



HORSE RACING IRELAND

By Email & Post: markt-gambling@ec.europa.eu

European Commission
DG Internal Market and Services
[J-59 08/061]
Rue de la Loi 200
B-1049
Brussels
Belgium

29th July 2011

Matter: **Submission of Horse Racing Ireland in response to Green Paper on Online Gambling in the Internal Market**

Dear Sirs,

Horse Racing Ireland welcomes the opportunity to respond to the European Commission's publication of the Green Paper on Online Gambling in the Internal Market.

Horse Racing Ireland is a commercial semi state body, responsible for the administration, operation and promotion of horseracing in Ireland. While the Consultation raises a number of important issues relating to EU policy on betting and gaming, many of the issues are outside of the direct remit of Horse Racing Ireland.

We are not therefore in a position to comment in relation to many of the 51 questions which are included in your consultation questionnaire. We are instead confining our submission to the central issue of ensuring a fair return from the proceeds of betting to horseracing and our response therefore focuses on Questions 39 and 41 to 45 in the Consultation.

1. **Response to Question 39: *“Is there a specific mechanism, such as a fund, for redistributing revenue from public and commercial on-line gambling services to the benefit of society?”***

1.1 In Ireland, such a fund was established by Part 2 of the Horse and Greyhound Racing Act, 2001. The 2001 Act established the Horse and Greyhound Racing Fund (the “Fund”) which was created to provide a long term and secure source of funding for the horse and greyhound industries. Since the establishment of the Racing Board (1945) and the Irish Greyhound Board (1958) as semi state bodies responsible for each sector, both industries have had a funding relationship with the tax generated from betting in the country.

1.2 As a result of the commercial decision by online gambling service providers to locate their remote betting facilities outside of Ireland, there has to date been no contribution

to the Fund by the online gambling industry. This is also the position in other Member States such as the United Kingdom.

- 1.3 To address this anomaly, Ireland's laws are currently being updated to extend its licensing and betting duty requirements to remote bookmakers and betting intermediaries who accept or facilitate bets from Irish persons, regardless of whether the operators are located inside or outside of Ireland. The initial steps in this legislative reform have been undertaken in the Finance Act 2011 but the remaining implementing measures have yet to be enacted. We note that on 14 July 2011, the UK Government announced an intention to introduce similar proposals.
- 1.4 Other than in the case of the National Lottery, there is no mechanism to redistribute revenue generated from other forms of gambling (e.g. casinos, poker, bingo, etc) to the benefit of society. Ireland's gaming and lottery laws are outdated and are also under review.

2. **Response to Question (41): *What are the proportions of on-line gambling revenues from sports betting that are redirected back into sports at national level?***

- 2.1 The Fund was established to provide a direct link between the duty raised from betting and the funding of the horseracing and greyhound industries. When it was established in 2001, the Fund was fully financed from betting duty and it was always intended that the Fund should be self-sufficient in the long term. This reflects the principle that those who principally benefit from racing (i.e. the gambling industry and consumers who bet with them) should be primarily responsible for funding the underlying product.
- 2.2 In 2001, the rate of betting duty in Ireland was 5% and the total betting volume was €1.3bn. In total, the Irish Exchequer collected €68m in betting duty in 2001 which was reinvested in horseracing and greyhound racing industries. At that time, all of the betting revenues were derived from bookmakers who were physically located in Ireland operating either from licensed bookmakers' offices or under "on-course" permits. There had been no mass adoption of online betting at that time.
- 2.3 However, ten years on from the creation of the Fund, the betting landscape has changed dramatically. Approximately one third of all betting in Ireland is now thought to be online.
- 2.4 Currently in 2011, the rate of duty charged on Irish off-course betting is down to only 1% (which is among the lowest in the world) while the volume of betting in Ireland has increased to an estimated €4.5bn. However while this is an increase of approximately 350% since the creation of the Fund in 2001, the return to the Irish Exchequer has decreased to only €31m which has created a serious funding gap for Irish racing.
- 2.5 The principal reason for this shortfall is due to the fact that the Fund currently does not receive any contributions from online gambling services.
- 2.6 All online business is being routed through servers which are based outside the jurisdiction (and typically outside of the EU), thereby avoiding betting duty altogether. Accordingly, the online gambling industry has made absolutely no contribution to sports at a national level in Ireland.
- 2.7 This anomaly is due to change when the current legislative reform mentioned under Question 39 above is implemented.

