

23 January 2018

Gambling, Licensing and Lotteries Team
Department for Digital, Culture, Media and Sport
4th Floor, 100 Parliament Street
London, SW1A 2BQ

Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures – British Horseracing Authority response

Introduction

The British Horseracing Authority (BHA) – the governing and regulatory body for thoroughbred horseracing in Great Britain – is delighted to be able to respond to this important consultation regarding proposals for changes to regulations concerning Gaming Machines and Social Responsibility Measures for the wider gambling sector. This response is being submitted by the BHA on behalf of the wider British racing industry.

For hundreds of years, “having a flutter” on horseracing has been part of Britain’s social fabric, with our major meetings – including four of the ten highest attended events in 2017¹ – forming key highlights of the British sporting and societal calendar. Our sport’s schedule of over 1,500 Fixtures provides opportunities for socially responsible betting activity across 362 days of 2018, with recent Gambling Commission statistics indicating that overall turnover and Gross Gambling Yield (GGY) on the sport has grown by 3% and 5% respectively between April 2016 and March 2017.² Importantly, problem gambling prevalence rates from betting on horseracing remain low according to recent NatCen research.³

Since the conclusion of the December 2016 *Review of Gaming Machines and Social Responsibility Measures*, the Department for Digital, Culture, Media and Sport (DCMS) has implemented a landmark reform to the Horserace Betting Levy, which ensures that all betting operators (on or off-course, on or offline, or on or offshore) contribute to the funding of British racing. The British racing industry is extremely grateful to the DCMS Ministerial team and officials for implementing this landmark reform, which is already delivering a significant boost to the grassroots of British racing and the rural economy more generally.

¹ The four events are Royal Ascot (3rd), Cheltenham Festival (4th), Epsom Derby (9th) and the Grand National (10th). Deloitte, *Almost 75m tickets sold for UK sports events in 2017*, 15 December 2017 (<https://www2.deloitte.com/uk/en/pages/press-releases/articles/almost-75m-tickets-sold-for-uk-sports-events-in-2017.html>)

² Gambling Commission, *Industry Statistics April 2014 to March 2017* (<http://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx>)

³ The research found that betting on horseracing (not online) had a problem gambler prevalence of 3.6%, the 14th highest of all listed activities. Natcen, *Gambling Behaviour in Great Britain in 2015: Evidence from England, Scotland and Wales*, August 2017 (<http://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2015.pdf>)

The implementation of this important reform further underlines our December 2016 argument that the British racing industry is, arguably more than any other, heavily interlinked with the UK betting sector. The Government has stated, for example, that “The Levy is paid by bookmakers for the purposes of aiding the horseracing and equine sector; it recognises the mutual interest racing and betting share in a thriving racing industry.”⁴ Further, in its State Aid clearance of the Levy proposals, the European Commission highlighted that:

*“In the UK, racing and betting have a unique interdependency that goes back over 200 years. A day at the races includes, for most participants, betting on horse races as well.”*⁵

Therefore, while betting on horseracing is not the focus of this particular consultation, the interdependencies between British racing and betting, as reaffirmed by the UK Government and European Commission in the last year, mean that there are a number of policy areas covered within this consultation that could have a significant impact on our industry, its grassroots and the rural communities it supports. We welcomed the Minister for Sport and Civil Society’s remarks to the House of Commons on the day which this consultation was launched in which she acknowledged that “horseracing is an incredibly important sector within my portfolio” and that “there is no intention to damage the horse-racing sector with this consultation.”⁶

British racing – as a socially responsible, culturally accepted and traditional form of betting activity – agrees with the Government’s policy objectives from this important consultation process of achieving the “right balance between a sector that can grow and contribute to the economy, and one that is socially acceptable and doing all it should to protect consumers and communities.”

We would note that British racing, through its significant economic impact of £3.45 billion annually and over 20,000 direct employees, already does much to support rural communities across the length and breadth of Britain. We are a socially responsible sport with deep connections to these rural communities. It is therefore important that the Government, when it considers protection of consumers and communities as part of this consultation, takes appropriate account of the employment, economic activity, taxation, education and training, social responsibility and charitable work supported by British racing.

We have responded to the questions within this consultation on the basis of ensuring that the Department has all of the evidence it requires to achieve this important objective, in particular relating to aspects affecting British racing.

Q.1 Do you agree that the maximum stake of £100 on B2 machines (FOBTs) should be reduced? If yes, what alternative maximum stake for B2 machines (FOBTs) do you support?

