

# 5 Views of third parties

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## Introduction

5.1. A wide range of horse-racing, greyhound-racing and bookmaking interests submitted written evidence to the inquiry. In addition there was a strong response from people with an interest in racing and from members of the public to the MMC's advertisements in *The Daily Telegraph* and the specialist sporting press inviting comments on the merger.

5.2. Oral hearings were held with the BHB, the RCA, the BGRB, the NAB, the BBOA, the Tote, William Hill, Stanley, BAGS, SIS and Mr John McCririck.

## **Horse-racing interests**

### ***The British Horseracing Board Limited***

5.3. The BHB told us that it was the governing authority for British horse racing and represented the industry as a whole. Its board consisted of appointees of The Jockey Club, the RCA and the Racehorse Owners Association (ROA) as well as three members appointed by the Industry Committee, a consultative and advisory group the membership of which included a number of trade associations representing horse-racing and related interests. The BHB nominated one member of the Tote board, and in addition two BHB directors happened also to be directors of the Tote. The BHB supported the merger.

5.4. The main problem for horse racing was shortage of finance. Its funding problems were addressed in the BHB's recently published financial plan which proposed radical solutions for the Government to consider. The BHB nominated members to the Levy Board. However, the levy arrangements did not work to the advantage of horse racing, not least because the statutory framework gave the Bookmakers' Committee of the Levy Board the task of making the first recommendation on what the amount of the levy should be. Sponsorship, however, had grown significantly in recent years, with the largest sums applied to high-profile televised races. Ladbroke had been helpful in stepping in to sponsor races when no other sponsor could be found.

5.5. Fundamental to the BHB's support for the proposed merger was Ladbroke's agreement to sell 134 betting shops to Tote Bookmakers. Indeed the BHB would like to see Ladbroke required to dispose of a larger number of shops to the Tote. A strong racing industry was in the public interest and a strong Tote contributed to this end. Leaving aside the sale of LBOs to the Tote, the BHB would have no strong views for or against the merger. As it was, it welcomed the disposal of shops to the Tote because:

- (a) it served to mitigate any reduction in local competition in off-course betting resulting from the merger by maintaining the local availability of outlets;
- (b) it would help to build Tote Bookmakers into an operator of a size capable of providing serious competition nationally within the off-course betting market; and
- (c) it conferred considerable financial advantages on the Tote itself, one of whose key purposes was to make a financial contribution to racing.

5.6. The BHB saw horse racing as the core betting activity even though bookmakers' margins on horse-race bets were lower than on other forms of betting. Students of form were likely to take advantage of early prices but most bets were made at SPs, reflecting general confidence in the SP system. Horse racing was to an extent in competition with the newer betting products and the BHB was taking active steps to protect and increase horse racing's share of betting turnover.

5.7. The BHB saw no evidence that laying-off was used to manipulate prices as opposed to ensuring that on-course prices properly reflected money bet off-course.

5.8. The BHB was not linked with SIS, which it regarded as a very professional technical operation. When SIS was set up it was considered by many that horse-racing interests should have taken a bigger shareholding. The bookmaking shareholding, not including the Tote, was later limited to 45 per cent. As a result of the merger and the exercise of pre-emption rights that percentage would decline marginally, so any idea that Ladbroke and William Hill together would get increased power in SIS as a result of the merger should largely be discounted. When the SIS contract with the racecourse owners fell for renegotiation by 2002, there was the possibility of competition from Racing Data and an enhanced role for Race Tech. The latter was now controlled by the RCA and was at present used primarily to assist the stewards in their functions. One objective of the RCA was to eliminate the duplication of on-course television equipment.

### ***The Racecourse Association Limited***

5.9. The RCA said that it was the trade association representing British racecourses. The operators of every racecourse were members. The RCA, on behalf of the racecourses, negotiated the access rights required by SIS, the fees for which currently yielded £12 million a year. The racing industry was a big employer but was poorly funded and the RCA supported the BHB's efforts to correct this underfunding. Horse racing was only getting around £56 million a year from the levy system even though the profits of the big bookmakers were rising strongly.

5.10. The RCA was against the proposed merger. The public interest was served by a healthy racing industry and the RCA had a generally unfavourable view of Ladbroke's commitment to horse racing. With its strengthened position, Ladbroke's support for racing was likely to reduce. Sponsorship was very important for horse racing, currently contributing some £11 million a year, but apart from the Tote, the betting industry's contribution was low and static. Dedicated sponsorship by Ladbroke was running at only around £250,000 a year which was little more than that of Coral, a much smaller business.

5.11. The levy paid to horse racing by the bookmakers was processed by the Levy Board, and the procedure was one that gave undue advantage to the bookmakers. The racing industry tended to think short term, being ready to accept a small, immediate advantage at the expense of its longer term health. With the merger the betting industry would be dominated by just two like-minded bookmakers with Ladbroke able to build further on its already powerful position in determining policy. Coral had been the most innovative of the Big 3, had supported Sunday and evening racing and the Tote Direct initiative when Ladbroke and William Hill were against these changes, and had generally provided a balancing influence when the fixture list was discussed. Coral had also supported the view, opposed by Ladbroke and William Hill, that the SIS service should be extended to new commercial outlets (pubs and clubs). The RCA strongly supported this development which would bring further funds into racing. The RCA considered that the big bookmakers had too large a stake in SIS. If the merger went ahead the combined voting shareholding of Ladbroke and William Hill should be limited to 25 per cent. Another necessary remedy would be for Ladbroke to give substantial undertakings on sponsorship. It would be best for the merger not to be allowed to proceed. The disposal of 134 shops to the Tote was in the interests of racing but even with the additional outlets Tote Bookmakers would still represent fairly weak competition to Ladbroke.

5.12. The RCA said that Ladbroke and Coral had competed hard to get betting shop franchises on racecourses, particularly at the larger prestigious courses. The income received by the racecourses from this source was important. The disappearance of Coral would lead to less competition and, very possibly, lower commission rates. Coral was an efficient and healthy business and there should be no shortage of bidders for it.

### ***Racehorse Owners Association***

5.13. The ROA said that it did not wish to make representations on the merger beyond saying that its views were entirely consistent with those of the BHB.

### ***The Jockey Club***

5.14. The Jockey Club said that horse racing and betting were inextricably linked and that horse racing would not survive on its present scale without betting. Betting was dependent on the public perception of the integrity of racing and the honest outcome of each race. The Jockey Club regulated horse racing to this end. The Jockey Club did not offer a view about the proposed merger.

