

Comments on 'ME/6556/15 LADBROKES / CORAL LADBROKES PLC AND GALA CORAL GROUP LIMITED – INITIAL SUBMISSION'

Introduction

1. This document follows up my submission to the Competition and Markets Authority (CMA) (loaded onto the CMA website on 17 February 2016) in connection with the CMA's Phase 2 investigation into the proposed merger between Ladbrokes plc and certain businesses of Gala Coral Group Limited (Coral).

Scope and focus of this document

2. This document addresses specifically key points made in the document provided by Ladbrokes and Coral (the Parties), ME/6556/15 LADBROKES / CORAL LADBROKES PLC AND GALA CORAL GROUP LIMITED – INITIAL SUBMISSION, with a file name implying that it was produced on 27 January 2016, but published on the CMA web site on 12 February 2016. This Ladbrokes-Coral Initial Submission was not available to me when I made my earlier submission to the CMA.
3. The Ladbrokes-Coral Initial Submission refers to three annexes (Annex 1, Annex 2 and Annex 3). These are not included in the published document. I have no knowledge of the contents of these annexes, and therefore cannot comment on them. The Ladbrokes-Coral Initial Submission also makes several references to a document called 'the Notification', which appears to be some earlier document provided by Ladbrokes, Coral or both. No proper source reference is provided to this to indicate where it can be found, what the document is, or whether it is publicly available. If it is an earlier document provided to the CMA it would indicate that not only is information related to this case missing from the site, but also that the latest document is not actually the Parties' 'initial' submission.
4. It is also interesting that the Parties are providing a joint Initial Submission. I am unfamiliar with the rules that govern investigations such as this, but provision of a joint submission, while the Parties remain separate and independent companies, would indicate a high degree of collusion. If the proposed merger is not allowed, the two still independent parties will be operating in a competitive market where they will have shared sensitive information, giving them the potential for unfair advantage.
5. This document provides comments on those components of the Ladbrokes-Coral Initial Submission that cover aspects of betting of which I have most experience and familiarity, i.e. fixed odds betting on horse racing and other sports, and makes no comments on other parts of the Ladbrokes-Coral Initial Submission, in particular on gaming.

Key arguments presented in the Ladbrokes-Coral Initial Submission

6. The Parties are clearly using the Initial Submission to attempt to argue that competition would not be lessened if they are allowed to merge. While it is accepted by all concerned that such a merger would not lessen competition in the online betting sector, due to the large number of sizeable operators, and the Parties' very low market share, it is patently absurd to argue that competition in the very large retail sector, in which four companies already own 87% of Licensed Betting Office (LBOs), would not be significantly lessened by allowing a merger between two of the three largest players in the sector, to create a company with almost half of the country's retail betting outlets. Despite what the Parties attempt to argue, the key question for the CMA therefore appears not to be '*would there be a significant lessening of competition in the retail (LBO) sector?*' as that is self-evident, but '*would the degree of harm that would be created by this significant lessening of competition be sufficiently against the public interest to disallow the proposed merger?*'. The Ladbrokes-Coral Initial Submission

provides nothing to suggest that the level of harm to competition and customer interests in the retail sector would not be so great as to make the proposed merger a huge disadvantage to retail betting customers, and thus very strongly against the public interest.

7. The Ladbrokes-Coral initial submission appears to be based on six key assertions:
 - **competition in the retail sector is already healthy and has not declined** since the Ladbrokes failed attempt to take over Coral in 1998;
 - **the retail betting sector is in 'structural decline'** and so the Parties should be allowed to merge to maintain a viable retail business;
 - **migration of retail customers to online betting, and online betting more generally, provide a huge competitive threat to the Parties retail businesses;**
 - **competition between LBOs occurs solely at the local level** so the effect of national decisions has no effect on competition, and any lessening of competition between LBOs can be remedied through divestments;
 - **retail customers care relatively little about price**, so any lessening of price competition would not have major impact on retail customers; and
 - **Ladbrokes and Coral are not close competitors on price in the retail sector**, so removal of one of them would not, in any case, have any negative impact on prices available to retail customers.
8. The information and arguments presented to support these assertions comprises a rich and creative cocktail of inaccuracies, falsehoods, deliberately misleading statements and conclusions based on little or no evidence that require huge leaps of faith by the reader.
9. The remainder of this document therefore addresses each of these six key assertions in turn, and presents information to demonstrate the misleading nature and fundamental weaknesses in the information and arguments underpinning each assertion.

