportion of fixed costs, profits have varied directly with turnover. Among the costs rent and rates taken together account for around one-third of total costs and over the period 1974-79 increased more slowly than other costs.

The relationship between British Posters and its member companies

6.60. For each member, British Posters is to some extent a competitor in the market place for sales to customers. It is also a mechanism for selling part of his stock of panels, for which he continues to provide maintenance and bill posting services. There is therefore a working relationship between British Posters and its members at several levels.

6.61. The Operational Committee acts as a link at management level between British Posters and its member companies. It is now responsible for implementing changes in British Posters' operational policy that are approved by the Board and in some cases for initiating proposals of an operational nature for recommendation to the Board. It is chaired by the Managing Director of British Posters and consists of one or more representatives from each member company (apart from one small member) as well as executives from British Posters and Ross Computers Limited, which handles the computer work involved in the construction and sale of packages.

6.62. At working level there is contact between British Posters and the operational management of its member companies on such matters as the availability of panels to replace panels within a PSC that have to be removed; queries raised on Posting Completion Vouchers for British Posters' panels; and the monitoring by the PAB of the posting and maintenance of advertisements displayed on British Posters' panels.

6.63. More general matters, which involve the policies both of British Posters and of its members, have been discussed at the Board of British Posters and at the Operational Committee, which has in the past ranged more widely than its present terms of reference. The subjects covered in these discussions which are most relevant to our inquiry are pricing, the relative importance of sales to main agents and specialist bureaux and the supply of panels to Independent Poster Sales Limited.

6.64. In June 1976, the Board resolved that the company (ie British Posters) 'had and has no concern with, or interest in any of the terms or conditions

of supply of any poster advertising services other than the terms and conditions on which the members issue permits for sites to the company and the terms and conditions on which the company sells and markets sites to advertisers and to advertising agents'. This resolution was passed shortly after the Order applying the Restrictive Trade Practices legislation to services had come into effect and the records do not suggest any collective discussion of the prices and terms contained in particular contracts made by members for the sale of panels to agents or advertisers. The Managing Director of British Posters said in his evidence that he did not know the prices charged by members for their panels when he formulated his proposals for the pricing of campaigns to be included in each year's rate card.

6.65. However, there has been a recurrent theme of discussions in British Posters' Board and Operational Committee meetings about the relationship between British Posters' PSC prices and the prices charged by members for line-by-line and long-term sales. Discussions on these lines have occurred from time to time since the formation of British Posters. At times it was suggested that PSCs were thought to be relatively expensive and that prices for line-by-line and TC sales should be increased. On another occasion there was a discussion of the possibility of raising PSC prices because the higher returns earned from line-by-line sales were thought to be causing members to divert new panels to their line-by-line business. Among the more recent examples, at the meeting in June 1976 when the resolution quoted in paragraph 6.64 was passed, the Board agreed to a higher overall increase in PSC prices than the management had suggested because an increase in price levels generally of 20 per cent to 25 per cent was envisaged and because some members could be in a loss or low profit situation because of rapidly increasing costs. In the record of an Operational Committee 'think-in' in January 1978 it was recorded that the increasing of rate card prices was inhibited by a number of factors of which the most important was that current TC prices, often unchanged over a period, were lower than PSC prices and it was suggested that members should review their TC prices.

6.66. There was also frequent discussion of the range and quality of panels provided for PSCs, which was related in part to the attitude to be taken by members towards sales to specialist bureaux and to main agents. The main agents were said to have great overall buying power and to be in a strong position to influence advertisers towards the use of posters. Unless they were provided with good quality PSCs and a satisfactory means of independent verification, they might consider that they could not safely order posters without the assistance of a specialist bureau, and thus might cease to recommend posters at all. At a Board meeting in December 1975 the then Managing Director of British Posters warned that the growing strength of the bureaux would be detrimental to the future of the poster medium as a whole, because agencies would stop recommending posters if they received little or no commission as a result. At a meeting in April 1976 one member reported that main agencies were concerned at the growth of specialist bureaux: agencies wanted an Audit Bureau to verify all outdoor displays and to be able to buy from British Posters specially built campaigns as well as PSCs on the basis of 'one order, one invoice, one cheque'. The concept of such campaigns was accepted

in principle in June 1976, but abandoned after further consideration; the 'topping up' arrangements described in paragraph 6.20 were re-introduced later in 1977. In response to this pressure, however, the company encouraged the establishment of the Poster Audit Bureau to provide independent verification of poster displays.

6.67. At an informal meeting of the Board in March 1977 it was suggested that some contractors were not assisting British Posters to maintain PSC sheetage at rate card levels, preferring to sell their stock line-by-line, and it was recommended that short-term line-by-line sales to specialist bureaux should rank in priority after TC sales and PSCs. At the same meeting it was reported that main agencies would not continue to recommend short-term campaigns if the specialist bureaux were influential in this business—partly because such business would be unprofitable for the main agencies and partly because they would not be able to exercise enough control over buying. The success of the Poster Audit Bureau and an improvement in the quality of PSCs were said to be needed to give main agencies confidence to recommend posters and book direct without the need of a specialist bureau—and thus to bring more new business to members. The conclusion was that members should improve the quality of PSCs, thereby making it possible to increase their price, and should not sell their short-term availability in competition with British Posters.

6.68. As regards the discussions recorded in paragraphs 6.65 to 6.67, British Posters has pointed out to us that these discussions formed part of the continuing pressure which it put on its members to gain an enhanced share of the available stock of poster panels and to increase its own earnings. Each member company would see the interests of British Posters as merely one factor, to be weighed against several others, in selecting its own course of action. In particular member companies' different decisions as to whether to make their stock available to British Posters illustrated the full freedom each retained. British Posters therefore felt it an unbalanced judgment of the situation to give this degree of emphasis to these particular Board minutes when the facts were shown rather by the decisions of the member companies. Furthermore, British Posters told us that its Board meeting of March 1977 was an informal one which carried no authority in the member companies except as an expression of opinion and did not bind the participants. The Operational Committee 'think-in' of January 1978 was undertaken at a lower level and carried still less authority. Mills & Allen Limited and London & Provincial Posters Limited supported these arguments and affirmed that they were in no way constrained in their commercial policy by anything that might be said at a British Posters meeting.

6.69. At a meeting in February 1976, the British Posters Board agreed that member companies should not in future sell space to Independent Poster Sales Limited and members of the Board undertook to implement this policy within their own companies.

6.70. We have discussed this decision with British Posters and with some of its members, as well as with IPS. According to IPS an order which had

been placed with and accepted by certain British Posters' members was cancelled immediately after this meeting. IPS told us that there had been some sales to it by certain British Posters' members subsequently but that because it had been told of this decision it had made little effort to obtain panels from British Posters' members to augment its packages. London & Provincial Posters Limited told us that it had already decided as a matter of company policy not to supply space to IPS before the February 1976 meeting. Mills & Allen Limited was not able to offer much information about events at that time because of the Board and senior staff changes since then. However, it told us that it was now prepared to consider enquiries for space from IPS on the same basis as from any other contractor and that it had recently accepted a number of orders from it. For its part, More O'Ferrall Limited told us that it would welcome enquiries from IPS. We understand from IPS that during the past year four members of British Posters have offered it space.

CHAPTER 7

The British Poster Advertising Association (BPAA) and the Solus Outdoor Advertising Association Limited (SOAA)

7.1. The development of the two Associations representing contractors is described in paragraphs 4.2 and 4.3 above. There are at present 14 members of the BPAA and 26 members of the SOAA (listed at Appendices 10 and 11) including three contractors who belong to both. Our enquiries have indicated that in 1978 the members of the two Associations accounted for 85.2 per cent of sales of reference services and at the beginning of 1979 held over 80 per cent of the total space available for such services (see Appendix 6).

Activities of the Associations

7.2. The two Associations now co-operate closely and can be regarded as one organisation in relation to the activities discussed below. This co-operation is achieved through joint committees of the two Associations and also through joint documentation in such matters as Standards of Conduct and Terms of Trading.

7.3. The Associations' current work consists mainly of:

- (a) administering the Standards of Conduct relating primarily to the acquisition of sites by members (paragraphs 7.5–7.13 below);
- (b) administering the Standard Conditions of Trading setting out the terms and conditions of contract for the sale of poster space;
- (c) Joint Committees of the two Associations covering Standards of Conduct, Standards of Trading, Agency Recognition, Standards of Service and the provision of free space for charities;
- (d) membership (together with British Transport Advertising Limited and London Transport Advertising) of a joint industry poster viewing committee which considers whether any poster submitted to it is likely to cause offence to the general public;
- (e) joint membership along with the Institute of Practitioners in Advertising and the Incorporated Society of British Advertisers Limited, of the Outdoor Advertising Council, a body which is concerned with general policy matters relating to the application of planning legislation to the outdoor advertising industry.

7.4. The BPAA and the SOAA are the parent bodies of the Poster Audit Bureau (see paragraphs 3.39–3.40).

Standards of Conduct

7.5. The Standards of Conduct of the two Associations set out the practices members agree to adopt in acquiring sites where this may involve sites held by another contractor. The terms of the Standards of Conduct, and the subjects covered, have varied over the years, and were revised in March 1980 after our reference had been received.

7.6. The version operative at the time of the reference came into effect in June 1976, and is set out at Appendix 12. Paragraph (a) of this reads:

‘Members agree not to bid or negotiate for or interfere with sites in the physical occupation of a fellow member. Where any member is encountering difficulties with regard to any site in his occupation he should notify the Associations of the fact and this information will be circulated to the other members who will agree not to interfere in respect of such site for the period of one year from the date of the issue of the notice. At the end of the said year the difficulties notice will lapse unless the member involved wishes the notice to be operative for a further year.’

7.7. According to the first part of this paragraph as long as a panel was in position on a site other members should not negotiate for rights to that site or interfere between the landowner and the existing occupant. The degree of protection given depended on the meaning attached to the term ‘interfere’, which was not defined in the Standards. We understand that at the time this version of the Standards was operative it was generally accepted that any expression of interest to the site owner by one member in respect of a site occupied by another (even without any intention of inducing a breach of the existing contract) was regarded as ‘interfering’.

7.8. This protection was reinforced by the procedure for a member to notify his Association of difficulties he encountered with regard to any site, after which other members would not ‘interfere’ with that site for a year or, at his request, two years. The term ‘difficulties’ was also not defined. From our discussions with the Associations and member companies it is clear that these fell into two groups. First, there was the case of ‘difficulties’ with site-owners concerning the level of rent sought, the negotiation of an extension of the licence or other similar matters. The other ‘difficulties’ were between two members of the Associations where, for example, the right to license the site was disputed between a landlord and a tenant, and each had entered into agreement with a different contractor, or where the visibility of a member’s panel was restricted by another member erecting a new panel nearby. An examination of a batch of ‘difficulties’ reported to the Associations (under the later version of the Standards in 1980) suggests that the majority of cases fall into the first category, relating to such matters as rents or failure to give notice before seeking an alternative occupier. We have been told by the Associations that although the Standards stated that the Associations would circulate reports of difficulties to members the SOAA has not done so since 1973 and the BPAA since 1976; since these dates the procedure of each Association has been to pass notifications to the other Association and to hold all reports of ‘difficulties’ on file against enquiries from members.

7.9. The current Standards of Conduct (also reproduced at Appendix 12) have slightly different provisions dealing with non-interference in other members’ sites and with the procedure for the notification of difficulties, as well as two additional provisions dealing with particular situations involved in negotiating for sites.

The provisions are:

- (a) Members agree not to bid or negotiate for or interfere with any site in the physical occupation of another member where the other member has a valid agreement in respect of the site and no legal notice finally terminating that agreement has been given to the other member.
- (b) Where any member is encountering difficulties with regard to any site in his occupation he should notify the Association of the fact and the other members agree not to interfere in respect of such site until legal notice finally terminating the agreement of the member in occupation has been given to that member.
- (c) Where a member has reason to believe that the agreement of the member in occupation has been the subject of a notice of termination he may by notice in writing require the member in occupation to show within seven days that his agreement has not been the subject of a legal notice of termination.
- (d) In any case there shall be a duty on any member wishing to negotiate for a site still in the physical occupation of another member to consult the member in physical occupation even if the member has reason to believe that the member in physical occupation has no current agreement in respect of the site.

7.10. For a member to secure protection for his sites under this version he has both to be in physical occupation of them, and also to hold a valid legal agreement which has not been the subject of a notice of termination. The effect of articles (a) and (b) of these Standards is that the delivery of a legal notice terminating the agreement by the landlord extinguishes the protection given to the sitting licensee. Until such notice has been given other members of the Association are debarred from 'interfering' and the sitting licensee has, in effect, the support of the Associations through the procedure of notifying them of his 'difficulties'. Even after such notice is given, as long as he remains in physical occupation of the site the contractor has the benefit of article (d), requiring other members to notify him if they wish to negotiate for the site.

7.11. We are aware that shortly after the introduction of the 1980 revision of the Standards certain contractors were still adopting the earlier interpretation of 'interference' as given in paragraph 7.7, and there is some evidence of continuing uncertainty. On the other hand the Associations and some of their members have told us that these provisions in the present Standards are merely intended to remind members of the need to avoid committing an illegal act by inducing breaches of contract between site-owners and members. We have been told by the Solus Outdoor Advertising Association that the phrase 'interfere with' is a survival from earlier versions of the Standards and is of little or no significance in the present version. The BPAA has told us that its members have confirmed that they interpret 'interference' only as action inducing a breach of an existing agreement, and that members are not precluded from seeking information from a site-owner about the duration or other particulars of his agreement with the current occupier. Even so, in the absence of any clear definition in the Standards, it is impossible

to be certain that all members of both Associations will always interpret the word 'interference' in the narrow sense of inducing breaches of contract.

7.12. We have been told that there has been a considerable reduction in the number of 'difficulties' reported to the Associations in recent years and that they totalled only nine in the period from 15 March 1980 to the end of that year.

7.13. The Associations have pointed out that in so far as disputes arising under either section (a) or (b) of the present Standards of Conduct may be between two members of the Associations, the Associations can perform a service as arbitrators or conciliators so saving the companies concerned the expense of litigation. There is a set procedure to resolve such disagreements. Initially the secretaries of the Associations endeavour to resolve the complaint by correspondence with the members concerned. If the dispute cannot be resolved in this way it can be referred to a Joint Committee of two representatives from each Association specially convened to resolve the dispute. It was pointed out to us that paragraph (c) of the present Standards of Conduct is intended to prevent or resolve disputes by ensuring that where a member believes that notice of termination has been given to the member in occupation of a site in which he is interested he must nevertheless seek the other member's confirmation of the fact.

Standard Conditions of Trading

7.14. The Standard Conditions of Trading have been drawn up by the two Associations to provide a standard form of agreement with customers. It is used by all member companies and also by some non-members. The document is extensive and covers such matters as the requirement that the advertiser using the space must be named when an order is placed, cancellation provisions, and the period during which displays will be posted and removed.

7.15. The Associations' Standard Conditions of Trading fall to the Office of Fair Trading to consider under the Restrictive Trade Practices Act 1976 and, by reason of section 10(2) of the Fair Trading Act 1973, cannot form the basis of any recommendation in our present inquiry.

CHAPTER 8

Views submitted by other parties about British Posters and other suppliers of reference services

8.1. In the absence of views submitted collectively by the Institute of Practitioners in Advertising or the Incorporated Society of British Advertisers Limited we have, as explained in paragraph 1.4, sought the views of numerous prime advertisers and main agencies as well as specialist bureaux and other interested parties on the matters with which our inquiry has been concerned.

8.2. We have described in the following paragraphs the main criticisms put to us relating to the supply of reference services both by British Posters and by contractors generally. In some cases it was argued that the practices were not necessarily important in themselves, but illustrated the market power of British Posters and its members, and of the members of the two Associations.

