



DETERMINATION OF MERGER NOTIFICATION M/13/018 -

Ladbrokes / Chronicle Group

Section 21 of the Competition Act 2002

Proposed acquisition by Ladbrokes plc of the on-course and tele-betting business of Chronicle Group Bookmakers

Dated 24 June 2013

Introduction

1. On 27 May 2013, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Ladbrokes plc ("Ladbrokes") would acquire sole control of certain assets,¹ comprising the on-course and tele-betting business, from Chronicle Bookmakers Limited (Ireland), Chronicle Bookmakers Limited (Isle of Man), John Browne Bookmakers Limited, and Pivater (collectively "the Chronicle Group").²

The Undertakings Involved

The Acquirer - Ladbrokes

2. Ladbrokes, headquartered in Harrow, Middlesex, UK is a public company listed on the London Stock Exchange. Ladbrokes operates worldwide offering betting services on a wide range of activities, including horse racing, the most relevant activity to the analysis of the proposed transaction. Ladbrokes is involved in betting other sports (e.g., cricket, football, GAA, golf, greyhounds, snooker and tennis), and other activities (e.g., poker, bingo and casino betting).³
3. In summary, Ladbrokes is involved in:
 - On-course betting at various UK and Irish horse race courses,
 - On-site betting at various UK football grounds, and

¹ The proposed transaction involves the following Ladbroke subsidiaries: [...].

² The proposed transaction would be put into effect pursuant to two Asset Purchase Agreements ("APAs"). The first APA is between [...]. The second APA is between Pivater and Ladbroke (Ireland) Limited. The assets to be acquired include certain Irish on course betting pitches, goodwill, contracts relating to the on-course betting and tele-betting businesses, records (including customer lists), stock and equipment (including motor vehicles).

³ For more information on Ladbrokes and its betting services see: <<http://www.ladbrokesplc.com/>> and <<http://sports.ladbrokes.com/en-gb>>.

- Off-course betting through:
 - Retail betting - i.e., licensed bookmaker's premises,
 - Tele-betting - i.e., customers placing bets by phone, and
 - On-line – i.e. customer placing bets using the internet.
4. Within the State, Ladbrokes is involved in on-course betting at six racecourses (namely, The Curragh, Dundalk, Galway, Leopardstown, Listowel, and Punchestown). Ladbrokes is also involved in off-course betting as described above, including the operation of more 200 betting shops within the State.
 5. For the financial year ended 31 December 2012, Ladbrokes had a worldwide turnover of €22,025 billion,⁴ of which approximately €856 million was generated within the State.⁵

The Vendors – The Chronicle Group

6. The Chronicle Group is jointly owned and controlled by Messrs Dermot Desmond and Justin Carthy⁶ and comprises the following four undertakings:
 - Pivater is an unlimited Irish-registered operating company involved in on-course betting in Ireland. Pivater also employs Chronicle Group staff.
 - Chronicle Bookmakers Limited (Isle of Man) is an Isle of Man-registered operating company involved in tele-betting.
 - Chronicle Bookmakers Limited (Ireland) is an Irish registered company that not longer trades.⁷
 - John Browne Bookmakers Limited, registered in England and Wales, is the operating company involved in on-course betting business in Great Britain.
7. All of the above companies in the Chronicle Group utilise the trading name Chronicle Bookmakers.⁸

⁴ Calculated using the ECB Annual Exchange rate for 2012 or €1=£0.8109. In addition, Ladbrokes received approximately €[...] million in amounts of bets staked by Irish customers over the internet and by tele-betting.

⁵ This turnover figures are calculated on the basis of amounts staked – i.e., the amount of money bookmakers receive from customers at the time a bet is placed. Ladbrokes has stated its opinion, in correspondence to the Authority dated 23 April 2013, that this amount less customer winnings would be a more accurate reflection of its "turnover" for Irish merger control purposes.

⁶ Correspondence with Chronicle Group dated 17 June 2013 Joint ownership and control between Messrs Desmond and Carthy is [...].

⁷ Chronicle Bookmakers Limited is a company registered in Ireland. It previously employed staff to provide phone answering services to Chronicle Bookmakers Limited (Isle of Man). These employees transferred to Pivater in late 2012 and since then this company has not traded. Any residual intellectual property held by Chronicle Bookmakers Limited, in connection with these employees, has been transferred as part of the APAs.