As outlined in our December 2016 submission, our industry wholeheartedly supports a strong, vibrant and – most importantly – socially responsible retail betting sector with British racing, and its comparatively low historic levels of problem gambling (with no complacency), as the core product. Betting on horseracing remains responsible for 51.7% of traditional Over the Counter

⁴ DCMS, *Explanatory Memorandum to The Horserace Betting Levy Regulations 2017* (2017 No.589), p.3

(https://www.legislation.gov.uk/ukdsi/2017/9780111155530/pdfs/ukdsiem_9780111155530_en.pdf)

⁵ European Commission, *State Aid SA.46216 (2017/N) – United Kingdom Horserace Betting Levy*, 21 April 2017, p.2 (http://ec.europa.eu/competition/state_aid/cases/267768/267768_1901680_142_2.pdf)

⁶ Tracey Crouch MP (Minister for Sport and Civil Society), House of Commons Debate, *Gaming Machines and Social Responsibility*, 31 October 2017

(<https://hansard.parliament.uk/commons/2017-10-31/debates/F9D5E7FC-7C0F-456E-A8B0-D2A3F26F749E/GamingMachinesAndSocialResponsibility>)

(OTC) betting activity within Licensed Betting Offices (LBOs)⁷ and is the key product which allows betting operators to comply with the Gambling Commission's code of practice which states that "gaming machines may be made available for use in licensed betting premises only where there are only substantive facilities for non-remote betting."⁸ We are working with the betting industry to continue to grow responsible betting activity on horseracing, both in LBOs and through remote betting.

Given the interdependencies of our two industries (as outlined above), it is inevitable that British racing's overall income would be badly damaged by a significant reduction in the number of LBOs in Britain, as we derive key income streams, both commercially through media rights and through the Levy, from each LBO.

The Government's forthcoming policy decision in respect of the appropriate stake levels on Category B2 Games on Fixed Odds Betting Terminals (FOBTs) could have a potentially significant impact on the number of LBOs, and by consequence, cause significant losses of revenue to the racing industry and its grassroots at a time when these have only recently been boosted by Levy reform. This includes the significant investment in prize money to encourage growth in owner and customer engagement in the sport's grassroots, training and education initiatives to develop the sport's next generation of participants (including through Apprenticeships), and investment to uphold and improve the welfare of both our people and our horses.

British racing is however acutely aware that there is significant public and political concern regarding the current stake levels on Category B2 Games in LBOs. Moreover, we note the consultation document and Gambling Commission's analysis that there is "minimal play above £50" on B2 Machines, particularly following the introduction of the *Gaming Machine (Circumstances of Use) (Amendment) Regulations 2015* which required all stakes above £50 to be lodged OTC or through customers with registered accounts. For these reasons, British racing does agree with Government's proposal that the maximum stake of £100 on Category B2 Games on FOBTs should be reduced.

British racing does not have any visibility on data (beyond that within the public domain) to assess in detail the implications for the UK LBO sector of a reduction in Category B2 Machine stakes to £50, £30 or £20. As a socially responsible and progressive sport, we believe that Government should, in deciding between these three options, carefully assess the evidence which it does receive to ensure that it achieves the appropriate balance between a sector that can grow and contribute to the economy, and which is socially acceptable and reduces potential harm, while also carefully considering the implications for the British racing sector and the many rural communities which it supports.

However, on the basis of the evidence available, and reflecting the Minister's stated aim to the House that "there is no intention to damage the horseracing or any other sporting industry"⁹ in this consultation, British racing is concerned the proposal to reduce the maximum stake on Category B2 Machine Stakes to £2 would be very damaging to our industry's finances. British racing has noted media reports which suggest that the industry could lose over £250 million of funding over the next four years if the maximum stake were reduced to £2 through reductions in the Horserace

⁷ Gambling Commission, *Industry Statistics April 2014 to March 2017*

⁸ Gambling Commission, *Conditions and codes of practice applicable to non-remote general betting licenses, non-remote pool betting licences, non-remote betting intermediary licences*, January 2017 (<http://www.gamblingcommission.gov.uk/PDF/LCCP/LCCP-sector-summary-for-non-remote-betting.pdf>)

⁹ Tracey Crouch MP (Minister for Sport and Civil Society), House of Commons Debate, *Gaming Machines and Social Responsibility*, 31 October 2017

Betting Levy, and media rights payments from LBOs (which are directly linked to the number of LBOs in Great Britain).

This unintended consequence would represent a major blow to the grassroots of the industry, and the many communities which it supports, which are still fragile following many years of reduced Levy payments – a loophole which the Government has only recently closed. It would also potentially compromise the employment, economic activity, taxation, education and training, community engagement and charitable work provided by British racing in the rural communities we operate in and support.