Ladbrokes-Coral Assertion 1: Competition in the retail sector is already healthy and has not declined since the Ladbrokes failed attempt to take over Coral in 1998

10. The Parties refer in Paragraph 1.2 of their Initial Submission to 'the emergence of a greater number of sizeable retail competitors including Betfred and the new entry of Paddy Power'. This is repeated in Paragraph 2.5 where the Parties contend that 'while there has been a reduction in the number of retail bookmakers overall since 1998 there is now a larger number of sizeable retail bookmakers'. The Parties then seek to argue in Paragraph 6.2 that 'the greater number of sizeable retail competitors' acts as a constraint to the Parties' retail operations.
11. The Parties cite significant expansion of Betfred and Paddy Power, and smaller chains, such as JenningsBet, Stan James, Corbett, Mark Jarvis and Scotbet as an indicator of increased competition. I know nothing of Scotbet, but the largest of these other chains, probably Stan James or JenningsBet, each with around 100 shops, has an LBO estate of around 5% of that of either Ladbrokes or Coral, which by no honest definition can be viewed as 'sizeable'. The Parties also omit to mention the loss of two genuinely 'sizeable' national LBO operators in the period since 1997 through the acquisition of Stanley by William Hill and Totesport by Betfred. Furthermore, the Parties suggestion that Paddy Power is a new entrant is both false and frankly ridiculous as Paddy Power has been operating LBOs in the UK retail market for over ten years.

12. If the Parties are seeking to argue that competition in the retail sector has in some way become stronger since Ladbrokes failed attempt to take over Coral in 1997 (which I understand would have resulted in the combined entity having less than one-third of all LBOs, rather than the almost half that would be the result of this proposed merger), they are deluding themselves and attempting to deliberately deceive the CMA. Competition in retail betting has reduced significantly over the last 15 years. While the online betting has had an effect, innovative well-run, ambitious customer-focussed businesses such as Paddy Power and Betfred have grown their LBO operations and prospered. The fact that the Parties retail businesses have not is a sign of their relative weakness, not an increase in the competitiveness of the market.
13. If these assertions contained even a grain of truth, I might be able to summon up some sympathy and support for the Parties' difficulty with having to deal with a more competitive environment, in the confidence that a market with effective competition is a healthy market for its customers. However, the Parties assertions concerning competition in the LBO sector are completely false as the number of 'sizeable' retail operators has reduced in recent years, due to acquisitions and the virtual disappearance of small independent bookmakers. Furthermore no-one could reasonably consider a market in which 87% of retail outlets (LBOs) are owned by four companies, whereas ten years ago there were more operators with significant presence, as having a 'greater number' of anything that might be considered good for customers.
14. An assessment of the competitive dynamics of the retail betting market in 2016, compared with that in 1998 would show how competition has declined, and I urge the CMA, if it has not already done this, to undertake such an assessment in order to confirm the inaccuracy of this assertion.

Ladbrokes-Coral Assertion 2: The retail betting sector is in 'structural decline' and so the Parties should be allowed to merge to maintain a viable retail business

15. The Parties assert in Paragraph 2.3 that 'the retail market has hit maturity and is now in structural decline', and indicate that they have witnessed a significant decline in their retail sports betting turnover, quoting a reduction of approximately 7% in gross win from over the counter sports betting between 2009 and 2014.
16. Concerning the figures from which this conclusion of 'structural decline' is drawn:
 - The figures cited actually correspond to a 6.59% reduction.
 - The source of these figures is given as 'H2 Capital Gambling Data' with no specific reference to a particular piece of analysis. It is therefore unclear what the figures quoted relate to, for example whether it is all LBOs or just those of the Parties.
 - 2009-2014 was a period of huge financial uncertainty for many individuals and companies. There are many companies operating, and many which ceased to trade during this period, who would have been in paroxysms of ecstasy to have suffered only a 6.59% drop in profitability over this period!
17. To suggest, therefore, that a 6.59% reduction in profitability over a five year period immediately following a seismic collapse of key elements of the financial system to be a sign of 'structural decline' beggars belief. However, if the figures cited refer only to the Parties own LBOs, rather than the LBO market in general, and, as the Parties rather incredibly suggest, they are an indicator of 'structural decline' perhaps it is the retail operations of the Parties, rather than the sector in general, that is plagued by this 'structural decline'. It would be very informative to see similar figures for Betfred and Paddy Power LBOs, the two companies that the Parties seem most fearful of as competitors, and companies that any regular user or observer of the retail betting market can see are setting the pace of change that Ladbrokes and

