

## Written evidence submitted by the UK Tote Group

### Submission to the Digital, Culture, Media and Sport Select Committee: Call for Evidence – Impact of Covid-19 on DCMS sectors

April 2020

#### Introduction

1. The UK Tote Group is pleased to have the opportunity to make a written submission to the Digital, Culture, Media and Sport Select Committee's ("the Committee") Inquiry on the Impact of Covid-19 on DCMS sectors.

#### About the UK Tote Group

2. The UK Tote Group is the proud owner and steward of the Tote, the UK's leading pool betting operator. The company is backed by over 160 individual investors, the majority of whom are racehorse owners and breeders. Investors are united by a shared desire to see a revitalised Tote which provides better value and an improved experience for customers, as well as ensuring the Tote is back at the heart of British horseracing, helping to support the future of the sport.
3. The UK Tote Group has the support of leading figures from across the sport including Champion Flat Trainer John Gosden, twice Epsom Derby-winning jockey Frankie Dettori, 20-times Champion Jumps Jockey Sir AP McCoy, and TV presenter Clare Balding.
4. The Tote has been a fundamental part of British horseracing since 1928. It was established by an Act of Parliament when Sir Winston Churchill was Chancellor of the Exchequer in order to:
  - Provide a safe, state-controlled alternative to illegal bookmakers; and,
  - Ensure a proportion of revenues were used for "purposes conducive to the improvement of breeds of horses or the sport of horseracing".
5. The Tote stayed in Government ownership until 2011 when it was sold to Betfred who went on to sell it to the UK Tote Group in October 2019. The Tote's Head Office remains in Wigan, employing c.90 people which is set to increase in the years ahead under the ownership of the UK Tote Group.

#### How the Tote operates

6. The Tote is a pool betting operation offering simple bets (bets on single races) and exotic bets (multi-leg bets on several races, such as the Placepot or Scoop6) on horseracing. The full range of Tote bets can be found at **tote.co.uk**. It is distinguished from fixed-odds betting as customers bet into a pool with each other, in a similar model to sweepstakes, and do not bet against a bookmaker. This ensures the Tote is agnostic about results and welcomes winning customers.

#### The Tote and Responsibility

7. Responsibility is at the heart of the Tote and central to this is ensuring a safe betting environment for customers. The Tote's website offers customers a range of safer betting tools. These include:
  - Deposit and loss limits
  - Time outs
  - Reality checks
  - Self-Exclusion – for the Tote individually or via Gamstop
  - FAQs and Guidance around responsible gambling

8. The Tote ensures communications with customers contain responsible gambling messaging and encourages the use of the responsible gambling tools available on its website.
9. The Tote undertakes responsible advertising, focused only on horserace betting. The company only works with recognised and well-respected media partners, including the Racing Post and News UK.
10. Through dialogue with stakeholders and learning from independent research, as well as customers, policymakers and technologists, the Tote plans to develop and constantly improve the its commitment to safer betting.

### British Horseracing and the Tote

11. The Tote is built on the success of British horseracing. The sport enjoys the patronage of Her Majesty the Queen and is widely recognised as the best horseracing jurisdiction in the world. It makes up an important part of the UK's economy and society, including:
  - Contributing £3.5 billion to the UK economy, with employment of over 85,000
  - Being the second most attended sport in the country with between 5 and 6 million people going racing every year, of which 40% are women
  - Hosting 4 of the top 10 highest attended sporting events in the UK
  - Putting on nearly a quarter of the best 100 races in the world
  - Being the most broadcast sport through free-to-air TV via 4-year deal with ITV
12. The Tote has a strong and unique financial bond with British horseracing based on a seven-year partnership with racecourses which will see the Tote pay a minimum of £50 million to the sport. This is in addition to paying the Horserace Betting Levy, sponsoring races and supporting some of horseracing's leading equine charities and good causes.

