HOUSE OF LORDS

Select Committee on the Social and Economic Impact of the Gambling Industry

Corrected oral evidence: Social and Economic Impact of the Gambling Industry

Tuesday 28 January 2020

3.20 pm

Watch the meeting

Members present: Lord Grade of Yarmouth (Chair); Lord Butler of Brockwell; Lord Donoughue; Lord Foster of Bath; Lord Lipsey; Lord Mancroft; Lord Parkinson of Whitley Bay; Lord Smith of Hindhead; The Lord Bishop of St Albans; Baroness Thornhill; Lord Watts.

Evidence Session No. 11 Heard in Public Questions 109 - 117

Witnesses

I: Alex Frost, Chief Executive, UK Tote Group; Robin Grossmith, Director, the Federation of Racecourse Bookmakers; Nigel Roddis, Managing Director, BritBet Racing LLP; Nick Rust, Chief Executive, British Horseracing Authority.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Alex Frost, Robin Grossmith, Nigel Roddis and Nick Rust.

Q109 **The Chair:** I extend a warm welcome to our witnesses. A list of the interests of Members relevant to this inquiry has been sent to you and is available. The session is open to the public. It is being broadcast on BBC Parliament and is accessible via the parliamentary website. A transcript will be taken of the evidence and will be put on the parliamentary website. A few days after this session, you will be sent a copy of the transcript to check it for accuracy. It would be helpful if you could advise us of any corrections as quickly as possible thereafter. If after this evidence session you wish to clarify or amplify any points made during your evidence, or have any additional points to make, you are welcome to submit supplementary evidence to us in writing. Would you be kind enough to say for the record who you represent?

Alex Frost: I represent the UK Tote Group, and am its CEO.

Robin Grossmith: I represent the Federation of Racecourse Bookmakers.

Nigel Roddis: I represent BritBet Racing LLP.

Nick Rust: I am the chief executive of the British Horseracing Authority.

Q110 **The Chair:** I will go straight to the first question. It is a historical and current truth that horseracing is intrinsically linked to the gambling industry. What are the benefits and challenges of the two industries being so tightly entwined? Perhaps I could start at the opposite end, with Mr Rust.

Nick Rust: The industries have been interdependent for about 300 years, since the start of horseracing. In British racing, we race 362 days a year now. The industry, and the sport, is of a size that provides over 17,500 jobs directly in rural economies, and about 85,000 people are reliant on horseracing for the majority of their income. That is due to the size of the industry and the fact that we produce a product for betting shops, digital betting, and indeed for people attending races. An advantage for racing and the economy is the size of the industry, in rural economies particularly. The industry is worth about £3.5 billion to the economy, based on a Deloitte report in 2013—that is the most recent evidence I have for you. On the betting side of things, betting companies want to have a reliable betting product which shows integrity and allows them to generate revenues from a responsible sport.

The challenges include the fact that, as we are seen as being very closely linked with betting, at times our sport may be linked closely with some of the more difficult areas of responsible gambling. It is key to understand that betting on horseracing has a very low index, versus other betting activities, with regard to gambling disorder and problem gambling. That is probably because our product is not fast play. Today, if we were racing at all our race meetings, we would have three horserace meetings, with races going off about every 10 minutes. The nature of the way we regulate the sport is such that the rules of racing prevent some of the more difficult activities within the actual race itself.

The Chair: Such as?

Nick Rust: For example, if we were to offer a bet on who will be in front at the two-furlong pole or the one-furlong pole, or on the colour of the jockey's silk who is in front at a certain part of the race, that would encourage faster play and would give us integrity issues. Our sport has grown up with betting; we understand it. We have a shared responsibility with the betting industry associated with our sport to ensure responsible gambling, but the instances of problem gambling linked with horseracing are quite low.

The other point to make is on underage gambling and betting. A challenge for our sport is getting to younger adults and making betting on racing more interesting for them, for the future. But TV audiences for betting on racing show that less than 10% are under 18; that compares very differently from, for example, football, which is north of 30%. We are not really reaching out to underage gamblers and there is a low percentage of people who have gambling problems associated with horseracing.

The Chair: The remit of this inquiry is to look at problem gambling. I will open this question to anybody who feels competent to answer it—I am sure you are all competent, but I mean anybody who has the experience to answer it. What constitutes problem gambling for you? How do you identify it? How do you pinpoint it? How do you deal with it?