### ***The SP returners***

5.15. The SP returners told us that their role was to assess the odds offered by the ring and rails bookmakers and independently to determine a fair and proper price, taking into account betting percentages and the scope of availability of the prices at the 'off'. The costs of the SP service provided

by MGN Limited (publisher of the *Racing Post*) and the Press Association were reimbursed by SIS in full, with the exception of pension costs and redundancy payments which were met by the individual companies. The SP returners took into account all bookmakers, whether in the ring or on the rails, willing to lay a bet in excess of £400, although in a thin market they might also take account of smaller layers. No other party (including Ladbroke and Coral) had a role in the SP process and therefore the merger had no effect on the formation of the SP in terms of process. The general view of the SP returners was that the merger would not have an adverse effect on the SP system.

### ***The Racegoers' Club***

5.16. Mr Tony Fairbairn, the Chairman of the Racegoers' Club, said that the club was concerned at the prospective effect of the merger. It was not in the public interest for Ladbroke to have such a dominant influence over the betting market. Consumers would be faced with a reduction in choice. The traditionally more co-operative policy that Coral adopted towards the racing industry would be lost. If the merger were to proceed, Ladbroke should be required to dispose of a greater number of shops and these should be made available not only to the Tote but also to independent bookmakers so as to protect the competitive nature of the betting industry.

### **Greyhound-racing interests**

#### ***British Greyhound Racing Board Limited***

5.17. The BGRB explained that it was the representative body for licensed greyhound racing. It had an independent Chairman and its board consisted of representatives of the Racecourse Promoters Association, greyhound owners, trainers and breeders and the senior steward of the NGRC.

5.18. The BGRB considered that the merger was against the public interest, the interests of off-course greyhound punters and the commercial interests of greyhound racing. Since 1961, when betting offices were legalized, the number of NGRC-licensed racecourses had declined from 64 to 33 and attendances had declined from 11 million to under 5 million. Moreover, in real terms the totalizator (greyhound racing's primary source of retained profit) was worth only 5 per cent of its 1961 value. Although the last two years had seen a slight improvement, the industry remained underfunded and with the proposed merger its potential income from off-course betting was likely to be further restricted. Ladbroke's domination of BAGS would mean that the present position would deteriorate even further. Off-course betting turnover on horse racing was three times that on greyhound racing, yet greyhound racing received five times less from BAGS and the BGRF than horse racing received from the levy. Furthermore, SIS paid horse racing over ten times what it paid greyhound racing despite the fact that SIS broadcast more greyhound races than horse races.

5.19. The BGRB said that BAGS existed for the benefit of betting shops and its approach was to buy racing at the cheapest available price. The income from BAGS fees, which totalled £5.5 million in 1996/97, was important to those tracks which held BAGS meetings. However, the fees paid had not increased in real terms in five years and were constrained by the ability of Ladbroke and Coral to exploit their position as track owners, major bookmakers, SIS shareholders and stakeholders in BAGS. This bringing together of different roles was undesirable since it allowed a great deal of leverage over the greyhound racing industry. With the merger Ladbroke now owned four tracks supplying 43 per cent of all BAGS meetings, and this concentration gave it a dominant position within BAGS. The BAGS tendering process worked to the disadvantage of the independent tracks. Ladbroke's dominant position both in BAGS and SIS meant that unfair pressures could be applied both to those tracks and to on-course bookmakers to produce margins suitable for the off-course betting market. There had been a well-publicized case of a leading independent racecourse bookmaker being stopped from standing at BAGS meetings at Oxford.

5.20. BAGS meetings were poorly attended. Their real purpose was to provide greyhound races filling in between horse races to keep customers in betting shops. The races were tightly graded so as to encourage forecast and tricast betting where percentages worked to the bookmakers' advantage.

With small attendances, the on-course market at BAGS meetings was susceptible to price manipulation. The BGRB said that Ladbroke was invariably represented at BAGS meetings.

5.21. Although the majority of greyhound betting was on forecasts and tricasts, there was a small but significant amount of ante-post betting. Coral had traditionally been a strong and efficient greyhound bookmaker so in this respect the merger would mean less competition and a real loss of choice for the punter. Ladbroke would now be even more dominant in influencing the setting of the forecast and tricast formulae. These had already been changed a number of times to increase bookmakers' margins.

5.22. The BGRB said that the merger should not be allowed to proceed. Regardless of whether it went ahead or not, it suggested that in line with the recommendations of the 1991 report from the Home Affairs Committee of the House of Commons the bookmaker-owned tracks should not be allowed to supply racing services to BAGS and a proportion of the bookmaker shareholding in SIS should be transferred to the greyhound industry.

### ***The National Greyhound Racing Club Limited***

5.23. The NGRC described itself as the sport's rule-making and regulatory body. It consulted the BGRB on the rules of greyhound racing and on the fees payable by owners and the quantum of licence fees payable by trainers and promoters, but acted entirely independently on disciplinary matters.

5.24. The NGRC said that it had reservations about the merger. It was concerned at the proportion of its stewards' income that was under the control of off-course bookmakers, and viewed the prospect of one company controlling almost 50 per cent of track licence fees as being potentially dangerous with regard to the independence of the stewards. The concentration of influence would be against the interests of the greyhound-racing public. There was also a danger of two flagship tracks, Romford and Hove, being closed and sold for redevelopment if the merger went ahead.

### **Bookmaking interests**

#### ***Betting Office Licensees Association Limited***

5.25. BOLA said that Ladbroke and Coral were important members of the association. As the merger was principally a commercial matter, it was difficult for a trade body to take a view. As far as the 400 metre measure<sup>1</sup> was concerned, nothing had occurred in the last nine years to make the MMC's conclusion any less valid than it was in 1989.

#### ***British Betting Office Association***

5.26. The BBOA, which represents independent off-course bookmakers, said that it had 420 members owning some 1,300 betting shops. It considered that the merger was against the public interest because it would reduce competition and allow Ladbroke to strengthen its dominant market position, so working against the interests of the betting public and the independent bookmaker. The combined company would have 35 per cent of the betting market, would benefit from the growth of telephone betting and was well placed to take advantage of further economies of scale and national brand advertising. The Big 3 had operated as a cartel for the last 25 years and with the acquisition of Coral Ladbroke would be in an even stronger position.

