

Written evidence submitted by the British Horseracing Authority

Digital, Culture, Media and Sport Committee inquiry into impact of Covid-19 on DCMS sectors

Introduction

1. The British Horseracing Authority (BHA) – the governing and regulatory body for thoroughbred horseracing in Great Britain – welcomes the opportunity to respond to this inquiry into the impact of Covid-19 on DCMS sectors. This is an unprecedented crisis which is impacting every industry in the British economy and DCMS sectors. However, there are unique and specific challenges which our industry, working with the Department for Digital, Culture, Media and Sport (DCMS) and other Government departments, is facing in the short and medium term.
2. British racing is the UK's second largest sport behind football in respect of attendances, employment and revenues generated annually. In 2019, 5.62 million people attended over 1,500 individual race meetings held across England, Scotland and Wales. Our largest events are not only highlights in the increasingly competitive international racing calendar, but also the UK sporting and social calendar. British Racing's cultural significance is demonstrated by the fact that ours is the only sport which has two annual nationwide events – the Grand National and The Derby –included on the Group A list of full live coverage protected events for FTA broadcast. The sport's popularity has also once again been recently demonstrated with ITV Racing's coverage of the 2000 Guineas at Newmarket on 6 June attracting an audience of 1.5 million viewers.
3. This translates into a significant economic benefit for the UK, with our industry generating £4.1 billion in direct, indirect and associated expenditure annually for the British economy. Much of this is focused in rural areas with over 20,000 people directly employed across our 59 licensed racecourses, hundreds of training yards and thousands of breeding operations – all of which play a key role in the life of the many hundreds of rural communities they operate in.

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

4. Thoroughbred horseracing was suspended in England for a period of 76 days from 18 March to 1 June 2020, resuming at Newcastle racecourse. The sport resumed in Wales at Chepstow racecourse on Monday 15 June and is expected to restart in Scotland on Monday 22 June at Ayr racecourse.
5. Throughout this crisis, British racing has at all times followed Government guidance in relation to mass gatherings and provision of available medical support, and proactively engaged with DCMS in development of the guidance for a safe resumption of elite sport. The decision to suspend racing on 18 March was taken to protect essential emergency services, the health and welfare of staff and participants working in the racing industry, and to comply with social distancing measures introduced by Government.

6. With no racing for a two-month period, much of the British thoroughbred racing industry stood at a standstill, with little or no income coming into the 59 racecourses, hundreds of training yards, thousands of breeding operations, and many ancillary industries which racing supports.
7. We very much welcome that horseracing in England has been able to resume in line with DCMS's *Elite sport – return to domestic competition* guidance from 1 June. This represents an important step in protecting livelihoods and businesses across the horseracing industry and wider rural economy. However, there are still difficult times ahead for our industry with significant revenue streams still either significantly reduced or at a standstill, and we will require substantial government support to help chart a course through the difficult months ahead. We outline below how the various sectors of our industry have been impacted by the Covid-19 pandemic to date and the outlook for the months ahead.

Racecourses

8. Covid-19 has had a significant effect on British racecourses, who have not only lost racing fixtures, their biggest source of income, but also other sources of income that make their businesses sustainable, such as private functions and business fayres. Across the country, a significant number of racecourse staff in both office and raceday teams have been furloughed. However, racecourses have had to maintain their ground staff teams to ensure courses were raceable once racing resumed. On average, British racecourses have lost over £8.2 million per month since the start of lockdown.
9. Even though racing has now resumed in England and Wales – and will in Scotland shortly – the economic picture for British racecourses remains extremely difficult. Any fixtures being held are currently subject to the detailed protocols implemented by the BHA's *Guidelines and operating procedures for racing behind closed doors*, in line with DCMS, Scottish and Welsh Government guidance, with attendees limited strictly to essential personnel.
10. Britain's racecourses generate over 45% of their annual revenues from raceday attendances. Until racegoers can return there will be a huge economic impact on our courses and their ability to contribute to prize money which sustains so many jobs across the industry. To provide an example of the financial impact of Covid-19, four racecourses (Brighton, Carlisle, Ffos Las and Nottingham) which would usually race during the summer period have remained closed to reduce costs, or to deal with lasting flood and storm damage from the winter.
11. In order to safeguard the future of racecourses and the economics of British racing, it is vitally important that crowds can return at the earliest safe opportunity, and we are continuing to engage with DCMS and the Devolved Governments on this issue. David Armstrong, Chief Executive of the Racecourse Association (RCA) – the trade body for Britain's racecourses – has joined a DCMS led group with Public Health England and sports Chief Medical Officers to discuss the safe return of crowds to sport events.