The concept and quality of pre-selected campaigns

8.3. We received a number of criticisms of packages selected by contractors, primarily British Posters' pre-selected campaigns (PSCs), from main agencies, advertisers and specialist bureaux:

- (a) There was said to be a marked shortage of short-term line-by-line space which was attributed to the inclusion of a substantial part of members' stock in British Posters' PSCs coupled with the limited overall availability of poster panels (particularly of the preferred larger sizes) and the commitment of a large part of contractors' stock in TC and long-term sales. Customers told us that because of the difficulty of obtaining 48-sheet line-by-line panels, or smaller sizes of panels in some parts of the country or at certain times of the year, they had been forced to use PSCs although these did not completely suit their requirements. It was also suggested that the shortage of space available for short-term line-by-line sales had prevented some advertisers from using the medium. While most of the criticism concerned the number of panels locked up in pre-selected campaigns one customer favoured the complete abolition of such packages.
- (b) There was also criticism of the rigidity inherent in the system of pre-selection. This concerned primarily the size of campaigns offered, a few customers saying that campaigns of a lighter weight than those currently offered by British Posters would be welcome. The size of PSCs offered by British Posters was generally too large for some advertisers so that the cost represented as much as they had to spend on a national campaign, leaving no cash available to top-up by renting other panels required to mount the campaign effectively. Smaller campaigns would be better suited to some advertisers' particular advertising brief and would also enable less intensive, cheaper campaigns to be mounted.

One customer made the point that, as a number of panels in PSCs were suitable for certain types of campaign but less appropriate for others, it would be an advantage to provide smaller, more flexible packages which could be more closely tailored to the needs of particular customers.

- (c) There were complaints that the panels in any package selected by a contractor did not represent a good cross-section of panels as a large proportion of contractors' stock (often including the best quality panels) had already been sold under TC or long-term contracts. A number of advertisers and main agencies complained about the proportion of panels which they regarded as being of poor quality (basically because of their location or surroundings) included in British Posters' PSCs. One major advertiser in particular told us that as, in his experience, PSCs contained a high proportion of inferior panels they were not regarded as cost-effective and as a consequence he bought line-by-line whenever possible.
- (d) There were a few criticisms of the make-up of panels in PSCs and that buyers were unable to secure more than marginal changes in any PSC to make it more suited to their requirements. One main agency said that it was usually necessary to buy additional panels line-by-line to supplement the areas of the country where PSCs were weak or to improve the impact of the campaign by adding good quality panels from outside contractors. Another had found that some of the shopping campaigns were not suitable for its purpose in that the panels were not located sufficiently near the outlets concerned.

Terms of business

8.4. There were a number of criticisms of the terms of business as set out in the British Posters' rate cards (see paragraph 6.32).

- (a) There were a number of complaints that the five-day allowance for posting a campaign is excessive. One agency commented that this provision was particularly onerous in relation to one-month campaigns in that the exposure could vary considerably from what the advertiser paid for. An advertiser suggested that it should be practicable to undertake this work over a shorter period of time, as some continental contractors normally completed it over a shorter period and as it had been possible to get particular campaigns posted within 24 hours in this country.
- (b) One agency said that it would be helpful if PSCs ran for a shorter period than the present minimum of one month, say for 14 to 21 days. It considered the impact of a campaign was greatest in the initial period of display so that such short campaigns would be cost-effective and would also result in more space being made available for other advertisers.
- (c) There was criticism of the extension of the cancellation period for 48-sheet campaigns from four to six months under British Posters' 1981 Rate Card (see Appendix 8).

8.5. We received the more general criticism that the onus of proving that roadside advertisements have been correctly posted on time and subsequently

maintained in good condition, should fall entirely on the contractor. It was also suggested that the advertiser should not be required to make a contribution to the Poster Audit Bureau inspections.

The performance of contractors

8.6. There was criticism of the failure of British Posters on occasions to provide the full number of posters specified in a campaign. Although British Posters offered refunds this was not considered a satisfactory substitute for a properly mounted campaign.

8.7. We were told that British Posters was often late in providing Posting Completion Vouchers (certificates that a campaign has been posted—see paragraph 6.35), which it was claimed had at times been received as much as three months after the in-charge date.

8.8. We were told that the very long lead-in time, of something like six months, required to book poster space had for some time been a major constraint against the wider use of the medium.

8.9. Another complaint concerned the possibility of advertisers buying illegal panels, ie panels which had not been given the necessary planning permission. Advertisers could be prosecuted, as well as the contractor, for using such panels (see paragraph 2.19).

Prices

8.10. We have received a number of complaints about the increases in prices charged for poster space. These have mostly concerned the extent of the increases in rates for panels sold line-by-line by contractors and some were directed at particular contractors. The two following passages are fairly typical of the critical comment we have received:

- (a) 'We are concerned at the prices charged for 48-sheet poster panels. These have gone up much more over the last three years than other media such as television or the press. The increase in short-term rates has been accentuated by the small increase in rents on TC panels (which are already much lower). The pressure on prices is very severe on short-term line-by-line space (where a new 48-sheet panel in London might cost £300 compared with £40/£60 three years ago) and it is only natural with such increases on their own stock the members of British Posters should want to see higher prices for their panels in PSCs.'
- (b) 'Over the past four years prices of roadside panels have gone up much more than would have been expected; whereas then the price of a 4- or 16-sheet would typically have been about £5 or £9 a month, the price has now perhaps trebled; the 1975 price may in retrospect have been too low but the increase is nevertheless thought to be excessive.'

8.11. There was also some criticism of the prices charged by British Posters for some of its PSCs. For example, one agency considered that the prices for 48-sheet campaigns were perhaps higher than they should be and told us that the average price of such panels worked out at a higher figure than

panels bought line-by-line under TC contracts, whereas it would have expected that a substantial discount would be given to advertisers prepared to accept packages, as happens with television. A specialist bureau made a similar comment concerning the 4-sheet shoppers' campaigns which it said were priced at a higher rate than it would have expected to pay for line-by-line space.

8.12. There were some comments on the difficulty of assessing price movements relating to PSCs which had undergone substantial changes in their make-up. An example of this appeared to be the introduction of the Super-16 Campaign, consisting only of high quality panels, under Rate Card 9, effective from the beginning of 1979 (see Appendix 8). In so far as this campaign was constructed from panels in existing packages it was argued that it must have reduced the overall quality of the other packages retained for sale. In effect, this made the price increases for such campaigns in 1979 greater than the rate card suggested, although by an unknown amount.

Availability of space to customers

8.13. There have been complaints from main agencies that the special agreements made by British Posters and some of their members with certain main agencies (as described in paragraph 6.29) have exacerbated the shortage of short-term space. That these campaigns have been, as it were, taken out of the market has increased the market pressure on the other good quality campaigns in the most popular months.

8.14. There were complaints that contractors preferred main agencies to specialist bureaux as customers and that in matters such as recognition (see paragraphs 6.36-6.39) they give preferential treatment to the former.

Research and contractors' claims of audience reached

8.15. There was some complaint that the industry as a whole suffers from a lack of quantified audience research of the kind that is available for television, radio and the press.

8.16. There was also some dissatisfaction with the estimates provided by British Posters of the coverage achieved by PSCs (see paragraphs 6.21-6.23 and Appendix 2). The 1977 'Multimark Report' (see paragraph 3.33) was critical of these estimates, claiming that physical counting of passages past panels in certain towns had shown that the audience was substantially less than that claimed by British Posters.

8.17. There was also criticism of the limited information about individual panels which British Posters provided to purchasers of PSCs. One agency told us that it regarded this as no more than a guide to the quality of the panels, and that a proper assessment required first-hand knowledge of the sites concerned; it therefore employed a specialist bureau to do this and supplemented campaigns by line-by-line purchases. A poster user told us that the information on the data sheets was 'largely incomprehensible to advertisers' and he would prefer a generally acceptable star rating system. A number of other advertisers and agencies have indicated to us that they would prefer

a system of rating points given to individual panels (according to their grading in terms of accepted criteria such as audience, size and other factors) whereby a campaign could be constructed to give the advertiser a more certain degree of coverage in the geographical area he wishes to reach. We were referred to a similar system operated in the United States by the Traffic Audit Bureau which is based on traffic counts along the roads in which poster panels are situated. Several witnesses said that they would welcome its adoption in the United Kingdom, but others took the view that it would be of limited value in this country as many advertising campaigns here are linked to particular panel requirements, such as proximity to specific retail outlets. For further information on research on audience measurement, see Appendix 2.

Contractors and site-owners

8.18. We have also received complaints about the protection afforded by the Associations' Standards of Conduct to existing businesses; for example, some site owners whose requests for increased rents for their sites were turned down by the existing licensee were said to be unable to find any alternative contractor willing to make an offer. There were also complaints that the standard form of agreement with site-owners used by some contractors contained restrictions on the use of agents by the site-owner in negotiating with the contractor

CHAPTER 9

The case made by British Posters and its member companies and by the Associations and their member companies

British Posters

9.1. British Posters replied to the criticisms and comments we put to it, including those in Chapter 8, in written evidence and subsequently at a hearing.

9.2. British Posters pointed out that it was a small organisation in the advertising field. Its turnover in 1978 (after agency commission) amounted to less than £10 million compared with a total of over £1,200 million which the Advertising Association estimated was spent on display advertising in that year and £68 million on the 'Poster/Transport' sector of the market.

9.3. From the range of facilities provided by the advertising media, advertisers and agencies were able to select those which gave them the service and value they required. British Posters saw the purchasers of advertising space as skilled and knowledgeable buyers, a number of whom possessed considerable market power. These buyers had a wide choice in deciding whether or not to use posters and, within this medium, whether or not to use British Posters' pre-selected campaigns (PSCs). The fact that some advertisers and agencies made considerable use of posters while others did not employ them at all was regarded as corroboration of this view.

9.4. British Posters told us that it regarded the definition of reference services as artificial and unrealistic in that panels covered by the reference were plainly and directly substitutable for other 'outdoor' panels. It stressed in particular that advertisers often used transport and other non-reference panels to display the same poster as they displayed on panels falling within the reference, and that reference and non-reference panels may be seen by the same audience.

9.5. It regarded roadside advertising as a single sector, irrespective of whether panels were sold under TC/long-term contracts (when large advertisers could use a panel to advertise different products or brands at different times) or short-term line-by-line or as packages. Within the roadside sector the company saw itself as subject to competition from three sources. The first consisted of the two joint selling organisations described in paragraphs 4.27 to 4.30 above, Independent Poster Sales Limited and Free Trade Poster Sales Limited. Although these two companies operated on a much smaller scale than British Posters they had access to a substantial number of panels. Secondly, British Posters was in competition with other poster contractors, which it estimated now numbered between 80 and 100 throughout the country. Finally, it regarded itself as being in competition with its own members in that the latter made both short-term and TC/long-term sales of poster space direct to advertisers and agents.

9.6. British Posters admitted that its system of PSCs did not necessarily meet the needs of all advertisers, but claimed that it now satisfied a substantial part of advertisers' requirements and that it provided a simple and convenient method of purchasing national or local campaigns on posters which continued to be a relatively low-cost advertising medium. It supported this view with two main arguments. The first was the growth in occupancy of British Posters' PSCs from 62 per cent to 79 per cent between 1976 and 1979. Secondly, British Posters pointed to its success in attracting new advertisers (see paragraphs 6.27 and 6.28), and gave us the names of 40 major new advertisers who first used British Posters during the period January 1977 to April 1979. It also stated that in the year 1978 about 20 per cent of the company's revenue was derived from advertisers who were new to British Posters.

9.7. British Posters regarded this ability to sell its PSCs as an indication both that this type of PSC met the needs of its customers at a price they considered reasonable and also that it provided an effective means of marketing its members' panels, which in view of planning and other restrictions should be regarded as a scarce commodity. By constructing packages from panels owned by different member companies it could offer national and regional campaigns which none of the member contractors could offer from its own stock. The availability of PSCs, together with other work undertaken by British Posters, as described in paragraph 9.17 below, improved the competitive poster position of posters *vis-à-vis* other media, and was also advantageous to advertisers in providing another means of reaching their target audience.

9.8. British Posters rejected the complaint of excessive rigidity in PSCs. It pointed to the numerous alterations made since 1972 in the range of PSCs offered (set out in detail in Appendix 8) and to the reduction in the size of some PSCs offered in 1981. It was also conducting trials into the feasibility of selling campaigns for shorter periods than one month: for this the cost of carrying out the posting within shorter limits than the current five working days standard (see paragraph 8.4) was crucial. We were also told that British Posters was prepared to make changes in the composition of PSCs where this was requested by the customer and where members had appropriate alternative sites available to enable this to be done, and that in one instance over 10 per cent of the panels in a campaign had been changed.

9.9. The complaints regarding the alleged poor quality of PSCs, arising either from the quality of panels used in the campaigns, or from their poor balance, were similarly rejected. British Posters said that at the outset of its operations in 1971 of the 41,000 panels offered by the four founder members only 32,000 were selected as being of sufficient quality (using the standard BPAA classification) and providing the necessary geographical coverage. The number of sites in PSCs had varied in subsequent years with, for example, the addition of stock provided when Arthur Maiden Limited became a member in 1975. There was a continuing loss of panels partly from normal causes and partly from the conversion of 16-sheet panels into larger sizes. These losses were not balanced numerically by the new panels provided by members. However, British Posters claimed that there had been a steady and

continuing improvement in the quality of panels included in packages, the quality of new ones being generally better than that of those lost. The company also pointed out that it had carried out a complete re-selection of panels in 1977 in a major effort to improve the balance of PSCs, as described in paragraph 6.14.

9.10. The stock available to British Posters to build up balanced campaigns depended on the number and distribution of members' panels made available to it. British Posters acknowledged that there were areas of the country where its coverage was weak but said that this was due either to there being a general shortage of poster space in the area (as, for example, in East Anglia) or to the main contractor in the area not being a member of British Posters, as is the case in Cornwall. The limitations in the number of members' panels was also a constraint on the extent to which British Posters could meet the needs of the more specialised shopping campaigns.

9.11. British Posters admitted that there had been some problems in providing the full delivery of campaigns because of the loss of panels by contractors. It claimed, however, that this had now been largely remedied, and said that payments for shortfall in delivery amounted to an insignificant part of the company's total revenue (£20,000, or 0.5 per cent, in the first four months of 1980).

9.12. British Posters agreed that there had been occasions when it had been unable to provide Posting Completion Vouchers (see paragraphs 6.35 and 8.7) within a reasonable period after the start of a campaign. This had been due in large measure to the complexity of the operation involving 35 regional depots. Under a computerised system introduced in September 1980 Posting Completion Vouchers should consistently be issued within 15 working days of the in-charge date provided that the posters are received on time.

9.13. British Posters has told us that the five day allowance for posting has been a feature of contractors' terms and conditions for many years. It would be more expensive to carry the work out over a shorter period and the company doubted whether advertisers would ordinarily wish to pay higher prices to secure this improvement.

9.14. British Posters told us that it had been obliged to extend the cancellation period for 48-sheet campaigns by its recent experiences of last-minute cancellations of 48-sheet campaigns. These could not easily be re-sold in view of the cost involved and the limited time available to advertisers and their agencies to produce a campaign. The problem was confined to 48-sheet panels which have been in very high demand. As a consequence a number of customers had taken out pre-emptive bookings to meet possible requirements which did not materialise.

9.15. British Posters has told us that each of the special arrangements made with agencies (outlined in paragraph 6.29) had been requested by the agency or advertiser concerned. These arrangements, in British Posters' view, were a necessary response to what its leading customers wanted it to offer. They

were also of advantage to the company in ensuring that the campaigns were sold for the whole of the period covered by the arrangements.

9.16. The criticisms of the estimates of coverage given for PSCs (see paragraph 8.16) were not accepted by British Posters. It claimed that the basic research undertaken by individual contractors as well as by British Posters (see paragraphs 6.21 to 6.23 and Appendix 2) was well documented and that its own research had demonstrated that there was negligible difference between the audience of average poster panels (as measured in the basic research) and that of British Posters' own panels. It also pointed out that whereas the system operated by the Traffic Audit Bureau in the United States provided accurate figures of only the gross traffic past panels, the system used by British Posters provided estimates not only of the audience for a campaign on a given number of panels but also of the average number of passages past a poster in that campaign that each member of the audience made. From these figures one could calculate an estimate for the number of panels required in a campaign in order to reach an audience of a particular size.