### The UK Tote Group's global plans for the Tote

13. As a pool betting operator, the Tote is powered by liquidity (just like lotteries are). The global market for horserace pool betting totals over \$100 billion. Although British horseracing hosts a quarter of the best 100 races in the world, the Tote's share of the pool betting market is less than 1% as illustrated in the map below:



14. The UK Tote's share of the global market can be revolutionised in the years ahead by collaborating with international pool betting operations around the world. Several leading horseracing jurisdictions are already working with the Tote, including recent extensions of partnerships with the Swedish Horse Racing Totalisator Board (ATG), the Hong Kong Jockey Club, South Africa's leading pool betting operator, Phumelela Gaming and a new alliance with Tote Ireland.
15. Last year's Royal Ascot race meeting marked an important moment for the Tote. Together with the Hong Kong Jockey Club and Ascot Racecourse, it launched "**World Pool**". This saw customers from 13 countries having the opportunity to bet into a single pool on races from Royal Ascot. Overall liquidity grew from £18 million to £92 million (+415%), along with the first ever £1 million win pool on a British race for the Diamond Jubilee on the final day of the meeting.<sup>1</sup> This provides a clear template for future collaboration with other national pool betting operators.

### **The role of the UK Government in the success of the Tote as a proud British Brand**

16. The UK Tote Group plans to continue to grow the company's headquarters in Wigan, along with an additional office in central London. It has already trebled the workforce since acquiring the business last year and plans to develop an apprentice scheme for young people in the technology sector.
17. The Tote is working with the Government to unlock future international opportunities and increase the returns from pool betting to British horseracing, while making an increased contribution to the UK economy.
18. This includes collaborating with the relevant organisations in British horseracing, as well as working with the Department for Digital Culture Media and Sport (DCMS), Department for International Trade (DIT) and British Embassies to build strong relationships with the relevant people.
19. A revitalised Tote will be a success story which can be championed by the Government to illustrate the country's leadership in horseracing and responsible sports betting.

### **Answer to the Committee's specific questions**

#### **What has been the immediate impact of Covid-19 on the sector?**

20. Like the vast majority of businesses, the Tote has been heavily impacted by Covid-19. Most immediately, it has meant the entire team are now working from home. This required a five-figure investment in extra technology, as well as a significant restructuring of how the business operates on a day-to-day basis to meet the needs of our customers and look after the well-being of our employees.
21. The Tote team have responded in an incredibly positive manner and have been able to maintain operations and accelerate work on international projects, which is set out in more detail in answers to the following questions. The size of the team has and will remain the same with the exception of our engineering team which is set to grow in the coming months.
22. A significant proportion of the Tote's revenues come from pool betting on British and Irish horseracing and so the absence of racing in both countries since 19<sup>th</sup> March is having a tangible and immediate impact on the business's revenues.

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<sup>1</sup> Ascot Press Release, "World Pool Signals new era for international betting collaboration", 8<sup>th</sup> July 2019: <https://www.ascot.co.uk/news/world-pool-signals-new-era-for-international-betting-collaboration>

## **How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?**

23. The Tote has not, as yet, had to utilise any of the Government's schemes to support businesses and employees. However, it is reassuring to see swift and decisive action from Government in this crucial area in order to maintain the long-term viability of the UK economy.

