

PARLIAMENTARY DEBATES

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OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT HORSERACE BETTING LEVY
REGULATIONS 2017

Monday 27 March 2017

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The Committee consisted of the following Members:

Chair: SIR ALAN MEALE

† Allin-Khan, Dr Rosena (<i>Tooting</i>) (Lab)	† Newlands, Gavin (<i>Paisley and Renfrewshire North</i>) (SNP)
† Benyon, Richard (<i>Newbury</i>) (Con)	† Opperman, Guy (<i>Lord Commissioner of Her Majesty's Treasury</i>)
† Caulfield, Maria (<i>Lewes</i>) (Con)	† Shah, Naz (<i>Bradford West</i>) (Lab)
† Crouch, Tracey (<i>Parliamentary Under-Secretary of State for Culture, Media and Sport</i>)	† Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con)
† Foster, Kevin (<i>Torbay</i>) (Con)	† Smith, Jeff (<i>Manchester, Withington</i>) (Lab)
† Garnier, Sir Edward (<i>Harborough</i>) (Con)	† White, Chris (<i>Warwick and Leamington</i>) (Con)
† Hepburn, Mr Stephen (<i>Jarrow</i>) (Lab)	† Whittaker, Craig (<i>Calder Valley</i>) (Con)
† Herbert, Nick (<i>Arundel and South Downs</i>) (Con)	Katy Stout, <i>Committee Clerk</i>
† Kendall, Liz (<i>Leicester West</i>) (Lab)	† attended the Committee
† Mactaggart, Fiona (<i>Slough</i>) (Lab)	

The following also attended, pursuant to Standing Order No. 118(2):

Davies, Philip (*Shipley*) (Con)

Robertson, Mr Laurence (*Tewkesbury*) (Con)

Third Delegated Legislation Committee

Monday 27 March 2017

[SIR ALAN MEALE *in the Chair*]

Draft Horserace Betting Levy Regulations 2017

4.30 pm

The Parliamentary Under-Secretary of State for Culture, Media and Sport (Tracey Crouch): I beg to move,

That the Committee has considered the draft Horserace Betting Levy Regulations 2017.

The Government propose extending the horserace betting levy to betting operators that are based offshore, which will correct the current unfairness in the levy system whereby betting operators in Britain are required to pay the levy, but those based offshore in otherwise identical circumstances are not. The issue has become more acute as the shift to betting online has increased. The levy will be due on bets on British racing made by consumers located in Britain. As part and parcel of that, we are setting down the rate of the levy in legislation, moving away from the fractious annual negotiation process and providing long-term certainty for betting and racing. It will be set at 10% of a betting operator's gross profits on such activity.

Next week is horse-racing awareness week. This Committee allows me to fire the starting gun seven days early and place on record that British racing has long been a source of entertainment for many, a provider of jobs and a focal point for many rural communities. The mutually beneficial principle of transferring funding to racing from the proceeds of betting under statutory arrangements dates back to 1928. The levy itself has been in place since 1963. The levy supports funding for a range of areas, including prize money, integrity, equine welfare and veterinary science. Since 2000, more than £32 million has been invested through the levy in veterinary science and research alone.

However, changes to the market have meant that the levy is no longer fair and fit for the modern world, as betting operators based offshore are not liable to pay it. That has created a system that puts British-based operators at a competitive disadvantage and has contributed to a reduction in levy receipts. There have been a number of efforts over the past decade to broker voluntary deals to ensure a fair contribution from all who make sizeable profits from the racing product. I thank those operators that have done the right thing and made voluntary contributions over that period, but regrettably history shows that it has not been possible to reach a satisfactory solution to the problem of the many offshore bookmakers that benefit from the British racing product without being required to make a fair contribution to the industry. British racing is the envy of the world, with a rich history and traditions dating back hundreds of years. It is imperative that there is, via the levy, a solid foundation that will continue to support the sector and attract investment in sport.

The levy is a pre-existing state aid, as it was in place before the United Kingdom joined the European Economic Community, but any material change, as is the case here, requires state aid approval from the European Commission. Colleagues may recall that, in the debates considering the power to extend the levy in 2014, it was made clear that changes to the levy scheme were likely to be necessary before it could be extended. We have thought carefully about the right way to apply the state aid requirements to the British context, and we consider that the package of levy reforms taken together represent the right approach for the British industry. The Government are seeking state aid clearance and, as set out in the statutory instrument, the regulations will not come into force until state aid approval is granted. I am confident that clearance will be received shortly.