Coral are so clearly struggling to match. Also, given the Parties view that the retail market is in structural decline, it is perhaps surprising that LBO operators, including the Parties, are still looking to selectively expand their LBO estate.

18. William Hill, in its two responses to the Parties Initial Submission, has also argued that this assertion of structural decline is wholly unfounded, using a rigorous analysis of, among other data, the Parties' own financial results and public statements concerning their commitment to the retail sector.

Ladbrokes-Coral Assertion 3: Migration of retail customers to online betting, and online betting more generally, provide a huge competitive threat to the Parties retail businesses;

19. The Parties, uniquely among organisations who have provided submissions to the CMA, or have been the subject of a hearing with the CMA, contend in Paragraphs 3.10-3.14 that online is a substantial constraint on retail. The complete absence of data to support this (for example, the contents of Table 2 have been entirely redacted), coupled with the Parties' attempt to dismiss in Paragraph 3.14 evidence that doesn't suit their argument, can only lead to one conclusion – that the Parties are arguing this case to support their wish to merge without presenting any evidence to support it. I can only assume that the CMA will also disregard this aspect of the submission.
20. Paragraph 1.3 states that '37% of the Parties' regular retail customers also gamble online', a figure that is repeated in Paragraphs 2.1 and 3.2. The Parties appear to use this figure to argue that this is an indication of the convergence of online and retail betting. If 37% of the Parties regular retail customers also gamble online, 63%, or nearly two-thirds of their retail customers do not. My earlier comments sought to demonstrate the effect that a reduced number of national LBO operators would have on price competition in LBOs. If this 37% figure is correct, the clear conclusion is that nearly two thirds of the Parties retail customers, i.e. those that do not gamble online, will be hit by that significant loss in price competitiveness - a very clear and alarming indication of harm resulting from the significant lessening of competition that would result if this merger is allowed.
21. The Parties go on to suggest from their observation in Paragraph 2.1 that only one-third of the 37% of their retail customers who gamble online gamble with the Parties' own online offerings to be a reflection of the strength of the proposition of other online operators. This is one interpretation. Another is that those customers might prefer to bet in LBOs but will go to another operator's web site if the value (i.e. the prices on events on which they want to bet) is better than they can get from the Parties' LBOs. This would seem a much more likely and credible rationale to explain this observation, as if these customers can get the value they want from the Parties' LBOs, there is no need for them to visit the Parties' own online sites. This would also be a strong indicator of the uncompetitive nature of the LBO sector in general and the Parties' own offerings in particular.
22. The Parties then refer In Paragraph 3.3 to the 'relative lateness with which the Parties' have rolled out their online platforms' as an explanation of why a lower proportion of the Parties' total customer base bet online using the Parties' own websites as compared to the other main players.
23. I first started betting online with both Ladbrokes and Coral in 2000. I appreciate that 16 years may be considered by some (possibly including the Parties) as far too short a time to be expected to get an online offering right. On balance, though, I do not think that any serious observer would share this view. This 'relative lateness' argument therefore seems to be nothing more than a pathetically weak excuse for the widely-held view among online betting customers and observers that Ladbrokes and Coral online offerings are poor and well behind

the pace relative to others. Consequently their argument that the merger should be allowed as it will enable them to emulate more successful competitors and accelerate growth in their online business smacks of deep desperation, as they provide no indication of how they would do this or of knowing what to do.