9.17. British Posters drew our attention to the work it has undertaken to promote the medium in the field of audience research and in other ways. It mentioned in particular the research it was currently evaluating on the audience reached by sites in shopping precincts. This involved both counting the people passing a site and interviewing a sample from them. The company also referred to the numerous case histories it had prepared analysing the effectiveness of particular campaigns in terms of audience awareness and attitudes towards the advertiser, and also to the annual awards made in conjunction with the Institute of Marketing (see paragraph 6.25).

9.18. British Posters told us that it did not consider that the small reduction of up to 10 per cent in prices provided by the volume discount (see paragraph 6.53) restricted or distorted competition in any way and that similar systems were common in other advertising media. Large advertisers helped to improve British Posters' occupancy rates and so reduce the proportion of their total revenue needed to cover their overheads.

9.19. British Posters' comments on a number of other matters are set out in detail in other chapters. In particular its comments on the recognition procedure as regards specialist bureaux are set out in paragraphs 6.37-6.38; the operation of the 'Options' system in paragraphs 6.30-6.31; and discussions with members in paragraph 6.68.

British Posters' members

9.20. The Commission also received written submissions from three of British Posters' member companies, London & Provincial Posters Limited, Mills & Allen Limited and More O'Ferrall Limited. The first two companies also gave oral evidence to us.

9.21. London & Provincial Posters Limited (London & Provincial) told us that it regarded roadside advertising as being closely related to other poster services, and that main agencies considered the outdoor medium as a single

category for the allocation of their advertising budget among the media generally. It considered the outdoor medium to be in close competition with other media such as press, radio and television. This was demonstrated, for example, in the severe fall in the poster industry's revenue in the two to three year period after the introduction of commercial television in 1956. The special agreements made by British Posters with a number of advertising agencies (described in paragraph 6.29) were regarded as a reflection of the market power of agencies and advertisers.

9.22. London & Provincial claimed that in providing the facility of purchasing pre-selected national and regional campaigns British Posters had assisted advertisers by increasing the choice of advertising methods open to them. It had also helped the contractors to compete more effectively with other media since neither London & Provincial nor any other contractor had the stock of panels required to construct such campaigns. British Posters had also been successful in broadening the categories of advertisers and products which used posters. London & Provincial considered it important that British Posters should be able to continue to do this in view of the current restrictions on the use of posters for tobacco advertising and the likelihood of further restrictions. In London & Provincial's view there were also likely to be restrictions in the future on the advertising of alcoholic drink and apparently some local authorities were considering or had already imposed such restrictions on sites which they owned. It also gave poster contractors the opportunity of being brought into close contact with the main advertising agencies (which in many cases had a degree of discretion in deploying the advertiser's budget), rather than leaving them with a merely passive role as providers of space bought up by specialist bureaux. However, British Posters and its members continued to do a significant amount of business with the specialist bureaux.

9.23. London & Provincial did not consider that the inclusion of members' panels in the stock available to British Posters for use in constructing PSCs distorted the availability of space for customers wishing to buy line-by-line. The balance of members' panels sold line-by-line or in packages reflected the competitive pressures in the market and the relative demand. Thus, on account of increasing demand for line-by-line panels, London & Provincial had had to readjust its allocation of panels so that its projection of turnover arising from line-by-line sales for 1981 had been increased by 57 per cent from its original plan level to over £1 million. In order to meet this demand, the members of British Posters had had to break up three British Posters' campaigns since the end of 1980. Two of the campaigns were 16/4-sheet and the other was a 48-sheet campaign. With the restrictions on tobacco advertising, London & Provincial envisaged still more panels being allocated line-by-line as a number of the TC contracts held by the tobacco companies were cancelled.

9.24. London & Provincial told us that it did not consider that its level of profits, either as a return on capital or a percentage of turnover, was excessive when compared with other service industries and, in particular, with other sectors of the advertising industry. It also referred to the increases in costs which the company now faced, in particular that total rents paid to site-owners increased by 31 per cent in 1979 and a further 34 per cent in 1980.

9.25. Mills & Allen Limited (Mills & Allen) supported the arguments advanced by British Posters. In particular it argued that advertisers were free to decide whether or not they spent their money on posters, and if so, how much. In 1978 advertisers' total expenditure on posters and transport advertising combined amounted to only £68 million out of a total spend of £1,843 million, representing 3.7 per cent. All large national advertisers also used other media and were therefore in a position to compare the service provided by the poster industry with that given by other media.

9.26. Mills & Allen said that since no single poster contractor had the necessary panels available from his own stock the industry could only offer advertisers national and regional campaigns through the medium of a joint selling organisation such as British Posters. Moreover, in order to put together a range of PSCs suitable for the requirements of a large variety of advertisers it was necessary for British Posters to market something like the number of panels currently made available by members. The inclusion of this amount of stock in PSCs was not seen as restricting the ability of advertisers to buy line-by-line where this was preferred; Mills & Allen claimed that where this was not possible (notably in the case of 48-sheet panels) this was because of a physical shortage of panels, and that it had always been possible to construct campaigns by line-by-line purchases of 4-sheet and 16-sheet panels.

9.27. Mills & Allen said that the level of British Posters' prices had no bearing on the prices it sought to obtain for panels which it sold line-by-line; indeed as the bulk of the latter were sold under long-term contracts the price movements in the short-term market (as represented by PSCs) would be of only limited significance. The only relationship between the prices members charged for their own panels and those charged for PSCs was that if the latter were substantially lower members might reduce the number of panels they put into PSCs in order to improve their overall profitability.

9.28. The specialist bureaux were important customers of Mills & Allen and of British Posters, as well as in a sense being competitors of the latter. Mills & Allen said that in responding, in its own interest, to competitive pressures exerted by the specialist bureaux, British Posters had improved its service with consequent benefit to its customers. A particular example was the support given to the establishment of the Poster Audit Bureau to monitor poster displays (see paragraphs 3.39–3.40).

9.29. In the view of Mills & Allen its influence on the policy of British Posters was no more than pro rata to its representation on the Board of British Posters (two directors out of ten) and significantly less than its proportional input into the company in terms of either sheetage or human resources.

9.30. Mills & Allen told the Commission that since 1975 its own prices had increased more than those of other contractors. This was because the company's prices had been at a very low level at the beginning of the period and, even after this period of catching up, the company claimed that its prices were somewhat lower than those of other contractors.

9.31. The company claimed that in the figures of profit (set out in paragraphs 5.74 and 5.103) at the lowest points of the cycle were artificially high in that the financial difficulties of the parent group forced it to spend only very limited amounts on maintenance and to make a low provision for depreciation. Both of these costs were now much larger and, together with increased rentals paid to site-owners (which were expected to total over £3 million in 1980-81 compared with £2.2 million in the previous year), accounted for a large part of the higher costs now being faced by the company. It said that the current economic downturn and the new restrictions on tobacco advertising had fundamentally reversed the favourable trading conditions of 1978 and 1979.

9.32. Mills & Allen claimed that the figures of its return on capital and its profits to turnover ratio were not unduly high when compared with those in other service industries and were lower than those obtained in a comparable business abroad.

9.33. More O'Ferrall Limited assured us that British Posters' operations were not such as to afford it an opportunity of co-ordinating its activities with British Posters or other contractors, and that it had not sought to use these operations for this purpose. As only about 5 per cent of its turnover came from panels included in PSCs by far the greater proportion of the company's business was effected in competition, rather than co-operation, with British Posters.

The British Poster Advertising Association and the Solus Outdoor Advertising Association Limited

9.34. The British Poster Advertising Association told us that section (a) of the present Standards of Conduct (Appendix 12) dealing with the question of 'interference' sought only to prevent unlawful acts by member companies in inducing breaches of existing contracts between contractors and site-owners, or physical interference with the contractors' rights to a site under a valid legal agreement. The Association did not consider that this provision precluded members from making any enquiries of a site-owner about the duration of an existing agreement with another member (see paragraph 7.11).

9.35. The Association said that section (b) of the Standards dealing with the notification of difficulties was only intended to operate between contractors, ie where one member considered that another member had induced a breach of a valid contract. The number of 'difficulties' reported by members had fallen, especially under the current standards which became effective on 15 March 1980; between then and the end of 1980 only nine cases of 'difficulties' were reported to the Associations.

9.36. The Solus Outdoor Advertising Association Limited also told us that the purpose of the Standards of Conduct was to ensure that members should keep within the law in bidding or negotiating for a site held by another member under a valid legal agreement. In its view the present Standards of Conduct did not prevent members from negotiating to acquire the site occupied by other members provided no inducement to breach of contract arose.

9.37. The SOAA saw the registration of 'difficulties' as a means of ensuring that the Association had the necessary information on disputes between members so that they could, if necessary, be settled within the industry by the machinery provided without recourse to law.

9.38. The SOAA considered that the former Standards of Conduct were more in the public interest than the present version in that the former were more restrictive in the criteria by which a member could acquire sites in the occupation of another member; the relaxation in the present Standards made it easier for the large companies, if they wished, to use their greater resources to take key sites from smaller contractors.

9.39. The SOAA pointed to the increase in the number of poster contractors in the last ten years as a result of which the proportion of space held by members of the two Associations had fallen from 96 per cent in 1971 to 85 per cent in 1978. The ease of entry which this implied suggested that the Standards of Conduct had not operated against the public interest. There were now about 40 contractors outside the Associations who offered high rents to secure franchises; and any member of the Associations would therefore be unwise to consider that he had only fellow members of the Associations against whom to bid to retain his sites.

9.40. The Associations told the Commission they had not suggested any particular form of wording for any part of the agreements with site-owners (see paragraph 8.18). Any question of restricting the right of the site-owner to employ an agent was entirely a matter between a particular contractor and the site-owner with whom he dealt.

9.41. Evidence was also received from four members of the Associations. Bedford Poster Sites Limited told the Commission that it supported the continuance of the present Standards of Conduct. Over the years they had encouraged member contractors to act as responsible organisations towards each other and not return to the time when billposters literally fought for the right to use a site. They had operated fairly to both large and small contractors although they had offered a proportionately greater degree of assistance to the smaller contractors.

9.42. D S Sites Limited told the Commission that it was opposed to the present Standards of Conduct as they were still a form of protection for existing sites. The company did not consider that increased competition for sites would lead to higher charges for poster space as the latter had moved with the market irrespective of the level of rentals paid to site-owners.

9.43. London & Provincial Posters Limited also submitted separate evidence to the Commission. It regarded the present Standards of Conduct as having the prime object of preventing members from inducing site-owners to break their valid agreements with other members. London & Provincial defended the Standards, interpreted in this way, as doing no more than requiring members to observe the law.

9.44. The company assumed that some member companies had interpreted the former Standards of Conduct more widely (in that they were regarded as preventing other action in addition to illegal inducements to breach of contract) and considered it possible that some members might interpret the present Standards in a similar way. In the view of London & Provincial, if members were made to abandon the Standards of Conduct (as interpreted in the wider sense) it would not lead to a pattern of conduct on the part of established contractors markedly different from that now prevailing. Mutual awareness by each contractor of his vulnerability to retaliatory action would inhibit the scale of competition for the acquisition of a finite supply of existing sites.

9.45. London & Provincial claimed that the Standards of Conduct had not operated against the public interest and pointed in particular to the fierce competition between contractors for the acquisition of new poster sites and the emergence of a large number of new contractors in recent years.

9.46. The company told us that in 1976 it introduced a clause into its standard form of agreement with site-owners limiting the right of the latter to employ an agent except with the consent of the company, such consent not being unreasonably withheld. This was done because a company (no longer in existence) was then offering to act as an agent for site-owners while at the same time being concerned with the acquisition of sites for companies with which it was associated. The restriction was difficult to operate in that London & Provincial did not want to prevent site-owners from employing *bona-fide* agents and the necessary procedure for securing its agreement to this tended to be a source of aggravation to site-owners. With the demise of the company in question it had therefore dropped this provision from its standard form of agreement.

9.47. In its evidence to us Mills & Allen said that the current Standards of Conduct simply precluded members from seeking to induce a site-owner to break an existing legal agreement with another member, or from physically interfering (eg by obstruction of the site) with another member's occupation of a site held under a legally binding agreement. The company did not consider that they prevented a member from seeking information from a site-owner about an existing agreement with another member. It did not therefore consider that the Standards of Conduct restricted or distorted competition.

9.48. In the view of Mills & Allen the registration of 'difficulties' had continued more as a vestige of a former system than of anything that now had a practical effect on members' conduct. It pointed out that it had not reported any 'difficulties' under the new Standards which came into operation in March 1980.

9.49. The company did not consider that the fact that the practices prohibited by the Standards of Conduct could be prevented by legal action rendered the Standards nugatory or of no value. It regarded the existence of the Standards of Conduct as a useful reminder to members of their obligations, and a more efficient means of reinforcing these obligations than would be recourse to the courts.

CHAPTER 10

Conclusions

Monopoly situations

10.1. Our reference requires us to report whether a monopoly situation exists in relation to the supply of roadside advertising services in the United Kingdom. The nature of the relationship between British Posters Limited and its member companies, and the lack of agreement within the industry on an appropriate physical measure of supply, has made the determination of monopoly situations unusually complex. We discuss these problems in the following paragraphs.

10.2. Ownership of poster sites is highly concentrated in the hands of two companies (Mills & Allen Limited and London & Provincial Posters Limited). Both of them, together with eight smaller companies, have made available a proportion of the total number of panels under their control to British Posters, for sale in pre-selected packages. Under the contractual agreements which each of these ten companies has with British Posters (which are described in paragraphs 6.11–6.16), the management of the panels, and the fulfilment of certain of British Posters' obligations towards the advertiser are the responsibility of the poster contractor. Thus, within the meaning of the word 'supply' in the Act, the panels marketed by British Posters are supplied twice: in the first place by the poster contractor to British Posters, and secondly by British Posters to the advertiser, or the agency or bureau acting on his behalf.

10.3. In considering whether supply by any of the contractors accounted for 25 per cent or more of the market, we have thought it desirable to look at both financial and physical measurements. Each has limitations. Turnover figures provide the best financial measure, but suffer from certain defects mentioned in Appendix 6, particularly the fact that sales in British Posters' packages probably reflect a lower price per panel than line-by-line sales. As a form of physical measurement, it is possible to use the system of equivalent units widely, though not universally, used within the industry, though it has certain anomalies; other possible measures are the total area of panels or the total number of panels. These are discussed in paragraph 4.13 and explained in greater detail, with calculations of the major companies' shares of the supply, in Appendix 6. In accordance with section 10(6) of the Act we have taken the stock of panels as a measure of capacity or supply.

(a) Scale monopoly

10.4. On 1 January 1979 the space held by each of Mills & Allen and London & Provincial Posters (including that made available to British Posters) exceeded 25 per cent of the market on all three physical measures of size (see Table 10.1). On a turnover basis, however, each held less than 25 per cent of the market in 1978—the year of the reference. If on the other hand we exclude those panels supplied to British Posters by its members, and regard

British Posters itself as a separate supplier, then both Mills & Allen and London and Provincial Posters supplied less than 25 per cent of the market on all the possible bases of calculation (see Table 10.2). The same table shows that British Posters was responsible for marginally more than 25 per cent by value of the total sales of the industry in 1978 and that its holdings in January 1979 amounted to substantially more than 25 per cent by any of the three physical measurements.

TABLE 10.1 Percentage share of market (including supplies by British Posters members to British Posters)

	Turnover*	Calculated on the basis of:		
		Equivalent units†	No. of poster panels‡	Area of sheetage‡
Mills & Allen Limited‡	24.2	27.3	26.7	29.7
London & Provincial Posters Limited‡	24.9	25.2	25.2	26.7
Other British Posters' members‡	29.9	24.5	22.0	25.3
Other contractors	21.0	23.0	26.1	18.3
	100.0	100.0	100.0	100.0
Members of the BPAA and SOAA‡	85.2	84.1	82.3	88.7

* Turnover relates to the calendar year 1978.

