

RESPONSE ON THE SUBMISSIONS TO THE LEVY BOARD CONSULTATION ON BETTING EXCHANGES

COMMENT

1. We think that Betting Exchanges, and Betfair in particular, are excellent businesses, contemporary to the 21st Century, innovative, and beneficial to horseracing.
2. It is therefore disappointing, that in all their submissions in response to the Consultation Paper, that there is not one proposal from them on how to proceed. Rather, there is much very detailed examination of the 1963 Act, to seek to justify their position that their customers, of whatever magnitude, are not bookmakers or businesses, and so are not subject to levy. There is also much criticism of many of the other submissions, notably the Bookmakers, Racing, and the Levy Board itself.
3. The 1963 Act became law 38 years before Betfair started trading, and we do not doubt that if Exchanges had existed then, the various definitions defining betting activity would have been very different. It is however, perfectly understandable for them to quote this Act repeatedly, as it still regulates betting, and it suits their purpose. The Act therefore, needs modernising, or abandoning, and starting anew.
4. It is especially notable that no other Exchange has contributed a submission.
5. In their various submissions, the Bookmakers agree that business users of an Exchange should be subject to levy. However, one says that it is still very difficult to define and identify a business user, another says it is no longer a problem. Undoubtedly, introducing a levy at a certain level of activity on an Exchange, either in monetary terms or volume of transactions, lays the player open to methods of avoidance. It is stated by William Hill, that already “there are without doubt Exchange business users who are actively engaged in Levy avoidance”.
6. It is suggested in another submission, that to overcome this, players who seek to avoid such a levy, if it is introduced, should be taken to court. By whom? Who pays the costs? Racing’s relationship with the betting industry has become sadly acrimonious, and this suggestion will only make it worse.
7. We had been unaware, at the time of writing the first submission, of the impact or availability of Robot betting sites. These, it would appear, make it impossible to lose, and need no constant supervision. Our proposal, below, allows levy to be captured from this source also without constant supervision, but would be a significant cost to such a player, and he would need to calculate that into his margins.

8. The current levy has been described as “unbelievably complicated”, and it is. The more complicated it is, the easier it is for some to find ways of avoidance, and we all know that has been happening.
9. There is so much dispute between every submission, that the aim should be to produce an effective unavoidable method of payment and collection of Levy, that is straightforward and easy to understand. We have been reinforced by the arguments in the submissions, that our view that 5 pence fee on all matched bets on all Exchange business on British Horseracing is correct. Betfair suggest that our figures are inaccurate (the submission was written before their float was announced). We now know they have 5.5 million transactions a day, 35% on British Horseracing, which would produce over £30m. 51% of their business is through the UK, 49% through Malta. The figures from the overseas business are undisclosed, but voluntary levy from that source has been paid, and through the 5 pence fee scheme will produce a significant increase in Levy yield.

PROPOSALS

1. All the loopholes which have been well aired in some submissions and the press must be closed, to the benefit of Tax revenue as well as the Levy.
2. The 5 pence scheme is introduced as soon as possible.
3. If all other Exchanges, one of which claims more clients than Betfair, are included in the receipt calculations, it is estimated that £60m will be raised from the 5 pence transaction fee scheme.
4. Separate to the Consultation Paper, we are convinced that for the Bookmakers Shop business, the proposal in the Racing Post in a letter from Ferdy Murphy to levy £1 per race per shop, raising approximately £90m a year, is a brilliant concept. It has already been well received as a basis for future consideration by them.
5. £90m from that source, £60m from the 5 pence scheme totals the £150m that the British Horseracing Authority calculates is the correct sum needed to finance Racing in the 21st Century. They both have the huge attraction that they are simple schemes.
6. Every commentator has said that the current Levy Scheme is outdated. To tinker with it, and even just to close the loopholes, will not produce the income needed. The Government want no more to do with it now. This solution must be the final solution, for the Government will not continue to look favourably at the challenges Racing faces if this is prolonged.