Nigel Roddis: We operate in a racecourse environment. That is all we do: we provide a betting service to people going racing. One element of the training that we have to give to staff is the ability to identify when somebody may be suggesting traits linked to problem gambling. The issue that we face with staff is that it is a very human interaction that they have; there is no hard and fast rule that we can provide them with to measure whether somebody is showing these traits. We give them training to ensure that if it is obvious, if there are certain signs, if things are said or if there are certain utterances, they can recognise it. If they recognise it, the other part of the training is that they then know how to deal with it. It is about ensuring that staff are given sufficient training to both notice and appreciate it, and then to be able to challenge it and deal with it. Should someone be demonstrating those traits, they would not be provided with a betting transaction, and staff would also be able to provide some support and to escalate the process to more senior management on race day.

The Chair: You deal face-to-face with your punters, to use the terminology, so you have that advantage over other forms of betting.

Nigel Roddis: That is true of every transaction. It is an advantage, but it also provides some specific challenges. This is not something that can be dealt with via an email transaction, to just take the issue offline and monitor it. It brings in that human interaction, which I think is right and appropriate. We set up the operation, in the middle of 2018 and we are owned by racecourses. Having that direct link to their customers, racecourses are very keen to take on the responsibility and accountability for dealing with their customers and providing a safe environment for them. The human interaction provides us with an advantage.

Nick Rust: May I comment on the sport from a broader level? I have talked about shared responsibility. Because of the strong links, we have a deep understanding of the challenges facing betting operators and of anyone facing distress due to financial disadvantage from this, however small that might be. That is one of the things that the industry had to get a hold of.

I am reminded of the biblical story about the lady with the two coins: it was seen as very significant because it was all she had. It is not just about the big bet. A bet of £5, £10, or even a couple of pounds in some cases, can be an indicator. Other indicators are around time and diversion and so on. We are very familiar with the Gambling Commission's definitions around this.

It is important that racing has a strong, critical-friend relationship with betting. On the decision taken by the last Government on fixed-odds betting terminals, racing took a position of supporting the Government and the need for change, even though it could have been said that it was not directly in our interests to do so. We are very keen and, as critical friends, we work closely with the betting industry to help ensure that it is doing all that it can, and that we take our share of that responsibility.

Robin Grossmith: I endorse everything that Nigel has said. From an on-course point of view, we have a one-to-one relationship with our customers because they have to be there. There is no phone betting or internet betting; it is one-to-one. We organise for our members and their staff a range of seminars, all over the country. We run those in conjunction with the Gambling Commission, which is always present and supports us, and a company called Serve Legal, which is very well known in the industry. It is an educational route for bookmakers. We do that, on top of everything that Nigel mentioned, to help.

Let us go back a little. There are 400 on-course bookmakers, and 398 of them are small family firms. We face a slightly different problem from our colleagues off-course. We try to address it in conjunction with the Gambling Commission and Serve Legal. Very much like Nigel said, we do that one-to-one; if there are problems, we have an opportunity to actually recognise them head-on and deal with them at the time.

The Chair: The on-course sector is self-regulating. You said earlier that mid-race betting, if I can put it that way, is something that you could do and that would be legal, but you have decided that this is not a direction you want to go in. Do I have that right?

Nick Rust: I was referring to all forms of betting on racing, including on-course. Yes, we want to protect the integrity of racing as well. There are two drivers. One is—

The Chair: There is nothing to stop you doing some of that, is there?

Nick Rust: You can bet mid-race, but usually it is on the same sorts of outcomes that you could bet on prior to the race. There are no additional fast-play opportunities during racing; there are only so many times you would want to back the same horse. It does not fit in with a pattern of problem gambling.

The Chair: I am trying to understand whether that is because of regulation or your own decision.

Nick Rust: That is the sport's own decision, as regulated by us as the sport's regulator.

The Lord Bishop of St Albans: Thank you very much for your comments. Could you clarify a little bit about the training? I am thinking particularly of Mr Roddis and Mr Grossmith. Is the training of all staff compulsory? Presumably there is quite a turnover of staff working, so would people have to go through certain training before they can operate? Are we talking about a four-hour seminar, or a week-long seminar? What is the nature of this training people are doing? Is there any attempt to report problems? You say that you can recognise problems and deal with them. Do we know how many there are? Is there some way that they are reported back, so that people can receive help?

Robin Grossmith: We have four one-day seminars a year. As I say, the Gambling Commission sends a team along, as do Serve Legal, and it is an educational course. Every day in the betting ring, we have what we call a betting ring manager. If there are any problems of any kind, he is the first port of call to report the problem to. He then liaises directly with the racecourses and that problem is dealt with. That is how we are. We are to a degree self-regulating, but of course we come under the auspices of the Gambling Commission and the terms our licences. We are a very small community of 400 nationwide.

The Lord Bishop of St Albans: Is that data collected, so that we could ever get an idea of, for example, trends? Because of all the work that is being done, we hope it is problem that is becoming smaller, but we do not know unless we collect that data.

Robin Grossmith: Any incident is reported by the betting ring manager.

The Lord Bishop of St Albans: Is that published somewhere?