† Figures of equivalent units, the number of panels held and the area of sheetage are as at 1 January 1979.

‡ Figures for these companies include turnover from sales by British Posters and the space made available to British Posters for inclusion in PSCs.

TABLE 10.2 Percentage share of market in terms of supply to advertiser or his agent

	Turnover*	Calculated on the basis of:		
		Equivalent units†	No. of poster panels‡	Area of sheetage‡
British Posters	25.3	30.9	35.9	30.2
Mills & Allen‡	13.9	14.3	11.8	16.7
London & Provincial Posters Limited‡	14.1	12.7	10.6	13.4
Other British Posters' members‡	25.7	19.1	15.6	21.4
Other contractors	21.0	23.0	26.1	18.3
	100.0	100.0	100.0	100.0

* Turnover relates to calendar year 1978.

† Figures of equivalent units, the number of panels held and the area of sheetage are as at 1 January 1979.

‡ Figures for these companies exclude turnover from sales by British Posters and also space made available to British Posters for inclusion in PSCs.

10.5. We felt it right, in reaching our conclusions, to avoid any double counting. We also took the view that the general intention behind the reference was directed at supply to advertisers and agencies. We therefore regarded British Posters as a supplier and ignored the supply from individual contractors to British Posters in determining the market share of other suppliers. On this basis, and taking account of both physical and financial criteria, we conclude that a scale monopoly exists by virtue of section 7(1)(a) of the Fair

Trading Act 1973 in relation to the supply of reference services by British Posters. It is clear that this situation exists in favour of British Posters. The question arises whether this monopoly situation can be also considered to exist, within the meaning of the Fair Trading Act, in favour of the ten member companies of British Posters.

10.6. As explained in paragraph 6.7 British Posters is a limited company distinct from the ten contractors who are its present members. But it was created by its four founder members as a joint selling organisation for a part of their stock of panels. This pattern of operations is maintained by the present member companies. All but two members of its Board are representatives of these companies. Under its constitution British Posters can take no decision without the agreement of the two leading member companies or (in certain reserved matters) the founder members (see paragraph 6.9). Much of the cost of its operation is borne directly by the member companies under the agreements it has entered into with each of them. It is not a profit-making organisation but shares out its net earnings among its members. For these reasons we conclude that this scale monopoly exists not only in favour of British Posters, but also in favour of its member companies.

(b) Complex monopolies

10.7. Under the provisions of sections 7(1)(c) and 7(2) of the Fair Trading Act 1973 a complex monopoly exists when at least 25 per cent of the services of a particular class which are supplied in the United Kingdom are supplied by persons who 'so conduct their respective affairs as in any way to prevent, restrict or distort competition in connection with the supply of services of that description . . . '.

10.8. British Posters Limited has ten member companies, of which one (C P Posters) was founded in 1979. British Posters and the nine companies which were members in 1978 had then a total share of the market amounting to 79 per cent in terms of turnover and a comparable proportion in terms of physical units (see Table 10.2). The member companies market collectively through British Posters a number of panels which they would otherwise have sold in competition with each other. There have also been discussions and consultations on commercial matters among British Posters and its member companies which have had the effect of restricting or distorting competition both between British Posters and its member companies and among the member companies themselves. These discussions are described in paragraphs 6.60 to 6.70 of the report and considered more fully later in this chapter. We therefore conclude that a complex monopoly situation exists by virtue of section 7(1)(c) of the Fair Trading Act. This situation exists in favour of British Posters and of its member companies.

10.9. The members of the British Poster Advertising Association (BPAA) and of the Solus Outdoor Advertising Association Limited (SOAA) together were responsible for 85 per cent of the total turnover of reference services in 1978. They also had on 1 January 1979 over 80 per cent of the market on any of the bases of physical measurement we have used (see Table 10.1).

At the time that the reference was made, they operated agreed Standards of Conduct which provided that members should not bid or negotiate for, or interfere with, sites occupied by a fellow member of either Association. There was also provision for notification to the Associations, and thence to any member on request, of cases where 'difficulties' were encountered. These arrangements prevented or restricted competition in the acquisition of sites. The wording and the interpretation of the Standards were substantially changed in March 1980. These changes reduced their restrictive effect; but for reasons given later in this chapter we consider that they are still likely to have some restrictive effect on competition. Because these arrangements relate to land they are not covered by the Restrictive Trade Practices Act, although they take the form of a restrictive agreement. We therefore further conclude that a complex monopoly under the provisions of section 7(1)(c) of the Fair Trading Act 1973 exists by virtue of the operation of these Standards of Conduct, and that it operates in favour of members of the two Associations.

(c) General

10.10. We have also considered the agreement which used to exist between London & Provincial Poster Group Limited and Mills & Allen Limited not to compete for the acquisition of sites in certain parts of the United Kingdom where the other was strongly represented. We have been assured, and accept, that this was formally terminated in 1978. The companies told us that the agreement had become increasingly ineffective in the years immediately before then.

10.11. Finally we have considered whether a monopoly, within the meaning of section 7 of the Fair Trading Act, exists in relation to the purchasing of roadside advertising services by advertising agencies and poster bureaux. We have found no evidence pointing to the existence of such a monopoly situation.

10.12. It has been argued, particularly in relation to the scale monopoly of British Posters and the complex monopoly of British Posters and its members, that roadside advertising is only part of the outdoor advertising market generally, including transport advertising, sports stadia etc. We have discussed the relationship between roadside and other forms of outdoor advertising in Chapter 2, and conclude that the market for roadside advertising is sufficiently discrete to justify separate examination.

10.13. The three monopoly situations which we have established have certain effects which are interlocking. We have therefore found it necessary to some extent to consider them together. These effects have also to be considered against the background of some unusual features prevailing in the industry. Before analysing the effect of the monopoly situations on the public interest we have therefore set out some of these features briefly in the following paragraphs.

Background features of the industry

10.14. The supply of sites is very inelastic, being determined to a considerable extent by the application of planning controls. Contractors cannot therefore respond effectively, either nationally or locally, by increasing the supply as demand increases, though if demand falls they can, with some delay, abandon sites which are no longer profitable. The two largest firms together now control roughly 50 per cent of the stock of panels, but their zones of strength are unevenly distributed throughout the United Kingdom. This situation cannot easily or quickly be changed, because of the limited number of new sites becoming available and because economy of operation requires a contractor to have a reasonable number of panels in any area he tries to cover.

10.15. There are two fairly distinct markets. One is for panels which the advertiser intends to use over a long period and which he will normally acquire individually over a period of time from different contractors. The second is for a number of panels that the advertiser wishes to acquire simultaneously, usually for a relatively short period, for regional or national campaigns; this demand is met to a considerable extent by the supply of packages.

10.16. The demand for roadside advertising represents a very small part of the advertising budgets of most firms. At a price, there will almost always be some alternative form of advertising available. Buyers will apply a broad judgment as to where they are getting best value for their advertising expenditure. However, there is no accepted measure for valuing a particular panel or package and buyers are generally less price sensitive than they would be in making other purchases for their businesses.

10.17. The advertiser rarely acquires panels directly from the contractor. He normally employs an agency, which may be a specialist poster bureau or a general agency handling all his advertising. This structure complicates the pattern of competition. In creating packages British Posters, which is primarily a contractor, is to some extent performing a function otherwise undertaken by specialist bureaux and is thereby competing with them. The specialist bureaux and the main agencies are in some respects complementary as buyers, with the main agency often using a bureau for its outdoor purchases. In other respects they are in competition with each other, with the main agencies standing to gain more from the purchase of packages direct from the contractor and the bureaux favouring line-by-line purchases in which they have a clearer function.

Matters excluded from our consideration

10.18. There are a number of arrangements which directly affect the competitive scene but which, because they take the form of possibly registrable agreements, are outside our purview. These include the system of recognition of agencies, the standard 15 per cent commission and the contractors' requirement that the advertiser should be named, which provides the basis for limiting juxtapositioning. The Office of Fair Trading have been reviewing these agreements at the same time as we have been conducting our inquiry and the outcome of their review could have an effect on some of the situations which we need to consider.

Effects of the monopoly situations on the public interest

(1) Prices and profits

10.19. We have shown that because the supply of panels is relatively static, prices are determined mainly by demand. Roadside advertising is a small advertising medium, which competes with all other media. In some of these, particularly television, the space available is likewise limited. The objective of the poster contractor will in principle be to set his prices at the highest level which is consistent with a sufficiently large body of advertisers choosing to use his medium rather than rejecting it in favour of other media.

10.20. In practice, however, there are several ways in which the pursuit of this objective is inhibited either by inertia or by practical constraints. The value of any panel or group of panels to a particular buyer cannot be precisely calculated. When a panel is let on a long-term basis to a customer who has used the medium through good and bad times, the contractor may not always raise his prices fully in step with those to other customers. British Posters is inhibited in the speed of its response to the market by its policy of publishing advance rate-cards (in practice for the ensuing year) quoting the number of campaigns available and a fixed price for them. For the same reason its members cannot quickly reallocate panels between the shorter-term and the longer-term advertisers.

10.21. We have not found it possible to make comparisons of the prices charged for panels over a recent period of years which were statistically adequate to establish precise price movements. The information available to us is set out in paragraphs 6.45 to 6.50. The evidence we have been given by those involved in pricing decisions suggests that the movement in rates charged for other media, and particularly for television advertising, has been the principal determinant of the general movement in roadside advertising rates. The figures in paragraph 6.49 show that the prices of types of panel for which demand was strongest have risen more rapidly in recent years than those for which demand was relatively weaker.

10.22. The operation of British Posters, whose members control nearly 80 per cent of the total stock of panels, has had a significant effect on the general level at which prices have been set. The internal discussions that take place, particularly at the time when decisions are taken on the annual rate card, involve a fuller exchange of information about the strength of the market and the likely reaction of individual suppliers than would otherwise take place. One of the recurring themes in these discussions, arising from members' concern with the relative rates of return from direct sales and from sales through British Posters (see paragraph 6.65), has been the need for individual members to set their prices at levels which will not inhibit British Posters from selling its campaigns at prices which it thinks the market will accept. In our view, the operation of British Posters has helped to bring about a more consistent approach and a more uniform strategy among members towards the movement of prices. As the dominant supplier of packages for short-term campaigns it has been in a very strong position to establish the level of prices in its market which would maximise the total return to its members.

10.23. For these reasons we are satisfied that the operation of British Posters has led to a more rapid and orderly upward adjustment in prices generally than would otherwise have taken place, and to more consistency in pricing between individual members. No parallel mechanism exists to facilitate communication between competing buyers and this must give British Posters and its members certain advantages both in responding to rising demand and in resisting downward pressures, though it does not eliminate the need for some adjustment downwards when demand appears to be falling.

10.24. We have explained in paragraph 6.43 that British Posters is not itself a profit-making organisation. Figures showing the rate of profit of the individual companies are set out in Chapter 5. We have also shown in paragraph 6.57 that the return in aggregate achieved by members in the years 1974 to 1979 fall between 19 and 64 per cent on capital and between 12 and 27 per cent on turnover. As this is essentially a service industry employing relatively little capital we consider the return on turnover to be the more appropriate measure. On either basis these returns are very high.

10.25. The industry has strongly stressed to us its cyclical nature. It appears now to be facing a downturn in demand which, together with the limitation on tobacco advertising mentioned in paragraph 3.12, could well affect its 1981 results. In the relatively poor years 1975 and 1976 the profits it earned were lower than those at the end of the decade, as may be seen from the table at paragraph 6.57. But even in those years the average level of return on turnover was about 12 and 13 per cent.

10.26. The existence of the complex monopoly enjoyed by members of the two Associations (see paragraph 10.9) has tended to increase poster contractors' profits by keeping the rents they pay to landowners lower than they would have been in conditions of greater competition for sites. To the extent that lower rents may have discouraged landowners from making sites available it may also have tended slightly to increase prices. Both of these factors have worked to the advantage of British Posters' members who provide such a large part of the supply.

10.27. We are concerned at the level of these profits though we recognise that they are the result of several factors and not solely of the monopoly situations. The industry has improved its performance in recent years in a number of ways. There has been a steady investment in converting panels to larger sizes. The wider marketing of packages and the creation of the Poster Audit Bureau have helped to attract customers who had not previously used the medium. These developments have led to increased demand and improved occupancy levels. In a period of buoyant demand for all forms of advertising, the fact that prices are primarily determined by demand and not related to cost would have been likely to lead to significant increases in the rate of profit on turnover. The trend is accentuated as buyers, though limited in their total budgets, are not particularly sensitive to price in particular purchases. The monopoly situations to which we have referred are therefore certainly not the only cause of either the high level of profits or the increased rate of profit achieved over the period for which we have figures. However,

in our view, they have put the contractors concerned in a stronger position to take advantage of the opportunities that these other factors created to increase their levels of profitability.

(2) The supply of 'pool' panels to Independent Poster Sales

10.28. It has been a normal practice within the industry for contractors to make deals among themselves so that acceptable small packages of short-term line-by-line panels can be offered to intending advertisers. In 1976 British Posters sought to ensure by a resolution of its Board that its members did not enter into arrangements of this kind to make 'pool' panels available to Independent Poster Sales Limited, the only significant non-member of British Posters which offers packages for sale. Because of the lapse of time, we have not been able to ascertain how effectively this resolution was implemented (paragraph 6.70). We are satisfied that the existence of this resolution, which was known to Independent Poster Sales, had some effect for several years in limiting these transactions. We consider that any decisions of this character, when taken by companies benefiting from monopoly situations, must tend to strengthen their positions further and, by restricting competition, to work to the detriment both of companies outside British Posters and of the public interest.

(3) Responsiveness to the market

10.29. We have summarised in Chapter 8 the range of complaints and criticisms we have received. Some of these are on relatively minor matters, which we should have expected any reasonably competitive market to have resolved for itself. These criticisms are not supported by all advertisers or agencies. Many commented favourably on the service provided by the industry and on the improvements that had been made in recent years. In particular many advertisers and agencies have told us that they regard the introduction and development of packages by British Posters as a major and valuable step forward and are generally satisfied with the type of pre-selected campaigns now offered.

10.30. Lying behind the criticisms generally is the allegation that they arise from the monopolistic structure of the contracting side of the industry, which has to some extent insulated contractors from the need to adapt their businesses to the needs of many of their customers. The main areas of criticism relate to (a) the balance between package and line-by-line sales, (b) the flexibility, composition and quality of packages and (c) the quality of service provided by contractors. We discuss these matters briefly in the following sections.

(a) The balance between package and line-by-line sales

10.31. Some complainants have argued that too much of the available stock of panels is tied up in British Posters packages; in addition a high proportion of what remains in contractors' hands is sold on a long-term basis. The result is that too little stock is left for purchasing line-by-line for short-term campaigns that are closely suited to the advertiser's needs. Moreover, because of the uneven spread of sites over the country and the more even spread of British Posters packages, the shortage of space available for line-by-line short-term purchases is acute in certain areas.

10.32. This argument was most strongly pressed by certain specialist bureaux, whose businesses are directly affected by a bias towards packages as against line-by-line sales, but it was also put forward by some advertisers. It is clear from the internal discussions in *British Posters* described in paragraphs 6.63 to 6.68 that main agencies, partly for financial reasons put considerable pressure on the contractors to make larger and better quality provision for packages of panels for short-term campaigns. The contractors were concerned to improve the competitive position of the poster medium and recognised the influence of the main agents in determining the allocation of advertisers' budgets between different media. There is no objective test that can be applied to determine how closely the apportionment of panels between packages and line-by-line sales corresponds with the underlying market demand. However, we think that any distortion that does exist is attributable to this pressure from the main agents, and to the standard 15 per cent commission they receive, rather than to the existence of the monopolies.