Racehorse trainers

12. The impact of Covid-19 on our licenced racehorse trainers has been severe and many stables have faced operating on a greatly reduced income whilst running sporting businesses faced with unique challenges. This loss of income during the shutdown of activity was two pronged. Firstly, by the peak of the pandemic in mid-April, there had been a 15% reduction in the number of horses in training. This was a result of some racehorse owners – the industry's

principal investors – struggling to pay training fees which underpin British racing, or pulling their horses out of training due to the lack of racing opportunities. Previous financial analysis of the British racing industry has indicated that every 20 horses in training are worth £1 million to the UK economy in direct and indirect expenditure. Secondly, with no racing there was no prize money flowing back into training yards with each day of racing lost representing a lost earning opportunity.

13. Despite this, trainers still had responsibility for significant numbers of thoroughbred racehorses who require daily care and exercise. This has set limits on the amount of cost saving measures trainers have been able to take through the pandemic, such as the use of the Coronavirus Job Retention Scheme. This is because running these stables with an inadequate number of staff could not only compromise the welfare of the horses, but also put extreme pressure on the staff still working.
14. The industry worked closely with the Department for Environment, Food and Rural Affairs (Defra) to formulate guidance for trainers and stable staff that allowed them to care for their horses whilst still respecting the government guidelines around social distancing and hygiene. All yards have had to adapt their ways of working to ensure that they comply with these.
15. While racing has now been able to resume, prize money has been reduced owing to commercial pressures on racecourses and reduced commercial income. Nonetheless, through additional contributions from the Horserace Betting Levy Board, prize money levels will be maintained at 80% on average for the first ten weeks following resumption, with the middle and lower-tier levels of racing protected to support the retention of owners and horses in training.

Owners

16. British racing is extremely grateful to our owners – the single largest investor group in British racing with over £600 million expenditure annually across individual owners, partnerships and syndicates. #Owners have been extraordinary supporters of the sport over the last 10 weeks in continuing to pay for upkeep of horses with no prize money income to offset their costs. With the economic difficulties ahead, racing faces a real challenge to keep owners engaged especially as prize money is set to be lower in the months ahead. For example, ownership levels fell by 10% in the aftermath of the 2008 financial crash. To help avoid this, the ability for owners to be able to attend race meetings as soon as possible and to fully engage in their passion is critical.

Thoroughbred breeders

17. British racing's breeders – the industry's supplier of horses who have bred over 50% of the horses in training in British racing – are also facing their own financial pressures from the pandemic. Key sales at the start of the flat season have been postponed or cancelled, and therefore they are having to pay for the upkeep of young horses that in usual times would have been sold on to prospective owners by now. With most financial models in this sector entirely dependent on selling young horses on for profit, further delays could be very damaging. The impact on the value of livestock at the sales as a result of the anticipated economic downturn due to the pandemic remains unclear, however, historically has been

closely linked to the global economic outlook and previous recessions have led to major contractions in this sector of the industry.

18. Figures from the breeding sector also demonstrate that the lockdown has had an impact on the 2020 covering season, which was at an early stage when the lockdown started. Whilst protocols were introduced to respect social distancing and ensure safe working practices by the Thoroughbred Breeders Association (TBA) in consultation with the Chief Veterinary Officer, there is evidence emerging that some breeders have been put off by the current economic uncertainty. It is anticipated that coverings in 2020 will be down on 2019 levels, and will be further affected in 2021 if sales turnover falls later this year. This will translate into a smaller future foal crop to service British racing, with a similar trend likely in Ireland and France.

Professional jockeys

19. Of approximately 400 professional licenced jockeys in Great Britain, the majority are self-employed and predominantly earn their income from race-riding fees and share of prize money won – both sources which stopped with the cessation of racing. Given that the Self-Employment Income Support scheme did not make payments until the end of May, racing made available up to £900,000 in income support and hardship grants to provide immediate relief to our jockeys and valets. Our estimates suggest that jockeys will have lost out on several million pounds in earnings during the shutdown of racing, alongside valets and agents, while they will also continue to be affected by reduced levels of prize money upon resumption.