Robin Grossmith: That will go to the office, and Tim Moore, the managing director, sends it on to the Gambling Commission. He liaises regularly with the Gambling Commission, so anything is traceable.

The Lord Bishop of St Albans: Is that data publicly available?

Robin Grossmith: It would be from the Gambling Commission, but I cannot speak for it.

Q111 **Lord Butler of Brockwell:** The statistics Mr Rust gave indicate that 0.6% of gamblers are problem gamblers. Could you describe for us the analysis and research that underlies those figures and how confident you can be in them?

Nick Rust: I do not know all the details. Those are published Gambling Commission statistics, which we are not responsible for, but the 0.6% is based on, I think—with an old hat on, because I used to work in the betting industry—a number of years of research monitoring this outcome through surveys and collecting other data about treatments and so on. I am not exactly familiar with how it conducts it, but I believe the Gambling Commission could provide you with that information, or, if you would like me to follow up, I can provide the data for you afterwards.

Lord Butler of Brockwell: It is just that in your introduction you quoted it as a virtue, and I want to know how well based it is and how confident you can be in it.

Nick Rust: Well, it is based on Gambling Commission data and surveys, and it has the best access to this. We have cross-triangulated it with some of our own evidence around gambling disorder and association with racing, and we are comfortable that that figure represents the position overall.

Lord Butler of Brockwell: Could you describe how you have done that triangulating?

Nick Rust: Through consumer research: we have asked a number of questions, on everything from equine welfare in our sport through to gambling frequency and whether people have any issues with gambling. We conduct such research from time to time, but it would not be as scientific as the Gambling Commission's own data.

Lord Butler of Brockwell: It is said that 0.6% of gamblers are problem gamblers, which is a very low percentage. A slightly different figure would be the amount of revenue that comes from problem gamblers. Do you have a percentage for that?

Nick Rust: I do not know how much revenue comes through. In racing, we receive quite a small proportion. We are not the main beneficiary of people betting on the sport. We receive a levy of 10% of bookmakers' gross profits through the levy board and the levy Act, and some other money indirectly. We are keen to ensure that we understand more about the actual numbers of people who are affected by betting on racing, first and foremost. Some of the data suggests that there is a considerably lower at-risk prevalence for gambling disorder associated with horseracing versus, for example, fast-play betting terminals, betting on football and other matters. We are relatively low risk. That is not to take away from the fact that, as I said earlier, we take our share of responsibility, and we are keen to work with betting companies and the

Gambling Commission to ensure that we are more than pulling our weight.

The Lord Bishop of St Albans: Do any of your colleagues have anything to add on that?

Nigel Roddis: It is important to note the distinction between the off-course and the on-course market and the size of that on-course market. Robin can probably give some detail on the turnover and GGY from a bookmaker's perspective. From an on-course pool betting perspective, turnover will be roughly £60 million for those 1,400 fixtures. I shall provide some context for that. The average stake that we take is less than £10 and spend per head would be less than £20, probably even less than £15, depending on the meeting. It is important to see some of that context and how that on-course environment is very different from an online environment. Nick has mentioned some of the natural breaks that there are, such as the half hour or 35 minutes between races. Less than 10% of our turnover is on away racing. There is a natural break and a natural cooling-off period in a racecourse environment. It is very, very different.

Q112 **Lord Mancroft:** Before starting, as I have not done it before, may I declare my interests in this subject? I am currently president of the Lotteries Council, which is the trade body for society lotteries, and I have been for longer than I care to remember. I was the first ever holder of an external lottery manager's certificate, in 1996, granted by the Gaming Board for Great Britain, as it was then, and I gave that up in 2001, 2002 or 2003—something like that. I have no commercial interest in that at all. I am also chairman of the Masters of Foxhounds Association, so I am one of the three regulators for point-to-point racing. Point-to-point racing's relationship with racing is very much the same as society lotteries' relationship with the National Lottery: it is the dwarf with the giant. I was on the pre-legislative scrutiny committee for the 2005 Act. I am vice-chairman of the All-Party Betting and Gaming Group at Westminster, although I am waiting to be reappointed this afternoon at our AGM. I should say at the end of all that I do not bet.

The BHA's evidence states, "We keenly recognise our social responsibility and encourage all efforts to reduce problem gambling". Would you give the Committee an overview of what the BHA, racecourses, bookmakers and the wider industry are doing to reduce problem gambling and gambling-related harms at the present time?

Nick Rust: I can certainly speak for the racing industry. As I mentioned earlier, we have taken a stance which is arguably against our own interests with regard to fixed-odds betting terminals and the risk of harm that they cause for a number of players at risk. The decision of the Government will result in the closure of betting shops. British racing earns direct revenues from betting shops on the basis of what we call media rights, but what we really mean is the supply of pictures and data to betting shops so that they can offer betting. Based on the current economic model, the fewer betting shops available to supply, the smaller the income for British racing. We took a stance and tried to encourage our betting partners to take a more proactive, enlightened approach with regard to their own position on fixed-odds betting terminals, and we supported the Government’s position overall.