5.27. Since 1989 the number of LBOs had declined from 11,500 to 8,500. This reflected a fall in the number run by independent bookmakers, who had found their business unviable. Although betting margins had improved by one percentage point over the period, off-course betting turnover had not kept pace with inflation, and the independents who had higher fixed costs found themselves at a disadvantage to the Big 3, who had increased their holdings over the period. Numbers betting had been

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<sup>1</sup>See second footnote to paragraph 2.11.

introduced as a response to the National Lottery and was continuing to grow in importance but the on-course betting market was now substantially weaker, with the Big 3 and the Tote dominant. Deregulation had allowed bookmakers to refurbish their shops and make them more welcoming. Some of the principal developments over the period, particularly in new products, had originated with the independent bookmakers. Even so, the independent bookmakers had been unable to build sufficient resources since the advent of SIS, the National Lottery and the constraints imposed by higher fixed costs, and so had not been able to take full advantage of the beneficial changes of deregulation, leaving them at a disadvantage to the Big 3. Most bookmakers now had television pictures and on-course prices relayed to their shops via SIS.

5.28. The BBOA said that in the local market the main factor affecting competition was shop location. Each location was different and the 400 metre measure should not be generally applied. The main barrier to entry was obtaining a new licence. The Big 3 routinely employed expert teams to oppose licence applications and most applications for new licences were refused in the magistrates' court. An independent bookmaker successful in getting a licence was invariably subject to predatory pricing from the majors through tax-free betting or other special price offers. The independent bookmakers were also disadvantaged by the terms on which live pictures and prices could be obtained from SIS. They had been unfairly prevented from developing Racing Data as a rival to SIS by the RCA, a shareholder of SIS, which had refused it a television access contract. The merger would make Ladbroke both the biggest shareholder and largest customer of SIS. Ladbroke could therefore exercise great influence on the price of the service and the events covered. Another concern was that the merger would mean fewer major bookmakers with which the smaller independents could hedge. This was important because Ladbroke was, in the BBOA's experience, the least accommodating of the majors in this respect.

5.29. The punters' interest would be adversely affected by the merger since less competition meant less choice. In time Ladbroke would close some of the Coral shops. Ladbroke actively discouraged bets at board prices and took the opportunity to increase its margins by slowing down shows from racecourses, and in certain locations not displaying back prices as a guide for the punter. Hedging was used to drive down SPs and improve margins, and Ladbroke would increasingly promote high-margin products. In greyhound racing Ladbroke's dominance over BAGS tracks, where meetings were poorly attended, meant that they were able to manipulate SPs and so increase margins and profitability.

5.30. The BBOA submitted that the merger should not be allowed to stand. If it were allowed to proceed, the Coral shops to be disposed of should be sold by competitive tender rather than sold to Tote Bookmakers, which Ladbroke knew posed no competitive threat. A reduction in Ladbroke's influence over SIS, which effectively controlled the industry, should also be considered.

### ***The National Association of Bookmakers Limited***

5.31. The NAB said that it was the largest bookmakers' association with around 1,000 members. Although its members owned between 700 and 1,000 betting shops, it primarily represented the on-course bookmaker. The Big 3 were not members. The NAB was opposed to the merger because of the increased power and influence it would give Ladbroke, which had a skilful management adept at building market share.

5.32. Significant changes had occurred since 1989, in particular the introduction of new betting products and an increase in telephone betting which had helped the off-course industry. The new products had higher margins than horse-race betting, which now provided only about 71 per cent of total turnover. The Big 3 and the Tote were now much stronger on-course and ran the on-course betting shops which had formerly been operated by the National Association of Racecourse Betting Offices Limited, a now defunct subsidiary of the NAB. These shops were now run aggressively to compete with the independent on-course bookmakers, whose turnover had fallen. The merger would increase the squeeze on the independents.

5.33. The Big 3 had pitches on the rails and maintained a presence on-course primarily in order to lay-off bets to influence SPs. They were more prominent at small meetings, where it was easier to affect prices. Of the off-course firms, Ladbroke laid-off bets most frequently, affecting perhaps two races a day on average. The merger would mean that it could more easily manipulate SPs through hedging.

5.34. The NAB expressed concern that the merger would give Ladbroke increased influence in the running of SIS. The smaller bookmakers had not been allowed to become shareholders in SIS and paid more for the service than the major bookmakers. The latter owned their own relay stations which allowed them to edit the transmission and hold up shows of board prices. In contrast the independent bookmakers took their shows direct from SIS. The SIS contract with the independent bookmakers prohibited them from associating with each other to run a studio. This was anti-competitive.

5.35. The NAB said that BAGS greyhound meetings were run primarily to benefit the Big 3 bookmakers. The afternoon meetings were poorly attended which meant that SPs could be influenced with relatively small amounts of money. The NAB was represented on BAGS but carried little weight. The merger would enhance Ladbroke's position. Ladbroke already had too much influence; the linkage of track ownership and bookmaking was undesirable.

5.36. The main barriers to entry to bookmaking were obtaining a licence and planning permission. Small bookmakers did not have access to the requisite expertise, which made these barriers correspondingly greater. It was very difficult to get a new shop licence if opposed by any of the Big 3, and they routinely challenged new applications. It was, however, perhaps a little easier to get a licence in Scotland because the magistrates there had regard to the number of empty shops in towns. A radius of 400 metres should not be applied in all cases to define the size of local markets. No general rule could achieve this because locations differed widely.

5.37. The NAB said that the merger should not be allowed. If it were to proceed a ceiling market share of 30 per cent should be applied. Ladbroke had sold Coral shops to Tote Bookmakers because the latter provided weak competition and in the hope of winning the support of the BHB. It would be better if the shops were put up for auction. It would also be desirable to see control over SIS more evenly spread.

### ***The Scottish SP Bookmakers' Association***

5.38. The Scottish SP Bookmakers' Association said that it was opposed to the merger. It would give Ladbroke a market share of 36 per cent and with it a dominant position in the market, which would be anti-competitive. This dominance would be used against the independent betting shop operators. The way SIS was set up meant that the independents were unable to compete on equal terms with the big chains. In real terms the independents were paying 2,600 per cent more than Ladbroke for the SIS service. The merger would make Ladbroke the biggest shareholder in SIS and increase its influence over the way SIS was run. The proposed sale of Coral shops was a sop to the competition authorities. A percentage ceiling of market share by any one company needed to be set. The merger was potentially most damaging in its effect on the on-course market where Ladbroke would have much greater opportunity to manipulate prices. There would be substantially less choice for punters. The Big 3 had operated as an anti-competitive cartel for years to the detriment of the industry as a whole and particularly the independents. The merger would exacerbate the position.

