

**A CONSULTATION PAPER ON THE PROPOSED ABOLITION OF
THE HORSERACE BETTING LEVY BOARD AND THE LICENSING
OF RACECOURSE BETTING AND POOL BETTING ON
HORSERACING**

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1. Introduction

1.1 In his statement to the House of Commons on 2 March this year the Home Secretary announced that the Government had decided to abolish the horserace betting levy and the Horserace Betting Levy Board (the Levy Board). He also said that the Government had decided that the Horserace Totalisator Board (The Tote) should be sold to a consortium of racing interests. Implementation of these decisions is intended to bring to an end Government's direct involvement in the administration and financing of racing, thereby enabling racing to take responsibility for its own affairs and finances.

1.2 The Levy Board has statutory responsibility for assessing and collecting monetary contributions from bookmakers and the Tote, and for allocating them to one or more of the following purposes:

- the improvement of horseracing
- the advancement or encouragement of veterinary science or education
- the improvement of breeds of horses

1.3 The Board also has a statutory responsibility for issuing certificates of approval to racecourses. In effect these are licences that allow betting to take place in designated racecourse areas.

1.4 The Tote has an exclusive licence to conduct or authorise others to conduct pool betting on British horseracing. It also owns a number of betting shops, a credit betting business and an internet betting site.

1.5 In reaching its decision to abolish the levy system, the Government concluded that it could be satisfactorily replaced by commercial agreements between the racing and betting industries. Following the Home Secretary's March announcement, and in order to test that conclusion, the Government invited the British Horseracing Board (BHB), as the sport's governing authority, to prepare a realistic plan for the future funding of racing as a national sport without a statutory levy. The BHB's plan was submitted to Government on 13 October and published four days later.

1.6 In the meantime the Government has been considering, in discussion with the Levy Board, the BHB and other stakeholder interests a range of practical issues arising from the Board's abolition. This consultation paper now sets out the Government's detailed proposals for the abolition of the Levy Board. It also includes proposals for the future arrangements for licensing and regulating on course horserace betting and pool betting when the Levy Board is abolished and the Tote is sold.

1.7 The Government has simultaneously been considering the scope for modernising betting duty. One of the objectives of any reform would be to provide a fair opportunity for horseracing to secure financial support. The Chancellor has announced in his pre- budget statement that, subject to satisfactory assurances from bookmakers, the Government is prepared to change the structure of betting duty for the benefit of all parties, including the racing and betting industries.

2. The future funding of racing

2.1 In its document: “The Future Funding Plan for British Racing“, the BHB sets out a structure for the future funding of the sport based on the combining of what it describes as British racing’s rights into a package for sale to bookmakers and media companies. These rights comprise racing’s fixture list, its copyright and database and the television signals from the racecourses.

2.2 Under this model a contract for the purchase of the racing package would replace not only the annual levy process, but also the separate negotiations between racecourses and the bookmakers for television signals, and copyright fees currently levied by the BHB for pre-race data.

2.3 The BHB suggests that this approach would enable racing to develop a sufficient, dependable and sustainable income stream; to work together with the betting industry more efficiently; and to operate as a more united industry.

2.4 It is now for racing itself to take forward the necessary commercial negotiations. For its part the Government welcomes the positive vision set out in the plan for racing and its business partners, is satisfied that the BHB has shown that racing can be funded without a statutory levy, and therefore intends to take forward its own programme of work to end it. In developing and implementing the necessary legislation the Government remains committed to working closely with both the racing and betting industries, as well as other current stakeholders in the Levy Board’s work.

2.5 Abolition of the levy system and the Levy Board itself will, of course, have implications beyond the need for effective alternative funding mechanisms for the racing industry. The funding plan identifies the BHB itself as the successor central funding body for racing, and includes a commitment to maintain existing levels of levy-funded expenditure on integrity, veterinary research, support for breeds of horses, and training and education.

2.6 The Government very much welcomes this commitment. We shall want to be satisfied that the arrangements proposed by the BHB are both effective and sustainable, and that those interests not currently represented within the BHB structure have sufficient confidence in them. In Sections 3 and 4 below we set out what we see as the main considerations for each of the broad areas currently covered by the Levy Board.