Whenever we look at new racing initiatives, such as new race types, new fixtures and so on, we carefully consider whether such activities will impact the triggers for problem betting. For example, if we raced 24/7 with floodlit tracks all around the country, and offered betting on racing every five minutes or less, I would argue that we would be failing in our duty to people with gambling disorder and those at risk of it, because we would be providing far too many betting opportunities. We look constantly at the fixtures lists and the way in which races are run. Of course it is a complex relationship, because we want to provide a betting product for betting operators and for people who enjoy betting on our sport, but at the same time, it is not at any cost. We must ensure that we do it in a responsible way. The rules of racing are reviewed regularly to ensure that we do not provide any fast play or potentially corrupt betting opportunities. We provide evidence whenever we can to various bodies to support consideration of gambling advertising and other matters.

I would like to think that, whatever comes out of this review and its recommendations, we would be able to use our expertise to further help any plans that are made. We license racecourses on the basis that they have to provide certain facilities. We have just completed a licensing review, which has changed the basis upon which racecourses are licensed in order to modernise it. That has certain requirements around social responsibility and ensuring that the sport is not brought into disrepute, where we specifically look at these issues. I would not say we have everything covered, but the sport is very focused on this. The sport’s strategy session is about looking to ensure that it has the right relationship with betting moving forward. We have had successful one for 300 years, but it needs to be modern and appropriate moving forward.

The Chair: Mr Frost, your business model is very clear: you want to increase the value of your business and expand your business.

Alex Frost: Correct.

The Chair: The pressure on you with the Tote product is much greater, is it not, and therefore are you in a position where you have to be more aggressive in acquiring customers and getting them to spend?

Alex Frost: When you say much greater, what do you mean?

The Chair: Than the non-Tote bookmaking operators.

Alex Frost: We all have our pressures, but I would say that we come from a very different perspective to bookmakers. We are not a bookmaker, we are a pool operator, and the two are very different indeed.

The Chair: It depends on the total revenue coming in though, does it not?

Alex Frost: We are amassing a pool, which we distribute, so it is a sweepstake-type process.

The Chair: Yes, but the bigger the pool the bigger your cut.

Alex Frost: Absolutely, but we do not run a book so we are not running from a proprietary position.

The Chair: I understand that.

Alex Frost: From our perspective, the pressure is to provide a good service. It becomes attractive to us because racing jurisdictions the world over are entwined with pool betting. We would deem ourselves to be an extraordinary outlier in the global pool industry. The global pool industry is worth in the region of $100 billion. Here, thanks to the likes of Nick, we have 30% of the top racing in the world[1], yet we have less than 1% of the market share of the global pool, so to speak. There is pressure in terms of what we are aiming to do: we are aiming to align ourselves with the racing industry, as the Tote has been in its history of 90 years. It was set up specifically with that aim in mind. The emphasis is very much to realign ourselves and provide the financial model that we see in France and Hong Kong.

The Chair: You are not just on-course, are you?

Alex Frost: We are not even on-course. We work with our partners and Nigel's team at BritBet, who run the on-course piece. Ours is very much a product provision for on-course, whereas off-course we are very much driven towards commercial partnerships with our peers around the world, with other totes. We co-mingle with other totes around the world, such as Hong Kong. The French co-mingle with 36 other countries, and we co-mingle with six.

The Chair: Do you distribute online?

Alex Frost: We distribute online as well, absolutely.

The Chair: Is your relationship with your online customers pretty much the same? I know the product is different but is the relationship the same? If I sign up for Paddy Power or Bet365 or the Tote, is it the same?

Alex Frost: I would say the sign-up process is very similar to Paddy Power's. There are stringent know-your-customer checks and so on, so the process is similar in that regard. Where we would differ is that we do not need customers to lose for us to win. That distinction is very important from our perspective. Your question was about problem gaming; ours is very much a sweepstake-type product, so it is important—absolutely critical, in fact—that the customer has a good experience. A losing customer for us is a bad customer, and an

[1] Note by witness: This varies from year-to-year but the figure is currently c.25%

unsustainable customer. Our priority commercially is oriented more towards ensuring customers have data-rich good experiences, rather than what might be the traditional bookmaking stance of needing the customer to lose for them to win.

Lord Smith of Hindhead: May I ask a quick supplementary, before I ask my question? Do you see the future of your business possibly being more online, with less of a physical presence on the actual racetracks where you started 90 years ago?

