



## HORSE RACING IRELAND

3<sup>rd</sup> November 2009

Mr Michael Walsh  
Head of Casino Gaming Control  
Department of Justice, Equality and Law Reform  
4<sup>th</sup> Floor Phoenix House  
7-9 South Leinster Street  
Dublin 2

### **Major Review of Gambling**

Dear Michael

Further to your invitation for submissions on the above matter, I write to set out the views of Horse Racing Ireland. We welcome the fact that this review has been initiated, and would stress the need for Ireland's unique position in the world of horse racing and horse breeding to be taken into account. Quite apart from the casino issue, almost all of the legislation governing gambling in Ireland needs to be updated to reflect modern communication systems and new betting products.

Despite our relatively small size, Ireland is a world leader in the horseracing business. We produce 42% of the total EU production of foals, and our horses and riders enjoy consistent success worldwide. At present the three highest rated horses **in the world** are trained in Ireland, and the highest one of them, Sea The Stars, has recently been retired to Gilltown Stud in Kilcullen in County Kildare. The industry supports approximately 22,000 jobs in rural areas, generates economic activity of in excess of €1.1 billion approx each year and creates exports of in excess of €200 million per annum. Significant foreign income and investment is brought to Ireland by the racing and bloodstock industries and approximately 1.35 million people attend racemeetings. This is therefore a very significant activity in rural Ireland, and typical of the type of industry which, if properly supported, will contribute to our economic recovery (i.e. one in which Ireland has a significant natural advantage, with a product for which there is a worldwide market, which supports significant employment and investment in rural areas).

In developing our industry, we compete on a global basis with other countries which have much more restricted betting markets than ours, with many countries operating Tote monopolies or restrictions / prohibitions on fixed odds betting. These countries generate a

much higher level of funding to their racing industries from their betting industries than is the case in Ireland.

Because of developments in technology, however, the funding structure for this industry, and the gambling activities associated with it, are under significant pressure. In conducting a Major Review of Gambling, Horse Racing Ireland would ask you to focus on the following areas.

### **1. Horse and Greyhound Racing Fund**

The 2001 Horse and Greyhound Racing Act established the above Fund to provide a long term and secure source of funding for these two important industries. The Fund provided a direct link with duty raised from off-course betting and when it was established, the Fund was fully financed from betting duty. Reductions in the rate of duty in the interim, and migration of a significant amount of betting to offshore based products **which generate no duty for the Exchequer**, has created a funding gap. The rate of duty charged on Irish off-course betting is the lowest in the world and under current legislation is fully absorbed by the betting operator with no element passed on to the customer. The Irish rate of 1% of turnover compares favourably with the UK rate of 25% (horseracing) and 15% (other sports) of gross profits in the UK, which equate to between 2% and 3% of turnover.

### **2. Casinos**

I attach a copy of the submission made in 2006 to the Committee on the Regulation of Casinos in which Horse Racing Ireland's strong interest in the matter was recorded. While not opposed to the introduction and regulation of casinos, Horse Racing Ireland is concerned that they would provide further competition for the gambling euro and further undermine the funding of the horseracing and greyhound racing industries. In our submission, Horse Racing Ireland suggest that casinos could be located on racecourses, given both their location and the significant investment in infrastructure. We also suggest that casinos could be a significant source of new revenue to the Exchequer, some element of which could be used to address the funding deficit for the industry.

### **3. Telephone / Internet Betting**

In recent years the fastest growing form of betting on racing or other sports is via the telephone and the internet. These products are the ones most aggressively promoted by off-course bookmakers. The reason for this is that these bets are routed through servers based outside of Ireland (usually in tax havens) which means that the bookmaker avoids paying

duty to the State. We therefore have the ridiculous situation whereby if a punter goes into a high street betting shop and has a bet with a bookmaker, that bookmaker must pay 1% in duty to the Exchequer. However, the punter could stand outside the same betting shop and have the exact same bet with the bookmaker via his mobile phone or laptop, but because that transaction is routed offshore, no duty is paid. There is a significant loss of revenue to the Exchequer arising from this activity. The existing gambling legislation does not provide a basis for capturing this revenue which is leading to a migration of betting offshore and making more conventional forms of betting such as onshore bookmakers, Tote and betting shops much less competitive.

