



# Betting and the racing industry

Overview of British Racing seminar, Newbury,  
19 November 2019

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## The history of British betting

- 1928** Racecourse Betting Act
- 1961** UK Betting Shops legalised
- 1986** Television pictures in betting shops
- 1995** Evening opening of Betting shops in summer months; Sunday Racing
- 2000** Betfair launched
- 2001** Gross Profit Tax replaces Turnover tax
- 2005** Gambling Act – Gambling Commission, 4 FOBTs per betting LBO, Online Gambling
- 2008-11** Many online gambling operators relocate ‘offshore’
- 2011** Betfred buy the Tote
- 2014** Gambling (Licensing and Advertising) Act – Point of Consumption licensing
- 2014-15** Three interlinked consultation processes on Levy extension, reform and replacement
- 2016** Government launches review of Gambling industry, particularly FOBTs
- 2017** Horserace Betting Levy Regulations passed, extending Levy to online operators
- 2018** May – Government Gambling Review published  
July – Pool betting licences opened up

# Types of betting in the UK

## Fixed Odds

- Bookmakers offer prices, typically in fractions e.g. 2-1, 9-4.
- Prices shorten the more money is placed on a horse.
- When bet is made, price is taken.
- Winners paid out at the odds they bet (e.g. £10 at 12-1 = £120 + £10 stake = £130)
- Each way bets can be made on places – Top 3 in 8-15 runner race, Top 4 in 16+ (Terms vary)
- Exotic types of bet also available – Doubles, Triples, Exactas.

## Pool Betting – The Tote

- No fixed price when you place a bet.
- All the bets placed go in to a “pool” – after the race, cost deduction made, and then the remainder of the pool paid out to winning tickets.
- Price only finalised when race starts – not when the bet is placed.

## Betting Exchanges

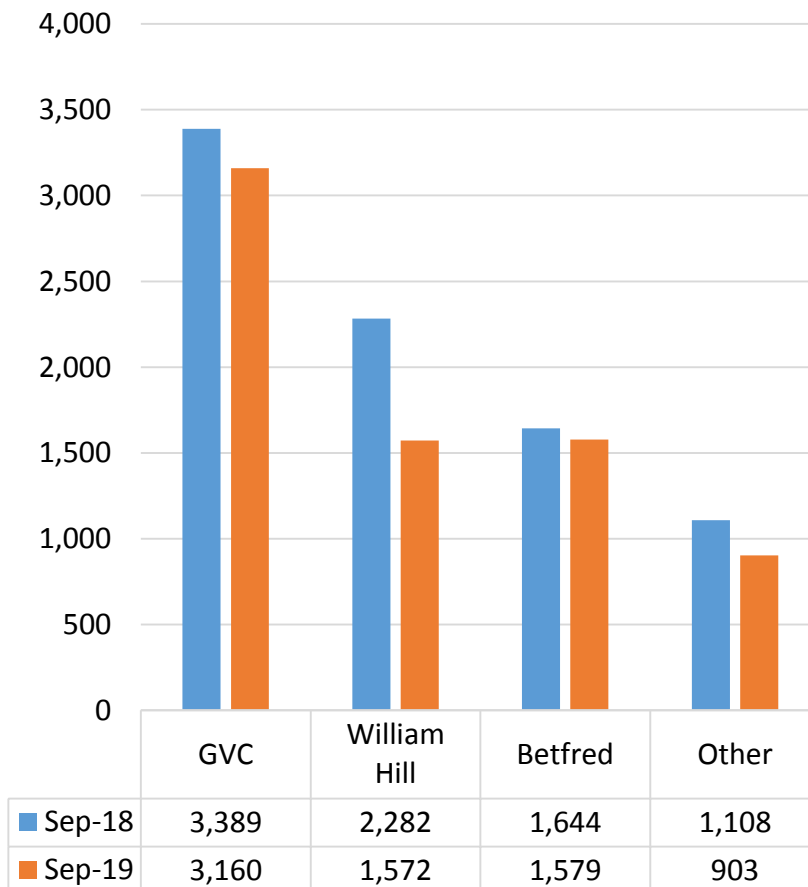
- Allow people to be both sides of the market – backing horses to win or lay them to lose.
- In-running betting
- Small Commission charged on winning bets.