Alex Frost: The two work in unison. We are very privileged to have 6 million attendees at UK racetracks each year, so there is a huge commercial advantage for us to be seen to be integrated with the racing industry. We would hate to give that up. That is an intrinsic part of the Tote and an intrinsic part of our business, frankly. Online is where the Tote has been irrelevant for a long, long time, and the symbiotic relationship between the off-course business and on-course business has broken down in the past ownership; we are absolutely looking to restore that.

Lord Smith of Hindhead: Some 6 million people attend horseracing each year, is that right?

Alex Frost: Yes.

Q113 **Lord Smith of Hindhead:** That brings me on to my question. You have answered half of it with the evidence you have already given about the slightly different relationship that you have with your customers, the face-to-face element of it, and the differences between you as on-course compared with off-course and online betting, given the speeds and everything else. My question has become rather simple: could you explain to the Committee what impact any attempt to treat on-course bookmakers in the same manner as off-course or online bookmakers would have on your businesses, in particular on the wider horseracing industry?

Robin Grossmith: It would make a massive difference. As I have said, we are a community of 400 on-course bookmakers; 398 of which are small, family firms—often husband and wife teams, father and son teams, et cetera. We incur the expenses anyway, because the commercial contracts that we already have with the racecourses lock us into an expenditure that can only go up. Every time an attendance fee goes up at a racecourse, our rent—as we might call it—follows it up.

We are in effect a one-trick pony. We offer one product and one product only: that is betting on the race. Our off-course colleagues have a vast number of things to bet on, such as different sports, and even different types of bets on horseracing. From our point of view, I hope you gentlemen will take into account that there are at least 30 to 35 minutes between each race. So once a man has had a bet and the race is over, there is, as Nigel mentioned, what we call a cooling-off period. Nobody can get hooked during that time, whereas if you are off-course, you have the opportunity of going online where there are dozens of games to play; if you are in a betting shop, there is a horserace here and a dog race there, and something else happening somewhere else. That does not happen on a racecourse. We are totally different. Our earning potential is totally different from that of off-course. Our margins are that much smaller, as reflected in Gambling Commission figures. There is a fundamental difference there.

Nigel Roddis: I echo what Robin has said. Operating in the on-course environment is very different. One of the key messages that we would like to get across is that it needs to be looked at differently. As Alex has alluded to, we run the on-course pool betting on 55 of the tracks. Not many of those tracks would make money purely through their on-course pool betting activity. It is there in a large number of those race meetings to add a wider service. It is about the general day and the activity; it is to provide the racing, the social environment and all these other elements. It is not purely driven by the pool betting on the racecourse. Nick has mentioned some of the rural economics of it, and we can provide all that through the review stages. It is a very different environment.

Nick Rust: Looking at it from the point of view of the sport and the experience, it would be sadly missed if we lost the traditional bookmaker environment on the racecourse. It is like a little market, as I am sure you are familiar with. They are competing with each other, and the hubbub of it and the colour of it—in the right way—adds to the spectacle of the day. There will be Members in this room who are familiar with greyhound racing, and it has unfortunately lost some of that colour in its betting rings. We want to retain that, but in the right way. It must follow social responsibility appropriately, and our sport is committed to supporting them to do that.

Q114 **Lord Mancroft:** Mr Rust, the BHA's evidence says that online betting now accounts for 65.6% of turnover and 50.4% of gross gambling yield in horseracing. What impact will the increasing popularity of online gambling have on your revenue, your customers and the wider horseracing industry? That is probably a question for you all.

Nick Rust: There is a challenge around the switch that has been happening—although it is a success story in many ways—towards digital from retail. As I set out earlier, a lot of the revenue from betting operators to racing has come from these betting shop media rights. A shift away from there requires a period of adjustment for our commercial arms, to help ensure that the right deals are in place online. However, the previous Government completed a piece of work which helped ensure that the levy was extended to betting offshore. Most of that 66% of digital betting is bet with companies that are based outside Great Britain; they may be British-domiciled companies, but they are accepting the bets outside. Bets in the digital space were not attracting levy. We now receive 10% of gross profits from that. That is a challenge.

Moving forward, the challenge will be around the fact that we are heading towards the first stage of Brexit this Friday. British racing has to compete increasingly with other countries for owners and betting. Our friends in Ireland have a system where all bets—whether they are bet on Irish racing or not—attract the equivalent of a levy for their sport. We would say that Irish racing makes more money from betting on British racing than it does from its own sport. We have a gap. Anyone who bets on Irish, French, or any foreign racing currently pays no levy to British racing.

The more we move into the digital space and the more products are available, the more we have to be careful around how we are going to receive our earnings moving forward. That is probably the biggest challenge. Digital betting activity needs careful focus regarding managing problem gambling, and we work with our betting partners on that.