### ***Bookmakers' Afternoon Greyhound Services Limited***

5.39. BAGS told us that it was a company limited by guarantee run on a non-profit-making basis. The original aim when the company was founded in the 1960s had been to arrange greyhound racing on winter afternoons, as an insurance against horse-race meetings being cancelled, in order to provide an alternative product on which LBO customers could place a bet. Since greyhound racing was mainly an evening activity, it was necessary for the bookmaking industry to enter into an arrangement with greyhound tracks to provide racing at times which suited LBOs. However, the service had grown in popularity and BAGS now arranged for the provision of greyhound races on afternoons throughout the year, on evenings during the summer months and on Saturday mornings. The service was generally available on days when there were fewer than five horse-race meetings. The company supplied copies of its Memorandum and Articles of Association, a list of members and directors, its standard form of contract and details of its tendering system. It also described how submissions were made by tracks wishing to run BAGS races, how these were processed and the way in which contracts were awarded.

BAGS had close working links with SIS, which relayed BAGS races to LBOs and paid BAGS a rights fee equivalent to the cost to BAGS of providing the service.

5.40. BAGS shared offices and staff with BOLA under a joint arrangement. Membership of the company was open to all bookmakers and the company currently had about 30 members, including all the leading firms. Any member firm could nominate someone to be a director. Decisions on such nominations were made by the existing directors, who would consider nominations only from firms which were contributors to the BGRF (via the voluntary greyhound levy). At board meetings decisions were always taken on a straight majority basis even though there was provision in the rules for voting by poll at general meetings to be weighted according to the number of LBOs owned. This provision had not been utilized in over 30 years. BAGS said that greyhound racing was organized locally and attendance and interest were essentially local although live coverage through SIS had generated some interest nationally.

5.41. BAGS told us that attendances at BAGS meetings averaged around 220 of which 50 or 60 would bet in the ring. Amounts staked were relatively small and so the market was often very thin. BAGS had to insist that a minimum of four bookmakers attended. In reply to questions about laying-off, BAGS said that the market was capable of being influenced, not just by the large chains but by any bookmaker because the amounts which would need to be staked were small. By the same token, however, any significant intervention would be noticed. Moreover the market did not become formed until typically about a minute before the off, which presented difficulties for anyone who might seek to manipulate it. BAGS thought the amount of laying-off in greyhound racing was, in practice, very low.

5.42. BAGS agreed that the weakness of the on-course betting market at BAGS meetings was a problem. The meetings were an artificial product, to some extent, and it was difficult to get many people to attend. It would be sensible for the bookmaking industry to have, as a contingency plan, an alternative method of obtaining SPs at BAGS meetings but this would be controversial. Rigorous steps were taken to ensure the quality and integrity of BAGS races and complaints on this score were rare.

5.43. BAGS did not see any conflict of interest in Ladbroke and Coral being both board members and also greyhound track owners providing some 42 per cent of BAGS meetings. There was a history of antagonism between the greyhound-racing industry and BAGS and for this reason BAGS had always taken care to follow procedures which gave everyone interested in winning BAGS contracts a fair and equal opportunity to get them. Directors employed by companies that owned greyhound tracks left the room when the award of contracts was being discussed and took no part in decisions relating to them. BAGS agreed that the director appointed by Ladbroke had attended the board meeting at which the award of contracts for 1997/98 had been discussed and that the minutes did not record him as having declared an interest in the matter. BAGS subsequently informed us that the director concerned had not in fact left the meeting, although he had taken no part in the discussion.

### ***Horserace Totalisator Board***

5.44. The Tote said that it was a statutory body which had the exclusive right to run pool betting on horse racing. It supported the horse-racing industry from its income and each of its four operations contributed to this support. It also made a voluntary payment to the greyhound levy. The racecourse division and Tote Direct were pool-only operations. Through Tote Direct there were 4,400 terminals in betting shops accepting Tote bets for transmission to the Tote pool. Tote Direct was a limited company set up between Coral and the Tote in 1992. Ladbroke had subsequently acquired an interest and, following the merger, it had been agreed that Tote Direct would become a company owned equally by the Tote and Ladbroke. The shareholding agreement ensured, however, that the products that went through Tote Direct were Tote products and Ladbroke had no control over them. The Tote discussed new betting products with its bookmaker customers and the merger would not alter its approach. It accepted, however, that Ladbroke's size made it an extremely important customer. Outside Tote Direct the Tote authorized bookmakers to accept bets at Tote odds under the arrangement known as Tote Authority. In addition to pool betting the Tote provided the full range of off-course and other betting facilities through Tote Bookmakers and Tote Credit. Tote Bookmakers' profitability on a shop-by-shop basis was good but compared unfavourably with the Big 3 because overheads had to be spread over a smaller number of shops.

5.45. The Tote recognized the importance of local competition in off-course betting and accepted the applicability of the 400 metre measure. Little had changed in this respect since 1989 and in the present merger the Tote had worked with Ladbroke to ensure that there was competition in each locality affected by the takeover. As a result the Tote had agreed to purchase 134 shops. A fair commercial price had been agreed. These shops would generate additional cash flow of £[§<] million a year for the Tote. Ladbroke had wanted the sale in place to remove one basis for objection to the proposed merger.

5.46. The Tote was not opposed to the merger because it presented the opportunity for a quantum leap forward in the operations of Tote Bookmakers. It did not accept that the merger would reduce competition at the local level. The telephone market, which was growing strongly, was distinct. It was likely that Ladbroke would close the Coral telephone betting operation, but adequate competition would still remain. The Tote accepted that it had opposed the Mecca/William Hill merger in 1989<sup>1</sup> but said that the market had moved on since then, and the Tote itself was a stronger and much more experienced off-course bookmaker. In addition the setting up of Tote Direct enabled it to promote Tote betting throughout a much wider network of LBOs.

5.47. The Tote did not believe that the merger would materially alter the share ownership and control of SIS. All off-course bookmakers paid the same price for the service provided; the benefit for the big bookmakers lay in their ability to take advantage of economies of scale.

5.48. The Tote said that all the major bookmakers, itself included, hedged bets on-course to ensure that the SP reflected the weight of money wagered off-course. In the 1989 inquiry the MMC had found no evidence to suggest that prices were manipulated and the Tote did not believe the position had changed. Ladbroke was the most active of the big firms in laying-off because it had the most sophisticated arrangements for monitoring liabilities. SPs were carefully monitored by independent scrutineers on-course. It was very hard to see how Ladbroke could influence SPs against the interests of the punter.

5.49. The Tote supported the BHB's endeavours to get more money into horse racing. Good attendances at meetings were essential. Many on-course bookmakers failed to provide a friendly service and this led novice punters especially to use the Tote. New blood among on-course bookmakers was desirable. Off-course, the main barrier to entry was obtaining a licence. The Tote, along with all other bookmakers, routinely objected to applications by others for new licences which would affect its shops.

