



THE MONOPOLIES AND MERGERS COMMISSION

Postal Franking Machines

A Report on the supply, maintenance and
repair of postal franking machines
in the United Kingdom

*Presented to Parliament by the Secretary of State for Trade and Industry
by Command of Her Majesty
March 1986*

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*These members formed the group which was responsible for this report (see paragraph 1.3).

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CHAPTER 1

Introduction

1.1. On 21 December 1983 the Director General of Fair Trading sent the following references to the Commission:

- (a) **FAIR TRADING ACT 1973**
REFERENCE TO MONOPOLIES AND MERGERS COMMISSION
SUPPLY OF POSTAL FRANKING MACHINES

The Director General of Fair Trading in exercise of his powers under section 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 the possible existence of a monopoly situation in relation to the supply of postal franking machines in the United Kingdom.

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

- (a) by virtue of which provision 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 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 act or omission on the part of that person or persons is attributable to the existence of that monopoly situation and, if so, what act or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigation under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purpose of the reference, 'postal franking machines' means machines designed to make impressions denoting the payment of postage and other fees, charges and sums payable to the Post Office and includes any meter used in the machine or in connection therewith any dies used in the machine and any spare parts for such a machine.

The Commission shall report upon this reference within a period of 18 months from the date hereof.

(Signed) GORDON BORRIE
Director General of Fair Trading
21 December 1983

- (b) **FAIR TRADING ACT 1973**
REFERENCE TO MONOPOLIES AND MERGERS COMMISSION
MAINTENANCE OF POSTAL FRANKING MACHINES

The Director General of Fair Trading in exercise of his powers under section 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 the possible existence of a monopoly situation in relation to the supply in the United Kingdom of services for the maintenance and repair of postal franking machines.

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

- (a) by virtue of which provision 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 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 act or omission on the part of that person or persons is attributable to the existence of that monopoly situation and, if so, what act or omission and in what way it is so attributable; and
- (e) whether any facts found by the Commission in pursuance of their investigation under the preceding provisions of this paragraph operate or may be expected to operate against the public interest.

For the purpose of the reference, 'postal franking machines' means machines designed to make impressions denoting the payment of postage and other fees, charges and sums payable to the Post Office and includes any meter used in the machine or in connection therewith any dies used in the machine and any spare parts for such a machine.

The Commission shall report upon this reference within a period of 18 months from the date hereof.

(Signed) GORDON BORRIE
Director General of Fair Trading
21 December 1983

1.2. The period for completing the report was extended twice by directions of the Secretary of State for Trade and Industry under section 55(2) of the Fair Trading Act 1973, first to 20 December 1985 and then to 31 January 1986.

1.3. The Chairman of the Commission, acting under section 4 and paragraph 10(1)(a) of Schedule 3 of the Fair Trading Act 1973, directed on 6 January 1984 that the functions of the Commission in relation to the references should be discharged through a group consisting of six members of the Commission under the chairmanship of Sir Alan Neale, a Deputy Chairman of the Commission. Sir Ronald Swayne resigned from the Group on 14 June 1984 for personal reasons and on 19 June 1984 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and paragraph 13 of Schedule 3 thereto, appointed an additional member to the Group. Professor Prest died on 22 December 1984 and on 2 January 1985 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and paragraph 13 of Schedule 3 thereto, appointed an additional

member to the Group. The final composition of the Group is indicated in the list of members which prefaces this report.

1.4. The Group decided that it would be appropriate to consider the two references together and to make a single report.

1.5. Under the provisions of paragraph 14 of Schedule 3 to the Fair Trading Act 1973 we have consulted Mr David Richards who is a Deputy Chairman of the Commission and until recently was a senior partner in Deloitte, Haskins and Sells, Chartered Accountants. He is a past President of the Institute of Chartered Accountants in England and Wales.

1.6. Notices inviting evidence were placed in:

<i>The Daily Telegraph</i>	<i>Business Equipment Digest</i>
<i>The Guardian</i>	<i>Office Magazine</i>
<i>Financial Times</i>	<i>Office Equipment News</i>
<i>The Times</i>	<i>Business Systems and Equipment</i>
<i>Office Trade News</i>	

1.7. Written submissions were made by Pitney Bowes PLC and PB Leasing Ltd and their ultimate parent company Pitney Bowes Inc and also by Roneo Alcatel Ltd and its parent company, CIT Alcatel SA. Other written evidence was received from Hasler (Great Britain) Ltd, Scriptomatic Ltd, Envopak Group Sales Ltd, the Post Office, the British Equipment Trades Association, a number of users of postal franking machines and others with interests in the supply and maintenance of postal franking machines. Hearings were held with the Pitney Bowes group, Roneo Alcatel Ltd and CIT Alcatel SA, Hasler (Great Britain) Ltd, Scriptomatic Ltd, Envopak Group Sales Ltd, the Post Office, and other interested persons. Members and staff visited the headquarters and manufacturing facilities of Pitney Bowes PLC at Harlow and Roneo Alcatel Ltd at Romford.

1.8. Some of the evidence obtained in the course of our inquiry was of a confidential nature and our report contains only such information as we consider necessary for an understanding of our conclusions.

1.9. We wish to express our gratitude to all those who helped us in the inquiry; we are particularly grateful to the representatives of the companies principally concerned on whom the burden of our enquiries fell.