Q115 **Lord Watts:** What are your views on the statutory levy which pays for research, education and treatment for those suffering gambling-related harm? Should it be mandatory or voluntary? What are your views on a smart levy? Are there any lessons to be learned from the horserace betting levy?

Nick Rust: It is probably not for me to say whether the proposed levy should be mandatory or otherwise. I am pleased to see that a number of betting companies appear to have stepped forward and committed to further funds, which is welcome. I guess that as a very small regulator in our own world—compared to the Government—I think these things have to be properly measured before a decision is implemented. We support the proper funding of it. We would like to see betting operators take up the cudgel first and foremost on this side of things. But, ultimately, I am sure that it will be a decision for Government as to how it should be best set and whether it should be mandatory or otherwise.

I am putting words in your mouth now, but as for the horserace betting levy, ultimately we needed some government assistance to ensure that online revenue was paid across the board from offshore. A number of betting operators volunteered it, and that helped to pay for equine welfare and investment in rural economies. They played their part in that but, ultimately, the Government felt they had to act to regulate and make it a regulatory necessity. On this one, I do not know which way it will go.

Lord Watts: I am interested because the major players seem to have signed up for the levy, but some fairly substantial players have not. That seems to be an unequal position for the gambling industry. Does someone want to explain why that is, because it seems to me that that is an unfair burden on certain companies but not on others?

Nigel Roddis: I would not want to necessarily explain why people might want to do that. We are very happy to contribute to that. I can understand that, if things are voluntary, a degree of participation is needed for everybody to feel comfortable. I can understand why something mandatory may be under consideration. I would like to stress that, if it is being looked at in that way, and referring to answers we gave earlier, the on-course market is very different from the market and the economics of the off-course environment and the online environment. Anything that is mandatory would need to take into account some of those different distribution channels and the economics of them.

Alex Frost: The Tote was set up to look after the online industry as best it can by presenting a financial model. Clearly, that is very much on our agenda. For the first time, we have offered to pay the 0.1% you are referring to, for the training programmes.[2] On Nick's point about offshore, everything that the Tote has in assets currently is onshore. We have reinvigorated the headquarters of the Tote in Wigan and taken the number of employees up three[3]fold in only three months. Our focus is very much towards working with the industry and working with the core values that the Tote has always stood for.

Robin Grossmith: Could I add something that might help you? As far as the levy is concerned, in 2017, when Tracey Crouch was the Minister, she completely exempted the on-course market from the levy. Two weeks later, she had to alter her position because of the threat of illegal state aid to an online bookmaker. Then, in what we always refer to as a "levy-free slice", she put a figure of £500,000 in. From an on-course point of view, and recognising that we are different from off-course, Gambling Commission statistics show that there are only four bookmakers who actually qualify to pay the levy. Again, that is where the Government recognised that we are different. That is a very important part of it, endorsing what Nigel has previously said.

The Lord Bishop of St Albans: I am not sure if this is the place to ask, but do you have any views on how the levy is used to assess the causes of gambling-related harm, and how it is used to decrease the levels of gambling-related harm that we are seeing?

Nick Rust: It is a personal view, but I think the education element is key. I have a 23 year-old son, and his level of ignorance around betting does not hold back his ability to participate in it. Despite my history in the industry, I am surprised at the savviness of young people on some of the issues in today's world, but their lack of basic education around it. A lot of it can be managed much better with proactive education. Of course we need to provide support and treatment for people, but, speaking in a personal capacity, that is where I would like to see more of the effort going in.

Lord Foster of Bath: I would like to go a little further on that very point. You have stressed very much that the industry is different and that some are even exempt from paying the levy. Particularly you stress that it is less likely to lead to problem gambling issues. Could you amplify a little more your thinking about the levy in the future? You do not want to say whether it should be mandatory or voluntary, but do you think it should

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[2] Note by witness: Witness is referring to funding for Research, Education and Treatment.

[3] Note by witness: Currently the team has expanded threefold, with the ambition to increase that to fivefold over the next few years.

move towards the sort of system that they have in New Zealand, where the size of the levy is determined in part by players' losses and by reference to the number of players from that particular game in that particular company, and to agencies that help people with problem gambling? In other words, should it be a smart levy rather than just a flat levy?

Nick Rust: With my old hat on again—I am not speaking for anyone; this is a personal view from within horseracing—a smart levy means ensuring that there is sufficient funding to help manage the risks appropriately. That has to be supported. It will not always be linked with players' losses; there will be some players who are perfectly happy and perfectly in control, with very lucrative incomes or estates that they are very happy to spend their private time on. I think that it would be disproportionate in those cases. It must be linked to harm and risk of harm.

Lord Butler of Brockwell: You referred to education. Who should provide that education?