## Spread Betting

- The more accurate the bet, the more you win against the spread (e.g. Total number of lengths in winning distance)

# The UK betting market today - Retail

### LBOs by operator



- Huge change following 2018 Gambling Review
- Total number of UK Licensed Betting Offices
  - September 2018: **8,423**
  - September 2019: **7,214**  
**(- 1,209)**
- Market consolidated behind 'Big Three' operators – **87%** of betting shops
- Horserace Betting now a smaller proportion of revenues – **17%**
  - Potential growth again following closures and refocus of LBOs

## The UK betting market today - Remote

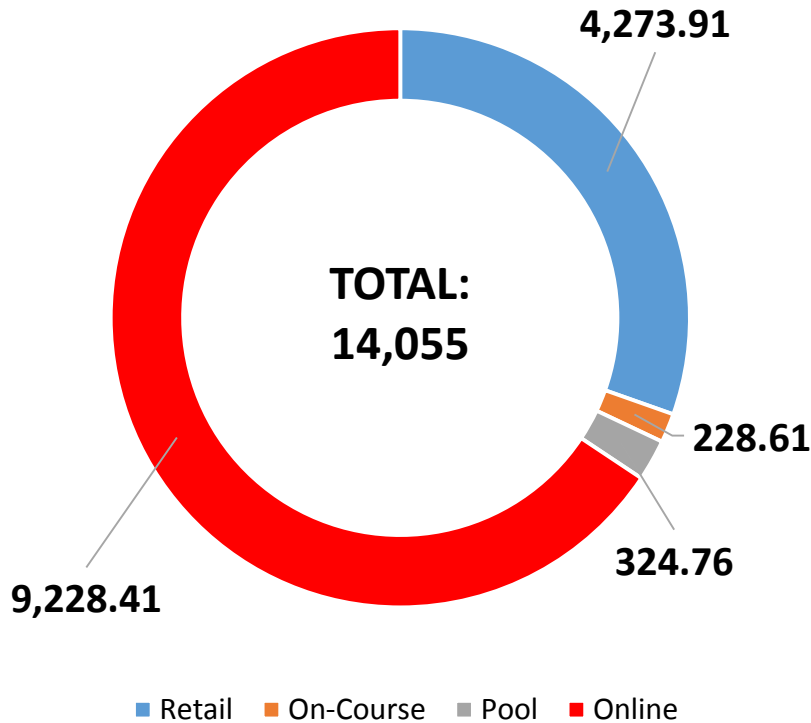
- A much more diversified market
- Significant growth in recent years driven by sports betting
  - William Hill 2017 Sportsbook stakes = 287% of retail staking
- Racing accounts for approximately 30%-50% of sportsbook dependent on operator
- Racing now a predominantly online betting product
- In-play markets and mobile presence particularly significant

The logo for bet365, featuring the word "bet" in white lowercase letters and "365" in yellow uppercase letters, all set against a green rectangular background.Two logos stacked vertically. The top logo is "PADDYPOWER" in white uppercase letters on a dark green background. The bottom logo is "betfair" in black lowercase letters on a yellow background, with a black horse head icon to the left.The logo for THE STARS GROUP, featuring a red outline of a five-pointed star with the words "THE STARS GROUP" in black uppercase letters to its right.