(b) Flexibility, composition and quality of packages

10.33. We have explained in paragraph 6.17 the pattern of campaigns offered by *British Posters*. Almost all advertisers have some specialised needs arising from the nature and the marketing pattern of the particular goods or services they are offering to the public. A package selected by the contractor to meet the needs of advertisers in general must therefore fall short of the ideal to many advertisers. Some of them might therefore be prepared to pay more for a campaign which met their needs more precisely. *British Posters* has sought to some extent to meet this need by offering its customers the facility of buying additional panels from the 'pool'. It is also willing, at least on occasions, to switch panels between campaigns on offer and the 'pool'. Some buyers have, however, complained that the scope for the modification of any package has been very small, though the slackening of demand towards the end of 1980 seems to have led to greater flexibility.

10.34. Whilst *British Posters* has been willing to some extent to supplement campaigns, it has not been willing to take back panels which the buyer regards as in excess of, or inappropriate to, his needs. Nor has it ordinarily been possible for the buyer himself to sub-let them to a different advertiser because of the requirement that panels should only be let to a named advertiser (see paragraph 6.32). A number of advertisers have told us that, because of the shortage of panels available line-by-line, they had to take packages when they would have preferred to select their own campaigns and that the number of panels comprised in the campaigns available was larger and absorbed a higher proportion of their budget than they wanted. The excessive size of packages is to some extent being recognised by *British Posters* in that its 1981 rate card, designed to meet conditions of less buoyant demand, includes some smaller campaigns.

10.35. Some of our witnesses have expressed the view that pre-selected campaigns are partly a device to sell inferior panels which no alert buyer would be willing to buy individually. Others have said that they regard them, particularly since the re-selection in 1977, as containing a fair cross-section of the panels available and entirely satisfactory for their marketing needs. On the evidence available to us we have not been able to reach any conclusion about

the average quality of panels in packages. A buyer of pre-selected general packages cannot reasonably expect better than an average selection of the panels available.

10.36. However, in our view there is substance in the criticism of the composition and flexibility of British Posters' packages, and we regard these defects as attributable primarily to the existence of the monopolies. We think that with more competition in the sale of packages—or more equal competition between British Posters and the other much smaller suppliers of packages—there would have been more willingness to sell some smaller packages and greater flexibility in adapting packages to the needs of the individual customer.

(c) Quality of Service

10.37. There has in the past been much criticism within the industry and among its users of the inadequate maintenance of panels and of failures to post correctly or on time. The amount of money spent on the maintenance and improvement of panels has certainly increased in recent years. Moreover the industry has set up the Poster Audit Bureau to monitor its work particularly in relation to posting. It is widely accepted that standards have improved in recent years, partly no doubt in response to these criticisms, and most, though not all, agencies and bureaux accept that, after an uncertain start, the Poster Audit Bureau is contributing to this improvement. We have also received complaints that the allowance of five working days (see paragraph 6.32) is over generous and should be reduced. This matter is covered by the Standard Conditions of Contract of the BPAA and SOAA which is under review by the Office of Fair Trading. British Posters and two of its members are not members of these Associations but we do not think it realistic to consider this subject in relation to their activities alone.

10.38. Some complaints were directed specifically at British Posters rather than at contractors generally. One was about its failure to post the full numbers of panels offered in a campaign and the difficulty of obtaining compensation for a shortfall. To meet this criticism British Posters decided in its 1979 rate card (published in June 1978) to include in its campaigns more panels than the packages called for. Claims arising from shortfall are now few, amounting to £20,000 (0.5 per cent of revenue) in the first four months of 1980. Another criticism was about the recent increase from four to six months in the notice required for cancelling 48-sheet campaigns. British Posters justified this on the grounds that the increase in demand was leading buyers to place pre-emptive orders. Another complaint was about the failure to submit Posting Completion Vouchers within the 15 days period prescribed. British Posters admitted that it had run into difficulties here but claimed to be overcoming the problem by adopting new computerised methods.

10.39. There have also been criticisms by several buyers of the inadequate description of panels included in British Posters' packages, which makes it difficult for them to assess the quality of their intended purchase. The information which British Posters provides is set out in paragraphs 6.21 and 6.22 and has continued to be presented in much the same form since British Posters was established. British Posters has made some effort to arrive at a more

scientific and objective system of evaluating panels. However, there is no consensus within the industry about how this can best be done and British Posters has run into a number of practical difficulties. We believe that there is a special onus on the supplier of packages to provide an adequate description of their content and that it is important that these efforts should continue.

The complex monopoly enjoyed by the Associations

10.40. It is also necessary to consider whether the complex monopoly of the members of the British Poster Advertising Association and the Solus Outdoor Advertising Association Limited (see paragraph 10.9) has given rise to any effects adverse to the public interest in relation to the reference services provided by members of the Associations.

10.41. We have explained in paragraphs 7.6 to 7.13 how these arrangements operate. The normal pattern within the industry is for site licences to run indefinitely unless due notice has been given by either side in accordance with the terms of the licence. The consequence under the former Standards was that once a landowner had signed a licence authorising a contractor to use his site, that contractor had something akin to a prescriptive right to the site against any competitor. If any dispute arose the sitting licensee would notify his Association of a 'difficulty' and thereby warn other contractors (almost all of whom were then members of one or other Association) against taking advantage of it. A member was not free to take interest in such a site unless the panel had been removed. This made it almost impossible for the site-owner to test the market, and also gave the sitting licensee a considerable advantage in his negotiations with the landowner when an agreement came up for renewal.

10.42. The effect of these arrangements was seriously to restrict competition for the acquisition of new sites and hence to help to preserve the geographical structure of the industry, which we have described in Chapter 4. This restriction of competition held down site rentals for many years, and we have no doubt that the poor returns available must have discouraged landowners from making potential sites available to the industry. Hence the total supply was reduced, contrary to the public interest. The contractors had the benefits both of lower site rentals to pay and a better return on those sites which existed.

10.43. This monopoly situation also made it easier for certain contractors to impose burdensome conditions on site-owners in their own model forms of agreement. For example, landowners were sometimes debarred in these documents from using specialist agents. Landowners with sufficient negotiating strength, or access to professional advice, would no doubt have refused to accept such provisions. Where they existed, however, these provisions were an abuse of monopoly power.

10.44. The contractors' power has been substantially eroded in recent years, chiefly through the entry of new contractors who are not members of either Association. These new contractors have frequently taken advantage of landowners' dissatisfaction with existing rentals to build up their businesses. In the face of this competition all contractors had have very greatly to increase

the rentals which they now pay the landowner on whose property they erect their panels.

10.45. This changing situation has, as explained in paragraph 10.9, led the Associations to revise their Standards of Conduct. The Associations have assured us that the new wording is designed to ensure that only conduct contrary to the provisions of the law (ie intended to encourage a landowner to break an existing contract) is now regarded as 'interference'. It also provides that members shall, upon request, notify other members whether a legal notice of termination has been given in respect of a site which they still physically occupy. The Standards' purpose is now, we are told, to provide a framework whereby field staff can be encouraged to compete yet restrained from an excess of zeal which might lead them to encourage breaches of existing contracts. It is not now contrary to the Standards, as interpreted by the Associations, for a member to enquire of a site-owner about the outstanding period which a licence has to run before coming up for renewal, and put in a competitive bid to the landowner against the sitting licensee at the due time.

10.46. The new wording still speaks of 'interference' though the Associations have now greatly changed the interpretation they put upon this word. It also still provides for the registration of difficulties, though, as explained in paragraph 7.9, the conditions for so doing have been changed. To use words in this way is at the least confusing, and appears to have confused certain of the Associations' members. We conclude that, in view of its former use, the retention of the word 'interference' makes the new Standards open to abuse and in our view likely to have some effect in restricting competition.

10.47. Though it is not mentioned in either version of the Standards of Conduct, it has been the practice of the Associations to offer an arbitration or conciliation service in the event of differences between members. This is characteristically, though not invariably, used when they are at issue about rights over land. We see no reason why the Association should not, if they see fit, provide such services, provided it is clearly understood that their use is not obligatory upon members, and that the basis upon which they operate is clearly set out in revised Standards of Conduct or a comparable document.

Conclusions

10.48. We conclude that the complex and scale monopolies of British Posters and its members operate and may be expected to operate against the public interest in that:

- (1) they have led to a higher level of prices and to a more consistent approach in pricing strategy among members than would have obtained in a more competitive market; and hence contributed to the very high level of profitability (paragraphs 10.22 to 10.27);
- (2) the discouragement of the sale of 'pool' panels to Independent Poster Sales has strengthened the position of British Posters and its members and restricted competition, to the detriment of other companies and the public interest (paragraph 10.28);

(3) they have inhibited the adjustment of British Posters' pre-selected campaigns in composition and flexibility to meet the requirements of clients (paragraphs 10.33 to 10.36).

10.49. It has been argued that, in law, the scale monopoly of British Posters exists in favour of British Posters but not in favour of the members of British Posters. For the reasons set out in paragraph 10.6 we do not accept this argument. In any event the adverse effects set out in paragraph 10.48 flow equally from the complex monopoly which clearly exists in favour of both British Posters and its members.

10.50. We also conclude that the complex monopoly enjoyed by members of the Associations in the form in which it existed at the time of our reference operated against the public interest in that it substantially restricted competition between contractors in the acquisition of sites. Though the practical effects of the revised version of the Standards are not yet clear, the wording is so imprecise and obscure as to make the provision open to abuse and in our view, likely to have some effect in restricting competition (paragraphs 10.40 to 10.47).

Recommendations

10.51. We have described in the preceding paragraphs the adverse effects of the monopolies which we have found to exist. We are invited, if we think fit, by section 54(3)(b) of the Fair Trading Act, to make recommendations as to what action should be taken for the purpose of remedying or preventing these adverse effects.

10.52. Certain of these adverse effects arise from the existence of British Posters in its present form. We are satisfied that it would not be possible to amend its constitution whilst retaining its existing membership (or a broadly similar membership) without retaining the substance of these adverse effects. This is because the width of the present membership ensures that it must be the dominant supplier of pre-selected campaigns. Moreover a joint selling organisation of this kind could not operate efficiently and economically unless information on and views of the state and prospects of the market and on selling and promotion policies were exchanged between its member companies, covering a very large part of the total market. This exchange must influence the commercial practices both of British Posters and of its members, including the general level at which prices are set. The most significant detriments to competition in the present structure of the industry derive from the fact that both the largest companies are members of British Posters.

10.53. We are satisfied that numerous advertisers wish to be able to purchase campaigns of the kind currently made up and sold by British Posters. If the outdoor advertising medium is to be competitive with the other national media—and British Posters' most considerable achievement has been to make it so—it is desirable that this type of campaign should be on offer so that advertisers and the agencies representing them can make purchases at short notice. Whilst pre-selected campaigns are only one part of the outdoor market,

they have established themselves as a desirable part. Even so, with adequate arrangements for describing the content of campaigns, the objectives could be achieved nearly as well if the buyer could, as with television, secure national coverage by buying, possibly from different sources, several distinct regional packages which between them covered the whole country.

10.54. The geographical distribution of all poster contractor companies' holdings of panels, and most significantly that of the two leading companies, makes it impossible at present for any one contractor to provide campaigns with adequate national, or in some cases regional, coverage out of his own stock. Hence, so long as the industry retains its present structure, contractors can only provide this service by making arrangements to include panels controlled by other firms, and these arrangements must, in the circumstances, be something more than short-term *ad hoc* expedients.

10.55. It is not our place to offer detailed suggestions as to how this objective could be achieved with the least possible detriment to competition. Various possible arrangements occur to us. For example, each of the two major companies might enter into arrangements for the chartering in of panels from smaller companies operating in areas in which it was weak in order to be able to offer an adequate series of regional campaigns. Alternatively, or in addition, these companies might gradually extend their holdings in such areas or possibly absorb some smaller companies operating there: this implies some further growth in their total share of the market but would, we think, be less detrimental to competition than the present situation. Thirdly, each of the two bigger companies might enter into joint selling arrangements with smaller companies, on the lines of the present structure of British Posters. Such arrangements would have some of the disadvantages of British Posters but the adverse effects of exchanges of information between smaller groups exercising less market power would be substantially smaller. And if there were two or more competing groups offering national, or a wide range of regional, campaigns, the beneficial impact of competition would further reduce these adverse effects.

10.56. None of the arrangements suggested in the preceding paragraph could provide the range of campaigns that British Posters at present provides, but we should not regard it as an unacceptable drawback if buyers had to combine several regional or area campaigns at times when full national coverage was required. Our preference would be in the order in which we have placed the different courses but any one of them would be better than the present situation. We see it as a prerequisite of any such arrangement that the two large companies should remain in competition with each other, both in the acquisition of sites throughout the country and in the sale of panels. The medium-sized companies within the industry could either collaborate among themselves to offer some form of competitive service, or could join in with one or other of the larger companies. If competing groups are formed, it is important that there should be no agreement among the members of any group to refuse to sell spare poster space to rival groups on the lines of the decision taken by British Posters in relation to Independent Poster Sales in 1976 (paragraph 10.28).

10.57. It would be possible for a firm which is not a poster contractor to act as a broker in buying space from contractors with a view to its sale to advertisers (or their agents) in the form of blocks of panels making up national or regional campaigns. There has been a limited move in this direction in recent years by certain agencies which made block purchases of British Poster's campaigns for the use of their clients (subject to certain prior conditions) and by certain bureaux which, to a limited extent, bought in space from contractors for use by their clients.

10.58. Media-broking is prevented at present by the requirement in the Associations' Standard Conditions of Trading that an agent can acquire panels only for a named advertiser—a rule that is also justified as a means of avoiding juxtapositioning. British Posters has adopted a similar condition. The Office of Fair Trading have not yet concluded their review of the Associations' arrangements. However in case this should lead to some change in this requirement, we thought that we should set out our general attitude towards broking in this industry.

10.59. We should not wish to see broking prohibited or made impracticable, but we do not think that it is likely to provide as satisfactory a means of providing packages for campaign as the other means mentioned in paragraph 10.55. The interposition of brokers would be likely to increase costs to the buyers. There seem to us to be particular dangers in the speculative buying required of a broker in a market in which the supply is more or less fixed and which is subject to strong cyclical movements. Moreover the financial resources of the specialist bureaux, who have perhaps the best expertise to assume the role, do not appear to be sufficient to enable them to accept the risks involved in extensive buying for future sale.

10.60. We recommend, therefore, in the light of the considerations in paragraph 10.52 and of the adverse effects set out in paragraph 10.48, that British Posters should cease to exist and should not be reformed. We recognise the need for the industry to find some alternative way of supplying packages and that the course we recommend may entail some short-term disorganisation of the market while the new pattern becomes established. We have outlined various possible approaches to the problem which either do not or would not necessarily involve registrable agreements, though any proposed merger may be subject to the provisions of the Fair Trading Act 1973.

10.61. We have found the former wording of the Associations' Standards of Conduct to be seriously anti-competitive in its effects and the revised wording likely to have some effect in restricting competition. We doubt the need for any agreed Standard simply intended to commit members to abide by the law—but if one does remain its wording should be clear and precise on this point. We do not regard it as unreasonable that the Associations should have procedures whereby they, or persons nominated by them, should act as conciliators in the event of dispute arising between members, provided that the use of such procedures is optional and their nature clearly described.

10.62. We have noted the high level of profits earned by the industry generally but concluded that, while the monopoly situations contributed to this,

the main causes lie in the fact that the industry's prices are related to those charged by other media, particularly television, and not to costs, and in the contractors' inability to increase the supply of panels at will. In the case of the much larger television sector, where there is a monopoly with limited space for sale created more directly by legislation, there are special tax arrangements.

10.63. In the case of the poster industry some remedy could lie within the fields of planning law and its administration, but this is outside our remit. However, local authorities, in addition to their planning responsibilities, are very substantial owners of sites used or potentially usable for outdoor advertising and also the beneficiaries of the rates. In their capacity as landowners it seems to us that they might be able both to enhance the supply of sites available and in some cases to earn higher rents from sites which they currently license out to contractors. Also when at length there is a rating reassessment the valuation authorities will no doubt take into account the extent of the increase of earnings from outdoor advertising sites since the last assessment. Action on these lines would at the least ensure that a greater proportion of the profits derived from the scarcity values which were created by planning legislation accrued to the public.