## **What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?**

24. The Tote will have reduced revenues this year because of Covid-19 which will impact the business in the short-term but should not affect our plans over the next two to five years, assuming that British racing can resume as soon as it is safe for it to do so in the weeks ahead.
25. The Tote is working with leading pool betting operators in other leading racing jurisdictions. Typically, international agreements between operators can take months and years to negotiate but with a greater sense of urgency on all sides, created by the pressures of the impact of Covid-19, it has been possible to negotiate new agreements in a matter of weeks. For example:
- a. In March, the Tote partnered with the Swedish Horse Racing Totalisator Board (ATG) ensuring that for the first time it can offer pool betting on Swedish thoroughbred and Trotting racing to UK racing fans.<sup>2</sup>
  - b. In April, the Tote extended its partnership with the Hong Kong Jockey Club to make pool betting available to UK customers on the world class racing which takes place every week at Happy Valley and Sha Tin racecourses.<sup>3</sup>
  - c. The Tote now has a partnership in place with Phumelela Gaming, the leading pool betting operator in South Africa for when horseracing once again commences in the country.
  - d. The Tote recently announced a significant new alliance with Tote Ireland which brings together some of the best racing in the world and will help bring innovation and creative thinking to how pool betting is presented to racing fans, both on-course and through off-course digital channels.<sup>4</sup>
  - e. The Tote is continuing to discuss future partnerships with operators in a range of countries, including Singapore and the US.
26. The Tote requires a strong and healthy horseracing sector in order to be able to grow its business and partnership with the sport, both here in the UK and internationally. Crucially, the longer British racing is absent the greater the impact on every person in, and connected to, the sport, including the whole betting sector, will be. The Tote works with other betting operators to offer pool betting through their betting shops and websites. In the absence of British racing many betting operators have furloughed shop staff and reduced investment in longer-term projects in order to manage costs which is impacting on innovation and the ability to work together on new ideas.

## **What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?**

27. The communications from DCMS, including the letter from the Parliamentary Under Secretary of State for Sport, Tourism and Heritage to the sector on 20<sup>th</sup> April, have been very clear and we welcome this.

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<sup>2</sup> Tote partners with ATG to offer customers new bets and live streaming on Swedish Racing, 31<sup>st</sup> March 2020:

<https://www.uktotegroup.com/tote-partners-with-atg-to-offer-customers-with-new-bets-and-live-streaming-on-swedish-racing>

<sup>3</sup> Tote offers customers new betting opportunities and live streaming on Hong Kong racing, 7<sup>th</sup> April 2020:

<https://www.uktotegroup.com/tote-offers-customers-new-betting-opportunities-and-live-streaming-on-hong-kong-racing>

<sup>4</sup> HRI Board approve significant alliance between Tote Ireland and UK Tote Group, 28<sup>th</sup> April 2020:

<https://www.uktotegroup.com/hri-board-approve-significant-alliance-between-tote-ireland-and-uk-tote-group>

## How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

28. As the full impact of Covid-19 on the betting sector is realised there will be need to be an understanding that it will take businesses some time to return to “business as usual” for those that can, and DCMS should be sympathetic to this when engaging with the sector.
29. The Tote will always prioritise looking after its customers, through both improving the betting experience and innovating in the safer betting.
30. The Tote’s focus will continue to be to financially support British horseracing and showcase the best of global racing to our customers. Sometimes this requires big structural pieces of work which take months and years to develop but can sometimes be achieved through making the most of short-term opportunities. Recently, for example:
  - a. The Tote was proud to be part of the industry’s efforts which saw £2.6 million raised for NHS Charities Together via the Virtual Grand National earlier this month.
  - b. The Tote has partnered with Racing Welfare, who provide support for all of racing’s workforce, along with Great British Racing and Sky Sports Racing, to launch the Furlong Factor which aims to find singing talent in racing and raise funds for the charity during this challenging time.<sup>5</sup>
  - c. The Tote continues to use its social media platforms - @ToteRacing and @UKToteGroup – to highlight the passion of people working in sport, including interviews and footage with trainers and racing staff.
31. The current situation has underlined the significance of the digital aspect of our operations and accessing talent in Wigan with the appropriate digital skills to build on this will be important in the future. The government has committed to rebalancing the national economy and the Tote would welcome further investment in training and apprenticeship programs that give people in and around areas like Wigan the skills to code and work as software engineers.

### Conclusion

32. The Tote will continue to show the flexibility and robustness needed to deal with these uncertain times in order to ensure a viable and strong business in the long run. We look forward to continuing to work with Government as part of achieving this.

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<sup>5</sup> Details about the Furlong Factor can be found at: <https://racingwelfare.co.uk/twenty-four-contestants-head-to-heat-stages-of-the-furlong-factor/>