



# Department of Justice

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FOR IMMEDIATE RELEASE  
WEDNESDAY, MARCH 14, 1990

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## DEPARTMENT OF JUSTICE CHALLENGES TOTALISATOR ACQUISITION

The Department of Justice said today it would file a civil antitrust suit challenging the acquisition of Autotote Systems Inc. of Newark, Delaware, by United Tote Inc. of Shepherd, Montana.

United Tote acquired all the outstanding shares of Autotote on December 11, 1989, for \$85 million. The suit, to be filed in U.S. District Court in Wilmington, Delaware, alleges that the acquisition violates Section 7 of the Clayton Act in the market that provides totalisator systems and services.

A totalisator is a computer system that calculates and displays odds and payout amounts at racetracks. The system consists of unique electronic ticket issuing terminals and a central computer complex controlled by proprietary software.

Prior to the acquisition, Autotote and United Tote were two of only three significant suppliers of totalisator systems to horse and greyhound racetracks and jai alai frontons in the United States, together accounting for approximately 49 percent of sales in the market. The only other manufacturer and provider of totalisator systems and services is the American Totalisator division of General Instrument Corporation (AmTote). In 1989,

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total sales in the North American totalisator market were approximately \$92 million.

The acquisition increased the Herfindahl-Hirschman Index (HHI), a measure of market concentration, from about 3956 to 5002, a jump of 1046. The Justice Department's Merger Guidelines state that when the post-merger HHI is over 1800, the Department is likely to challenge mergers that increase the HHI by more than 50 points.

James F. Rill, Assistant Attorney General in charge of the Antitrust Division, said "This acquisition is a bad bet for racetracks and frontons, and for their patrons. The acquisition will likely result in higher prices for totalisator services, which are vital to the operation of modern racing and jai alai facilities."

In 1987, Autotote and AmTote, the first and second largest totalisator companies, proposed to merge. The Antitrust Division announced that it would challenge that transaction, and the merger was dropped.

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