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Dear Paul

MODELLING OF TV COSTS USING PROPORTION OF REVENUE METHOD

The Bookmakers' Committee has today submitted to the HBLB an Analysis Update undertaken by Ernst & Young to complement their original report. In addition, we shall, early next week, submit our response to the questions raised by the Government Appointed Members in their Independent Assessment. In both of these submissions, modelling is used to provide estimates on a variety of topics. To ensure that a false picture is not portrayed specifically in respect of TV costs, it would I feel be of value, for the GAMs to be aware of the true (as opposed to modelled) TV costs attributable to British horseracing.

During modelling a consistent approach has to be used to ensure that comparisons can be made on a like-for-like basis. In both pieces mention above, as is normal practice, costs were modelled using a method that allocates them pro-rata by revenue. The result of this, with particular reference to the Levy mechanism, is that whilst it allows modelling to be undertaken satisfactorily, it does not portray the true TV costs associated with British horseracing.

The modelling undertaken utilises a very conservative estimate of the true TV costs that should be allocated to British horseracing. It is of note however, that even against this very conservative approach, trends continue to worsen. Although precluded by the modelling mechanism, the situation presented would worsen significantly if true costs had been used.

The spreadsheet at Annex A, provided by RSBM, provides a clearer indication of the true TV costs attributable to British horseracing. I submit this further work, aware that the GAMs wish to take a wholly independent and unbiased view based on the widest possible purview.

Yours sincerely

Will Roseff

PP

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Chairman

For and on behalf of

The Bookmakers' Committee

15 Oct 10

Copy to: Douglas Erskine-Crum