### ***Stanley Leisure plc***

5.50. Stanley told us that it ran regional casinos and through its subsidiary, Stanley Racing Ltd, owned 564 LBOs, 473 of which were in Great Britain with the remainder situated in the Republic of Ireland, Northern Ireland, the Isle of Man and Jersey. Its LBOs had initially been concentrated in the north-west of England but it now had LBOs throughout the mainland apart from Wales. The company had built up its LBOs by acquisition. Stanley Racing Ltd was not an on-course bookmaker and had just one on-course betting office (at Haydock Park).

5.51. Stanley said that the proposed merger was not in the public interest. Its concern stemmed from the dominant position that Ladbroke would assume in the fragmented off-course market and its increased influence on-course. The public interest would be adversely affected by the reduction in choice if Coral were not in the market. This would be reflected in margins being increased by around 5 to 9 per cent in early prices for betting on horse races and in the prices available in sports betting. There would also be less choice for punters wishing to place telephone bets. Price competition was important in the growing early price markets which currently accounted for about 4 to 5 per cent of bets laid and 7 to 8 per cent of bookmakers' turnover. Early prices were generally quoted for some 10 or 15 races each day.

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<sup>1</sup>See paragraphs 4.30 to 4.34 of the 1989 report.

5.52. Small bookmakers were under increasing competitive pressure, with the big chains leading the way in refurbishing LBOs with air conditioning, advanced screen systems and refreshment facilities. The use of technology had increased significantly and it now cost about £100,000 to fit out an LBO. The big chains also offered higher betting limits. The independents for their part could compete by offering a more personal service with, for example, credit betting in the LBO for established customers, something none of the big chain bookmakers provided.

5.53. There had been a significant reduction in the number of LBOs since 1989 (from about 12,000 to 8,500). Part of this reduction had been brought about by the acquisition and rationalization policies of the larger bookmakers. There were also examples of trade wars waged by big chain bookmakers against independents through special price offers and tax-free betting. By increasing its market share to 36 per cent, Ladbroke would get an unfair advantage over the rest of the off-course market in being able to demand a larger share of the newer machines from the AWP suppliers, who themselves worked to very tight margins. Ladbroke was a successful and aggressive operator with turnover per outlet some 16 per cent higher than the industry average. With the merger many small bookmakers, faced with Ladbroke's marketing power through its national advertising, would find it even more difficult to compete and would be forced either to close or sell up.

5.54. Stanley said that the merger had significant implications for the practice of hedging. All small independent bookmakers needed to hedge with the large chains from time to time and the loss of Coral was important because Coral was more obliging in accepting hedging bets than Ladbroke. A refusal by Ladbroke to accept a hedging bet from a small bookmaker could put the latter out of business.

5.55. Although Stanley regarded the 400 metre measure as somewhat arbitrary, it was difficult to devise a more effective measure to secure local competition. Broadly the rule was workable and reasonable.

5.56. The Big 3 had a definite advantage in that they were all also rails bookmakers and could utilize their on-course presence to reduce their off-course liabilities. Coral's presence on-course was important for it was very skilled at laying-off and would often be backing a different horse from Ladbroke. Stanley did not believe that laying-off was used to manipulate prices. Attempts to manipulate the market, when they occurred, were made by punters.

5.57. Stanley did not feel that the merger had any implications for SIS, which provided an excellent service. The big chains with relay facilities were able to secure economies of scale. The limitation on third party relay was of fundamental importance to the service. A market consisting of just 8,500 LBOs was not big enough for two picture providers.

5.58. On greyhound racing Stanley told us that BAGS' selection of tracks was based on the integrity and efficiency of the tracks tendering to run BAGS races. Tracks put forward proposals annually and these were objectively considered. Directors associated with particular tracks took no part in the decisions relating to those tracks.

5.59. Stanley said that Ladbroke should be required to reduce its market share from the 36 per cent resulting from the merger to a maximum of 30 per cent of turnover by disposing of more shops than the 134 proposed. Disposal to the Tote was a comfortable option for Ladbroke as the Tote was not a competitive bookmaker.

### ***William Hill Organization Limited (The Grand Bookmaking Company Limited)***

5.60. The Grand Bookmaking Company Limited (GBC), a company which is indirectly and beneficially owned by Nomura, told us that it owned William Hill. The company said that the merger would irrevocably change the structure of the off-course betting industry to the detriment of the public interest, the interests of the customer and the other participants in the industry. Ladbroke would acquire a dominant position with 75 per cent more LBOs and 50 per cent greater turnover than William Hill, its only remaining national competitor, and there would be no prospect of a third national chain being recreated. The next largest chain, Stanley, operated predominantly in the north-

west of England and did not have national coverage. With the merger, choice and price competition at individual bookmaker odds would be reduced at a time when turnover on this type of betting was increasing. The reduction in national chains from three to two would adversely affect customers' interests in that the range of odds quoted would be reduced, and with this reduction bookmakers' margins would increase. Another important factor was that Ladbroke's market dominance would enhance its ability to exploit economies of scale in advertising, facilities in its LBOs and organic expansion. This would serve as a barrier to the expansion of smaller chains.

5.61. GBC pointed to various developments which had stimulated competition in bookmaking. These included:

- (a) the deregulation of advertising (including shop window advertising) which had allowed national chains to publicize prices and services more effectively; as a result national price-led campaigns were likely to become increasingly significant in the off-course market. These price-led campaigns encouraged people to visit particular firms' betting shops as well as being of importance to the telephone betting market;
- (b) new sources of information such as Channel 4 Morning Line, the Racing Channel, satellite channels and the 'Pricewise' column in the *Racing Post*;
- (c) the increasing popularity of sports betting and other betting at individual bookmaker odds due, in part, to increased media coverage; and
- (d) the increased importance of branding and reputation which came with national advertising.

5.62. GBC concluded from these developments that the national impact of the proposed merger needed to be carefully considered and that the 400 metre measure, which had been a pragmatic approach devised to deal with the local concentration of LBOs in Greater London at the time of the Mecca/William Hill merger,<sup>1</sup> was not an appropriate test to apply to the present case. The inappropriateness of the 400 metre measure was demonstrated by William Hill's own market research. The origins of the test were obscure and there was no economic or factual evidence to justify its application.

5.63. GBC said that direct competition through individual bookmaker odds, which now covered some £1 billion of turnover (about 15 per cent of all off-course betting turnover), benefited customers, and that for most customers prices were an important consideration in their choice of LBO. GBC supplied evidence explaining the growth in betting at individual bookmaker odds and showing that the level of turnover attributable to such betting significantly increased on the days of increased customer interest in betting. Attempts to annualize the percentage of turnover achieved in respect of such betting understated its importance. For example, football betting accounted for up to 16 per cent of LBO turnover on Saturdays during the football season. Also, during the Cheltenham Festival, horse-racing betting at bookmakers' odds accounted for 14 per cent of William Hill's LBO turnover, with 20.3 per cent at board prices. This compared with the 4.5 per cent of LBO turnover achieved at William Hill's odds (with 18.3 per cent at board prices) during ordinary trading periods.