#### **4. Betting Exchanges**

Approximately seven years ago a new phenomenon appeared in the betting industry in Ireland, namely betting exchanges. These are effectively wholesale betting operators who, through the use of advanced computer technology, provide a facility to match backers and layers who wish to bet on a particular event. The effect of this technology, which is also based outside the jurisdiction (Betfair being the dominant industry player), is that people are able to act as bookmakers by laying bets on a betting exchange. This happens without regulation and without the deduction of betting duty, which places traditional forms of gambling at a significant disadvantage.

The various pieces of legislation governing gambling in Ireland place significant obligations on persons who wish to take out a licence to operate as a bookmaker on track or to run a betting office in the high street. It is unfair on these parties, who submit to this regulation and pay the appropriate duties / specified, that operators may simply open an account on a betting exchange and begin acting as a bookmaker almost immediately. As a result of this, a number of these bookmakers are going out of business.

#### **5. Existing Legislation**

The various pieces of legislation governing oncourse and offcourse betting in Ireland including **the 1931 Betting Act; the Racing Board and Racecourses Act 1945; the Irish Horseracing Industries Act 1994; and the Horse and Greyhound Racing Act 2001** are all significantly out of date in terms of their provisions for gambling. A review of gambling was initiated approximately five years ago, however that was not concluded. Without going into the specifics, almost every aspects of these pieces of legislation would need to be rewritten as part of any major review of gambling.

I have set out above, the principal areas of concern to HRI and would appreciate the opportunity to discuss these in greater detail with you.

Yours sincerely

A handwritten signature in black ink, appearing to be 'BK' with a long, sweeping horizontal stroke extending to the right.

**Brian Kavanagh**  
**Chief Executive**



HORSE RACING  
IRELAND

22<sup>nd</sup> September 2006

The Secretary  
Committee on the Regulation of Casinos  
Department of Justice Equality and Law Reform  
Third Floor  
Block 2  
Harcourt Centre  
Harcourt Street  
Dublin 2

Dear Sir

Further to your advertisement for submissions regarding the possibility of a legislative basis for the strict regulation of casino style operations in the State, I confirm that this matter was discussed by the Board of Horse Racing Ireland at their meeting on Tuesday last, September 19<sup>th</sup>. Given the funding structures for the horse racing and greyhound racing industries in Ireland, and the close links between the operation of casinos and racecourses in many other countries, the Board have asked me to record its strong interest in this matter.

This interest falls into two main areas

**(i) Betting Duty**

The Horse and Greyhound Racing Act of 2001 provided that the duty generated from off-course betting be allocated to the Horse and Greyhound Racing Fund to help finance these two industries in both of which Ireland is recognised as a world leader. Due to the growth of off-shore tax free betting, the rate of betting duty and consequent receipts has been reduced which has meant that there is an annual shortfall in the Horse and Greyhound Racing Fund to be made up from the central exchequer. Casino and casino type games provide an opportunity to generate betting duty thereby eliminating this deficit and creating a new source of tax revenue for the exchequer. In the 2005 budget, the Minister for Finance stated that **“the potential for widening the tax base on which this 1% [betting duty] will apply will be examined”**. Casinos and casino type games are an obvious way of widening the tax base.

(ii) **Racecourses as Possible Locations for Casinos**

In many racing jurisdictions (North America and Canada in particular), casino licences are directly linked to and located exclusively on racetracks. These are known as Racinos. A number examples of this are Woodbine Racecourse in Toronto, Philadelphia Park and Hollywood Park in California. The location of casinos on racecourses in Ireland is logical and would help utilise the significant investment in infrastructure on days other than the limited number of racedays that are held. The funding structure for casinos can also help provide resources to fund the continued development of the racing industry in that sector. A number of racetracks and also greyhound racing stadia, particularly those located close to major centres of population, could effectively operate such a model.

I attach a brief summary paper outlining the views of Horse Racing Ireland on casinos. Given that, together with Bord na gCon, in excess of €500 million is bet on our tracks annually, and given the fact that regulated casinos would be a significant new competitive addition to the Irish gambling market, we trust that the Committee will take on board the concerns of Horse Racing Ireland.

