Online horserace betting

Published on February 25, 2014

The Autorité de la concurrence has obtained a commitment from the PMU, which will separate its online horserace betting activity from its network of points of sale under monopoly.

With this decision, the Autorité ensures that diversified legal supply is maintained, to the consumer's benefit, on the recently opened market of online horserace betting.

In a decision issued today, the Autorité de la concurrence has obtained from the PMU that it will separate the betting pools of stakes placed within its physical network from those made online. This commitment, which will revamp the online horserace betting sector, will allow all operators to compete on a level playing field with the PMU.fr site. As a consequence, players will enjoy a new and diversified online offer.

Betclic's complaint

Betclic's complaint was in relation to the fact that the PMU, holder of a legal monopoly over horserace bets placed in physical outlets (tobacconists, newsagents, etc.), pools the bets that it registers in these places with those that it registers at its online horserace site Pmu.fr. As a result, the PMU can considerably strengthen the attractiveness of its online horserace betting, by offering much higher winnings than its competitors – to the extent of threatening their existence.

The horserace betting market

Since 1930, the race companies have had a legal monopoly over the organisation of horse races and the bets taken on them, a monopoly that they have exercised via an economic interest group: the Pari Mutuel Urbain (PMU). The law of 12 May 2010, which opened up to competition the online gambling and betting sector, including online horserace betting, nevertheless allowed the PMU to maintain its monopoly over horserace betting in physical outlets, namely within its network of points of sale. Since then, although it has had competition in the form of seven alternative online operators approved by the Autorité de régulation des jeux en ligne (ARJEL, the French gambling regulation authority), the PMU has nevertheless retained an ultra-dominant position on the online horserace betting market, with a 85% market share in 2013.
> For more details on how betting on horseraces works, see the box below.

Competition concerns

At the moment, the PMU pools into a single pot all the bets made online and in physical outlets. This mutualisation allows the Pmu.fr site to increase almost tenfold the betting pot established for each of its bets: indeed in 2013, the bets collected via the PMU's physical points of sale (including foreign partner operators) represented 8.693 billion euros while those collected via Pmu.fr only amounted to 943 million euros.

As a result, the attractiveness of Pmu.fr's horserace betting offer is strengthened in a number of ways:

– the PMU is the only operator in a position to offer an online bet on the arrival in

order of five horses, known as the Quinté +, on which potential winnings are very high – up to several hundred thousand euros for getting them in the correct order; in addition this win is supplemented by a daily "Tirelire (Draw)" of a minimum of one million euros and a monthly "Super Tirelire (Super Draw)" of ten million euros;

– With this tenfold increase in its betting pot, only a major bet can cause any change to the odds on any given horse, so the PMU is therefore in a position to guarantee online gamblers very stable odds and therefore, to accept on Pmu.fr all bets by betters with no limit on amount;

– the PMU is in a position to expand its online horserace betting offer without the betting pot of existing bets being changed significantly, and can thus preserve the stability of its odds and consequently, gamblers' winnings.

Because Pmu.fr's competitors do not have the resources of monopoly over betting in physical outlets at their disposal, they are not in a position to provide such an attractive offer. The practice of mutualisation by the PMU of its online betting pots and the betting pots of the physical outlets was therefore liable to lead to a risk of marginalisation and the eviction of its online competitors, as well as a barrier to entry onto the online horserace betting market.

In response to these competition concerns, the PMU proposed separating its betting pots registered online from those taken in physical premises. This proposal was submitted to market test between the end of October and early December 2013 (see press release of 30 October 2013)

The PMU's commitments

After several successive improvements, the Autorité accepted the PMU's commitments and rendered them binding.

As a result, for each of the bets offered on Pmu.fr the PMU has undertaken to separate, by September 2015, the pool of bets registered online from the pool of bets registered at physical outlets. Consequently by this date, the horserace betting pots offered by Pmu.fr will consist solely of the online stakes registered on the site, in the same way as its competitors.

The PMU has also made commitments on several points in relation to the use of its client databases, the customer pathway on Pmu.fr and the valuation of the fee for the use of the PMU trade mark for its Internet activities.

The time-limit for the unbundling of the betting pools is to be as short as possible

A commitments procedure must make it possible “to guarantee as promptly as possible the proper functioning of competition between the different players” . In the case in question, the separation of the betting pools was constrained both by the PMU’s existing IT system – which could not technically support the unbundling of bets – and the ongoing transformation of the system which was a prior requirement to its implementation. Consequently, after lengthy analysis of these different constraints, likewise submitted to the market test, the Autorité was convinced that the time-limit could not be brought any further forward and finally accepted the date of 30 September 2015 for the separation of PMU’s horserace betting online and in physical outlets.

The quality of online betting

maintained

Once its betting pools are separated, Pmu.fr, like its competitors, will only be able to use the horserace betting stakes of online gamblers. Consequently, while the offer from PMU's online horseracing activities and the offer in its physical outlets are currently identical, in the future they will be different. In particular, it will no longer be possible, as it is currently, to offer online winnings as high as on the Quinté +, winnings which could only be financed by the resources of the monopoly over the physical outlets.

However, the PMU can change the form of the Quinté + if it so wishes, for example by reducing the number of placings for the win (currently six), by increasing the proportion of the relevant pot to be shared out on the basis of the order (currently 15%) or by changing the rules of the "Draw", which could in practice be more favourable to online gamblers. Generally speaking the advantages of a specific offer designed for online gamblers and adapted to their demand could compensate the winnings which in the future will be lower that they could expect.

Finally, even if winnings on the Quinté + might have to be a little lower, the Autorité highlights the advantages that consumers of online horserace betting will enjoy from a legal and diversified offer providing full guarantees in terms of financial security and the fight against addiction. It is important to emphasise that the aim of the law of 12 May 2010 was effectively, "to limit and provide a framework for the offer and consumption of games" by gamblers. Thus, by putting an end to the practice of the pooling of betting pots, which was liable to lead to the eviction of alternative operators and the reduction of legal offer to Pmu.fr alone (namely a return to the situation prior to the law of 12 May 2010), the Autorité is contributing to ensuring the long-term well-being of consumers of online horserace betting, in particular by protecting them from the risks of addiction in line with the aims of the legislator.

How the horserace betting system works

In a pari-mutuel (totalizator) system, the odds on the horses and the amount paid out in winnings depends on the total pool and size of the bets placed.

> How do the odds on horses work?

Put simply, the odds on a horse are calculated on the basis of the proportion of the bets placed on it in the total amount bet on all of the horses at the start of a race. The more bets placed on a horse, the greater the reduction in its odds and vice versa. By betting on a horse, a gambler inevitably reduces its odds. While betting remains open, the odds can fluctuate and winnings are only calculated on the final odds, once all of the amounts bet on all the horses (just before the race begins) have been placed. The higher the final odds on a horse, the bigger the winnings paid out to the gambler, and vice versa.

> The relationship between the betting pot and the winnings

In this pari-mutuel system, the winnings paid out to the winners depend directly on the total amounts placed in the bet. In fact, all of the bets placed by the gamblers on any given bet are pooled into a single pot of bets from which the operator's fees and tax and social security payments are deducted. Consequently, an operator cannot distribute more winnings to winning gamblers than the amount it has registered in bets.

> Full text of Decision Nr 14-D-04 concerning the practices implemented in the online horserace betting sector

> Press contact: André Piérard - Tel. (+33) 1 55 04 02 28