5.64. Since 1989 there had been market consolidation and some 16 chains, ranging in size from 10 to 114 LBOs, had been sold to Ladbroke, Coral, the Tote or Stanley. A significant number of medium-sized provincial chains had left the market and GBC believed that the off-course betting market now comprised essentially two types of competitor—national bookmaking chains and small independents. The former competed at both national and local level. The small independents were, however, unable to provide any significant competitive constraint on the market behaviour of the larger chains. In particular they lacked the advertising muscle.

5.65. GBC said that telephone betting continued to grow in importance. This service could only be operated effectively through the use of expensive national advertising by businesses with a recognized reputation and operating on a sufficient scale.

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<sup>1</sup>See glossary.

5.66. As a result of the merger, Ladbroke had increased its shareholding in Tote Direct from 33 to 50 per cent. Tote Direct had an exclusive licence to operate pool betting on horse racing through LBOs and it set the charges as well as the levels of commission payable to bookmakers placing bets through Tote Direct terminals.

5.67. The introduction of numbers betting had highlighted the different capabilities of the national bookmaking chains and the smaller independent chains. The former could take bets on four or five numbers (the latter giving a winning payout of £100,000) whereas many smaller chains limited bets to three numbers only (with a £500 payout).

5.68. The acquisition of Coral also meant that Ladbroke now controlled four of the main greyhound tracks and accounted for some 42 per cent of all BAGS meetings. The fact that LBOs opened in the evening and on Sundays gave BAGS increased exposure. Ladbroke also benefited from increased advertising of its name and logo through SIS.

5.69. In summary, GBC said that there were no obvious countervailing benefits arising from the merger. The merger was contrary to the public interest and could only be remedied by requiring Ladbroke to divest itself of the whole of the Coral business.

### ***Mr George Turner***

5.70. Mr George Turner, Chairman of BAGS and also Managing Director of Mick Dines Ltd, the Manchester-based bookmakers, speaking in his personal capacity, said that clearly the merger would result in some reduction in customer choice, primarily in the range of early prices that were available. Overall, however, the effect would not be significant. The level of sponsorship by Ladbroke was unlikely to be affected.

### ***Other bookmakers***

5.71. Thirteen other independent off-course bookmakers wrote to us individually. Some commented on just one or two aspects of the merger. However, Wilf Gilbert (Staffs) Ltd, Jack Brown Group, Jeff Dee Ltd and London Bookmakers Ltd considered that the merger would have an adverse effect on the public interest in that choice and competition would be reduced and Ladbroke would be too strong in the market. In contrast, six bookmakers—John Smith (Bookmakers) Ltd, Demmy the Bookmaker Ltd, Surrey Racing, Stan James, Peter Smith Racing Ltd, and Laurie Wallis (Bookmakers) Ltd—did not consider that the merger would have an adverse effect on the public interest. Four bookmakers (Geo Atkins Holdings Ltd, Wilf Gilbert (Staffs) Ltd, Jack Brown Group and Jeff Dee Ltd) considered that Ladbroke would have undue influence in SIS, BAGS or the Levy Board. Seven of the bookmakers which wrote in (Demmy the Bookmaker Ltd, Sports (Bookmakers) Ltd, Done Brothers (Cash Betting) Ltd, Surrey Racing, Stan James, Peter Smith Racing Ltd and Laurie Wallis (Bookmakers) Ltd) expressed the view that the 400 metre measure remained an effective way for magistrates to address local competition. Two (John Smith (Bookmakers) Ltd and Jack Brown Group) said that this measure was not an appropriate way of doing so. Peter Smith Racing Ltd considered that at the national level, ie credit and telephone betting, the loss of Coral would make little, if any, difference as there were many firms in this market. London Bookmakers Ltd told us about Ladbroke's tactics in objecting to its licence application for a new shop.

### **Satellite Information Services (Holdings) Limited**

5.72. SIS told us that the company had been formed in the mid-1980s by the four leading bookmaking companies at that time, in co-operation with the RCA and the Tote, to take advantage of a change in regulation and provide an integrated programme of live television pictures, audio commentary and betting data to all LBOs in the UK and Ireland. The service had evolved in order to meet bookmakers' needs but there was no intention of extending live coverage to other sports besides horse racing and greyhound racing. SIS to date had put £109 million into horse racing. This was reflected in improved facilities and infrastructure at the racecourses, which were now able to market themselves as

leisure venues. In SIS's opinion the racing industry was apparently healthy. The SIS service had also made LBOs much more attractive to the ordinary punter.

5.73. SIS described the way it was managed. It said that the board concerned itself with broad policy objectives and did not get involved in day-to-day management. The Chief Executive was the only member of the management who had a seat on the board. The management was independent of any of its shareholders and it treated shareholder-related customers in the same manner as unrelated customers. Management developed pricing proposals, for example, and put them to the board for approval in the context of the annual budget, which was in turn set within the framework of a five-year rolling plan. SIS's current and historic policy was to contain price increases below the rate of inflation.

5.74. The board was a balanced one; although Ladbroke and William Hill were important customers as well as having seats on the board, they did not dominate it. Their shareholdings were broadly matched by those of two independent shareholders, Racal and United News and Media. The absence of small bookmakers on the board was explained by the company's origins. The big bookmakers had put up the initial share and loan capital. At that time the only alternative would have been a public flotation but there would have been no trading record on which to attract general investors. When shares were made available, they were offered in a private placing on the recommendations of SIS's advisers.

5.75. SIS agreed that its Articles of Association precluded board members from voting on issues in which they had a material interest which might conflict, actually or potentially, with that of the company. [

*Details omitted. See note on page iv.*

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5.76. Bookmakers were charged for most SIS services on the basis of the number of LBOs supplied. Charging on the basis of turnover was not practical without an effective way of policing turnover data, although there was an open invitation to the BBOA and the NAB, which had proposed such a charging system, to put forward a means of achieving this. In the absence of any such method, SIS had also been advised that such differential charging could infringe competition law.