⁸ The Chronicle Group no longer uses "5 Star Bookmakers", the trading name for 5 Star Bookmakers Limited, a wholly owned subsidiary of John Browne Bookmakers Limited. Similarly

8. Prior to October 2012, the Chronicle Group was involved in on-line betting through Betchronicle, which was operated by Global Betting Exchange ("GBE")⁹ on behalf of Chronicle Bookmakers Limited (Isle of Man). Subsequent to GBE's decision to relocate outside of the State the Chronicle Group closed its on-line business on 31 October 2012.¹⁰

The Target

9. The business to be acquired comprises the on-course and tele-betting businesses currently operated by undertakings comprising the Chronicle Group ("Target Business"), i.e., on-course and tele-betting on horse racing within the UK and the State.
10. At present the Target Business owns and operates on-course betting facilities at the following 16 racecourses in the State: The Curragh, Galway, Leopardstown, Listowel, Punchestown, Fairyhouse, Navan, Bellewstown, Naas, Thurles, Kilbeggan, Limerick, Killarney, Wexford, Gowran Park, and Tipperary. The Target business is also involved in tele-betting but is not involved in retail betting or on-line betting.
11. For the financial year ended 30 June 2011 the world-wide turnover of the Target Business was approximately €[...] million of which approximately €[...] million was generated within the State.

Third Party Submissions

12. No submissions were received.

Rationale for Transaction

13. The parties state that the transaction will enable the vendors to realise a return on their current investment in the Chronicle Group Target Business and that Ladbrokes expects to increase its on-course betting presence within the State and increase its tele-betting revenue. For example:

"Ladbrokes intends to expand its on-course betting operations in the State and the UK by way of its proposed acquisition of certain assets comprising the Target Business. In addition, Ladbrokes's tele-betting operations (currently serviced by call centres in the UK and Gibraltar) will be supplemented by the addition of the Target Business's customers."¹¹

"From the vendors' perspective, the sale of the Target Business allows it to realise their long-standing investment in the business and operations of the Chronicle Group."¹²

the Chronicle Group no longer uses "John Brown Bookmakers", a trading name of John Brown Bookmakers Limited.

⁹ For more information on GBE see

<<http://www.betdaq.com/UI/?pc=manifesto10575&gclid=CLm53sGu67cCFUQ72wod6gQA3g>>.

¹⁰ *op cit.* note 6.

¹¹ Notification Form, page 7.

¹² *ibid.* page 7.

Analysis

14. There is no vertical overlap in the activities of the parties and the proposed transaction does not give rise to vertical competition concerns.
15. There is a horizontal overlap in both on-course and off-course activities of the parties within the State. However, the overlap does not give rise to competition concerns within the State.
16. For the purpose of examining the competitive effects of the proposed transaction, the Authority does not need to come to a definitive view on the precise product or geographic market. The Authority's conclusion concerning the competitive effects of the proposed transaction, outlined below, would be unaffected whether the relevant product market is narrow (e.g., fixed odds betting, pooled betting, tele-betting, on-line betting) or broad (e.g., all on-course horse race betting, all off-course horse race betting or even all horse race betting). Similarly, the Authority's conclusions will be unaffected whether the geographical market is defined narrowly (e.g., in terms of individual race courses for on-course betting) or broadly (e.g., nationally or internationally for off-course betting).

On-Course Betting

17. The parties argue, in the context of the relevant product market, that (i) betting can be distinguished from other forms of gambling, and (ii) on-course betting can be distinguished from off-course betting.¹³ Further, on-course horse racing betting can be distinguished into two different activities. Bookmakers, operating from pitches within the betting ring, offer fixed-odds betting whereas the Tote offers pooled-odds betting.¹⁴
18. The parties further argue, in the context of a relevant geographical market for on-course betting, that each racecourse is effectively a separate market.¹⁵ Consequently the parties argue that for on-course betting the overlap occurs separately at each of the five courses where both Ladbrokes and the Chronicle Group have pitches, namely The Curragh, Galway, Leopardstown, Listowel, and Punchestown.
19. Tables 1-5 show turnover and market shares¹⁶ at the 5 racecourses listed above for:

¹³ The parties cite Irish and UK decisions from the late 1990s in support of this argument, namely Competition Authority: Report of Investigation of the Proposal whereby Ladbroke (Ireland) Limited would acquire the whole of the Issued Share Capital of Coral Leisure (Ireland) Limited, Competition Authority, 7 May 1998 and Ladbrokes Group plc and the Coral Betting Business: A report on the merger situation UK Monopolies and Mergers Commission, 24 September 1998. In subsequent cases the OFT has reiterated its 1998 decision e.g., OFT No. ME/1716-05 Completed acquisition by William Hill plc of the Licensed betting office business of Stanley plc, and OFT No. ME/3551/08 Completed acquisition by Ladbrokes Ltd of Eastwood Bookmakers and ME/5160/11 Completed acquisition by Lightcatch Limited (trading as Betfred) of Tote UK (Successor Company) Limited.