On the day of the consultation launch, the Minister outlined her belief that changes to Category B2 Machine stake levels would not have “a particularly negative impact on horseracing – in fact, they may well encourage bookmakers and others to focus more on horseracing.”¹⁰ Further, the Impact Assessment to the consultation notes that “the proposed regulatory intervention has the potential to result in significant substitution to other gambling products inside or outside betting shops.”¹¹

British racing would certainly be confident that the quality, integrity and excitement of our product would prove an attractive proposition for betting customers to potentially substitute their betting spend towards, and for retail betting operators to further support and market, if a stake reduction is introduced. However, the available evidence indicates that a £2 maximum stake and the implications on the overall number of LBOs (and therefore Levy and media rights revenues to the sport) would far outweigh any substitution effect of betting activity moving towards horseracing. If the Department has any evidence to ascertain the levels of substitution to other products that may be achieved at various stake levels, in particular if these is significant, then British racing would be very interested in discussing this further.

Overall therefore, we believe that a Category B2 stake limit of £50, £30 or £20 would be the most appropriate options for Government to consider as they will reduce harm appropriately and address public concerns while not damaging the economic viability of the retail betting sector overall, British racing’s central finances, its grassroots or the communities which our industry supports.

A reduction to a £50, £30 or £20 staking limit will allow the Government to consider whether the measures introduced achieve the appropriate balance, without bringing about the potentially severe (and irreversible) implications of an immediate reduction to £2. In any case, were the Government to determine that £2 was an appropriate stake level, we would ask that it provided appropriate time for this change to be implemented in order to allow British racing to appropriately adjust its key revenue models, and minimise the impact on our participants and the communities in which we operate.

Q.3.Do you agree with the government’s proposals to maintain the status quo on category B3?

British racing agrees with the Government’s proposals to maintain Category B3 Machine stakes at £2.

Q.12 Do you support this package of measures to improve player protection measures for the online sector?

¹⁰ *Ibid*

¹¹ DCMS, *Impact Assessment: Consultation on proposals for changes to Gaming Machines and Social Responsibility Measures*, 31 October 2017

British racing welcomes the introduction of any measures which improve player protection – both for retail and remote gambling. We are pleased that the *Gambling (Licensing and Advertising) Act 2014*, which British racing campaigned strongly in favour of on a number of grounds including consumer protection, allows the Government the ability to include these important provisions within the Gambling Commission licensing requirements for remote betting companies operating and advertising into the UK market.

Q.13 Do you support this package of measures to address concerns about gambling advertising?

British racing welcomes the Government's acknowledgement within the consultation document that "investment in sport and sports coverage, in particular free-to-air (FTA) coverage, depends heavily on gambling advertising." We provided detailed analysis on the importance of FTA broadcasting, and the responsible and tonally appropriate advertising of betting opportunities around broadcasts of British racing to fund this coverage, to the Department's previous review in 2016. We again reaffirm all of the points made within this submission and request that the Government continues to take account of the specific and interdependent nature of the racing and betting industries relationship, and our audience demographics, in any future policy decisions it makes in relation to advertising of betting opportunities around sporting events.

British racing is acutely aware that, as an industry which derives significant revenues from betting activity on our sport, we also have a responsibility to promote responsible gambling amongst our customers, and to work with our partners in the betting industry and other Sports Governing bodies to raise awareness of the potential risks of problem gambling. Our industry already, for example, includes responsible gambling messaging within racecards and works with betting partners to encourage and advertise responsible gambling in line with the *Gambling Industry Code for Socially Responsible Advertising*.

We therefore note with interest, and strongly welcome, the Government's announcement that GambleAware has been asked to develop proposals for a two-year, multi-million pound campaign, to promote responsible gambling. British racing, through our 60 racecourses, 1,500 Fixtures annually, and significant FTA coverage (with over 90 days annually broadcast on ITV) has a significant amount of infrastructure and assets which we can contribute to this important campaign. Our industry has already contacted GambleAware to notify them of our interest and willingness to be a key partner in helping develop and publicise the campaign, and we look forward to working closely with them in the coming months.

Conclusion

In British racing's view, the UK has benefitted greatly, both socially and economically, from its liberalised, evidence-based approach towards gambling regulation. While we acknowledge that there has been clear public and political concern regarding certain aspects of the gambling sector, which this consultation rightly looks to address, we would urge the Government to ensure that any future changes to the regulatory environment around gambling as a result of this consultation do not compromise the important balance between appropriate regulation (and support of responsible gambling initiatives) and providing consumers with the opportunity to bet on products such as horseracing.

Further, we ask Government to ensure it carefully considers the implications of any regulatory changes on gambling on the British racing sector, as while horseracing is not directly considered

within these proposals, there could be potentially significant implications for our industry as a result of policy decisions reached as a result of this consultation. It is important that the Government, when it considers protection of consumers and communities as part of this consultation, takes appropriate account of the employment, economic activity, taxation, education and training, social responsibility and charitable work supported by British racing.

We would be happy to provide the Department with any further information which it requires to undertake its important work on this consultation, and look forward to working with it and other partners to promote and support responsible gambling in the UK on all products, including British racing.

January 2018