Nick Rust: The British Horseracing Authority and British racing are happy to support all efforts. We are not the direct beneficiaries of betting; we benefit indirectly, but we have a shared responsibility. There needs to be some responsibility taken by the industry. From what I can gather, there is an acceptance of that from most operators. There needs to be some responsibility there. It is not for me to say how, because I am not an expert in how best to tackle this, but a degree of responsibility must be taken by the industry.

Q116 **Baroness Thornhill:** I want to look at your attitude towards advertising and how much you spend on advertising, particularly given that horseracing is excluded from what we are calling the whistle-to-whistle ban. Can you explain why it was made an exception in that way? You say that risk is at such a low level, but do you see a responsibility to make your advertising not attractive to children? What steps do you take, particularly as horseracing is on a Saturday afternoon and children are likely to see it?

Nick Rust: Betting and racing have an interdependency, so historically there has been this advertising. We argue strongly that, if you are about managing risk, advertising on TV associated with British racing is considerably lower risk because less than 10% of the audience—in fact, less than 6% on the main channel—at any one time features under-18s. We would say they are at considerably lower direct risk.

The nature of the live broadcasting of racing also means that the gaps between events are longer than in other forms of gambling. Because we do not have all these in-play bets, the way in which you can bet on racing is a little slower and a little more remote than elsewhere. We have made the case to say that if the risk is low, there is a huge risk for racing given the size of our sport and because we are interdependent. The exposure we receive from TV coverage inevitably promotes betting, but largely to people who are already involved in betting on the sport.

When I first worked in a betting shop, as a student in the mid-1980s, about 97% of people who were betting for the first time would have come in to bet on racing. The truth now is that less than 3% of new betters bet for the first time on racing. British racing is not the sport that is attracting people into betting. For our commercial model, we would like it to be a little better, in a way; but from the point of view of the Committee, people come to betting often because they bet on football. They then find that betting on racing is something else quite interesting to do in the winter when they are betting on football. We are not really bringing people into betting.

The age profile of people who own horses in our sport is ageing, I am afraid. It has come a long way since I started in the shops. Sky Sports and other things have created interest in these sports, which creates further betting opportunities. We would say that we are not high risk, and we would reiterate that our sport's size, and its contribution through the levy board to the rural economy, jobs, and investment in research on veterinary treatments which benefit all horses in this country, is dependent on having a viable industry. This is an important part for us. If gambling advertising starts to cause risk of harm, of course some action must to be taken. But we would argue that it is low risk, certainly for underage gamblers.

Nigel Roddis: From an on-course perspective, we have around 2,500 screens that are on racecourses displaying to the race goers. There will be people under the age of 18 there. The key is that those screens inform but do not entice: we are very clear on that. They have appropriate messaging to ensure that that takes place.

Nick mentioned the ageing profile, and one of the challenges we have is to bring down that ageing profile, but it is to bring it down to the 30-plus bracket.

The distinction with horseracing is not unique to here. It is mirrored in other jurisdictions, in particular Australia, which has a very similar regulatory environment to what we have here. It is seen as distinct there, because of all the economic elements that Nick has outlined.

Lord Foster of Bath: What is the appropriate messaging that appears on the screens?

Nigel Roddis: The appropriate messaging is informing, rather than enticing, and includes GambleAware messages and age messages. It is not just about selling. It is appropriate in that sense.

Robin Grossmith: Following on from what Nigel said, the on-course bookmakers—the people I represent—do not advertise at all in any way, shape or form. We never have done and there is no plan to do so in the future. I think that is another clear example of the difference between the on-course and the off-course market. We are very concerned that this should be recognised.

The Chair: That is understood.

Lord Mancroft: This may be an unfair question, and please say so if it is. Twenty-five years ago, the majority of sports betting, on-course and off-course, was on horseracing, and I guess second was dog racing. What are the proportions now? What is the proportion that goes to cricket, football and other sports?

Nick Rust: We will supply you with that information afterwards, but, fundamentally, less than 30% of profits is now from horseracing, versus when I started in betting shops, at the time you are referring to, when it would have been 80% for horseracing.

Q117 **Lord Parkinson of Whitley Bay:** Following on from these points about underage gambling, historically, the on-course sector has performed quite badly when it comes to spot checks and age verification tests. Last summer, the local council in Windsor and Maidenhead conducted some spot checks at Royal Ascot and found that seven of the 17 firms tested allowed a 16 year-old to place a bet. What has been done since then, and is enough being done to tackle this sort of behaviour?

Robin Grossmith: We work very closely with the Gambling Commission. As you say, seven of the 17 firms took the £5 bet off a 16 year-old lad. The lad was in the presence of a local trading standards officer and a representative from the Gambling Commission, so he was not a stand-alone lad who walks up, puts his hand in his pocket and asks for a fiver bet. It is very important to understand that.