3. The Levy Board’s responsibilities

3.1 Horseracing

3.1.1 In addition to assessing and collecting the betting levy, the Levy Board has a key role in determining how income should be spent. It also owns a variety of assets that have been acquired using levy income. The Board’s existing statutory responsibility to use levy income for purposes that are conducive to “the improvement of horseracing” is a broad one, but in practice the current main expenditure heads are as follows.

Racecourses

3.1.2

- Prize money
- Appearance money
- Fixture incentive scheme

The arrangements for administering these areas of expenditure are complex, incorporating as they do detailed provisions for items such as basic daily rates and divided, seventh and apprentice races. Clearly these are matters for the racing industry itself to plan for and manage after the Levy Board has been abolished, and Government sees it as the responsibility of the BHB, as the successor central funding body for racing, to determine what proportion of future revenue should be allocated to these and other expenditure categories.

3.1.3

- Racecourse modernisation

The Board operates a Capital Fund from which it makes interest-free loans to racecourses as a contribution towards capital projects. The fund currently stands at around £50 million, with new loans funded from recycled repayments. The BHB plan proposes that the Capital Fund should be ring-fenced for racecourse improvements and certain other racing initiatives requiring capital investment. Again the Government sees it as the BHB's responsibility to determine what the industry's future expenditure priorities should be and has decided, in principle, that the Capital Fund should be transferred to the BHB on the abolition of the Levy Board.

Integrity services

3.1.4

- Grants to Racetech
- Fixture Fee grants
- Horseracing Forensic Laboratory (HFL)

The Levy Board plays an important funding role in the provision of racing's integrity services. Its grants to Racetech fund the majority of the cost of providing a range of essential racecourse services: camera patrols, photofinish and starting stalls. Fixture Fee grants are paid direct to racecourses to enable them to meet the BHB's charges in respect of integrity services provided by the Jockey Club's licensed officials, security and veterinary field forces and the BHB's handicappers. The Board also owns and makes an annual grant to HFL to cover its costs in providing the Jockey Club with a research-based drug testing facility.

3.1.5 The Government regards the integrity of British horseracing as one of the most important requirements, not least because of the link to gambling and the need to ensure that the interests of both punters and bookmakers are properly protected. This view is shared by racing, which currently spends over £23 million a year on integrity services, just under £15 million of which comes from the levy. In its plan the BHB has given the highest priority to the maintenance of the current high standards through a commitment to meet, at current

levels of provision, those integrity services currently funded by the Levy Board, in addition to those that it already funds itself. The BHB has also identified integrity as one of the priorities for additional funding from any future incremental income, thereby recognising the importance of updating and enhancing systems to reflect changing risk profiles. The Government very much welcomes these assurances, and is satisfied, on that basis, that the abolition of the Levy Board should not jeopardise the future integrity of the sport.

3.1.6 The future of HFL raises a range of issues beyond the continued integrity of horseracing. In addition to its core services to the Jockey Club, valued at around £2.7 million a year, HFL provides drug testing services, on a commercial basis, to a number of other United Kingdom and international sports organisations. This commercial work is expected to generate income of around £1.5 million in the current year. HFL also undertakes research and analysis contracts for non-sports clients, such as pharmaceutical and biotechnology companies and Government bodies. HFL is currently in the process of seeking IOC accreditation for human drug testing. It employs around 90 staff in three divisions, and is widely regarded as being among the most experienced and best-equipped laboratories in the field of animal drug detection and supporting analytical chemistry in the world. The Levy Board appoints the members of the HFL Board and provides some support services.

3.1.7 The BHB has confirmed that its commitment to continue to fund integrity services extends to maintaining HFL operations. As the governing body for racing the BHB is well placed to ensure that integrity services, of which a research-based drug testing programme is a vital component, continue to receive appropriate priority. In these circumstances the Government has concluded, in principle, that ownership of HFL should, at the appropriate time, be transferred to the BHB. In considering what the detailed arrangements for that transfer might be, the Government will wish to ensure that the legitimate interests of non-racing stakeholders, including HFL's own managers and staff, are properly taken into account. The Government therefore intends to enter into discussions with interested parties before finalising the terms of any such transfer.