24. The parties then cite SSBTs and 'cash-out' as relatively new characteristics of their LBO offering that they have made available to compete more effectively with online operators. In Paragraph 3.9 (a) the Parties argue that SSBTs were introduced as a direct response to the increasing penetration of online betting. This is inconsistent with other comments by bookmakers that have appeared in the press regarding SSBTs, or anecdotal views that I have picked up from talking to LBO staff regarding SSBTs. My understanding is that SSBTs were initially introduced, in around 2011, to capture the burgeoning number of cash-rich potential customers originating from Eastern Europe, by offering prices on football leagues from their home countries - hence why the SSBTs proliferate in areas with high Eastern European populations, but are absent in other areas. While they do allow easy betting on a larger markets range of markets than OTC (one of the Parties' assertions for their introduction) the internet threat was clearly not a prime reason. If it was they would be placed in shops in more affluent areas where there is greater familiarity with online betting – and they are not.
25. It is also worth noting regarding SSBTs: (1) with minor exceptions, the prices offered by all operators' SSBTs are identical, as the prices are provided directly by the Austrian company, BGT - these prices are therefore different from the operators' own prices for the same event; (2) the margins or over round built into the prices on SSBTs is typically higher than from the operators' own prices, implying that they will secure higher profitability from bets on SSBTs, especially when customers combine bets in multiples or accumulators; (3) my experience when there is a dispute over a bet placed on an SSBT, such as a need for stakes to be returned in the event of a non-runner in a sports event, is that local shop staff have no procedures to deal with this, that it involves several phone calls to Austria and that it typically takes days to be resolved; and (4) once again, those pesky innovative upstarts Paddy Power and Betfred have stolen a march on the leaden-footed Parties by putting their own 'front-end' on the SSBT interface, in Paddy Power's case by making the higher margin SSBT prices available on its own proprietary 'in running betting terminals' and for Betfred by providing its own 'Betfred look and feel' football coupon interface on some of its SSBTs.
26. Paragraph 3.9 (d) refers to the cash-out feature that is promoted so aggressively by all bookmakers, claiming that it was provided as it is familiar to online customers, when in fact it is provided as another method to increase operators' turnover and thus profit. If a bookmaker has done its job correctly it will make a profit across all bets in a particular betting market. It can then increase that profit by offering what are generally appalling-value odds to cash out a bet 'in-play' to guarantee a return (either a win that is less than the return would be if the event ran its full course and the bet won, or a loss that is smaller than it would be if the original bet lost). Bookmakers never indicate the implied price offered to the customer to cash out, simply the sum of money he will get for his in play bet, based on some opaque algorithm.
27. From my own analysis, and some that I have read, cash out is always very bad value for the customer as, even if you get a good price at the time you strike the bet, you can only cash out a bet with the bookmaker with which you placed the bet. Bookmakers are therefore operating in a market with no competitors when offering 'cash out', a situation that will never encourage competitive behaviour, and bookmakers will never offer good value when they don't even have to tell you the price you are getting for what is effectively another bet - thus destroying any good value that might have been in the original bet. The excellent Kevin Pullein of the Racing Post wrote an article on 'cash out' some months ago, illustrating that, in the long run, letting all

bets run their course is always better than cashing out – some bets will win, others will lose but by never cashing out you are not suffering the bookmaker taking a further excessive slice of your potential winnings.

28. The other important point about cash out is, of course, that it puts money back into the customer's pocket with which he can bet some more. Perversely, given how poor value cash out is in all cases, I have spoken to customers who have developed a favourable feeling towards bookmakers because of its availability, no doubt distorted by the warm feeling that the bookmaker is giving them back a share of their returns early, and an experience or two when they cashed out what would have turned out to be a losing bet, perhaps forgetting instances where their winnings were significantly reduced by cashing out what would have been a winning bet ('well Arsenal might not have won even though they were leading 3-0 with 10 minutes to go so I was happy to take 70% of I would have got – and I needed the cash to bet on the next race').
29. The CMA should be in no doubt that while cash out was first offered in online betting where the technology made it most easy, its insidious migration into high street LBOs is nothing to do with the online threat, but purely driven by that good old profit motive!