5.77. SIS kept in close touch with all levels of its bookmaker customers and took account of their views, but clearly it was not possible to please everyone. Its regional customer service managers visited all owners/managers of LBOs on a regular basis. Additionally there were discussions with the bookmakers' trade associations, to which some 50 per cent of all bookmakers belonged, and an SIS user committee met every six months. SIS said that seven bookmakers, including the five biggest, had their own distribution arrangements for text services, taking SIS's raw data feed to a central point, creating their own text service and making their own arrangements to convey it to their LBOs. Some 250 more took a competitor's text service (Racing Data) direct to their LBOs. The availability of raw data allowed those concerned to choose between taking SIS's pre-formatted text service (charged on a per site basis) and the flexibility to present information in their own way and thus achieve economies of scale and prominence for their own brand.

5.78. As to the speed of shows, SIS said that one of Racing Data's original objectives was to beat SIS on the first show. SIS, however, was concerned not merely with speed but also with the reliability of the information transmitted. Its policy was to wait for prices to settle—that is, to ensure that on-course bookmakers were displaying odds at which they were prepared to lay significant sizes of bet—and as far as possible not to transmit a show until prices were available on all horses in a race. On average the first SIS show appeared 7 or 8 minutes before a race. It was technically possible for those customers with a relay service to hold up shows but there was no evidence of this happening.

## **Home Office**

5.79. The Home Office gave us some comments on developments in the bookmaking industry. It told us that the introduction of gaming machines into LBOs had had a marked impact on profitability. The advent of clear windows in 1996 might also have had an effect by reducing the mystique surrounding betting shops. The larger operators had redesigned many of their shops to make them bright and open. It was too early to say what effect the ability to advertise in print had had on either the betting market or punters' behaviour. Bookmakers were still unable to advertise their facilities on television, radio or in the cinema and there were no plans to relax these rules further.

5.80. The modernization of betting shops had coincided with the development of numbers betting. It was clear that people liked betting on numbers and bookmakers had taken advantage of this. Numbers betting was likely to increase because the profit margin was much higher than for racing. Another fairly recent development was the increased use of debit cards for betting transactions. Unlike the position on casinos and bingo clubs, there was no statutory ban on the use of credit for betting, but the continued ban on enforcement of betting debts meant that bookmakers had to be careful in extending credit facilities.

5.81. The social policy and revenue implications of the development of Internet betting and other technology such as digital television were being monitored. Current policy remained against the provision of betting facilities in premises outside LBOs. Pressure from the racing industry to allow the installation of betting terminals in pubs had been resisted. The development of new technology did, however, suggest that gambling controls generally were ripe for review though no commitment to a review had been made by the Government.

## **Other views**

### ***International Consumer Policy Bureau***

5.82. The International Consumer Policy Bureau (ICPB) owned by Mr Jeremy Mitchell submitted written views. It was opposed to the merger because it would establish a considerable degree of structural monopoly in the off-course betting market. There was little consumer mobility and limited local competition. Local competition needed to be protected from predatory pricing to ensure that punters could bet on fair terms. The merger would also mean reduced competition in the on-course rails market and Ladbroke would have greater influence in the determination of SPs. Its number of on-course betting shops would be increased from 14 to 21. It was important that the integrity of SIS should be maintained and seen to be maintained in the face of Ladbroke's increased shareholding of nearly 30 per cent. The ICPB also thought it inevitable that, with the increased concentration, prices and the range of bets on offer would deteriorate. Past experience showed that increased concentration was accompanied by restricted place betting terms, adverse changes to the computer straight forecast formula and a higher rate of deduction to cover tax and administrative expenses. The ICPB also pointed out that there was no effective betting ombudsman. The merger should not be permitted. If it was allowed to proceed, Ladbroke should be required to dispose of at least 300 shops. Its shareholding in SIS should also be reduced to the level of the next highest shareholder.

### ***Mr Tom Kelly***

5.83. Mr Tom Kelly, the Director General of BOLA and Chief Executive of BAGS, offered some general comments in his personal capacity. He said that horse racing invariably sought a higher levy yield than bookmakers wished to pay, and that the smaller bookmakers made a lower proportional payment for their horse racing than the large companies because of the way the levy was calculated. The small bookmakers tended to regard their large competitors as having unfair advantages through economies of scale, but in fact the small bookmakers had benefited from the way the horse-race levy was structured and they were also less subject to public scrutiny. Clearly Bass, which had no long-term commitment to bookmaking, had decided to sell Coral. Selling the business intact maximized its value. It was preferable that the business was bought by a company with experience of and a commitment to bookmaking. The 400 metre measure was just as valid today as it had been in 1989 as a means

of ensuring local competition. Off-course betting was a competitive industry despite most bets being settled at SPs. Competition off-course had increased with deregulation and the availability of a wider range of products. Although the disappearance of Coral would inevitably have some effect on consumer choice, some 1,400 individual betting office companies would remain, and, on-course, the absence of Coral would make no great difference.

### ***Mr Michael Singer***

5.84. Mr Michael Singer, the former Chairman of the recently defunct National Association for the Protection of Punters, said that he was opposed to the merger. He was still battling for consumer protection in the betting industry. In the past 25 years there had been a huge reduction in the number of independent bookmakers and the merger would increase market concentration off-course and erode consumer choice further. The increased SIS shareholding would give Ladbroke much more influence over the way this body was run.

### ***Peers and Members of Parliament***

5.85. The Lord Kimball, a former Chairman of the BGRF, said that there were serious questions about the efficiency of betting shops, which were an expensive way of collecting off-course bets. Nevertheless it was important that the shops should be kept open and renovated. The proposed merger would enable this to be done. Ladbroke's market share would not be too great.

5.86. Two early day motions were tabled on 14 January and 25 February 1998 by Mr Alan Meale MP and Mr Neil Gerrard MP respectively in the House of Commons, signed by 66 and 21 members respectively, calling on the Government to refer the merger to the MMC. A third early day motion was tabled by Mr Alan Meale MP on 6 June, and by 10 July had attracted 66 signatures. This called upon the MMC to recommend to the Secretary of State that Ladbroke be required to divest itself of the Coral chain in its entirety in order to protect the public interest. Mr Lawrie Cunliffe MP, the Chairman of the House of Commons All-Party Racing Committee, said that his committee was opposed to the merger, which would lead to increased concentration and a high degree of structural monopoly, bringing with it a severe restriction of competition and choice. Mrs Margaret Hodge MP, in whose constituency the head office of the Coral chain is situated, expressed concern at the employment implications of the merger and Ladbroke's dominant market position. Mr Alex Salmond MP also registered his concerns about the adverse effects of Ladbroke's market share on choice and the prices offered to punters as well as the company's ability to affect SPs.