M BROWN *Chairman*
H L G GIBSON
V M MARSHALL
C M MILES
J S SADLER
E S SIMPSON
 J Gill (*Secretary*)

23 April 1981

APPENDIX 1

Glossary

This report contains a number of expressions which are to a large extent peculiar to the poster industry. The following definitions may therefore be of assistance:

- Equivalent units** This is a conventional measure used within the industry to express the aggregate space provided by a number of poster panels of different sizes (see note on the sizes of panels below). The basic unit was initially represented by the 16-sheet panel with larger sizes correspondingly classified according to their area. When 4-sheet panels were introduced they were also regarded as representing one equivalent unit, and the 12-sheet panel as representing three (see also Appendix 6).
- In-charge date** The first day of the period for which panels are rented. (Contractors usually undertake that panels will be posted within a certain period before or after the in-charge date—see paragraph 6.32.)
- Line-by-line** The purchase of poster space by the selection of individual panels as distinct from a package of panels (*qv*). The term is most commonly used for short-term purchases, others usually being referred to as long-term or TC sales (*qv*).
- Long-term** The purchase of panels for a long-term period of time (usually regarded as in excess of four months). This has recently tended to supplant TC contracts as the form in which advertisers buy permanent poster displays.
- Occupancy** A calculation made by contractors of the proportion of total space sold for a given period (usually a month). This is generally calculated directly from the number of panels let, but in the case of British Posters occupancy is taken as the percentage of the potential revenue actually achieved by sales (see note to paragraph 6.55).
- Packages** A selection of panels made up to give the advertiser a national or regional campaign in a particular area. The packages may be pre-selected campaigns (as sold by British Posters and some individual contractors) where the panels are formed into packages by the

contractor and then offered to advertisers; or alternatively packages selected, by a specialist bureau or otherwise, from those panels which are currently available from contractors.

Panel To avoid ambiguity in this report the term 'panel' is used for structures on which posters are displayed and 'site' for the buildings or land on which they are erected. This is a departure from the nomenclature of the reference, where 'sites' refers to the advertising structures themselves.

Pool A term used in the industry for the panels which British Posters' members have neither made available for British Posters' pre-selected campaigns nor sold under TC/long-term contracts; they are therefore available for short-term line-by-line sales.

Pre-selected campaigns Campaigns or packages of panels made up by contractors in advance of enquiries by customers and sold as a block. The term is used particularly by British Posters in marketing its national and regional pre-selected campaigns (PSCs)

Sizes of poster Most panels are described in terms of 'sheets', ie an area 20 inches wide by 30 inches high from which the posters were originally made up. Thus a 48-sheet panel is 20 feet wide and 10 feet high. Larger panels are usually described in 'panel' sizes, eg a '9-panel' being 27 feet wide by 10 feet high.

The principal sizes in current use are:

4 sheet	3'4" wide by 5' high
12 sheet	10' wide by 5' high
16 sheet	6'8" wide by 10' high
32 sheet	13'4" wide by 10' high
48 sheet	20' wide by 10' high
9 panel	27' wide by 10' high
12 panel	36' wide by 10' high
15 panel	45' wide by 10' high

Site See 'Panel' above.

Short-term The purchase of panels for a short period, usually of between one and four months.

Specialist bureau A company specialising in the purchase of poster space for main agencies and advertisers.

Supersites

Panels larger than 48-sheet size, especially 9-, 12- and 15-panel sizes (see 'Sizes of poster'). They are usually situated in heavy traffic locations.

TC sales

Regarded as an abbreviation for 'Till Cancelled' or 'Till Countermanded', this has been the traditional form of contract under which advertisers held their permanent display of poster panels for an indefinite period. To some extent 12-month contracts have recently been taking over from the indefinite TC arrangements.

APPENDIX 2

(referred to in paragraph 3.5)

The assessment of the audience for posters

1. There are greater difficulties in assessing the audience reached by poster campaigns than in assessing that reached by other media such as television or the press, for which viewing and circulation figures can be produced. This is because each one of the 150,000 panels in the country is virtually unique in terms of location, position, size and other characteristics.

2. There are three basic elements determining the 'audience' reached by a poster panel. The first is the flow of traffic past the site which determines the maximum number of people who may see the panel. The flow may consist predominantly of vehicles on major roads or, at the other extreme, entirely of pedestrians in a shopping precinct. The second element is the position of the panel which is of major importance in determining what proportion of the passers-by will have an effective opportunity to see the panel. A panel facing a passer-by is, for example, more likely to be seen than one parallel with the road. A panel near ground level is more easily seen than one high up and a large panel is more visible than a small one. In addition a single panel is more likely to attract attention than one of a large group. The third element is the link between the size of a poster and the type of audience; whereas any size of panel can be easily seen by pedestrians, people in vehicles may not be able to read posters on many of the smaller 4- and 12-sheet panels.

3. There have been three different approaches to the problem of assessing the audience reached by posters. Attempts have been made to estimate the proportion of the population in a defined area which will have an opportunity to see a poster campaign. Secondly, attempts have been made to estimate the audience reached by individual panels. Thirdly, attempts have been made, using market research techniques, to assess the impact of a campaign on the population in a defined area.

Estimates of the proportion of a population with an opportunity to see campaigns

4. This approach is the one on which most research has been undertaken in this country and forms the basis of British Posters' estimates of the coverage achieved by its pre-selected campaigns, both in total and in individual towns.

5. The technique, known as the Poster Audience Model, is described in paragraphs 10–12 below. Briefly it consists of observing, in a particular town, the number of times a sample of the population passes a random selection of sites in a period of, say, one week. Each passage past a site is regarded as an 'opportunity to see' (OTS). From this estimates can be made of:

- (a) the total number of OTS one or more sites by the entire population of the town;

- (b) the proportion of the population having at least one opportunity to see a site;
- (c) the average number of OTS of those who saw one or more sites (ie the repetition within a given period).

6. It was also found that the number of OTS achieved by the sample of sites (allowing for differences in the size of the sample) was similar for towns of the same size, with the total being lower for larger towns. From this it was possible to devise a formula to give the estimated number of panels required to provide a required percentage cover of a town of a given population. As movements in conurbations were different from those in smaller towns it was found necessary to conduct separate research to find a formula which would be applicable to these.

7. The Model has certain limitations. One is that it relates only to the population of the town or conurbation under examination and provides no estimate of OTS by visitors from the town's hinterland. A second is that the basic formula needs to be revised periodically to allow for changes in overall mobility and in the pattern of movements; in 1973-74, for example, British Posters undertook research in Coventry, Crewe, Southampton and the West Midlands conurbation which indicated an increase in movement as a result of which it was calculated that a given degree of coverage could be achieved on a smaller number of panels than had hitherto been used. The same research compared the audience of British Posters' panels with that of others in the same areas and satisfied British Posters that calculations derived from a general sample were applicable to its campaigns. A further limitation of the Model is that it is not considered to apply to 4-sheet panels located in places such as shopping areas.

8. Another limitation is that the Model takes no account of the very significant differences between one panel and another in terms of traffic past the site or the visibility of the panel itself. British Posters attempted to assess the quality of its individual panels under what it termed the Relative Site Valuation Procedure (see paragraph 15), one of the forms of evaluation of individual panels considered below.

9. The research into the Poster Audience Model was begun by Mills & Rockleys Limited (now part of Mills & Allen Limited) in 1952. It was continued by various bodies in this country (including the Associations representing contractors, agencies and advertisers). Similar studies have also been undertaken in France, Spain, Germany, Scandinavia, Belgium, Israel and South Africa. We understand that these studies have produced results which are consistent with the basic findings of the 1952 research.

Poster Audience Model

10. The journeys made by a sample of the population during one week are plotted against the sample of sites in the town. Each occasion when a person passes one of the sites is treated as an opportunity to see (OTS). From

this is calculated an index of the average number of times the average person passes an average site during the week (known as the 'A' value):

$$A = \frac{\text{total number of passages past sites}}{\text{number of sites} \times \text{number of people in sample}}$$

If S is the number of sites on which a particular advertisement is posted,

AS = average number of times that advertisement is seen by the average member of the population during the week (ie the average OTS for the whole population of the advertisements as a whole).

11. In practice some members of the sample do not pass any of the advertisements, so that the number of times the advertisement is seen by the people who do see it (the 'audience') is greater than the average OTS for the entire population,

Average OTS of audience (ie repetition) = AS + b (where b is found to be a constant of the order of 3.5 or 4).

Since both of these last calculations refer to the same number of passages past the same advertisements, the relationship between the OTS for the population as a whole and that for the audience reflects the percentage of the population seeing the advertisements, ie the coverage (c) = $\frac{AS \times 100}{AS + b}$

Which in turn gives the number of sites required to give a given percentage cover in a week as:

$$S = \frac{bc}{A(100-c)}$$

12. Poster campaigns normally run for at least 4 weeks. Studies of coverage over 4 weeks indicated that the coverage over a period of (t) weeks is

$$C(t) = \frac{tAS}{tAS + b} \times 100$$

which gives the required coverage as

$$S = \frac{bc}{tA(100-c)}$$

Audience reached by individual panels

13. In the United States the evaluation of individual sites is a well-established practice. Under the rules of the Traffic Audit Bureau poster contractors provide data on the traffic past each site (either from official data on traffic flows or from a count of traffic) as well as information about the position of the panel and its consequent visibility. From this material, a sample of which is checked by the Traffic Audit Bureau, is compiled a total figure of

the traffic passing all panels in a campaign and an average figure for the position and visibility of the panels. Advertisers thus have an indication of the number of passages of people past the sites, and an indication of the degree of visibility. They have however no indication of the number of people who pass the sites, as the traffic data could relate equally well to either a large audience passing the sites infrequently or a smaller audience passing them more often.

14. The basic classification of panels used in this country is that published by the two contractors' Associations and British Transport Advertising Limited, and appearing in the Associations' Poster Buyer's Handbook. This classifies panels according to five criteria:

- (a) location (principal shopping area, commercial, residential etc);
- (b) road (main road, local main road, other road, pedestrian);
- (c) visibility of panel;
- (d) the number of other panels in the immediate vicinity (none, a small number etc);
- (e) the number of panels on the site.

The classification does not give a relative weighting to these criteria. The system is used by British Posters in the classification of sites in the Campaign Print-Out given to all purchasers of PSCs.

15. There has been some research into the evaluation of individual panels. Probably the most significant to date was the Relative Site Valuation Procedure (RSVP) devised by British Posters in 1976 to give customers better information on the quality of individual panels in PSCs and also as a means of measuring the relative quality of panels for the distribution of receipts among member companies. RSVP involved a more comprehensive method of site classification than the BPAA system outlined in paragraph 14 and also a number of complex visibility measurements (length of visibility, panel angle from each direction from which the panel is visible, measured with a special device). It was, however, found that the assessment given to panels by a specialist bureau, Posterlink Selection Limited, which was commissioned by British Posters to carry out an independent field study of a representative sample of panels, differed significantly from that given by the member companies themselves. This, we understand, caused British Posters to doubt whether the system would be acceptable to buyers as offering the necessary degree of internal consistency and it was therefore abandoned.

16. The Institute of Practitioners in Advertising has recently carried out work on a new classification system which is understood to have promise. Other individual main agencies and specialist bureaux have developed their own systems; these are of course private assessments of greater or less sophistication for their own benefit and that of their clients. One commercial research body has also done detailed work on a possible system. But there is a general consent within the industry that it should be possible for agreement to be reached on an acceptable and comprehensive system for panel evaluation.

17. British Posters undertook research into the audience for 4-sheet panels in 1980. This was considered necessary as the Poster Audience Model is not considered to be relevant to these panels (many of which are located in shopping areas). The research consisted of both counting the number of people passing particular sites and of interviewing a proportion to build up the profile of the audience for such panels.

Evaluation of the impact of poster campaigns

18. Since 1974 British Posters has carried out a number of case studies into the effectiveness of PSCs. for this purpose it has used normal market research interviewing techniques. In these studies it has attempted to analyse, for a particular population, awareness of the product and the attitude to the product before and after a campaign. It has also attempted to test the recall of particular posters.

APPENDIX 3

(referred to in paragraph 3.29)

Links between contractors and purchasers of space

1. In the course of our inquiry it was found that there are three corporate links between contractors and purchasers of space (one coming into existence after the inquiry was referred to the Commission). The salient features of each of these are given below.

Mills & Allen Limited/Universal Poster Agency Limited (UPA)

2. As indicated above, UPA, a major purchaser of poster space, is owned by Mills & Allen International Limited, the ultimate holding company of one of the two largest contractors providing reference services. The Commission have been given the following information by the two companies as to how UPA operates:

- (a) the main field-force is directly employed by the Imperial Group Limited (Imperial) and not by UPA, giving the former complete control over the selection of line-by-line panels; UPA has a small field-force based in Nottingham to serve its other clients;
- (b) all purchases of poster space are made to the requirements of Imperial and that company makes the final decision what space is bought, whether line-by-line or as packages;
- (c) in such matters as price increases, Imperial/UPA deal with Mills & Allen Limited in precisely the same way as other contractors. The normal procedure involved is for Imperial and UPA first to consider the price increases sought by a contractor and then together meet the contractor in the Imperial offices;
- (d) there is no direct link between UPA and Mills & Allen Limited (the poster contractor company) within the management structure of Mills & Allen International Limited; the Chairman or Managing Director of both subsidiaries report directly to the Managing Director of Mills & Allen International Limited; the only links at director level are that the present Chairman of Mills & Allen Limited is also Financial Director of the parent company and the Chairman of UPA is a non-executive director of Mills & Allen Limited;
- (e) In the year ending June 1979 approximately 29 per cent of UPA's long-term/TC business was placed with Mills & Allen Limited;
- (f) UPA's work consists of the administration of the purchase after panels have been selected and the appropriate terms negotiated by Imperial's staff; advising on short-term advertising purchases and also occasionally on TC/long-term purchases; advising (together with Imperial's field-force) on short-term availability; handling the purchase of packages Imperial has decided to buy from British Posters, Independent Poster Sales Limited, More O'Ferrall Limited or Adshel Limited.

Poster Publicity Limited/Focal Media Limited

3. Focal Media Limited (Focal Media), one of the smaller contractors within British Posters (see paragraphs 5.21–5.26) is a wholly-owned subsidiary of Poster Publicity Limited (Poster Publicity), a specialist bureau.

4. The Commission have been given the following information by Poster Publicity on how the two companies operate:

- (a) the directors of Poster Publicity do not seek to exert any control or influence over the day-to-day running of Focal Media; their control is limited to a general statement of the policy under which Focal Media is to operate;
- (b) Poster Publicity does not advance Focal Media money for the development of its business;
- (c) Poster Publicity's purchases of panels from Focal Media are dictated by precisely the same commercial considerations as the company would apply if it were purchasing panels from another contractor.

Mills & Allen Limited/Collett Dickenson Pearce & Partners Limited

5. Since 1979 there has been an indirect link between Mills & Allen Limited (Mills & Allen), and Collett Dickenson Pearce & Partners Limited (CDP), one of the larger advertising agencies which is active in the poster field. The link was established when Hambros Limited (the parent company of the Hambros Bank Group), which holds 9.7 per cent of the shares of Mills & Allen International Limited (the ultimate holding company of Mills & Allen) acquired, through a 75 per cent owned subsidiary company, the entire share capital of Collett Dickenson Pearce International Limited (CDPI), the parent company of CDP. The non-executive Chairman of Mills & Allen International Limited, who is also a director of Hambros Limited, was appointed non-executive Chairman of CDPI. The Managing Director of Mills & Allen is also a director of Hambros Bank Limited.

6. We have obtained the following information from Hambros Bank Limited and CDP:

- (a) the offer document stated that it was intended that the management and policies of CDP would remain unaltered and that the agency would preserve its identity and would continue to operate autonomously;
- (b) the relationship between CDP and Mills & Allen has continued to be at arm's length in all respects and no special arrangements have been entered into as a result of the change of ownership of CDP; no special arrangement has ever been contemplated, or is contemplated now.