Ladbrokes-Coral Assertion 4: Competition between LBOs occurs solely at the local level so the effect of national decisions has no effect on competition, and any lessening of competition between LBOs can be remedied through divestments

30. Paragraph 1.4 states 'Competition among retail operators is entirely local across all parameters of competition, with operators' performance determined by how well they compete in each local area'. For reasons that I hope I explained effectively in my earlier submission, while the effects of decisions that impact price-competitiveness are manifested through the prices on offer in local LBOs, all decisions that govern the level of price competition are made nationally for all of the national chains, including Ladbrokes and Coral, and those prices are made available in all of a company's LBOs at the same time. The assertions that competition is 'entirely local' and that 'operators' performance [is] determined by how well they compete in each local area' are therefore incorrect and misleading. ***For the avoidance of any further doubt, as the Parties repeat this fallacious assertion several times throughout their Initial Submission, all of the Parties' decisions that govern the level of price competition are made nationally, as is the case for all of their national competitors.***
31. Paragraphs 4.1 and 4.2 are also based on the entirely false premise that competition between LBOs is based on local decisions. My earlier submission highlighted that this is deliberately misleading, which is also supported by other submissions to the CMA, and by the views expressed in hearings. Of particular note in an Initial Submission that is so densely packed with blatantly dishonest statements, is the first sentence of Paragraph 4.2 in which the Parties argue that the '*vast majority of competitive decisions are: (i) made locally; or (ii) made centrally but with reference to local conditions of competition; or (iii) made centrally and are uniform across the estate, but reflect the aggregation of local constraints*'. Nothing could be further from the truth and the Parties know this. ***All material competitive decisions for all national LBO chains are made centrally and applied across all LBOs at the same time, regardless of local competition, so the same prices and terms will be available in any Coral or Ladbrokes LBO, whether that LBO is one of 10 in a 400 metre radius or the only LBO within 30 miles.***
32. In Paragraph 1.6, the Parties, for the first time to my knowledge, express a willingness to consider divestment of some LBOs to maintain the strength of competition in any local area. The CMA's own very thorough analysis has identified the potential scope and scale of areas

where such lessening of competition is likely, a scale that is, I suspect, well beyond that which the Parties might accept. While this can in part address a lessening of competition in local areas where there is a limited range of LBO choices, it will do nothing in areas with a wider range of LBOs, where the choice would be reduced from perhaps five to four, or four to three, with the associated reduction in value available to bettors in those areas through a lower range of prices. Furthermore, divestment to an existing national chain such as William Hill or Betfred will do nothing but reduce price competitiveness as the range of prices available will still be reduced. The only way in which price competitiveness would be maintained would be through divestment to an entirely new entrant on a national scale, something which seems extremely unlikely, a conclusion that was also suggested by the CMA in its 'Full text decision' document.

33. The difficult-to-understand Paragraph 4.4 also appears to argue that divestment of LBOs might maintain competition at its current level. So, if in three separate locations there are currently just a Ladbrokes LBO and a Coral LBO, the Parties could sell one of each pair of shops. However, as the CMA has already identified, and as is widely recognised across the industry, major national new entrants are most unlikely, so the only option would be to sell to current LBO operators. Therefore while each of these three locations would still have two LBOs, those LBOs divested by the Parties would be owned by operators who are already present in the national market, so that national market would still be reduced to 3 or 4 players (depending on whether Paddy Power is viewed as a national player) and the incentive to reduce value to all retail customers would be substantially increased.
34. The Parties' acknowledgement that they could offer divestments of LBOs to gain support for their frantic desire to merge, includes as their final shot in Paragraph 6.2 the preposterous suggestion that such a move would '....ensure....no detriment arises from this transaction'. At the risk of repeating a key point in my earlier submission, while replacing a Coral or Ladbrokes LBO in a location with an LBO owned by Paddy Power, Betfred or William Hill might maintain the same number of LBOs in that location, it will remove a major player from a market that already has less than the optimum number of major players to maintain effective competition, and will thus have a very damaging impact on all LBO customers.
35. Given the obviously inaccurate and misleading nature of the Parties' assertions concerning the national and local bases for competition, I assume that the CMA will disregard any of the Parties' arguments on which they are based.