What is being done about it? As I mentioned earlier, we use a company called Serve Legal. We have seminars up and down the country. It is very difficult at this moment in time. I am not trying to avoid the question at all, but the guys were fined what we thought were disproportionate amounts of money for a £5 offence. It is an offence and they did break the law; there is no question about that, and they are not trying to get out of it. But there is an appeals process in place at the moment and that does not finish until Friday. To comment on it when the Gambling Commission’s position could alter is terribly difficult for me.

But going forward, what are we going to do? We can improve the situation by having better and clearer signage and by working with the racecourses to have announcements over the speakers about underage betting. On the big screens that all racecourses have, they can make a better effort than they do to put up notices to that effect. All bookmakers, issued through us, carry leaflets in their bag for problem gamblers. If somebody wants to be self-excluded and they talk to us, we can give them the literature with details of who they should contact to help. We do everything we can, but we are a very small community and we operate on very limited funds.

Lord Butler of Brockwell: Are racecourses themselves doing enough? It is a while since I was at Ascot, but I know that there are all sorts of different coloured badges to regulate which bits of the enclosures you can go into. Is it as simple as saying that, if you are under 18, you have a different coloured badge?

Robin Grossmith: The problem is this. Betting shops, casinos and bingo halls are closed units. A racecourse is an open unit. All areas of a racecourse are licensed for betting, so to try to exclude somebody from certain areas is a total impossibility.

Lord Butler of Brockwell: Could you not just give an under-18 a different coloured badge, so that they cannot place a bet?

Nick Rust: I think that is a good idea. As the governing body for the sport—although we do not directly regulate this aspect—I have to say that we are very disappointed about this. We cannot comment on the specific case. But with an old hat on, having been involved 10 years ago when these visits to betting shops first started happening, I know that although people were trained and ready to deal with it, because there was no regulation or enforcement, and nobody coming in to pick you up on it, betting shops did not do well early on. They soon learned.

Robin and his team need to work even harder here. But you are right: racecourses and racing can do more to signpost this. Simple ideas like you have suggested can help. Those badges can go missing, but there must be ways in which we can provide such access. Historically, because of the environment it is low risk, but a young individual has come along and been able to do this. We need to get hold of this and make sure it is dealt with across our courses.

Nigel Roddis: We took on the on-course operation in July 2018. The first thing we did was move the Think 21 policy that was put in place by the operator previously to a Think 25 policy.

It is key to have in mind that there are obligations that we need to meet, and we absolutely want to meet those obligations. Racecourses now run this operation, and they are very keen to ensure that they are not abdicating any responsibility and are not outsourcing the responsibility for this. The obligation sits with us; with racecourses. It is not just about dealing with those obligations. It makes commercial sense as well to ensure that the environment is safe and regulated, and that people there can have an enjoyable social environment. If it is encouraging activities that would turn away the families they want to attract, that does not make good commercial sense. The obligations are there, and absolutely we will comply with them, but it is worth having in mind that, economically it makes sense for racecourses as well.

Nick Rust: Ascot has worked with the local authority right from the start on this. I have not seen the final action plan, but I know that it is working on some initiatives to help ensure this does not happen again.

The Lord Bishop of St Albans: I am guessing that part of the reason for the fines and the articles in the newspapers—Mr Grossmith is quoted in yesterday's *Guardian*, of which I have a copy in front of me—is that this happened back in 2014 as well, with even more people. Indeed, someone in the article is quoted as saying that teenagers come up with their parents, who put the bets on for them. It seems to suggest that this is normal and parents do not worry about it. I guess part of the concern is how we educate people and move this forward, both to protect you and young people.

Robin Grossmith: Absolutely. One of our guys has put forward an idea that could work: an exclusion zone in front of the bookmakers of perhaps a metre, or something like that, and nobody under the age of 18 can cross that line. Racecourses have it in all their grandstands; they have yellow markings where people cannot enter, and people respect that. If we were to have a line in front of the bookmakers that you must be 18 or over to cross, that could help. We need to speak to the racecourses about this, because it is their land and we respect that fully. We could come up with lots of ideas.

We take this very seriously, because the last thing anybody wants to do is lose their job. If you lose your licence from the Gambling Commission, you are put out of work. As I say, we are all small family firms, so we are very concerned.

The Chair: May I ask a last question, Mr Frost? What is your experience in the Tote Group of underage gambling?

Alex Frost: It is reasonably limited, in so far as I have been in this seat for only three months. Where the Tote is very fortunate is that, as an off-course business, we can profile customers in a very stringent way. We have know-your-customer checks and so on. By virtue of an account being logged into, we will know the age of said client, and there can be a block there immediately.

The Chair: On behalf of the Committee, I thank all four of you for a very interesting and educative session.