Other

3.1.8 The Levy Board has a number of other heads of expenditure and functions that fall within its horseracing remit. For example, it provides point-to-point grants, compensates racecourses for abandoned fixtures, makes grants to the British Horseracing Training Board and provides one-off or annual grants for a variety of racing-related purposes. All of this expenditure is at the discretion of the Board and, in any given year, reflects the needs and priorities of the industry. Responsibility for spending decisions of this kind will, on the Board's abolition, transfer to the BHB.

3.2 Veterinary science and education

3.2.1 There are a number of ways in which the Levy Board currently addresses its responsibility for advancing or encouraging veterinary science or veterinary education. The most significant of these are:

- Research grants, scholarships and residencies;
- Grants for disease surveillance projects;
- Maintenance and publication of codes of practice;

- Organisation of or support for conferences, seminars and workshops

The Board's programme of activity covers the major problems of the Thoroughbred, for example infectious diseases and the musculoskeletal system, as well as a wide range of equine diseases and disorders. This includes funding for studies in the fields of genetics, nutrition, physiology and other disciplines bearing on horse health and welfare. The current budget is about £1.5 million a year. Most of this research is undertaken by universities or the Animal Health Trust. The programme is coordinated by the Board's Veterinary Advisory Committee (VAC).

3.2.2 This programme is highly esteemed, and Government would wish to see it maintained beyond the Levy Board's abolition. The BHB has committed itself to maintaining a programme of veterinary research and education at least equivalent, in real terms, to that currently funded by the Levy Board. In implementing its commitment to continued investment in veterinary science and education we would expect the BHB to take advice from an independent body of experts, along the lines of the VAC. The BHB also recognises the scope for using the systems, skills and expertise developed by the Levy Board.

3.3 Breeds of horses

3.3.1 There are two principal ways in which the Levy Board fulfils its remit to apply levy income to improve the breeds of horses: the Breeders' Prizes Scheme and Grants to Breed Societies.

Breeders' Prizes

3.3.2 The current scheme, which dates back to 1993, provides for the payment of prizes to the breeders of qualifying winners of approved classes of horse races. They are directed at all breeders in Great Britain and are designed to reward success and to encourage successful breeders to improve the quality of their mares and to upgrade to better stallions. As currently structured Breeders' Prizes provide financial incentives for all breeders, particularly the smaller commercial breeder who must sell the progeny of their mares as foals and yearlings and who do not have the option of putting the horses they have bred into training. The Scheme was originally developed and has subsequently been managed in close consultation with the Thoroughbred Breeders' Association (TBA), and since its inception has become increasingly weighted towards horses bred specifically for National Hunt racing and, more recently, towards the use of British-based stallions. The Scheme's budget for the current year is just over £1.6 million.

3.3.3 Whilst the Government has no basis for questioning the effectiveness of the Breeders' Prizes Scheme, its future operation is clearly an issue for the racing and Thoroughbred breeding industries to determine together. The BHB's funding plan envisages breeders' prizes continuing to be funded, to at least current levels, after the levy has been abolished.

Grants to Breed Societies

3.3.4 The Levy Board also makes grants to certain (non-Thoroughbred) breed societies. Since April 2000 funding has been restricted to 10 rare and heavy breeds of horse and pony. The total grant budget for the current year is £105k. While this is clearly a very small

percentage of the Board's revenue, the importance of the grants to individual societies is great. They are used to support breed improvement programmes and are judged by the societies concerned to have made a genuine impact in preserving both breed quality and, in the case of the rarest breeds, their future.

3.3.5 The BHB has recognised the importance of Levy Board funding to the breed societies, and has confirmed its commitment to maintain it, as part of its contribution to the wider horse industry.

3.3.6 The Government very much welcomes this commitment. Further consideration will need to be given to how it is taken forward and we are keen to see dialogue between the Thoroughbred and non-Thoroughbred sectors on future funding structures. One potential option is discussed in the context of the future of the National Stud in Section 3.4 below.

3.4 The National Stud

3.4.1 The National Stud was created after Lord Wavertree presented his stud of horses to the nation in 1916, principally to breed horses for the army. As the army's need reduced the Stud began to concentrate its efforts on breeding top-class Thoroughbreds.

3.4.2 In 1963 the decision was made to discontinue the breeding enterprise and replace it with a new stallion station at Newmarket, occupying a 500 acre site, leased by the Levy Board from the Jockey Club on peppercorn terms.