Ladbrokes-Coral Assertion 5: Retail customers care relatively little about price, so any lessening of price competition would not have major impact on retail customers

36. Paragraph 4.11 argues that pricing is of relatively low importance to retail customers. This is not only incorrect, but is not supported by the Parties' own conduct. If you spend any time in any LBO when horse racing or a major sporting event is taking place, you will be continually bombarded by a range of price related offers, such as temporary price enhancements, so-called 'special' prices on particular outcomes, or, more insidiously, the promise of a future price offers such as 'our next price bomb will be along at 4pm' to keep customers in that LBO rather than straying to an LBO of a competitor. It strikes me as astonishing, given the Parties' claims that price is of such relatively low importance to retail customers, that they spend so much time and marketing effort in promoting such price offers, which, if taken up by customers, can only have a detrimental effect on the Parties' profits as it would lead to them laying bets at higher prices that would otherwise be available. It is clear in making these offers that the Parties, in common with all of their national competitors, know that price is a significant factor for a substantial proportion of retail customers, and that they must make these offers to keep customers in their shops rather than them going elsewhere. Furthermore, if, as the Parties misleadingly contend, competition is based on local factors, they would not make these offers where there is no or

weak competition. This is, however, not the case as such offers are made in all of any company's LBOs at exactly the same time.

37. In their comments about the importance of price competition the Parties base their arguments in Paragraph 4.11(b) on the scarcely-credible assertion that many bookmakers are unable to print football coupons in-shop. Betfred, Paddy Power and all of the smaller chains of LBOs with which I am familiar have been printing all of their football coupons in-shop for several years, through the investment in appropriate software and that most ubiquitous of technologies, the £50 laser printer! Among major players, only the Parties, plus William Hill, continue with the use of pre-printed coupons that are physically delivered to the LBOs.
38. The Parties seem to suggest, based on this pitiful excuse that it is difficult to print coupons in-shop, that they are reluctant to change prices from those on the coupons as it would impact negatively on the customer experience. Again, nothing could be further from the truth, as Ladbrokes in particular regularly change prices on their football coupons, without any apparent concern that this might have on the customer experience.

Ladbrokes-Coral Assertion 6: Ladbrokes and Coral are not close competitors on price in the retail sector, so removal of one of them would not, in any case, have any negative impact on prices available to retail customers

39. The point of the statement in Paragraph 3.5 that the Parties' trading teams use 'information about the level of online odds while both compiling and adjusting their retail odds' is unclear. While there is an increasing tendency, especially by Coral, to consistently offer significantly worse prices and terms to LBO customers to those offered to online, telephone and mobile customers, both parties, to a large degree, offer similar 'odds' (or prices) online and in LBOs (a point made by the Parties in Paragraph 3.6). The reference to 'online odds' and 'retail odds' is therefore misleading as it implies that these are fundamentally different. On balance, it may just be that this paragraph is very poorly drafted and it may have been the Parties intention to indicate that they monitor the volume and scale of bets online as an aid to compile and adjust odds offered to both online and retail customers. If so, this is a statement of the obvious as that would be a basic practice of any betting business.
40. Paragraph 3.6 focuses on the prices offered by the Parties, which they argue are broadly similar in LBOs and online. It does not address other terms that govern bets where the Parties regularly discriminate against LBO customers in favour of those using other channels, notably the each-way terms in major horse race meetings where the Parties, especially Coral, habitually offer fewer places for each-way betting, and/or a smaller fraction of the win price for the place part of the bet. For each-way bets these are part of the price so these reductions are very material to the price offered, so prices offered in these situations are much lower than those offered online.
41. The rambling diatribe in Paragraphs 4.18 and 4.19 seems to have the objective of demonstrating that there is little to choose between the prices offered by the Parties and other national bookmakers in football betting. Again this is misleading as any experienced LBO football bettor will know, for example that William Hill, as a consistent policy, seek to offer the 'best price' on the favourite in all Premier League matches. As a consequence, however, William Hill offer much the worst price on the draw in almost all Premier League matches. My own experience is that the more innovative Paddy Power and Betfred consistently offer the best overall value in major football matches, with over rounds of around 6-8% in each match, while the Parties are generally at 10-12%, with Corals tending to be consistently at the top end of this range. This difference of 20-50% in over rounds per match will have a dramatic effect on customer returns from football betting given the recycling of returns and the tendency of many football bettors to place multiple bets involving several matches, where the effect of the over

round will be multiplied (for example, a 5-team accumulator with a 6% over round per match leads to a theoretical 34% margin for the bookmaker, while a similar accumulator with a 10% over round on each match would result in a theoretical 61% profit margin).