¹⁴ For a fixed odds bet the odds, and hence the return on the wager, is specific to the bet as placed. The odds, and the potential rate of return on a given bet, are invariant to any subsequent bets on the same horse placed with the same or a different bookmaker. Consequently different bets on any given horse may have different odds and result in different returns. In contrast in pooled betting the potential odds, and the return on an individual bet, depends on the total pool of bets. All bets on any given horse will offer the same odds and the rate of same return.

¹⁵ The parties cite the UK decision, ME/5160/11 Completed acquisition by Lightcatch Limited (trading as Betfred) of Tote (Successor Company) Limited, in support of this argument.

¹⁶ The total market figures in Tables 1-5 are from Horseracing Ireland's *Factbook 2012* page 36. See <<http://www.goracing.ie/hri/pics/2012/factbookfinalproof.pdf>>. The individual shares are estimates of the parties based on their involvement and experience in horse race betting.

- i. All on-course betting (i.e. fixed-odds betting offered by bookmakers and pooled betting offered by the Tote),¹⁷ and
- ii. Fixed-odds betting only.

Table 1: The Curragh On-Course Betting

Firm	Turnover €000	Share %	Turnover €000	Share %
	(Fixed & Pooled)		(Fixed Only)	
Ladbrokes	[...]	[0-5]%	[...]	[0-10]%
Chronicle Group ¹⁸	[...]	[0-5]%	[...]	[0-10]%
Ladbrokes & Chronicle Group	[...]	[0-10]%¹⁹	[...]	[5-15]%
Tote	5,028	41%	0	0%
Richard Power Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Seamus Mulvaney Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Pat O'Hare Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Sean Graham Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[35-45]%	[...]	[60-70]%
Total	12,262	100%	7,234	100%

Source: Information provided by the parties

Table 2: Galway On-Course Betting

Firm	Turnover €000	Share %	Turnover €000	Share %
	(Fixed & Pooled)		(Fixed Only)	
Ladbrokes	[...]	[0-5]%	[...]	[0-5]%
Chronicle Group	[...]	[0-5]%	[...]	[0-10]%
Ladbrokes & Chronicle Group	[...]	[0-10]%	[...]	[5-15]%
Tote	5,544	34%	0	0%
Richard Power Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Seamus Mulvaney Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Pat O'Hare Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Sean Graham Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[40-50]%	[...]	[65-75]%
Total	16,302	100%	10,758	100%

Source: Information provided by the parties

¹⁷ For more information on the Tote see
<<http://www.goracing.ie/hri/resource-centre/about-hri/tote-ireland/>>.

¹⁸ In tables 1-6 Chronicle Group should be read to mean the Target Business as defined in paragraphs 10-12.

¹⁹ Combined percentage figures are subject to rounding.

Table 3: Leopardstown On-Course Betting

Firm	Turnover €000	Share %	Turnover €000	Share %
	(Fixed & Pooled)		(Fixed Only)	
Ladbrokes	[...]	[0-5]%	[...]	[0-5]%
Chronicle Group	[...]	[0-5]%	[...]	[0-10]%
Ladbrokes & Chronicle Group	[...]	[0-10]%	[...]	[5-15]%
Tote	7,085	38%	0	0%
Richard Power Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Seamus Mulvaney Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Pat O'Hare Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Sean Graham Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[40-50]%	[...]	[65-75]%
Total	18,523	100%	11,438	100%

Source: Information provided by the parties

Table 4: Listowel On-Course Betting

Firm	Turnover €000	Share %	Turnover €000	Share %
	(Fixed & Pooled)		(Fixed Only)	
Ladbrokes	[...]	[0-5]%	[...]	[0-5]%
Chronicle Group	[...]	[0-5]%	[...]	[0-5]%
Ladbrokes & Chronicle Group	[...]	[0-10]%	[...]	[5-10]%
Tote	1,412	22%	0	0%
Richard Power Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Seamus Mulvaney Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Pat O'Hare Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Sean Graham Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[50-60]%	[...]	[70-80]%
Total	6,351	100%	4,939	100%

Source: Information provided by the parties

Table 5: Punchestown On-Course Betting

Firm	Turnover €000	Share %	Turnover €000	Share %
	(Fixed & Pooled)		(Fixed Only)	
Ladbrokes	[...]	[0-5]%	[...]	[0-5]%
Chronicle Group	[...]	[0-10]%	[...]	[5-15]%
Ladbrokes & Chronicle Group	[...]	[5-15]%	[...]	[10-20]%
Tote	4,760	37%	0	0%
Richard Power Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Seamus Mulvaney Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Pat O'Hare Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Sean Graham Bookmakers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[40-50]%	[...]	[60-70]%
Total	12,908	100%	8,148	100%