3.4.3 The Stud aims to operate as a self-financing business and employs 28 full-time staff. In addition to its core stallion operation, the Stud's principal commercial activities include a variety of boarding facilities for mares and foals, quarantine services, an annual trade fair and a programme of public visits. On the non-commercial side, the Stud runs a Diploma Course in stud management that has a worldwide reputation, and provides a five week induction/NVQ course for young people embarking upon a career in the industry. It also co-operates with the Thoroughbred Breeders' Association and in particular the Association's Equine Fertility Unit for research purposes.

3.4.4 Responsibility for the National Stud was transferred to the Levy Board from MAFF in 1963. Under the terms of that transfer the Levy Board is required to hold the Stud as an identifiable asset, capable of being handed over to a fresh trustee when the activities of the Board change or it is dissolved. The Board has ultimate financial responsibility for the operation of the National Stud and appoints its Board of Directors. Any working losses on National Stud activities are met from the levy, although in practice this has not proved necessary since the 1960s.

3.4.5 The National Stud's distinctive contribution to raising or maintaining the standards of British Thoroughbred breeding on the world stage is now hard to see; and with its present remit and resources this is unlikely to change. It is nevertheless seen by many within racing and Thoroughbred breeding as both a centre of good practice and a shop window for their industry, complementing as well as competing with commercial breeders. But the relationship between the Stud and the commercial sector is not well defined, and the extent to which its potential has been tapped is unclear.

3.4.6 The Government wishes to see the National Stud continue to support UK Thoroughbred breeding and racing interests, and to contribute to improving the ability of UK horses and UK racing to provide the best sport at all levels. But there is also a strong case for broadening that role to other breeds of horse, and for giving its role and purpose a clearer definition that matches modern circumstances.

3.4.7 It could, for example, help to support both the maintenance of rare native breeds (as discussed in 3.3.4 to 3.3.36 above) and the programme of work already put in hand by British equestrian sports bodies to improve our international standing and prospects. And across all the breeds there would appear to be potential for the National Stud to play a more active role in support of scientific and veterinary research in the field of equine reproduction.

3.4.8 The National Stud would have to continue to be able to pay its way without any assurance of direct Government funding. It is therefore likely that commercial Thoroughbred breeding on some scale would remain an important element of its operations. But broadening the remit would also potentially draw in other sources of funds.

3.4.9 Possible aims and objectives are set out below, as a basis for discussion within the various parts of the horse world, with a view to developing these proposals to the point where there is a clear framework and business plan for an enlarged Stud. This framework should not only adhere to the principles and standards that have made the National Stud a centre of excellence within the Thoroughbred sector, but also enable their application across the broader spectrum.

NATIONAL STUD

Aim

To provide a centre of excellence which will help UK owners and breeders to maintain the highest standards of health, vigour and performance in their horses.

Objectives

- To improve the ability of racehorses and other competition horses bred in the UK to achieve success at the highest levels here and abroad through the application of veterinary and other science to the selection, reproduction and care of horses, providing a working model of best practice in stud management techniques and a showcase for the UK horse breeding industry
- In doing so to participate in or facilitate the purchase or use of stallions and mares, and use any means allowed by breed and sport rules, where this would improve breed standards and where there would otherwise be a risk of exporting that potential
- To contribute to safeguarding rare or endangered British breeds through the use of stallions and mares as above, together with any means allowed by breed rules, to help owners and breed societies maintain vigorous and genetically varied populations
- To maintain the highest standards of hygiene and to take all steps to prevent the incidence or spread of disease to horses in the UK
- To operate to high standards of efficiency and maintain the Stud without

Government grant

- To cooperate with the British Horseracing Board and other equestrian sport governing bodies, and with bodies promoting research or education in the field of equine health and welfare

3.4.10 Although the Government does not at this stage have a prescription for the future corporate structure of the Stud, reconstitution as an independent trust with representation drawn from a broader range of interests is one potential solution. We would be interested to receive views from all sectors of the UK horse world to establish the extent of support for this approach and how a reconstituted Stud might best work.

3.5 The Bookmakers' Committee

3.5.1 The statutory purpose of the Committee is to recommend annually to the Levy Board the categories, rates, conditions, and definitions of the levy scheme for the following year. If appropriate it will also revise those recommendations in the light of observations made by the Board. Clearly there will be no need for these functions to be undertaken when the levy system comes to an end.