APPENDIX 4

(referred to in paragraph 3.40)

The Poster Audit Bureau

Control and structure of the PAB

1. The Poster Audit Bureau has no legal corporate identity (being only a registered business name) although for practical purposes it can be regarded as part of the British Poster Advertising Association. There are separate bank accounts and books which are audited by the Association's auditors. Separate income and expenditure accounts are prepared and are distributed to the BPAA, the Solus Outdoor Advertising Association, the Institute of Practitioners in Advertising and the Incorporated Society of British Advertisers Limited.

2. The function of the Bureau is to provide a monitoring service for the panels belonging to members of the two contractors' Associations and ultimate control of the PAB rests with the councils of the two Associations. Representatives of contractors, main agencies and advertisers (three from each sector) form the PAB Users' Advisory Council under an independent chairman. This arrangement allows agencies and advertisers a significant participation in the running of the Bureau, without limiting their freedom of action as much as would be the case if they were directly involved in controlling the PAB. NOP Market Research Limited (NOP) is under contract to the PAB to undertake the inspection work involved. The computer work is carried out by Ross Computers Limited of Cardiff (Ross Computers).

3. The field-force used for the PAB surveys consists of housewives from the general panel of NOP's interviewers for market research work. There are a total of 1,200 women on the panel of whom some 300 are used in each survey (about 20 interviewers and a supervisor in each of the 15 regions into which the country is divided).

4. Every contractor covered by the PAB provides a list of all of his sites to Ross Computers Limited which compiles a Central Site Register on a computer file listing all such sites. The Central Site Register is split into three approximately equal parts which are used to determine the sites covered by each inspection.

5. The contractors also supply Ross Computers with details of contracts they accept involving monitoring by the PAB, listing all of the panels covered by each contract. This information is not made available to NOP.

6. The inspections are carried out twice monthly, the selection of sites being based on a 3-inspection cycle. NOP selects for each cycle the order in which the three sections of the Central Site Register are taken; for each inspection Ross Computers compiles a list of all sites within this section which are listed as currently carrying displays subject to PAB audit. This forms the list of sites to be inspected.

7. When a campaign to be covered by the PAB is bought, the purchaser concerned (usually a main agency or a specialist bureau) obtains a PAB number which is given to the contractor with the order. PAB then writes to the purchaser seeking confirmation and full details of the posters to be used (the advertiser, brand, general description and any other details necessary for correct identification).

8. About a week before the inspection is due to take place the names of the interviewers who will undertake the fieldwork are obtained from the supervisors. NOP then sends them the Site Inspection Forms. The field work is carried out over two days with 10 per cent of the sites being subsequently re-checked by the supervisors.

9. The survey is concerned with whether the panel carries the correct poster and whether the poster is in good condition; it is not concerned with the structure of the panel, although interviewers do report on structural damage, particularly where the damage interferes with the display of the poster. The interviewers are instructed to report any damage to the poster which spoils an illustration of the product advertised, the brand name or any part of the wording. The condition of the poster is graded as either (1) good; or (2) in need of minor repair which can be undertaken as a matter of routine on the contractor's next visit to the site; or (3) requiring urgent repair, including all posters [spoilt] with graffiti.

10. Where any faults are indicated a copy of the Site Inspection Form is immediately sent to the contractor to enable him to take appropriate action. The top copy is returned to NOP where it is used to prepare an Error List which is sent to each contractor. The contractor comments on each error indicated (as to the reason for the error, remedial action undertaken or, occasionally, disputing whether there is an error) in the form of a standard code list. The Error Lists and Comments are then dispatched via Ross Computers and NOP to the client (a first stage report having been sent earlier).

11. The following gives an indication of the timetable involved in one inspection:

April 15	Ross produces Inspection Forms
April 22/23	Field-work
April 28	Fieldwork edited by NOP and forwarded to Ross
April 30	Error List sent to Contractors
May 7	Error Returns due from Contractors
May 12	Error List and Contractors' Comments dispatched to client.

12. Since the summer of 1979 NOP has undertaken recall surveys by asking the interviewers to return to some sites where there had been errors and check that the contractors had in fact carried out the remedial work they claimed to have done.

13. Since the PAB started operations in 1976 the proportion of panels found to be mis-posted or damaged has fallen considerably; whereas initially the

proportion of satisfactory panels (ie panels carrying the correct poster which are also graded as being not in need of repair) was between 80 and 90 per cent, it is now reported to be in excess of 95 per cent. It is inevitable that there should be some panels which are not posted correctly (possibly because posters are late reaching the contractor) or are damaged. If a site cannot be found by the interviewer (now a rare occurrence) this is listed as an error.

14. The scope of the PAB has widened from its original concern with short-term roadside advertising. It now covers campaigns lasting up to 12 months and the PAB has recently negotiated with London Transport Advertising to undertake work on across-the-tracks underground advertisements.

APPENDIX 5

(referred to in paragraph 4.11)

**Contractors supplying reference services
from whom data was obtained relating to turnover in 1978
and panels held on 1 January 1979**

Abacusads Limited
Adflair Poster Services Limited
Admass Poster Marketing Limited
Adshel Limited
Ad Vantage Sites Limited
Adam Anderson Advertising Limited
Arrow Poster Sites Limited
Baillie Advertising Limited
Victor Battle Advertising
Bedford Poster Service Company Limited
H Brew Limited
British Transport Advertising Limited
S Broadbent & Son (Sussex) Limited
C P Poster Advertising Limited ¹
C F D Billboards Limited
Colchester Poster Advertising Service
James Davey Sites Limited (including Four Sheet Posters)
Denbigh Display Company
Diamondrama Limited
Martin Dobson Limited
Dominant Sites Limited
D S Sites Limited
Focal Media Limited
Fordlyn Limited
Graefield Limited
Granada Motorway Services
G R A Advertising Limited
Harrogate & District Billposting Company
High Street Advertising Limited (including Yorkshire Sites)
George Hughes & Son
Jones & Forrest Limited
Lidstone Advertising Service Limited
Lomas Publicity Service
London & Provincial Poster Group Limited
London Transport Advertising
Longmans Billposting Limited (including Greenwoods Billposting)
Luss Properties Limited
Arthur Maiden Limited
Maiden (Ireland) Limited
Martin Bros (Sites) Limited

¹ This company commenced business on 1 January 1979

A W May Limited
A W Meakings
Miles Group of Companies
Mills & Allen Limited
More O'Ferrall Limited
Nat Amber & Associates Limited
National Solus Sites Limited
Newey Signs
Novasites Limited
Paddington Poster Group
Pioneer Signs
Poster Panels Limited
Poster Projects Limited
Ray Preston Advertising Limited
Publicity Panels Limited
Quail Advertising Limited
Rank Poster Advertising
R Richardson (Fakenham) Limited
Rickwood Billposters Limited (including Rochester Poster Services)
Selecta Sites Limited
Signways
Solus (Midlands) Limited
Southern Advertising Services
Summit Advertising Limited
Totem Sites
Tower Group of Companies (including Vanguard Advertising, Viscount Advertising, Poster Power, Vulcan Advertising and Anglo Advertising)
Tower Sites
Trainer Advertising Limited
H G Vasey (Advertising) Limited
Venturers Integral Publicity (Bristol) Limited
Viewpoint Advertising Limited
W H S Advertising Limited (including Smith & Masons Limited)

APPENDIX 6
(referred to in paragraph 4.13)

**'Equivalent Units' and other physical
measurements of the industry's size**

1. As explained in paragraph 4.13, we have sought to obtain a physical measurement of the size of the industry (and of individual contractors within it) to complement the turnover data. Particular reasons why a physical criterion appeared appropriate in the present inquiry were:

- (a) the price charged for panels varies to some extent according to the manner in which they are supplied. Those sold under old-established TC/long-term contracts tend to be priced rather lower than other comparable sites. Similarly panels supplied by British Posters in its PSCs are priced at a rather lower figure than is charged for line-by-line panels; this reflects both the quantity of panels sold in one transaction and the fact that the selection is made by the contractor;
- (b) the relative demand for different sizes of panels and, as a result, their relative prices, tend to vary over a period of time.

A physical measure is therefore a useful alternative to calculations based on turnover.

2. The system of 'equivalent units' has been used in the industry for many years. For some time, with the general stock of 16-, 32- and 48-sheet panels classified as 1, 2 and 3 equivalent units respectively, the system precisely reflected the physical size of each panel. But when 4-sheet panels were introduced the industry chose to count them as one equivalent unit in spite of their being only a quarter the size of a 16-sheet panel. This was because their generally superior position enabled them to command a price similar to that of a 16-sheet panel. Similarly, when 12-sheet panels were subsequently introduced they were regarded (with, it seems, rather less justification) as representing three equivalent units. The 'equivalent units' system therefore has come to represent something of a hybrid between the physical size of panels and the price they command in the market.

3. Many contractors, including British Posters, are concerned primarily with the number of panels of each particular size, and as they do not wish to aggregate panels of different sizes, make little or no use of 'equivalent units' in measuring space. The term is, however, used in the industry for the following purposes:

- (a) by some contractors as management tools for providing data on such matters as gains and losses of panels;
- (b) as the basis of subscriptions to the Solus Outdoor Advertising Association Limited and (with a minor variation) to the Poster Audit Bureau;
- (c) as a convenient measure of the size of contractors or of the industry in the trade press etc.

4. The industry has pointed out that calculations employing 'equivalent units' take no account of the variation in quality between panels of the same size or of the fact that a 48-sheet panel now commands a price considerably more than three times that of a similarly positioned 16-sheet panel.

5. We considered whether in view of the anomalies inherent in the present 'equivalent units' system it would be practicable to use any other criterion of physical measurement. Our enquiries among the industry and its customers failed to produce any generally acceptable alternative. Contractors occasionally use for some management purposes a calculation of the total number of panels they possess, making no distinction as to size or potential value. A more logical physical measure would be one using the area of panels (as 'equivalent units' did before the disparate assessment of 4-sheets and 12-sheets was introduced), but this measure is not used by the industry. In order to make the physical criterion as objective as possible we have made calculations of the size of the largest individual contractors, and of groupings of contractors, according to the number of equivalent units held and also the number of panels held and the area represented by these panels (all as at 1 January 1979 and relating to panels within the reference). The analysis shows:

	<i>Equivalent units no</i>	<i>Panels no</i>	<i>Area of space '000 sq ft</i>
<i>Total for industry</i>	220,800	153,300	11,100
<i>of which, percentage held by:</i>	<i>%</i>	<i>%</i>	<i>%</i>
Mills & Allen Ltd (total stock)	27.3	26.7	29.7
L & P Posters Ltd (total stock)	25.2	25.2	26.7
Arthur Maiden Ltd (total stock)	8.5	8.1	8.8
More O'Ferrall Ltd (total stock)	4.4	2.4	5.4
BTA (total stock)	5.8	4.9	6.1
Mills & Allen Ltd (excluding stock in PSCs)	14.3	11.8	16.7
L & P Posters Ltd (excluding stock in PSCs)	12.7	10.6	13.4
British Posters Ltd (total stock in PSCs)	30.9	35.9	30.0
British Posters Ltd & its members (total stock)	77.0	73.9	81.7
NSS Ltd (total stock—excluding Dominant Sites Ltd)	6.9	8.0	7.3
Adshel Ltd	5.5	7.9	1.8
Members of IPS (total stock)	12.8	13.7	12.5
Members of BPA/SOAA (total stock)	84.1	82.3	88.7

APPENDIX 7

(referred to in paragraph 4.27)

Members of Independent Poster Sales Limited

Adam Anderson Advertising Limited
Ad Vantage Sites Limited
Baillie Advertising Limited
Bedford Poster Services Company Limited
S Broadbent & Son
Colchester & District Poster Services Limited
Martin Dobson Limited
D S Sites Limited
Dominant Sites Limited
Graefield Company Limited
High Street Advertising Limited
Longman's Billposting Limited
A W May Limited
National Solus Sites Limited
Newey Signs
Poster Panels Limited
Ray Preston Advertising Limited
Rickwood Billposters Limited
Rochester Poster Services Limited
Solus (Midlands) Limited
Tower Sites
Trainer Advertising
H G Vasey (Advertising) Limited
Yorkshire Sites Limited

APPENDIX 8

(referred to in paragraph 6.17)

A summary of the more significant changes in British Posters' campaigns and price structure 1972-81

Pre-selected campaigns offered

1. The General Campaigns initially offered under Rate Card 1 comprised 'Man' and 'Housewife' campaigns on 16-sheets, 16/4-sheets and on 48-sheets. The 'Man' campaigns (which were subsequently re-named 'Adult' campaign) covered sites related to main roads, industrial centres, etc. The 'Housewife' campaigns covered sites related to shopping areas. Subsequent developments were:

- 1973 – The 'Adult' campaigns were available on 16- and 48-sheets; the 'Housewife' campaigns on 16/4-sheets and 48-sheets.
- 1979 – Following the 1977 re-selection of panels by British Posters, the standard 'Adult' 16-sheet campaign was replaced by a Super-16 campaign containing 25 per cent fewer units but claimed to be of a higher quality; 48/16-, 48/4- and 4-sheet campaigns were also introduced. The separately designated 'Housewife' campaigns were discontinued.

2. The town campaigns initially offered were in 65 different conurbations, cities and towns. There have been frequent additions to and deletions from the list of towns in which campaigns were offered. The present total is 51. These campaigns are generally on 16-sheet panels, although in some towns 16/4-sheet campaigns are offered either additionally or in their place.

3. The conurbation campaign was introduced in 1974 as the 'Super Seven' Campaign covering seven large conurbations. The coverage was extended in 1975 to include South Yorkshire. The conurbations covered are Greater London, West Midlands, Greater Manchester, Merseyside, West Yorkshire, South Yorkshire, Tyne & Wear and Central Clydeside. The campaigns (which can only be purchased as a whole) are available on either 16/4- or 48-sheet panels.

4. Retail/Shopping specials were first introduced in 1973. There were numerous subsequent changes in the types of outlet covered (campaigns being offered covering self-service shops, licensed outlets and toiletry/cosmetics/pharmaceutical retailers). There are at present two types of general Shopper campaigns available, one entirely on 4-sheet panels and the other incorporating both 16- and 4-sheets. There is also a Grocery Shopper campaign on 4-sheet panels near grocery outlets. In addition, British Posters has since 1974 offered campaigns (known as 'Super Shopper' campaigns) on selected 4-sheet panels entirely in main shopping roads and pedestrian shopping areas; these campaigns originally comprised 425 panels and were expanded in 1978 to include 925 panels.

5. There have been numerous changes in the size of campaigns offered, the following being the most significant:

- (a) some campaigns (notably the 'Housewife' campaigns up to 1977) have been offered either at a standard size or a larger campaign typically containing 20 per cent more panels. There are no campaigns offered at present with alternative sizes;
- (b) the number of panels in the general 4-sheet campaigns was reduced from 3,000 to 2,500 at the beginning of 1981;
- (c) as a means of encouraging customers to purchase space in the slack winter months in 1979 one-third parts of 16/4-sheet campaigns (known as 'bricks') were offered for sale in January, February and March either separately or as a supplement to other campaigns. The system was continued in 1980.

Line-by-line sales

6. In its first Rate Card British Posters also offered line-by-line sites which could be purchased from the company or from the regional offices of members. The company discontinued this line-by-line facility in 1973, but re-introduced it in 1976. In 1979 it was limited to sales to supplement pre-selected campaigns.

Prices

7. An indication of the movement in the prices of pre-selected campaigns is given in the table in paragraph 6.46.

Seasonal rate structure and discounts

8. A seasonal discount was first introduced in 1976 in the form of special rates for January and February of that year. This subsequently evolved into a comprehensive seasonal rate structure which currently consists of four tiers:

- Period 1 January–March
- Period 2 April and December
- Period 3 May–September
- Period 4 October, November.

