



'NEWSLETTER'

15th MAY 2008.

FRB statement following the Government's response to the Select Committee.

The Culture, Media and Sport Select Committee published its report into 'On-course Horserace Betting' on 23rd January 2008. This report supported the FRB's position. The Select Committee stated that the Government was naïve if it assumed that the list position system would continue in the absence of an enforcement mechanism, criticised the RCA's 'confrontational' approach and suggested that the racecourses should compensate list position holders if they refused to recognise bookmakers' assets.

The RCA responded bitterly to the report and publicly accused the Select Committee of totally ignoring evidence and paying 'almost no regard to the facts'. Clearly, the Select Committee, as an impartial Parliamentary body, offers valuable insight with regard to the way forward. It is most regrettable that the RCA dismissed the Committee's findings in such a derogatory manner.

On 13th May, the Minister's response to the Select Committee Report was published. The response begins with the DCMS' summary of 'progress' at the Working Party.

The Government is absolutely right to emphasise the lack of agreement over how long racecourses will allocate pitches according to the existing lists. This is fundamental. Agreement over 'term' with appropriate dispute resolution mechanism presupposes any meaningful discussion over all other issues such as access charges and commission on trades of list positions. It is impossible to negotiate over the rent if the status of the asset is not agreed. While the FRB is encouraged that the RCA has agreed to give further consideration to whether three automatic 25-year extensions might be acceptable, its failure to fulfil previous commitments means that we remain sceptical.

The FRB agrees with the Government that detailed proposals can only be developed when the issue of 'term' is resolved. The period for which racecourses allocate betting pitches according to the existing lists must be agreed on a universal basis and apply to all racecourses and all bookmakers. With regard to 'local discussions', the FRB will only participate if the RCA tables an acceptable offer on 'term', which incorporates existing and new betting areas. In any case, the FRB is unsure how 'road testing' on an individual level can contribute to finding an overall solution.

The decision to 'set on one side the issue of pitch allocation in new betting areas' was taken against the wishes of the FRB, and because the RCA refused to discuss it. A replacement for the five times rule in existing betting areas cannot be agreed unless new betting areas are taken into account. This is common business sense; it is impossible to establish arrangements for access charges if the number and location of pitches (i.e. competition) is unclear. Furthermore, the introduction of new areas obviously impacts on term discussions since, if they are not offered according to existing seniority, they will undermine the value of list positions.



The Federation of Racecourse Bookmakers Limited

Association of
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More generally, the FRB appreciates the Government's decision to take responsibility and intervene in this dispute by establishing the Working Party. However, intransigence from the RCA has obstructed progress throughout. Progress made at the Working Party should not be exaggerated; the two sides are a long way from any kind of agreement, despite best efforts made by the FRB.

The FRB entered discussions in good faith and believed that agreement could be reached. To this end, the FRB tabled two realistic suggestions, with figures, both of which would guarantee racecourses more revenue whilst not depriving bookmakers of their assets. The RCA, on the other hand, has suggested no figures for the replacement of the five times rule and produced nothing on which the FRB can consult its members. We are also extremely disappointed that the RCA has pressurised racecourses to refuse to allocate new areas according to bookmakers' lists despite claiming that it cannot influence its members to implement any agreement with the FRB.

The FRB requires the RCA to come back with an acceptable proposal on "term" which applies to all existing and new betting areas, and indicative figures in respect of % turnover, banded fixed fees, annual fees and income expectation. If this does not happen and the RCA continues being obstructive, the FRB wishes to see the Minister revisit the Gambling Act and introduce secondary legislation to ensure that bookmakers' assets bought in perpetuity are recognised, thereby resolving this dispute, which was caused by an omission in Government legislation.

The FRB recognises that referring the matter to the Racing Funding Review group is another option. However, bearing in mind the inflexibility of the RCA position and their comments on the Select Committee's report, the FRB sees no reason why another committee's recommendations, which could hardly be more trenchant than the Select Committee, would induce the RCA to alter their position. Therefore, the FRB believes that the legislative route would be more effective.

Federation of Racecourse Bookmakers.
15th May 2008.