3.5.2 It may well be that in addition to its statutory role, the Committee has provided a convenient forum for the consideration of a range of other issues in which the bookmaking industry has a common interest. It will be for the betting and racing industries to consider what, if any, formal structures should replace the Bookmakers' Committee after the Levy Board is abolished.

3.6 The Horserace Betting Levy Appeals Tribunal

3.6.1 Under the Betting, Gaming & Lotteries Act 1963 an appeal Tribunal was established to hear appeals by bookmakers against individual levy liability assessments made by the Levy Board. Clearly there will be no need for such a tribunal once the levy system comes to an end, and the legislation to abolish the Levy Board will contain provisions for the removal from the statute books of the appeals mechanism associated with it.

4. **Licensing and regulation of on-course and pool betting on horseracing**

4.1 Licensing of racecourses for betting

4.1.1 The Levy Board issues Certificates of Approval to racecourses, including point-to-points. These are effectively licences that, subject to certain conditions, allow betting to take place on course. Using this authority the Levy Board determines where betting (excluding Tote pool betting) is allowed and has issued a set of rules which govern how the betting ring is run. To enforce those rules and administer the betting ring, the Levy Board has established the National Joint Pitch Council (NJPC). The NJPC is a limited company whose board is made up of Levy Board appointees and representatives of the racecourses and bookmakers.

4.1.2 There is clearly a need to provide for the continuing regulation of betting after the Levy Board's abolition and in doing so to consider the role played by the NJPC.

National Joint Pitch Council

4.1.3 Prior to the establishment of the NJPC on-course betting rings were administered by the National Association of Bookmakers. With the agreement of the racecourses, this arrangement had been in place for over forty years. However, the two sides could not agree on how the ring should be modernised. Faced with the potential breakdown of the on-course betting system the Levy Board instigated a review of the arrangements in 1997, which led to the introduction of the NJPC the following year.

4.1.4. In summary the NJPC's role is to administer, promote and, within the limits of the Levy Board's statutory authority, regulate activities in the betting ring. It is self-funding, through charges to bookmakers. To its great credit the NJPC in pursuing this role, has driven through a number of reforms that, in a relatively brief period, have accelerated the modernisation of the betting ring and, in the process, helped to create a more consumer-friendly environment. There is a wide measure of agreement that they have contributed to the rejuvenation of the on-course betting market.

Administration of on-course betting

4.1.5 While the distinction between regulation and administration in this area can sometimes be a fine one, where practicable the two should be handled independently of one another. There is a strong public interest in having a properly regulated on-course betting market; but most of the functions currently carried out by the NJPC are those that the racecourses and bookmakers ought to be responsible for managing for themselves. In considering the future regulatory framework for on-course betting the Government will not be looking to involve a public regulator in the day to day administration and management of betting rings, although we would not want to see recent improvements reversed. It is open to the racecourses and bookmakers to decide, if they wish, to maintain the current administrative and ring management arrangements on a contractual basis.

On-course betting regulation

4.1.6 The independent review of gambling law and regulation, chaired by Sir Alan Budd, will report, with recommendations, next summer. On-course betting regulation is squarely within the review body's remit; the following proposals are accordingly put forward without prejudice to the review's conclusions as a possible interim measure pending implementation of any wider regulatory changes flowing from the review's report.

4.1.7 The main principles which have so far underpinned gambling regulation in this country are that:

- (a) *controls are necessary to prevent the incursion of crime, public disorder and nuisance into gambling, and to ensure that it is at all times properly and honestly conducted;*
- (b) *in the interest of consumer protection, punters should get a fair deal and be made fully aware of what they are letting themselves in for when they gamble; and*
- (c) *restrictions are desirable to discourage socially damaging excesses and to protect the vulnerable.*

4.1.8 In the on-course context there are specific public interest objectives including:

- (a) *helping to maintain the integrity of horseracing by preventing betting from influencing the outcome of races;*
- (b) *combating illegal betting activities;*
- (c) *the need to ensure fair access for bookmakers to racecourses;*
- (d) *the encouragement of fair competition between different on-course betting operators; and*
- (e) *support for a fair, transparent system of returning starting prices for use by off-course bookmakers.*

4.1.9 Subject to the advice of the gambling review body, we see a good case for appointing a statutory on-course betting regulator, with clear enforcement powers, to achieve these aims.