We would of course be happy to meet with the Committee at a suitable time to elaborate our views.

Kind regards

Yours sincerely



**Brian Kavanagh**  
Chief Executive

## Regulation of Casinos

- Casino betting as well as offshore internet and telephone betting have to this point not made any contribution of betting duty to the exchequer.
- Internet betting and casino operators should only be allowed to advertise in Ireland if they have an Irish betting license and pay betting duty to the Irish exchequer
- The tax treatment of casino games (games of chance to include virtual betting, and lucky numbers) should be different to sports betting – there exists considerable scope to tax the casino and gaming industry as per international experience
- The Government should limit the number of casinos in order to:
  - (a) Reduce the risk of pervasive gambling problems
  - (b) Facilitate the regulation and monitoring of the casino industry
  - (c) Ensure that those limited locations where casinos are regulated are contributing positively to the local infrastructure
- There should be no expansion of casinos beyond existing licensed betting areas (including racecourses and betting shops)
- HRI believe that the market potential for casinos is extremely significant
  - (a) Based on the size of the UK market where FOBTs alone generate net profits in excess of £500m for bookmakers, it is not unrealistic to assume that licensed casinos and casino type games in Ireland could generate gross profits in excess of €100m within a short time frame
- The Government should reframe the betting legislation to differentiate between games of chance and games of skill. Games of skill would include all sports

betting and should be taxed on a turnover basis as is currently the case. Games of chance, including lucky numbers, roulette machines, slot machines and any of their derivatives should be taxed at an appropriate rate of gross profits. All international evidence would suggest that this still provides the operator with ample scope to generate a good return on investment.

- The Government should initially only make casino licenses available to a limited number of existing licensed betting premises (including racecourses) on the basis of a competitive bid process for the license. Due consideration should be given to the appropriateness of the location from a planning and infrastructure perspective and also the potential for the venue to maximize ancillary facilities (i.e. a conference centre, hotels) to the benefit of its local community. The competition should be based on the highest up-front cash payment to the local authority for the license after which the operator would be subject to a tax regime with a percentage of gross profit paid directly to exchequer and a further percentage of gross profit paid to the local authority.
- An independent regulator should be established to regulate casinos and licensed internet gaming to ensure:
  - (a) Against money laundering;
  - (b) That problem gambling is being identified;
  - (c) That the integrity of all betting is maintained within the guidelines established by the regulator (i.e. list of authorized games, acceptable margins); and
  - (d) That internet gaming operators which are licensed in Ireland follow the same regulatory principles and are subject to the same tax regime.
- The independent regulator should be financed by a levy from the casino and gaming operators.



Benefits of this proposal are:

- (a) Ensures a strong transparent regulatory framework;
- (b) Reduces the risk of problem gambling by limiting and regulating the number of casinos;
- (c) Maximises government tax revenue through betting duty
- (d) Encourages a regional dispersion of the positive economic activity arising out of casinos
- (e) Is of benefit to local authorities that host the casino
- (f) A smaller number of larger casinos will be in a better position to generate economies of scale and develop substantial world class 'destination' venues with ancillary tourist and entertainment facilities which will be of considerable benefit to the tourist industry as well as local authorities; and
- (g) Racecourses will be well positioned to take advantage of this regulatory regime. Should some of them be successful in bidding for the licenses, they will be in a position to undertake significant investment in their racing facilities which will be to the benefit of the Irish racing industry.

In summary HRI understands the need for the government to effectively meet the requirements of:

- (a) **Finance** – by maximizing tax revenue
- (b) **Justice** – by creating an easily and effectively regulatable framework that does not encourage widespread casino-type betting across every town in Ireland.
- (c) **Tourism** – by creating a small number of 'destination' venues which would have potential to generate considerable tourism benefits
- (d) **Local Government** – by creating employment, tourist facilities, and contributing substantially to local taxes

- (e) **Sports** – by giving racecourses a natural advantage in bidding for these facilities, the Government helps to ensure that the long term commercial viability of the horseracing infrastructure is assured.