

## **LADBROKES/CORAL MERGER INQUIRY**

### **Summary of response hearing with the British Horseracing Authority on 16 June 2016**

#### **Background**

1. The British Horseracing Authority (BHA) stated that it was an independent governing and regulatory body for thoroughbred horseracing in Great Britain.

#### **Effect of the Transaction at national level**

2. The BHA noted the interdependence between the different stakeholders in the horseracing industry, including between racecourses and bookmakers.
3. The BHA stated that, although it did not oppose Ladbrokes' acquisition of certain businesses of Gala Coral (the Transaction), it was concerned about the potential impact it could have on the horseracing industry.
4. In particular, the BHA submitted that the reduction of the number of major licensed betting offices' (LBOs) operators from four to three would have an impact on horseracing betting pricing at the national level. The BHA stated that the Transaction might reduce the Parties' incentive to offer better prices and promotions that were set centrally at a national level, as a result of the reduction of the number of LBO operators with national coverage.
5. The BHA explained that different horseracing tiers could be distinguished in terms of the quality and exposure of the race. The BHA explained that any reduction in competition between LBO operators at the national level would particularly affect the betting price for lower tier horse races, given that for the first tier races LBO operators would always have to offer better prices to attract new customers.

#### **The online constraint**

6. The BHA agreed with the CMA's provisional finding that the online and retail channels were two separate product markets. The BHA stated that the online channel constrained LBO operators to some extent and that the use of the online channel by retail customers had been accelerating, whilst also being encouraged by the Parties' offers.

## **Horseracing media rights**

7. With regards to the sale of horseracing media rights, the BHA stated that the Transaction might give the Parties the ability and incentive to drive down the price of horseracing media rights, as a result of the increased buyer power of the merged entity in the acquisition of media rights for its LBOs.
8. The BHA explained that roughly 50% of racecourses sold their media rights through Racecourse Media Group, and 50% through an alternative sellers group.
9. The BHA also stated that SIS and, more recently, Turf TV were the main horseracing media rights purchasers. The BHA clarified that nothing prevented LBO operators from acquiring media rights directly from racecourses or sellers groups, although individual bookmakers did not tend to buy media content in that way because of the difficulty of distribution into their shops.
10. The BHA submitted that a reduction in the price paid for horseracing media rights might lead to the closure of some racecourses or the deterioration of the quality of horseraces in the UK. The BHA accepted that this could, in principle, have a negative impact on the Parties' and other LBO operators' horseracing betting business, but noted that LBO operators could replace British horseracing with other products, like horse races from other countries, or rely on other revenue streams. The BHA submitted, however, that there was a significant customer preference for British horseracing, because of familiarity with this content.

## **Divestment issues**

11. The BHA stated that the divestment of LBOs to address the substantial lessening of competition provisionally identified by the CMA at a local level was unlikely to solve the harm that the BHA considered arose from the Transaction at a national level.
12. [X]. The BHA submitted that an LBO operator of sufficient scale would need to have a significant size (number of LBOs), geographic spread, management expertise and marketing presence.

## **Undertakings given in 1999 by Hilton Group plc (now Ladbrokes)**

13. The BHA said that the current marketplace had not changed significantly since the 1999 undertakings given by Hilton Group, in terms of the potential impact such a merger could have on horseracing. The BHA believed that the impact on such a significant downstream industry should be borne in mind and that undertakings would be an entirely appropriate remedy.