9. As an additional incentive to advertisers in the first quarter of the year British Posters introduced the following concessions in 1980:

- (a) advertisers buying a 16/4- or 4-sheet campaign in December can continue to run the campaign in January, or January and February, at the rate of 60 per cent of the Period 1 rate;
- (b) advertisers who have not used the medium for at least three years are charged 60 per cent of the Period 1 rate for 16/4-sheet and 4-sheet campaigns in January, or January and February.

10. A 5 per cent discount was introduced in 1974 to advertisers taking national campaigns comprising all of the regions of British Posters simultaneously; this now applies to the general 16/4-, 48/16-, 48/4- and 4-sheet campaigns.

11. Volume discounts, operating on a sliding scale from $2\frac{1}{2}$ per cent to 10 per cent according to the advertisers' annual purchases of PSCs, were introduced in 1974.

Other matters

12. Under the company's initial conditions campaigns could be cancelled without penalty up to $3\frac{1}{2}$ months prior to the in-charge date; in 1974 this was extended to 4 months; and in 1981 the cancellation period for any campaigns incorporating 48-sheet panels was extended from 4 to 6 months.

13. Until 1979 the terms on which pre-selected campaigns were sold provided that if not less than $97\frac{1}{2}$ per cent of the number of panels in a campaign were correctly posted, the campaign was deemed to be fully posted. In 1979 this $2\frac{1}{2}$ per cent tolerance of shortfalls was removed and British Posters assumed the obligation to give credit (or not charge) in respect of any shortfalls.

APPENDIX 9

(referred to in paragraph 6.44)

British Posters' Financial Results 1971-80

	1971-72	1972-73	1972-73		Calendar Years					£'000
	19.10.71 to 30.9.72)	(1.10.72 to 31.12.73)	($\frac{2}{3}$ of 15 months)	1974	1975	1976	1977	1978	1979	
Net Sales	1,076	2,999	2,710	3,387	3,731	5,182	6,999	9,581	11,830	
Expenditure: Personnel	85	134	107	139	154	197	234	252	313	
Production/Research	61	81	65	73	77	73	92	118	125	
Sales Administration	14	15	12	16	44	39	44	58	59	
General Administration	44	68	54	61	72	106	115	140	245	
Total	205*	298	239*	289	346*	416*	484*	568	742	
Supply Available for Members (before Corporation Tax)	871	2,701	2,471	3,098	3,385	4,766	6,515	9,013	11,088	

* The figure of total overheads differs marginally from the sum of the constituent items as the latter have been rounded off.

APPENDIX 10
(referred to in paragraph 7.1)

Members of the British Poster Advertising Association

Bedford Poster Service Company Limited
H Brew
Colchester Poster Advertising Service Limited
James Davey Sites Limited
George Hughes & Son
Lidstone Advertising Service Limited
London & Provincial Poster Group Limited
Longmans Billposting Limited
Martin Bros (Advertising) Limited
A W May Limited
Samuel Miles Limited
Mills & Allen Limited
Paddington Poster Group
Rochester Poster Services Limited

APPENDIX 11

(referred to in paragraph 7.1)

Members of the Solus Outdoor Advertising Association Limited

Adam Anderson Advertising Limited
A D Vantage Sites Limited
Baillie Advertising Limited
Bedford Poster Service Company Limited
C P Poster Advertising Limited
W R Churchill Limited
Martin Dobson Limited
Dominant Sites Limited
D S Sites Limited
Graefield Company Limited
High Street Advertising Limited
Arthur Maiden Limited
A W May Limited
More O'Ferrall Limited
National Solus Sites Limited
Newey Signs
Novasites Limited
Paddington Poster Group
Poster Panels Limited
Ray Preston Advertising Limited
Solus (Midlands) Limited
Summit Advertising Limited
Trainer Advertising
Tower Sites
H G Vasey (Advertising) Limited
Yorkshire Sites Limited

APPENDIX 12

(referred to in paragraphs 7.6 and 7.9)

Standards of Conduct of the British Poster Advertising Association and the Solus Outdoor Advertising Association

1. The 1976 Standards of Conduct

- (a) Members agree not to bid or negotiate for or interfere with sites in the physical occupation of a fellow member. Where any member is encountering difficulties with regard to any site in his occupation he should notify the Associations of the fact and this information will be circulated to the other members who will agree not to interfere in respect of such site for the period of one year from the date of the issue of the notice. At the end of the said year the difficulties notice will lapse unless the member involved wishes the notice to be operative for a further year.
- (b) Should a member by virtue of an agreement made with a planning authority voluntarily give up a site or part of a site he should notify the Associations of the fact, with proof of a voluntary agreement, and this information will be circulated to the other members. Members agree not to endeavour to secure or use the site or part of the site without express consent.
- (c) Members agree that they will not take space on a gable or wall rented by another member where such space would be an infringement of the other member's term of agreement. In cases of doubt the other member should be consulted before space is taken.
- (d) No advertisement is to be erected which would materially obscure the view of another member's advertisement. In cases of doubt the other member should be consulted before the advertisement is erected.
- (e) Where a member has the exclusive right to display advertisements within a shopping precinct and is able to furnish proof of that fact, members agree not to erect any site within such precinct. A right of exclusivity does not apply to extensions of any existing precinct unless the member concerned can produce written evidence of any arrangement to this effect, provided that this paragraph shall not exclude the right of a member to enter into an agreement with any leaseholder in the shopping precinct for the erection of any advertisement on the leaseholder's premises.

Note: In regard to shopping precincts it should be emphasised that these do not include pedestrianised streets which are in fact existing streets which have been closed to vehicular traffic and thus no question of exclusivity can arise.

2. The 1980 Standards of Conduct

- (a) Members agree not to bid or negotiate for or interfere with any site in the physical occupation of another member where the other member has a valid agreement in respect of the site and no legal notice finally terminating that agreement has been given to the other member.

- (b) Where any member is encountering difficulties with regard to any site in his occupation he should notify the Association of the fact and the other members agree not to interfere in respect of such site until legal notice finally terminating the agreement of the member in occupation has been given to that member.
- (c) Where a member has reason to believe that the agreement of the member in occupation has been the subject of a notice of termination he may by notice in writing sent by AR Recorded Delivery require the member in occupation to show within 7 days and by AR Recorded Delivery that his agreement has not been the subject of a legal notice of termination.
- (d) In any case there shall be a duty on any member wishing to negotiate for a site still in the physical occupation of another member to consult the member in physical occupation even if the member has reason to believe that the member in physical occupation has no current agreement in respect of the site.
- (e) No advertisement under contract is to be erected which would materially obscure the view of another member's advertisement under contract. In cases of doubt the other member should be consulted before the advertisement is erected.
- (f) Where a member has the exclusive right to display advertisements within a shopping precinct and is able to furnish proof of that fact, members agree not to erect any site within such precinct. A right of exclusivity does not apply to extensions of any existing precinct unless the member concerned can produce written evidence of any arrangement to this effect; provided that this paragraph shall not exclude the right of a member to enter into an agreement with any leaseholder in the shopping precinct for the erection of any advertisement on the leaseholder's premises.

Note: In regard to shopping precincts it should be emphasised that these do not include pedestrianised streets which are in fact existing streets which have been closed to vehicular traffic and thus no question of exclusivity can arise.

INDEX

- AAPB, *see* Advertising Association Poster Bureau
- Accounting
current cost accounting information, 5.103
- Adshel Ltd
activities, 5.99–5.102
- Advertising agencies, 3.35–3.39
- Advertising Agency Poster Bureau
enlargement, 4.9
history, 3.16–3.17
- Arthur Maiden Ltd, *see* Maiden (Arthur) Ltd
- British Poster Advertising Association
activities, 7.1–7.4
development, 4.2
evidence, 1.4, 9.34–9.35, 9.40
list of members, Appendix 10
merger with London Poster Advertising Association, 4.16
monopoly situation: conclusions of the report, 1.5, 10.9
Appendix 12
standard conditions of trading, 7.14–7.15
standards of conduct, 7.5–7.13,
- British Posters Ltd
(*see also* Cosales; Poster Promotion Organisation)
activities, 3.29
business practice, 6.30–6.35
campaigns: evaluation, 6.21–6.23; on offer, 6.17–6.20; summary of changes, Appendix 8
commission, 6.36–6.39
constitution, 6.7–6.10
customers, 6.26–6.28
discounts, 6.51–6.56
evidence, 1.4, 9.1–9.19
financial arrangements, 6.40–6.43
financial results, Appendix 9
membership, 6.1–6.6
monopoly situation: conclusions of the report, 1.5, 10.6, 10.8, 10.9
occupancy, 6.51–6.56
organisation, 6.7–6.10
prices, 6.45–6.50, Appendix 8
profitability, 6.57–6.59
promotional activities, 6.24–6.25
- British Posters Ltd—*continued*
recognition, 6.36–6.39
relationship with member companies, 6.60–6.70
site evaluation, 6.21–6.23
special agreements, 6.29
structure, 4.22–4.26
supply of advertising panels, 6.11–6.16
terms of reference, 6.30–6.35
turnover, 6.44
- British Transport Advertising Ltd
activities, 4.8, 5.2–5.11
- BTA, *see* British Transport Advertising Ltd
- Collett Dickenson Pearce & Partners Ltd
relations with Mills & Allen Ltd, Appendix 3 (5–6)
- Complex monopoly situation *see* Monopoly situation
- Conclusions, 10.1–10.63
- Concord Advertising Ltd
activities, 3.19, 3.26
- Cosales
(*see also* British Posters Ltd; Poster Promotion Organisation)
history, 4.7–4.8
- CP Poster Advertising Ltd
activities, 5.12–5.15
- Davey (James) Sites Ltd
activities, 5.16–5.20
- Demand
for posters: current users and trends, 3.12–3.14
- Department of the Environment
evidence, 1.4
- Development services
history, 4.17–4.18
- DS Sites Ltd
evidence, 9.42
- Evidence
sources, 1.4, 1.6, 9.1–9.49
- Focal Media Ltd
acquired by Poster Publicity Ltd, 3.29
activities, 5.21–5.26
relations with Poster Publicity Ltd, Appendix 3 (3–4)

References are to paragraph numbers, not page numbers.

References in parentheses following appendix numbers are to appendix paragraph numbers.

- Four Sheet Posters, *see* Davey (James) Sites Ltd
- Free Trade Poster Sales Ltd
 establishment, 4.10
 evidence, 1.4
 structure, 4.29–4.30
- FTPS, *see* Free Trade Poster Sales Ltd
- Glossary of terms, Appendix 1
- Incorporated Society of British Advertisers Ltd
 membership, 3.38
- Independent Poster Sales Ltd
 establishment, 4.9
 evidence, 1.4
 list of members, Appendix 7
 structure, 4.27–4.28
- Inland Revenue
 evidence, 1.4
- Institute of Practitioners in Advertising
 membership, 3.35
- IPS, *see* Independent Poster Sales Ltd
- J & H Outdoor Advertising Services, *see* Poster Publicity Ltd
- James Davey Sites Ltd, *see* Davey (James) Sites Ltd
- Local Authorities
 role: as planning authorities, 2.13–2.19;
 as rating authorities, 2.23–2.24; as site owners, 2.20–2.22
- London & Provincial Posters Ltd
 activities, 4.8, 4.17, 4.18, 5.27–5.40
 evidence, 1.6, 9.21–9.24, 9.43–9.46
- London Poster Advertising Association
 merger with British Poster Advertising Association, 4.16
- Maiden (Arthur) Ltd
 activities, 4.9, 5.41–5.52
- Miles Group
 activities, 5.53–5.59
- Mills & Allen Ltd
 activities, 4.8, 4.17–4.18, 5.60–5.75
 evidence, 9.25–9.32, 9.47–9.49
 relations with: Collett Dickenson Pearce & Partners Ltd, Appendix 3 (5–6); UPA, Appendix 3 (2)
- Monopolies and Mergers Commission
 conclusions of the report, 10.1–10.63
 recommendations of the report, 10.51–10.63
 terms of reference, 1.1–1.2, 2.1
- Monopoly situation
 existence, 1.5, 10.6, 10.8, 10.9, 10.49–10.50
- More O’Ferrall Ltd
 activities, 4.8, 5.76–5.87
 evidence, 9.33
- Multimark Ltd
 activities, 3.32–3.34
 evidence, 1.4
- National Solus Sites Ltd
 activities, 5.95–5.98
- Outdoor Advertising Services Ltd
 activities, 3.20
- PAB, *see* Poster Audit Bureau
- Packages of sites, *see* Roadside advertising services
- Paddington Poster Group
 activities, 5.88–5.94
- Portland Outdoor Advertising Ltd, 3.21
- Poster Audit Bureau
 activities, 3.39–3.40
 evidence, 1.4
 organisation, Appendix 4
- Poster Business, 3.24
- Poster Media Ltd, 3.27
- Poster Promotion Organisation
 (*see also* British Posters Ltd; Cosales)
 history, 4.6–4.7
- Poster Publicity Ltd
 acquisition of Focal Media Ltd, 3.29
 activities, 3.28
 relations with Focal Media Ltd, Appendix 3 (3–4)
- Poster sites
 acquisition by contractors: background, 2.7–2.12
- Posterlink Selection Ltd
 activities, 3.25–3.26
- Posters
 advertisers’ choice between posters and other media, 3.4–3.7

*References are to paragraph numbers, not page numbers.
 References in parentheses following appendix numbers are to appendix paragraph numbers.*

- Posters—*continued*
as part of total advertising expenditure, 3.1–3.3
assessment of audience, Appendix 2
current users and trends in demand, 3.12–3.14
space: purchasing, 3.8–3.11
- Prices
of roadside advertising services, 4.31–4.34
views of interested parties, 8.10–8.14
- Public interest
conclusions of the report, 10.19–10.50
- Recommendations, 10.51–10.63
- Research
views of interested parties, 8.15–8.17
- Rich & Beckett (Posters) Ltd, *see* Poster Business
- Roadside advertising services
development, 4.1–4.10
‘equivalent units’ and other physical measurements of the industry’s size, Appendix 6
links between contractors and purchasers of space, Appendix 3
list of contractors, Appendix 5
main agencies, 3.35–3.39
major contractors, 4.15
monopoly situation: conclusions of the report, 1.5, 10.1–10.63
packaging of sites: supply by different contractors, 4.21–4.30
posters: advertisers’ choice between posters and other media, 3.4–3.7; as part of total advertising expenditure, 3.1–3.3; assessment of audience, Appendix 2; current users and trends in demand, 3.12–3.14; purchasing of space, 3.8–3.11
prices, 4.31–4.34
purchasing of sites: background to development, 3.15–3.17
scope, 2.1–2.6
size of industry, 4.11–4.14
specialist bureaux, 3.18–3.34
- Roadside Advertising services—*continued*
structure, 4.16–4.20
views of interested parties, 8.1–8.18
- Scale monopoly situation, *see* Monopoly situation
- SOAA, *see* Solus Outdoor Advertising Association Ltd
- Solus Outdoor Advertising Association Ltd
activities, 7.1–7.4
development, 4.3
evidence, 1.4, 9.36–9.40
list of members, Appendix 11
monopoly situation: conclusions of the report, 1.5, 10.9
standard conditions of trading, 7.14–7.15
standards of conduct, 7.5–7.13, Appendix 12
- Specialist bureaux, 3.18–3.34
- Terms of reference, 1.1–1.2, 2.1
- United Kingdom Bill Posters Association, *see* British Poster Advertising Association
- Universal Poster Agency Ltd
activities, 3.30–3.31
relations with Mills & Allen, Appendix 3 (2)
- UPA, *see* Universal Poster Agency Ltd
- Views of interested parties
concept and quality of preselected campaigns, 8.3
contractors, 8.18
performance of contractors, 8.6–8.17
prices, 8.10–8.14
research and contractors’ claims of audience reached, 8.15–8.17
site-owners, 8.18
terms of business, 8.4–8.5
- Zetetics
evidence, 1.4

*References are to paragraph numbers, not page numbers.
References in parentheses following appendix numbers are to appendix paragraph numbers.*

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