Estimated financial impact

20. British racing's member organisations – including the BHA, Racecourse Association and the Horsemen's Group – have undertaken economic analysis of the financial impact on the industry. The overall impact of lost revenues for racecourses, trainers, breeders and jockeys is estimated to be in excess of £100 million, with losses continuing to be incurred owing to a limited programme in the aftermath of resumption and reduced income streams. This is due to the suspension of racing activity and disruption to the fixture list which will last well into the late summer, with hundreds of fixtures cancelled or rearranged, including the loss of major fixtures such as the Randox Health Grand National Festival at Aintree.

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

21. The BHA, acting on behalf of the industry and alongside other major sports, has attended regular meetings with the UK Sports Minister as part of the DCMS Sport Taskforce, and we have also been in regular contact with officials. The forums provided by DCMS have provided the BHA an opportunity to emphasise the unique position of horseracing, both as a sport with human and equine competitors, and an industry that supports tens of thousands of jobs, directly and indirectly, across the country. This has been a welcome development and has provided an effective means of communicating the sector's needs.
22. The BHA Chief Medical Officer, Dr Jerry Hill, has also been involved in the working group established by DCMS alongside the Chief Medical Officers of other Sports Governing Bodies, Public Health England and representatives to develop the medical guidance for the resumption of elite sport in England. The formation of this group was critical to securing the

resumption of sport from 1 June. We are hugely grateful to DCMS for taking the initiative in establishing it and engaging with the Chief Medical Officers on the development of guidance for a safe resumption which could reflect both common and unique challenges for various sports.

23. The BHA and other bodies in the thoroughbred industry – including the TBA and Weatherbys (the Stud Book for Great Britain and Ireland) – have also had regular, constructive engagement throughout with Defra Ministers and Officials, building on a strong working relationship already in place around arrangements regarding the UK's future relationship with the European Union, and further raising standards of animal welfare. This has included participation in regular Defra conference calls with the wider equine sector, detailed engagement on animal health, welfare and transport-related matters (e.g. agreeing guidance for care of thoroughbreds during the lockdown) and – as referenced in paragraph 18 – assistance on developing protocols for the covering season in breeding to continue while respecting social distancing.
24. Whilst the Horserace Betting Levy Board (HBLB) is an extremely important part of our industry, it is also an arms-length government body, and one that has been vital during the pandemic. Through the Levy's reserves, and with DCMS's assistance, British racing was able to make £28 million in grants and loans available to its racecourses and participants most in need of financial assistance – a fund that has been further boosted by the Racing Foundation, a charity founded in 2011 from the sales of the British Tote to Betfred. This latter funding has been focused on hardship funding support for participants – including trainers and jockeys – and on meeting the welfare needs of horses who may be at risk where owners have been unable to support them.
25. HBLB's reserves are also (per paragraph 14 above) playing a vital part in the sport's risk-managed resumption, by providing significant levels of prize money during the initial phase of racing in what will remain a highly challenging commercial environment, as the sport transitions back to a more normal fixture list in the months ahead.
26. The industry very much welcomed the initiatives launched by HM Treasury, including the creation of the *Coronavirus Job Retention Scheme* which has provided critical support for employees and employers across the industry. Across racecourses, training yards and other businesses, the Scheme will provide tens of millions of pounds in support to the industry. However, whilst this has been effective for some businesses in the industry, as previously mentioned in paragraph 12, this has not been as useful for those in the training and breeding sectors who are have continued operating throughout the pandemic but with reduced incomes.
27. We also greatly welcomed the Chancellor's announcement of an unprecedented support package for the self-employed through the *Self-employment income support scheme*. Of approximately 400 professional licenced jockeys in Great Britain, the majority are self-employed and predominantly earn their income from race-riding fees and share of prize money won.