Source: Information provided by the parties

20. The overlaps illustrated by Tables 1-5 do not indicate likely competition concerns arising, within the State, from the overlap in the activities of the parties. The proposed transaction would increase the size, by turnover and market share, of the merged entity relative to its on-course betting competitors. This is the case for either fixed-odds betting only or pooled odds combined or fixed odds. It is not obvious that this in itself would be likely to raise competition concerns.
21. For example, in none of the five racecourses in Tables 1-5, would the combined market share be more than 10% for all on-course betting. It could be argued that the Tote is not a close competitor of bookmakers since it offers only pooled betting rather than fixed odds betting. Furthermore if the Tote is excluded the combined share, if the proposed transaction were put into effect, would range from from a low of [...] % at Listowel to a high of [...] % at Punchestown.
22. Furthermore, as stated by the parties²⁰ and reiterated by the Horse Racing Ireland, at each of The Curragh, Galway, Leopardstown, Listowel and Punchestown race courses there are currently more than 80 bookmaker pitches. Of these, Ladbrokes operates a maximum of four and The Target Business of the Chronicle Group operates a maximum of three.²¹ This implies that consumers would continue to have choices of bookmakers and bookmaking services upon implementation.

²⁰ Notification Form, page 11.

²¹ The Parties state, in correspondence of 17 June 2013 that both the Chronicle Group and Ladbrokes would be likely to utilise all of their respective pitches at major race meetings. However both parties would also be likely utilise only some of their respective pitches for smaller, meetings in terms of overall prize money and/or attendance.

Off-Course Betting

23. The overlap of the parties in off-course betting is limited to tele-betting since, as described in paragraphs 9-11, the Target Business of the Chronicle Group is not involved in retail betting or on-line betting.
24. Table 1 shows turnover and market shares within the State for:
- i. Tele-betting only, and
 - ii. On-line and tele-betting.²²

Table 6: Off-Course Betting

Firm	Turnover €million	Share %	Turnover €million	Share %
	(On-Line and Tele-Betting)		(Tele-betting Only)	
Ladbrokes	[...]	[5-15]%	[...]	[5-15]%
Chronicle Group	[...]	[0-5]%	[...]	[0-10]%
Ladbrokes & Chronicle Group	[...]	[5-20]%	[...]	[5-20]%
Paddy Power	[...]	[50-60]%	[...]	[35-45]%
Boylesports	[...]	[10-20]%	[...]	[10-20]%
Bet 365	[...]	[0-5]%	[...]	[0-10]%
William Hill	[...]	[0-5]%	[...]	[0-10]%
Hacketts	[...]	[0-5]%	[...]	[0-10]%
Terry Rogers	[...]	[0-5]%	[...]	[0-10]%
Others	[...]	[0-5]%	[...]	[0-10]%
Total²³	822	100%	240	100%

Source: Information provided by the parties

25. The overlaps illustrated by Table 1 do not indicate likely competition concerns arising, within the State, from the overlap in the activities of the parties. The proposed transaction would increase the size, by turnover and market share, of the merged entity relative to off-course betting competitors. It is not obvious however, that this in itself would be likely to raise competition concerns for either (i) combined tele-betting and on-line segment, or (ii) tele-betting only segments of the horse race betting market.
26. In particular Paddy Power would retain its position as the largest competitor in the tele-betting segment of the horse race betting market. Consumers would continue to have a broad range of choice, including

²² The parties cite *Survey of the Non-Retail Betting & Gaming Sector in the Republic of Ireland*, Price Waterhouse Copper 17 February 2010 to provide estimates of the total size to the on-line and tele-betting segments of the betting market. Individual shares are estimates of the parties based on their involvement and experience in horse race betting. The parties state no more up to date estimates of the on-line and tele-betting segments of the betting market are available. The Authority has not identified alternative sources of data for tele-betting and on-line betting data. The Horse Racing Ireland Fact Book (*op cit.* note 16) includes data on total off-course betting which includes retail betting and tele-betting not online betting. Notwithstanding that the parties' estimates are based on 2009 data there do not appear to be strong reasons to exclude them from the Authority's analysis of the proposed transaction.

²³ Market share calculations are subject to rounding.

Boylesports which, on the basis of the estimates in Table 6, would appear to be of comparable size to the merged entity. Also as stated by the parties and also Horse Racing Ireland there is a trend towards on-line gambling which would be indicative of on-line betting providing a competitive constraint on tele-betting and also, to some extent, on-course betting.

Conclusion

27. In light of the above the Authority concludes that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Ladbrokes plc would ultimately acquire certain assets, comprising the on-course and tele-betting business, from Chronicle Bookmakers Limited (Ireland), Chronicle Bookmakers Limited (Isle of Man), John Browne Bookmakers Limited, and Pivater, will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins
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Director, Mergers Division