

LADBROKES/CORAL MERGER INQUIRY

Summary of hearing with BAGS on 4 February 2016

Background

1. The Bookmakers' Afternoon Greyhound Services (**BAGS**) stated that it was a not-for-profit company limited by guarantee, founded in 1967, whose membership was open to any bookmaker in the UK. BAGS explained that its main role was to establish an annual schedule of greyhound races, and to contract with individual racetracks for the organisation of these races. It further noted that the media rights of those races were then sold to SIS and broadcasted by SIS to licenced betting offices (**LBOs**).
2. BAGS submitted that it had never denied any LBO operator membership and that its objectives were to make greyhound racing honest and fair.

BAGS corporate governance

3. BAGS explained that:
 - (a) it was controlled by a Board appointed by ten of its members, including the bookmakers with the highest number of LBOs in the UK (William Hill, Ladbrokes, Coral, Betfred, Paddy Power);
 - (b) discussions on the procurement of greyhound fixtures and the negotiation of media rights prices were primarily a responsibility of the Fixtures Sub Committee, in which the members with interests in greyhound tracks were not represented; and
 - (c) the Board had the final decision on the proposals of the Fixtures Sub Committee regarding these issues.
4. BAGS further submitted that:
 - (a) BAGS had not historically taken decisions at general meetings by way of poll voting, with almost all matters being decided unanimously by show of hands; and
 - (b) there was a convention that directors appointed by bookmakers with interests in greyhound tracks would recuse themselves from decisions concerning the procurement of fixtures.

5. BAGS also noted that it was in the process of reviewing and potentially strengthening its corporate governance arrangements and that the review process was mainly triggered by issues that had arisen in relation to the distribution of potential profits within the members of the organisation.

The purchase of media rights

6. BAGS explained that:
 - (a) it usually procured fixtures from around 18 to 20 greyhound tracks;
 - (b) the schedule of the races was established on a weekly basis, with three slots per day (morning, afternoon and evening) and normally two meetings per slot, with a total of six to seven meetings per day;
 - (c) the number of races in the morning and in the afternoon had been reduced, as there was no demand other than from bookmakers to broadcast these events to its LBOs; and
 - (d) the number of the evening meetings also changed from three meetings in winter to two meetings in summer, to accommodate evening horse racing events in the summer.
7. BAGS submitted that:
 - (a) its fixture list currently had 42 meetings a week;
 - (b) each meeting tended to have 12 to 14 races; and
 - (c) a greyhound operator would need around 80 greyhounds to organise a greyhound meeting.
8. BAGS further stated that currently it would normally broadcast around 30,000 greyhound races a year, while 15 years ago it used to broadcast less than 15,000 greyhound races per year.
9. BAGS estimated that around 60,000 races are broadcasted each year, half of which are broadcasted through SIS.
10. BAGS explained that:
 - (a) it only acquired fixtures of some greyhound tracks and that it entered into long-term contracts (usually five-year contracts) with those greyhound operators;

- (b) in order to allow for price adjustments throughout the duration of the contract, an inflationary-adjustment mechanism was included in the most recent contract by which the price is adjusted by reference to the CPI as it now is;
 - (c) Saturday morning greyhound meetings were important time for bookmakers because, as there were many punters that put their bets in morning for horse races in the afternoon, bookmakers wanted to have high-class greyhound racing to attract customers on Saturday morning;
 - (d) it tended to pay more for morning and afternoon greyhound meetings than for evening meetings, because the morning and afternoon meetings were organised specifically to be broadcasted by BAGS and the media rights fees were almost their only source of revenue; and
 - (e) Romford and Crayford meetings were on Saturday mornings because the greyhound operators of these tracks (Ladbroke's and Coral) submitted an higher offer for this timeslot, as they knew this was an important time for their LBOs.
11. BAGS stated that it usually received feedback from the bookmakers on which greyhound tracks were organising the best greyhound meetings (ie on which more punters wanted to bet on) and that it would take into account that feedback and renew its contracts with operators of those greyhound tracks.
 12. BAGS submitted that, as the greyhound industry was struggling and some greyhound tracks had closed, it might expand an existing contract with a greyhound operator to include a slot that had been vacated as a result of the closure of other track.

The sale of media rights: BAGS' relationship with SIS

13. BAGS also noted that it contracted out the sale of the media rights of UK and Irish retail sales to SIS, which therefore negotiates and contracts the sales of these rights to bookmakers.
14. BAGS also stated that it did not own the media rights of the greyhound races of Coral's greyhound tracks and that these rights were owned by SIS. BAGS explained that it agreed with SIS the time slots for the greyhound races of the meetings owned by SIS.
15. BAGS submitted that, in the last four to five months, it started selling the rights to stream greyhound racing digitally online as a non-aggregated product, which carved out this part of the business from SIS. In other words, BAGS

was now selling those streaming rights directly to the online bookmakers without SIS intermediation.

16. BAGS did not rule out the possibility of also having a direct relationship with bookmakers regarding the sale of media rights of greyhound races for broadcasting at bookmakers' LBOs.
17. BAGS also noted that, while Coral was not currently a shareholder in SIS, it would become a shareholder of SIS as a result of the merger and, therefore, it would be conflicted on matters regarding BAGS relationship with SIS.
18. BAGS considered in the past to also contract with TURF TV, but currently BAGS would not likely enter into a contractual relationship with TURF.

Impact of the merger on BAGS

19. BAGS stated that it would not become a 'subsidiary' of the merged entity. However, BAGS submitted that the merger may have a significant impact on its governance, because BAGS was a membership organisation and one of its members, after the merger, would have a higher number of LBOs, which would translate in around 45% of the voting rights, representing a 'big single block' with significant influence. BAGS explained that, although the interests of BAGS's member were broadly aligned, there was no specific thing that it could see having a different outcome – but in the future things might be different.
20. BAGS further noted that, at board level, the merged entity would likely only have a representative in the board and therefore less representatives than Ladbrokes and Coral combined.
21. BAGS also stated that some greyhound tracks produced better races because they were better managed and reinvested more in their business. However, BAGS noted that:
 - (a) not all top six performing greyhound tracks were owned by bookmakers; and
 - (b) any greyhound operators could reproduce the standards of quality of Ladbrokes' and Coral's meetings and tender to have greyhound meetings listed with BAGS in reaction to a price increase by the merged entity.