42. The bottom line is that in the current market, a customer with a choice will be able to pick and choose between LBOs to obtain the best value for his football bets. Removal of an operator will not only remove that operator's prices from the market, it will make the market less competitive, encouraging further erosion of prices overall which is clearly to the detriment of all customers.
43. This discussion of horse racing prices in Paragraphs 4.20-4.22 is entirely based on 'Pricewise data'. Just in case the CMA is not entirely familiar with this, 'Pricewise' is a tipping column that appears in the Racing Post on Saturdays and other major race days, where the 'Pricewise' tips are advised at a particular price, and are accompanied by tables showing the prices offered by a range of bookmakers on each horse in the race in question. The 'Pricewise' tipster always advises his selection at the best price from among the bookmakers offering prices on the race. The 'Pricewise' column is heavily marketed by the Racing Post to promote its own sales, and the 'Pricewise' tipping column claims better overall profits than most tipsters, which of course is not surprising as its results are reported by the Racing Post based on the 'best prices' that appear in the 'Pricewise' tables.
44. In practice, however, the prices that appear in the 'Pricewise' tables provide absolutely no measure of the prices offered on horse racing by bookmakers, as any 'best price' will only be available to very small stakes for a very short time at the start of the day, and are sometimes never available. As a result the need to continually restrict stakes to derisory levels on 'Pricewise' tipped horses is a source of embarrassment concerning their employers' business practices to several experienced LBO managers that I have spoken to over recent years. The Parties, along with their national competitors, have latched on to the promotional potential of 'Pricewise' by advertising seemingly very attractive prices in major races but in practice never laying those prices to other than very small sums of money. As a result, 'Pricewise' is seen by most serious horse race bettors as an irrelevant distraction, fuelling only the mutually-parasitic marketing aims of the Racing Post and the major bookmakers.
45. Given the uselessness of Pricewise data as a guide to prices actually laid by bookmakers, this section of the Initial Submission can also be safely disregarded. The only true guide to competitiveness between bookmakers on horse racing would come from an analysis of relative prices when the markets have settled down, and the superficially very attractive but in practice largely unobtainable 'Pricewise' best prices have disappeared, typically from 10am on the type of major Saturday or festival race where 'Pricewise' operates, or later for other races. The Parties know this but have sought again to mislead the CMA by basing this section of their Initial Submission on meaningless 'Pricewise' data. Indeed Corals in particular exploit this knowledge in its own LBO promotions, offering to 'lay any horse to lose up to £10,000' in major races from 10am, safe in the knowledge that it will offer a price that will not be out of line with its competitors, when only an hour earlier, it may have accepted a bet of perhaps £5 or £10 on the same horse.

Summary

46. While some of my pension may be invested there, I am not knowingly a Ladbrokes shareholder. Gala Coral is owned by private equity so I don't think that I have a stake in that business either. After reading the Initial Submission, I am extremely grateful that I probably have no investment stake in either business.

47. There is nothing in the submission that gives even the remotest indication that customers of the Parties will get a better deal as a result of the proposed merger, or anything that provides inspiration that the reasons for the deal are for anything other than wholly negative, defensive and designed to line the pockets of the Parties' directors. The Parties' own figures and arguments in the submission tell a very sorry tale of two moribund companies whose retail operations have stagnated and who have no idea how to compete effectively in online and mobile channels. These are fundamentally poorly-performing companies which, if they merged, would create a combined and bigger, yet still poorly-performing, company.
48. Properly regulated markets work as, among other things, they encourage innovative and well-managed companies to grow and thrive, and they weed out poor performers, often by takeovers by others who can see how to make a success of those businesses. My take on the reasons for this proposed merger before reading this submission was that it was born out of desperation and a complete lack of ideas on what else they could do, especially in the face of innovative competitors such as Betfred and Paddy Power. The submission confirms the merger as a last desperate act by two failing businesses that bear nothing but the names of two once great bookmakers.
49. The public interest will not be served by creating a significantly weaker competitive environment within the retail (LBO) sector, just to give these two companies some temporary respite from the deep malaise which poor management and a complete inability to move with the times has created. Markets work – the market can find a much better way forward for customers than this deeply flawed proposed merger.