4.1.10 Such a regulator, supported by a small inspectorate would exercise control through, and be funded by, a licensing and authorisation system. The regulator would be responsible for approving and monitoring all racecourse betting operations, including SP bookmakers, betting offices, credit clubs and the Tote (see 4.3). In carrying out these functions the regulator would clearly need to have regard to the statutory competition regime.

4.1.11 As the betting takes place on their premises, racecourses themselves should have some responsibility for the way in which it is conducted. This could be reflected in the terms of the licences issued to racecourses, with an obligation on them to take all reasonable steps to ensure that betting is conducted in accordance with the regulator's requirements. It would be the responsibility of the racecourse to bring any breaches to the attention of the betting operator. If this did not lead to the fault being rectified then the racecourse could report the incident to the regulator for investigation and, where appropriate, the application of sanctions.

4.1.12 Inspectors would be empowered to inspect any racecourse for compliance with the

rules, but they would not need to be present at every race meeting. A regulatory impact assessment will be published once the detailed provisions of the licensing and regulatory framework have been finalised; but we envisage that regulatory costs should be no greater than at present and possibly lower.

4.1.13 In October the Starting Price Executive announced a number of changes to the system of returns (SPs) that are used by off-course bookmakers to settle most of the bets laid with them. There is a case for extending the remit of the on-course regulator to provide assurance that the SP returning arrangements fairly reflect the operation of the on-course market. It is otherwise hard to see how some independent scrutiny would be provided. The Government would welcome views on this proposal.

4.2 Licensing and regulation of on-course bookmakers

4.2.1 If racecourses carry a responsibility for betting because it is conducted on their premises, then similar obligations should be placed on the betting operators themselves. As is currently the case, bookmakers will require bookmakers' permits. In addition, they and their racecourse employees are likely to require separate authorisation by the regulator, bringing within a statutory framework the arrangements currently administered by the NJPC.

4.2.2 Although there is already provision for bookmakers to operate outside of the main betting rings, in practice this rarely happens. In the interests of competition there are good arguments for relaxing the constraints which restrict the opportunities for bookmakers to operate more widely across the racecourse, while taking care to ensure that this would not cut across a reliable system for returning the starting price (SP) or otherwise undermine the integrity of the betting market.

4.2.3 It would also be reasonable to expect that if bookmakers are to be given an opportunity to benefit from these reforms then so too should racecourses. Racecourses now lack a commercial incentive to introduce fixed odds betting more widely because the present law prevents them from charging bookmakers more than five times the general public admission fees.

4.2.4 This limit was originally introduced as a safeguard against racecourses overcharging bookmakers to the extent that they were either priced out of the market or had no alternative but to pass the cost on to their customers. There may well be merit in retaining a mechanism of this kind. The current system could, however, be improved by having an element of flexibility introduced, for example allowing bookmakers to negotiate with racecourses a commercial rate for new pitches located outside existing betting rings (subject to the regulator's approval). By opening up additional betting areas bookmakers would have access to new markets which could generate more income both for them and, potentially, racecourses. It would also improve the service and choice available to racegoers.

4.3 Licensing and regulation of the Tote

4.3.1 The Tote's pool betting operation does not come under Levy Board supervision and is not, therefore, subject to the restrictions and regulations that apply to its on-course competitors. One noticeable aspect of this is that, while on-course bookmakers are, in

practice, restricted to specific locations, the Tote's pool betting outlets can be found throughout most parts of the racecourse. This offers the public a very good service and ready access to the Tote, but as already discussed, there is a need for bookmakers to be given the opportunity to offer their services on more equal terms. Once the Tote has been sold and ceases to be a public body responsible for its own regulation, it will clearly be necessary to ensure, in the public interest, that its operations are independently regulated.

4.3.2 The Government proposes that this should be done in two ways. Firstly, through conditions attached to its pool betting licence, and secondly (subject to the recommendations of the Gambling Review Body) by bringing its racecourse operations within a single regulatory framework covering all types of on-course betting.