5.87. Mr Salmond, together with Mr Meale and Mr Gerrard, submitted a report on the impact of the merger commissioned from Economia (UK) and paid for by five unnamed people from within the betting industry. This report concluded that:

- (a) the merger would result in a reduction in competition to the disadvantage of the customer;
- (b) the merger would give Ladbroke a dominant market position;
- (c) smaller chains and independent bookmakers were unable to offer effective competition to the national chains;
- (d) there was no realistic prospect of a third national chain emerging to replace Coral; and
- (e) Ladbroke's offer to dispose of over 100 Coral shops was irrelevant to national competition and misunderstood customer behaviour.

A certain amount of press interest was generated by a meeting held to publicize this report. We therefore believe it appropriate to note that no greater, or lesser, weight was given to this report in our considerations than was given to the evidence of other industry participants opposed to the merger.

## ***Mr John McCririck***

5.88. Mr John McCririck, the Channel 4 racing presenter, said that he had no financial interest in the merger and no relevant consultancy contracts. His limited promotional activities had largely been with independent bookmakers and he had not done any work of this kind for Coral for nine years. He had had wide experience in the bookmaking industry and had worked as a journalist for *The Sporting Life* for 13 years. The views expressed were his own, not those of Channel 4. He indulged in all forms of betting and regarded betting as one of the great joys of life.

5.89. He was strongly opposed to the merger because it would reduce competition and choice, affecting the prices available to punters in all types of betting, and would lead to an excessive concentration of power in the market with Ladbroke. He had spoken to many punters both on and off-course up and down the country—more, he claimed, than any other individual—and the vast majority were opposed to the merger. The only beneficiaries would be the shareholders of Ladbroke and Bass. Coral was a successful business and there should be no shortage of potential purchasers for it. There had been little media opposition to the merger because the trade newspapers were dependent on advertising income from the big bookmakers. Ladbroke was a tough, efficient operator and would take all steps to promote its own interests.

5.90. In Mr McCririck's view the betting industry was healthier than ever despite the rather worrying contraction in the number of LBOs in recent years. Bookmakers were very resourceful and new forms of betting had been developed which had increased choice. Other forms of betting did, however, mean less money for the horse-racing levy. Mr McCririck argued that there was too much horse racing, with too many horses and owners, and that it was wrong in principle to have a levy taking money from punters for the benefit of wealthy owners. The market should be allowed to operate. Punters understood that the 9 per cent deduction went to pay betting duty, the horse-race and greyhound betting levies and bookmakers' overheads. Bookmakers worked to tight margins and had no other way of recouping these costs.

5.91. Mr McCririck said that competition in ante-post and morning prices was important because they served as a benchmark for the market, and there was advantage in having a spread of initial odds. About £1 billion of the £5 to £6 billion wagered on horses was bet at bookmakers' odds. The dominance of SP betting was due to the fact that for most races nothing else was available. Most punters were distrustful of SPs, remembering occasions when prices shortened against them rather than the contrary, but in fact the SP system which was run by *The Sporting Life* (now the *Racing Post*) and the Press Association was absolutely fair between punters and bookmakers. The movement of SPs was monitored by a company called Vetabet, whose monitoring showed that some 75 per cent of SPs were the same as the last show, with the remainder equally divided between shortening and lengthening odds. There was no question of a bookmakers' cartel. Bookmakers loathed one another and found it difficult to agree about anything.

5.92. SIS did a good job, and it had to be remembered that the big bookmakers had put up the risk capital (£40 million) for the venture when nobody else was prepared to do so. The amount of power residing with the bookmakers was worrying but there was no evidence to suggest that this power was abused. Nor was there evidence of the systematic holding up of shows, either by SIS itself or by any of the big bookmakers which had in-house text relay facilities. SIS did not transmit shows until a complete market on a race had been established. Mr McCririck approved of this approach rather than having shows in which some runners were not priced.

5.93. Laying-off by the big bookmakers was generally done early and fairly and with no attempt to manipulate prices. It occurred on most races. Ladbroke dominated the ring and with the merger there would be a reduction in the amount of money laid-off; any such reduction was to be regretted because it would weaken the on-course market.

5.94. On- and off-course betting were inextricably linked and Coral represented a distinctive presence in both markets. Greyhound betting was a concern, particularly the computer forecast and tricast formulae which had been repeatedly adjusted against the interests of the punter. The merger would not, however, have any effect on either the horse-racing or greyhound-racing programme.

5.95. Mr McCririck said that the best outcome would be for all the Coral shops to be taken over by the Tote which was a well-run concern whose profits benefited horse racing. It was important for the MMC to understand that it would not be sufficient simply for a few Coral shops to go to the Tote. A line now had to be drawn and Ladbroke should not be allowed to increase its size. If this were not done, it was possible that Ladbroke would also take over William Hill from Nomura, giving it 60 per cent of the market. The arguments that could be used against such a concentration of control by Ladbroke now applied to the takeover of Coral.

### ***Dr David Ashforth***

5.96. Dr David Ashforth, a senior reporter for the *Racing Post*, said that he was opposed to the merger on the terms proposed by Ladbroke. The greatly increased concentration that would result had the potential to increase Ladbroke's influence in the market place to the extent that it would operate against the public interest. Although there was no immediate threat to the SP system, the temptation to exert greater control over it was implicit in the process of concentration of market power. Dr Ashforth had specific concerns about:

- (a) those areas where price competition existed, such as early morning prices;
- (b) the increased likelihood of changes in profit margins including those relating to computer forecast bets;
- (c) possible changes in terms of betting, unfavourable to customers; and
- (d) Ladbroke's influence over the price of pool bets.

5.97. Dr Ashforth maintained that particular account should be taken of the unique position of the Tote and the significance of pool betting as a source of price competition. If the merger were to proceed, Ladbroke should be required to dispose of a minimum of 300 shops. The advantages, on public interest and competition grounds, of selling these to the Tote should be acknowledged. It was desirable to strengthen the Tote's position in the off-course market and to recognize the benefit this would have for the horse-racing industry.

### ***Others***

5.98. Fifty-one members of the public wrote in to express their views. All but one considered that the proposed merger was against the public interest. By far the most frequently expressed concerns were that the merger would result in an undesirable concentration of power and that competition would be reduced (30 commented along these lines) and that the level and range of prices offered to punters would be adversely affected (29 comments). Aspects of the deterioration in prices specifically referred to included less favourable early prices (14 comments), the non-availability of early shows (six comments) and delays in price shows (three comments). Four correspondents told us of personal disputes or problems with Ladbroke. Eight were concerned that Ladbroke would have greater scope on-course to manipulate SPs, seven were concerned about the impact on local competition, five thought the merger would have an adverse effect on horse racing generally, four complained about the quality of Ladbroke's telephone betting service and two were concerned at the prospect of redundancies in the betting industry.