3. **Response to Question (42): *Do all sports disciplines benefit from on-line gambling exploitation rights in a similar manner to horse-racing and, if so, are those rights exploited?***

3.1 HRI welcomes the acknowledgement in the Green Paper that the “*specificity of horse racing compared to other sports is that its primary attraction is for gamblers. Thus, to a greater degree than other sport events, its viability will depend on sufficient proportions of gambling revenues being reinvested into the activity*”. The viability of the horse racing industry in Ireland is particularly crucial, due to the significant number of jobs in the agricultural sector which are dependent on its success as well and its ability to generate much needed economic activity in Ireland. The Irish bloodstock industry is the largest of any country in Europe and the third largest in the world.

3.2 As pointed out in response to Question 41 above, the Irish Exchequer and the Fund currently receives absolutely no contribution from those exploiting online gambling rights. However, it is hoped that this position will change when the proposed legislative changes are enacted, so as to make up the current shortfall.

3.3 There are very strong cultural and public policy reasons to support the continued operation of the Fund. Despite our relatively small size, Ireland is a world leader in the horseracing business. Ireland produces approximately 40% of the total EU production of foals, and our horses and riders enjoy consistent success worldwide. The industry supports approximately 16,500 jobs in rural areas, generates economic activity of in excess of €1.1 billion each year and creates exports of in excess of €150 million per annum. Significant foreign income and investment is brought to Ireland by the racing and bloodstock industries and approximately 1.25 million people attend race meetings each year.

3.4 This is therefore a very significant activity in rural Ireland, and typical of the type of industry which, if properly supported, will contribute to Ireland’s economic recovery (i.e. an environmentally friendly product where Ireland has a significant natural advantage, serving a global market and supporting significant employment and investment in rural areas).

3.5 HRI supports the Commission's Communication “Developing the European Dimension in Sport” (COM(2011)12), which sought to ensure sustainable funding for sport from private and public sources and which endorsed the view that the financial stability of the sport sector should be taken into account when further addressing the provision of gambling services in the Internal Market. In Ireland, funding for other sports is provided from central Exchequer funds and, entirely separately, the National Lottery disburses funds to other worthy causes, including sport. For example, in 2010 €243m was allocated by the National Lottery across a variety of good causes.

4. **Response to Question (43): *Do on-line gambling exploitation rights that are exclusively dedicated to ensuring integrity exist?***

4.1 No. Currently online gambling organisations are not subject to the same licensing requirements as on-shore bookmakers although this is expected to change when Ireland enacts further betting legislation later this year. There have been recent cases of social problems such as gambling addiction arising on the unregulated online betting market.

5. **Response to Question (44): *Is there evidence to suggest that the cross-border “free-riding” risk noted above for on-line gambling services is reducing revenues to national public interest activities that depend on channelling of gambling revenues***

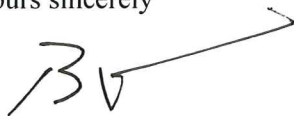
- 5.1 Yes. There has been an *en masse* diversion of betting revenues off-shore in the past 10 years and the Irish Exchequer has not received any betting duty from this flight of funds. As a result, the Horse and Greyhound Racing Fund is significantly underfunded.
- 5.2 This has also resulted in significant competition barriers for licensed on-shore operators (who continue to contribute to Irish horseracing by paying betting duty) as they struggle to compete with off-shore remote gambling operators who operate without any Irish licence and who make no contribution to Irish sporting life.
- 5.3 Betting exchanges have operated in an even more innovative way than online bookmakers as exchanges are capable of adopting their business model to be an intermediary or a bookmaker, depending on the legislative and tax consequences in the relevant country in which they operate. Accordingly, betting exchanges (which operate entirely online) have been able to avoid making any contribution to the Fund in Ireland during a time where they have built a huge market share.

6. **Response to Question (45): *Are there transparency obligations that allow for gamblers to be made aware of whether and how much gambling service providers are channelling revenues back into public interest activities?***

- 6.1 The funding provided to the Horse and Greyhound Racing Fund and to the National Lottery are published each year via the annual reports of the relevant organisations with the arrangements also approved as part of the Government’s annual budget process. Despite low levels of taxes and relatively light regulation, the online betting industry has inevitably relocated to the cheapest jurisdiction (usually outside the EU, for example Isle of Man, Alderney, Gibraltar,) regardless of the levels of consumer protection in those countries and without any contribution back to public interest activities in the countries where they generate their revenue.

HRI would welcome the opportunity to further clarify any of the above points and looks forward to continued engagement with the Commission as the Consultation process continues.

Yours sincerely



Brian Kavanagh
Chief Executive