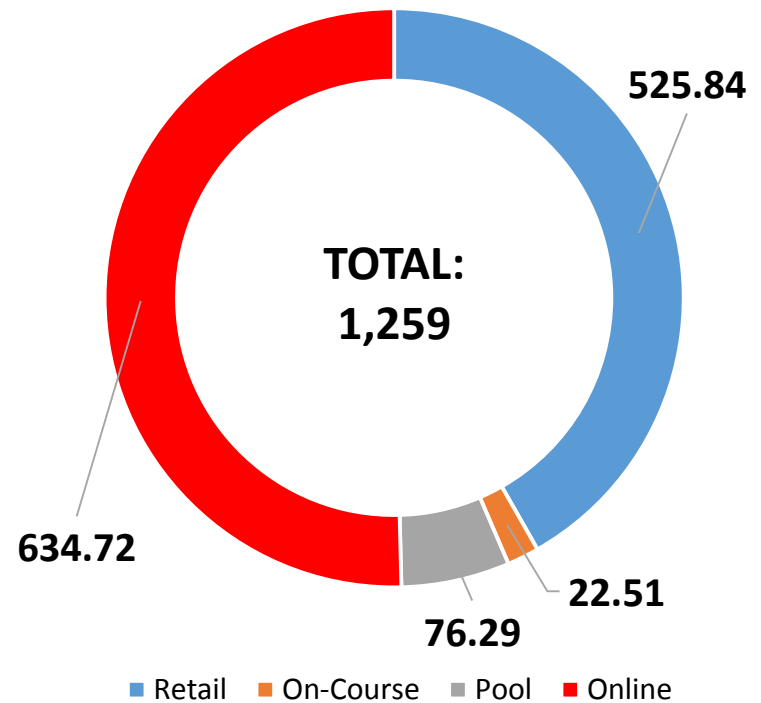


# Racing turnover and Gross Win by channel

Turnover (£m)



Gross win (£m)



