

***Case No IV/M.1411 -  
DEUTSCHE BANK /  
CORAL***

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION

Date: 03/02/1999

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 3.02.1999

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

**Subject: Case No IV/M.1411 – Deutsche Bank/Coral**

Notification of 23 December 1998 pursuant to Article 4 of Council Regulation No 4064/89

1. On 23 December 1998, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation No 4064/89 by which DB Investments (GB) Limited, a holding company wholly owned by Deutsche Bank AG, acquires within the meaning of Article 3(1)(b) of the Council Regulation sole control of the Coral business from Ladbroke Group plc.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

**I THE PARTIES' ACTIVITIES AND THE OPERATION**

3. Deutsche Bank is a commercial bank whose main activity is the provision of banking and financial services. DB Investments (GB) Limited (DBIGB) is a holding company.
4. The target business – known collectively as “the Coral Companies” – comprises Arthur Prince (Turf Accountants) Ltd, Coral Estates (Holdings) Ltd, Coral Holdings Ltd and Coral Stadia Ltd, together with their respective subsidiaries. The main business of the Coral Companies is the ownership and operation of 833 Licensed Betting Outlets (LBOs) in the UK. In addition, the various companies and their subsidiaries include a telephone betting business, some on-course betting facilities and the operation of two greyhound tracks.

5. Deutsche Bank will acquire, through DBIGB, all the shares in the Coral Companies plus a greyhound stadium and other property assets, through a number of intermediary companies including Accumulator Acquisitions Limited.
6. DBIGB will subsequently syndicate its interest in Coral to funds controlled by Morgan Grenfell Private Equity (MGPE), a UK-regulated international investment management company. This will not constitute a further concentration as MGPE is ultimately wholly owned by Deutsche Bank. The equity will be divided as follows. The management team will hold 3% of the equity, with another 2% reserved for issue to other senior managers after completion. The remaining 95% will be held by MGPE/the Deutsche Bank group.

## **II COMMUNITY DIMENSION**

7. The combined aggregate worldwide turnover of the undertakings concerned in 1997 was more than EUR 5 000 million (Deutsche Bank group, EUR 38 436 million and the Coral Companies, EUR 1 226 million)<sup>1</sup>. The aggregate Community-wide turnover of each of the undertakings was more than EUR 250 million [...] and both do not achieve more than two thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation, therefore, has a Community dimension.

## **III COMPETITIVE ASSESSMENT**

### **Background**

8. The concentration is taking place following a report by the UK Monopolies and Mergers Commission (MMC) in September 1998 assessing Ladbroke's acquisition of the Coral business from Bass plc at the end of 1997. The MMC calculated that the merger increased Ladbroke's share of LBOs in the UK from 21% to 30% and its share of off-course betting turnover from 26% to 38%. The MMC concluded that the merger was against the public interest, given that it was likely to weaken consumer choice and price competition, and that in its view these adverse effects were not offset by benefits. It therefore recommended to the British Secretary of State for Trade and Industry that Ladbroke be required to divest the Coral business. The Secretary of State accepted the MMC's recommendations, and Ladbroke must divest Coral on terms satisfactory to the Director General of Fair Trading within six months of the report.

### **Relevant Product Market**

9. The notifying party cites a number of Commission decisions involving the betting industry. The most recent of these was a decision under the Merger Regulation, *Nomura/Blueslate* (Case No IV/M.1037 of 17.11.1997), where the Commission left open the definitions of the relevant product and geographical markets as there were (as in this case) no competitive overlaps. However, the notifying party also notes that the Commission has previously defined the relevant product market in a number of state aid

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<sup>1</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Notice on the calculation of turnover (OJ C66, 2.3.1998, p25). To the extent that figures include turnover for the period before 1.1.1999, they are calculated on the basis of average ECU exchange rates and translated into EUR on a one-for-one basis.

decisions (eg Case No 67/94 – *Pari Mutuel Urbain* of 22.09.1993) as the “betting market”, and further notes that the MMC report took a similar approach.

10. Inasmuch as there are no product market overlaps between the parties (Deutsche Bank, the ultimate purchaser, currently has no interests in the betting industry in the UK or elsewhere in the Union, whereas the interests of the Coral Companies relate solely to the UK betting industry), the precise product market definition can be left open.

### **Relevant Geographical Market**

11. The notifying party notes that both the Commission and the European Court of First Instance took the view, in a decision taken under articles 85(1) and 86 of the EEC Treaty (Case No T-504/93 – *Tiercé Ladbroke v Commission* of 12.06.1997), that the geographical scope of betting markets is national, and further notes that relevant MMC reports have focused on competition either at local or national level. However, as in Case No IV/M.1037, in the absence of any product market overlap, the precise geographical market definition can be left open.

### **Assessment**

12. As there are no horizontal overlaps or vertical relationships which would give rise to any affected markets, the transaction does not alter the structure of any relevant market. Rather, the disposal, by restoring the independence of the Coral business, should strengthen competition.
13. Therefore, the Commission does not consider that the proposed concentration creates or strengthens a dominant position as a result of which effective competition would be significantly impeded in the EEA or any substantial part of that area.

## **IV ANCILLARY RESTRICTIONS**

14. The parties have requested that a number of clauses in the sale and purchase agreement be treated as ancillary restraints.
15. First, the Ladbroke group undertakes not to solicit senior employees from the Coral companies before the end of 1999. Accumulator Acquisitions Limited has given a similar undertaking with respect to Ladbroke employees for the same period. Second, the Ladbroke group undertakes not to divulge confidential information which might have a material adverse effect on the business or affairs of the Coral Companies. Again, Accumulator Acquisitions Limited has given Ladbroke a similar undertaking. The parties have argued that the reciprocal obligations are necessary on account of the confidential information relating to Ladbroke which senior Coral employees will have acquired.
16. Third, Ladbroke has agreed not to use the Coral name, logo or trademark in relation to the betting industry, though it has six months’ grace with respect to Jersey and the Republic of Ireland.
17. Fourth, Ladbroke has undertaken not to make any material changes to the Coral business in advance of completion.

18. Insofar as these provisions constitute restrictions, they are aimed at maintaining the value of the acquired business pending closing of the transaction and are therefore directly related and necessary to the implementation of the proposed concentration.
19. In addition, a separate Trade Mark Assignment Agreement provides for the assignment of the Coral trademarks to Accumulator Acquisitions Limited, this being integral to the transaction.

## **V CONCLUSION**

20. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,