4.3.3 The detailed terms of the Tote's pool betting licence have yet to be finalised, but it is expected to confer an exclusive right, as at present, to conduct pool betting (both on and off course) in respect of all horseraces taking place in Great Britain. In operating the licence the Tote is likely to be required to provide a pool betting service, at prescribed levels of availability, on each racecourse. It will also be expected to make available to third parties (e.g. licensed bookmakers) on commercial terms, the full range of pool betting services and products available to the Tote itself, and to provide, as a minimum, a prescribed range of pool betting products. These requirements reflect the Government's view that the provision of a viable and widely available alternative to fixed odds betting is desirable in the public interest.

4.3.4 The licence will also require the Tote to maintain a strong and effective internal audit and financial control framework and to ensure that computer systems for the operation of pool betting are reliable and secure. The Tote will be required to maintain accounts and other specific records of its pool betting activities and to submit an annual report to the regulator. The regulator will be expected to have reasonable access to the Tote's premises, information and data. He will also have the power to impose penalties in the event of non-compliance with licensing provisions.

4.3.5 The exclusive licence will be issued for a limited period, not exceeding 15 years. It is the Government's intention to keep under review the possibility of introducing competition into horserace pool betting, in the light of changing market conditions, when the initial licence expires.

4.3.6 As already indicated, it is intended that the Tote's on-course betting activities, including its pool betting operation, should be regulated in accordance with the same principles and objectives as its competitors (see 4.1.7 to 4.1.12 above). In the same way that on-course bookmakers might, with the support of the racecourses, be expected to operate without direct day to day supervision by the regulator, so should the Tote. But like its competitors, the Tote's on-course operations would be subject to inspection and audit by the regulator to ensure compliance with licensing requirements. These will, for example, require the Tote to display the rules, terms and conditions applying to the acceptance and settlement of pool bets, as well as details of the level of deductions from individual pools. The regulator will also be responsible for approving the location of the Tote's on-course betting outlets (see 4.1.10 above).

5 Arrangements for responses

5.1 Abolition of the Levy Board and the sale of the Tote will require primary legislation. The Government therefore intends to bring forward a Bill when Parliamentary time allows.

5.2 To assist in the process of preparing for that Bill the Government would welcome comments on the issues and proposals set out in this document. All responses should be sent to: Jason Train, Room 1183, Home Office, Queen Anne's Gate, London SW1H 9AT, or by e-mail to: horseracing.consultation@homeoffice.gsi.gov.uk, by **28 February 2001**.

Annex A - List of those consulted

Animal Health Trust
Association of Racecourse Bookmakers
Betting Office Licensees' Association
British Equine Veterinary Association
Bookmakers' Committee
British Betting Office Association
British Equestrian Federation
British Greyhound Racing Board
British Horse Society
British Horseracing Board
British Horseracing Training Board
British Percheron Horse Society
British Racing School
Cleveland Bay Horse Society
Clydesdale Horse Society Secretary
Committee of the Heads of the Veterinary Schools
Consumers Association
Coral
Dale Pony Society
Dartmoor Pony Society
Exmoor Pony Society
Fell Pony Society
Gamblers Anonymous
Gamcare
Gaming Board for Great Britain
Horserace Betting Levy Appeal Tribunal
Horserace Betting Levy Board
Horserace Betting Levy Board Veterinary Advisory Committee
Horserace Totalisator Board
Horseracing Forensic Laboratory
Horseracing Scientific Advisory Panel
Independent Betting Arbitration Service
Industry Committee (Horseracing) Ltd
Irish Draught Horse Society
Jockey Club
Jockeys Association of Great Britain Ltd
Ladbrokes
National Association of Bookmakers

National Greyhound Racing Club
National Joint Pitch Council
National Pony Society
National Stud
National Trainers Federation
Northern Racing College
Racecourse and SP Bookmakers Association
Racecourse Association
Racecourse Holdings Trust Limited
Racegoers Club
Racehorse Owners Association
RaceTech
Rails Bookmakers' Association Ltd
Rare Breeds Survival Trust
Satellite Information Services
Scottish Independent Bookmakers Association
Shire Horse Society
SP Executive
Stable Lads Association
Stanley Leisure
Suffolk Horse Society
Thoroughbred Breeders' Association
Thoroughbred Breeders' Association Equine Fertility Unit
Weatherbys Group Ltd
William Hill