Dates – Oct 2017 – Sep 2018

Source: Gambling Commission

## Merger-mania!

Feb 2016

**PADDYPOWER**

MERGED WITH

**betfair**

CREATING

**Flutter**

Nov 2016

**Ladbrokes**

MERGED WITH

**CORAL**

CREATING

**LADBROKES CORAL**  
GROUP

BOUGHT IN March 2018

**GVC** Holdings

Apr 2018

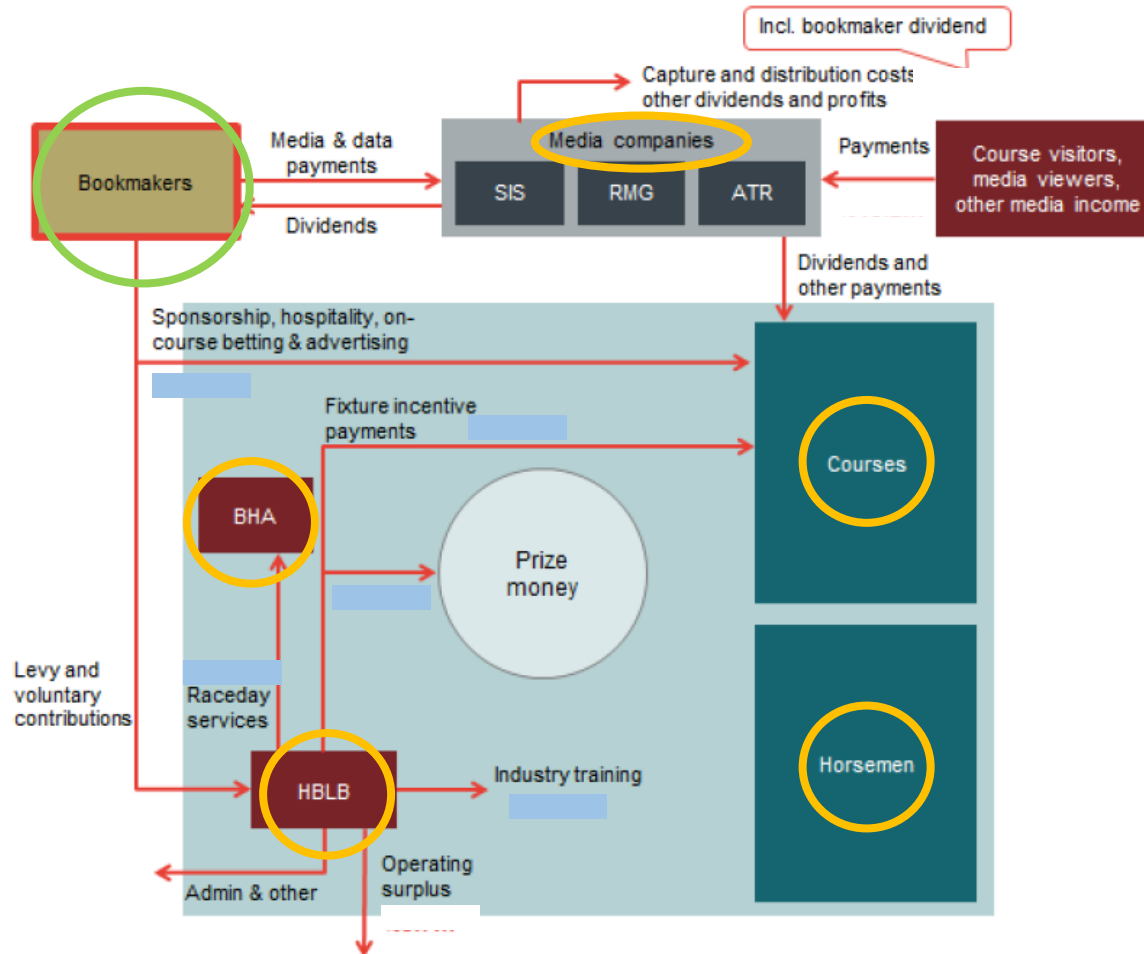
**sky BET**

BOUGHT BY

**THE STARS**  
GROUP

**Proposed Merger announced in October 2019**

# Where racing and betting interact





## Government gambling review – May 2018

- Significant public, media and political pressure for Category B2 FOBT stakes to be reduced
  - Responsible for **57%** of betting shop revenues (Horseracing < **20%**)
- “Social blight” Category B2 FOBT stakes to be reduced from **£100** to **£2**
  - *“There remain consistently high rates of problem gamblers among players of these machines and a high proportion of those seeking treatment identify these machines as their main form of gambling”* – Tracey Crouch MP, Ex-Minister for Sport and Civil Society
  - Implementation ultimately brought forward to 1 April 2020
  - Remote Gaming Duty to rise from **15%** to **21%** to compensate for lost tax receipts
- Other measures include research into gambling advertising and children, changes to TV advertising code and review of public health harms from gambling

## We didn't start the fire....

- Political and media pressure growing on the industry
  - APPG on Gambling Related Harm – Wiped 8% off some shares recently
  - Lords Special Inquiry into Gambling
- Areas of focus since FOBTs change
  - Online casino games – No Limits at present, calls for £2 maximum
  - Gambling advertising
  - Social responsibility Levy
  - Ban on credit card gambling
- Increasing 'race to the top' on social responsibility credentials for major bookmakers



## Racing and Betting – The new relationship

- Less adversarial relationship in recent years following resolution of the online Levy loophole – Racing a more socially responsible product to promote post-FOBT?
- Increasing partnership between racing and betting through data sharing and new Betting Liaison Group
- Interdependency of racing and betting means racing affected by wider gambling policy
  - Less betting shops => Less Levy + Media rights => Reduced income for grassroots
  - Difficult to assess impact and timing but likely in region of **c.£40 – 60 million**
  - Potential mitigation routes include application of Levy to overseas racing
- Early returns under new Levy extremely volatile – underpin required?
- Exemption on gambling advertising ban for horseracing – for the time being...
- What is racing's position on socially responsible gambling – and our responsibility?

## The outlook for betting and racing

- Levy replacement brings a proper and equitable funding relationship with no loopholes exploited and which reflects the value of racing – Removed key tension
- Betting industry under increasing pressure – much of it arguably self-inflicted – but major financial (short-term) and reputational (longer-term) implications for Racing as public attitude to gambling shifts
- All elements of the Racing industry must understand the importance of the betting industry to its future – and work constructively with it – to promote a popular and socially responsible form of betting activity