
Completed acquisition by Robert J Goff & Co plc of Doncaster
Bloodstock Sales Ltd

No. ME/3264/07

The OFT's decision on reference under section 22(1) given on 25 October 2007.
Full text of decision published 31 October 2007.

PARTIES

1. **Robert J Goff & Co plc** (Goffs) is active in the provision of auction services for the sale of thoroughbred racehorses (bloodstock auction services).
2. **Doncaster Bloodstock Sales Limited** (DBS) is also active in the provision of bloodstock auction services. Its turnover in the UK for the period ended 19 April 2007 was £3.35 million.

TRANSACTION

3. The shareholders of DBS received 9 per cent equity in Goffs in exchange for their shares in DBS. Completion of this transaction occurred on 6 July 2007. The administrative deadline is 25 October 2007 and the statutory deadline expires on 5 November 2007.

JURISDICTION

4. As a result of this transaction Goffs and DBS have ceased to be distinct. The parties overlapped in the supply of bloodstock auction services and their combined share of supply in the UK exceeded 25 per cent, so the share of supply test in section 23 of the Enterprise Act 2002 (the Act) was met. The OFT therefore believes that it is or may be the case that a relevant merger situation has been created.

FRAME OF REFERENCE

5. The parties overlapped in the supply of bloodstock auction services.
6. Bloodstock auction service providers (bloodstock auctioneers) run a number of auctions (sales) annually. The sales are usually held at the sales facilities of the bloodstock auctioneer. Some sales specialise in specific types of thoroughbred horse (for example yearlings or foals) whilst other sales offer a range of bloodstock. For each of these sales, the bloodstock auctioneers produces a catalogue that lists all the thoroughbred horses that are being offered for sale (lots).
7. The bloodstock auctioneer has two sets of customers – sellers and buyers.¹ The seller pays an entry fee in order to have a thoroughbred horse placed as one of the lots in a sale. The level of the fee varies between sales. The seller also pays the bloodstock auctioneer commission based on the price obtained for the horse. The commission charged varies between bloodstock auctioneers. Some bloodstock auctioneers also charge buyers commission.²

Product market

8. The parties submitted that although it is possible to sell horses by alternative means (such as private sales and claiming and selling races³), sellers will not and do not use these for the sale of more valuable thoroughbred horses. They submitted that the relevant frame of reference is therefore the supply of bloodstock auction services. Third parties supported this view.
9. In view of the above, the appropriate product frame of reference is considered in this case to be the supply of bloodstock auction services.

¹ Although these two sets of customers are not always distinct since sellers are sometimes buyers and buyers are sometimes sellers.

² For example Goffs charges buyers six per cent commission and the seller 1.5 per cent commission.

³ These are races in which all horses are potentially for sale. In 'claiming races' the price at which each horse in the race can be claimed is advertised in the racecard. The winner of a selling race is offered for public auction after the race. With both claiming and selling races the horse is sold as seen.

Geographic market

10. The parties submitted that the relevant geographic frame of reference for the supply of bloodstock auction services is the UK and Ireland. The parties estimated that almost all sellers at the sales in UK and Ireland are based in these countries and argued that these sellers are unlikely to view sales outside of the UK and Ireland as realistic alternatives. One third party estimated that more than 75 per cent of UK sellers sell only in the UK.
11. However all third party sellers who responded to the OFT stated that they do sell outside of the country in which they are based (all stated that they sell bloodstock in the UK and Ireland). A number of third party sellers submitted that, besides the UK and Ireland, they also use bloodstock auctioneers in the USA, Italy and in particular France.
12. Third party comments indicated that buyers are more mobile than sellers. One third party seller estimated that 20 per cent of its bloodstock is sold to buyers operating in a country other than the one in which the sale took place.
13. As the information provided is mixed on the appropriate geographic frame of reference a cautious approach has been adopted. The narrower geographic frame of reference of the UK and Ireland has therefore been considered for the supply of bloodstock auction services. However, it is recognised that bloodstock auctioneers in France, the USA and Italy may provide some constraint.

HORIZONTAL ISSUES

14. In the supply of bloodstock auction services, the merged entity has become the second largest supplier in the UK and Ireland with a share of supply of around 30 per cent by value (increment 10 per cent) and around 40 per cent (increment 17 per cent) by volume.
15. Tattersalls⁴ remains the leading supplier in the UK and Ireland with a share of supply (estimated by the parties) of 65-70 per cent by value and around 50 per cent by volume. Brightwells and Goresbridge Horse Sales Ltd are also based in the UK and Ireland respectively. These competitors will

⁴ Tattersalls includes both Tattersalls Ltd and Tattersalls Ireland Ltd.

continue to act as a constraint on the parties' behaviour post merger.

16. This is confirmed by third party sellers and buyers who stated that, in addition to the parties, they use other bloodstock auctioneers in the UK and Ireland, as well as bloodstock auctioneers in France, the USA and Italy. None of these customers had any concerns about the merger, both on the selling side and on the buying side. Third party sellers who responded to the OFT stated that they use the sale which attracts the right type of buyer for their horses.
17. A competitor raised concerns regarding the potential reduction in choice for the sellers of yearlings as both Goffs and DBS run major yearling sales in the autumn. However, no third party sellers who responded to the OFT was concerned about this issue and one stated that the merger would help provide greater competition to Tattersalls with the introduction of a stronger alternative bloodstock auctioneer.
18. The competitor was also concerned that DBS has announced that it will increase its commission charges to be in line with Goffs.⁵ However, the evidence before the OFT indicates that sellers and buyers do not make choices of which auction services to use based on commission charges. When Goffs increased its commission rate⁶ in 2000 the evidence before the OFT shows that there was little switching away from Goffs. No customers (sellers or buyers) had any concerns regarding the level of commission charges.

THIRD PARTY VIEWS

19. No customers (sellers or buyers) were concerned by this transaction. One seller submitted to the OFT that the merger would help provide greater competition to Tattersalls. The only concerns raised, regarding the reduction in the choice for the sellers of yearlings and the increase in commission charged by DBS, were made by a competitor and have been addressed above.

⁵ DBS is changing its commission structure and the commission charged will increase from five per cent to 7.5 per cent. Buyers will pay six per cent commission whilst the sellers will be charged 1.5 per cent commission.

⁶ From five per cent to 7.5 per cent.

ASSESSMENT

20. The parties overlapped in the supply of bloodstock services in the UK and Ireland.
21. Although the merger involved the second and third largest bloodstock auctioneers in UK and Ireland, the presence of Tattersalls, the largest bloodstock auctioneer in UK and Ireland, as well as other bloodstock auctioneers in UK and Ireland and further afield (for example, France) will continue to act as a competitive constraint on the parties' behaviour post-merger. Furthermore, both sellers and buyers of bloodstock stated that they use a number of bloodstock auctioneers and that they did not have any concerns about the merger.
22. Consequently, the OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom.

DECISION

23. This merger will therefore not be referred to the Competition Commission under section 22(1) of the Act.