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

28. Even though racing has now resumed behind closed doors, significant financial challenges remain for the industry in the longer term with the industry's financial model under significant pressure.
29. The sport is reliant on the reserves of the HBLB – and income generated from betting activity since our resumption – as racing takes place behind closed doors. Without ticket and hospitality sales, it is unlikely that racecourses will be able to make significant contributions to prize money, and it may take some time for sponsorship levels to recover. Moreover, given our sport's unique and symbiotic relationship with the betting industry, which itself is facing significant pressures, this will undoubtedly have an impact on income streams into British racing. However, we very much welcome that Licensed Betting Offices (LBOs), which provide income to British racing via Levy and media rights, have been able to reopen safely in England from 15 June.
30. Our aim is – per the Government's ambition – to support as many jobs and businesses in the industry as possible but we cannot guarantee every job or business will be retained in racing given the prolonged economic impact of this pandemic. Previous experience in times of negative economic growth indicates that there may be a contraction in the size of the British racing industry.
31. The clearest example of where this may contraction will occur – based on the industry's relatively recent experience following the 2008 financial crash and subsequent recession – is in the bloodstock and sales sector, which will have a long-term impact throughout the industry. UK thoroughbred sales houses are estimating a significant contraction in turnover – of up to £180 million (50% of revenues) – from the effects of the deep recession which the country is now entering. This could have supply-side effects in the medium to long-term, as if thoroughbred breeders do not believe a market exists, then the foal crop in future years will be reduced, meaning less horses to race and service British racing's fixture list. Moreover, many businesses could exit the sector altogether, reducing the thoroughbred breeding industry's £427 million annual contribution to the British rural economy, supporting some 19,000 jobs.
32. The sport is mindful of the challenges that difficult economic times present in terms of ensuring that the welfare of our horses is not compromised. Part of the money injected into the sport by the Racing Foundation, has been used to establish the Racing Relief Fund to ensure that the welfare needs of horses can be met when their owners can no longer financially support them. We will continue to closely monitor this over the coming months, working with the sport's independently chaired Horse Welfare Board.
33. We have made significant efforts towards supporting our workforce – both in terms of financial assistance and mental health support – which will continue throughout the difficult months ahead. There have been some fantastic examples from across British racing of how it has supported the national effort during the Covid-19 pandemic, and we would hope that this will further strengthen relationships between racing's businesses and their local communities. Examples of some of the community work that has been done includes: Ascot, Haydock Park and Newbury racecourses becoming drive in testing centres for NHS workers; Chester and Leicester racecourses setting up food banks; and one Flat trainer, Richard Hannon, pledging a £25 contribution to NHS charities for every winner he trains in the upcoming season. You can find more details about how British racing has contributed to the national effort [here](#).

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

34. During Covid-19, British racing has welcomed the opportunity to work alongside other Sports Governing Bodies and DCMS to discuss our shared challenges. As both the second largest sport in the country and a key gambling product given the interdependencies between the British racing and betting industries, we have traditionally straddled multiple Ministerial briefs within the department. It has undoubtedly been an advantage during the recent crisis to have gambling and sports policy sit under the brief of a single Minister.
35. We have also been encouraged by the levels of cross-Departmental engagement there has been throughout this process - including for example between DCMS and Defra – and would be keen to see this continue in the future, especially for a sector like ours that crosses over so many different departments, on issues including the UK's future relationship with the EU.
36. Whilst the enormity of the challenge to government was clear in having to design financial initiatives such as the Coronavirus Job Retention Scheme in a short space of time, we would hope that in the future the government will appreciate the demands on industries like ours, for whom staffing demands differ from normal businesses due to the need to care for and preserve the welfare of our animals, and may see income streams reduced for many months to come.

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

37. The current outbreak has underlined the challenges of the sport's central funding through the Horserace Betting Levy. The Government has acted previously to support British racing with the extension of the Horserace Betting Levy to online betting operators from April 2017. However, there are further changes required to ensure the Levy is truly sustainable, reflects market and regulatory changes, and allows the industry to remain internationally competitive.
38. A key concern has been that the yield from the Levy has been highly unpredictable in the first three years since the 2017 reforms. From a yield of £94.7 million in 2017-18, the Levy fell by £11.7 million to £83 million in 2018-19, before again rising to £97 million in 2019-20.
39. The pandemic will likely have had a noticeable impact on the end of the 2019-20 Levy yield but will also end up having a much larger effect on the sport's levy takings in the 2020-21 yield, as some of the largest betting races of the year, including those at the Aintree Festival (including the Grand National, the country's biggest betting event of the year), the Lincoln Handicap at Doncaster and the Scottish Grand National at Ayr were all lost in April.
40. It is British racing's view that the current situation, with the significant volatility in Levy yield and market trends outlined above, makes it impossible to plan long-term investments with any confidence (with some key HBLB expenditure having already been reduced) while we do not believe the current Levy rate – based solely on gross profit – appropriately reflects the market. The pandemic has further highlighted the importance to the industry of the government extending the levy to include bets placed on overseas racing with operators in the UK, which could have provided a vital revenue stream into the sport during lockdown. We have submitted detailed proposals on this to DCMS in the past and will continue to raise this with the Department.

We would like to thank the committee for the opportunity to share with them the challenges that Covid-19 has presented the industry, and we would be delighted to provide oral evidence to the committee should it be required.