The principle of the levy is simple: all operators that benefit from British racing above a minimum threshold should contribute to its funding. The levy will apply to bookmakers—including pool betting and spread betting operators—and betting exchange providers in Britain and offshore. The levy will apply in the same way regardless of where the bet is placed, whether that is at the course, in a high-street bookmakers or online. That ensures that the levy will apply equally to all operators, with no differential treatment based on how or where customers place their bets.

The Government have considered a range of evidence in arriving at a fair rate. There have been three public consultations, and I have held a number of meetings with representatives from betting and racing. The Department commissioned an independent report on the funding of racing, and regard has also been given to the recent history of the levy and the overall landscape of the betting market.

It is important to reduce the risk of the levy acting as a barrier to betting operators entering the market. We are therefore introducing a threshold amount. No operator will pay a levy on their first slice of gross profits derived from taking bets on British horse-racing, and it will be set at £500,000. The majority of small and medium-sized operators will therefore not be liable to pay the levy. In order that the exempt amount does not create perverse incentives for an operator to artificially split their business, the regulations make provision to ensure that an operator does not benefit from multiple allowances.

The Government are of the view that the overall package of a rate of 10%, with the £500,000 de minimis threshold, is a fair and proportionate contribution from the betting industry to the mutual interest it has in a good quality racing industry. The Government consider that a fixed rate provides certainty for betting and racing. However, it is important that the levy can be responsive to future changes in the market. The Secretary of State is therefore required to review the levy rate within seven years. This period is intended to strike a balance between allowing the betting and racing industries to plan commercial strategies and long-term investments with confidence while ensuring that the levy can respond to the evolution in relevant sectors.

The Government have previously announced that we intend to make separate changes to reduce the cost of administering the levy, currently done by the Horserace Betting Levy Board, and remove the Government from day-to-day involvement in levy expenditure. We will consult on the second phase of reform in due course.

In conclusion, the reforms will create a level playing field between all betting operators. They will provide a fair return to racing and will ensure that the industry can continue to be the home of the best quality racing in the world for years to come. I commend the draft regulations to the Committee.

Several hon. Members *rose*—

The Chair: Order. Before I call you, Dr Allin-Khan, I am obliged to tell you that it is not satisfactory that you turned up late before the address of the Minister. This gives me no pleasure, but I am obliged to say this. I realise that the reason why you were late is possibly because of the immense security arrangements going on in this place at this time, but we always try to ensure that at least the Front-Bench speakers are present at the start of any address.

4.37 pm

Dr Rosena Allin-Khan (Tooting) (Lab): It is an honour to serve under your chairmanship, Sir Alan. I beg your pardon for being a fraction late. It is the first time it has happened and you are absolutely right that there was a very good reason for it. I am happy to indulge you further on the matter after the Committee rises.

The horserace betting levy was introduced many years before the Minister and I were born. Although it serves a good purpose, it was introduced more than half a century ago and it is time to bring it into 2017. The levy funds central areas within the racing industry, including the equal distribution of prize money; higher racing integrity; advances in equine welfare and veterinary sciences; and, importantly, improvements in the mental and physical wellbeing of participants.

The current levy does not apply to overseas and online betting operators. Given that the profits generated, which serve such important causes, have been exponentially declining, we believe it is time to revise the levy. In 2005-06 alone, the levy produced more than £99 million, but the number drastically dropped to just £54 million a decade later. With the popular rise in online gambling, especially since the development of smartphones, we have seen many aspects of our daily lives move online. We put photos in frames less and on Facebook more. Phones have become the new shops.

Just as those parts of our lives have moved online, so has betting. With relative ease, punters can place bets on any and every sports event taking place across the world. I am sure we all welcome such technological developments, but it is our duty to ensure a level playing field across all markets, including gambling. That means bringing the horserace betting levy into the 21st century, where online bookmakers are required to contribute, just as high street bookmakers are.

The levy comes into effect only when a bookmaker makes £500,000 profit on British horseracing, so it will not adversely affect smaller companies competing against larger companies. The Opposition welcome that move. In the discussions I have held with relevant organisations and bodies, there was agreement that that was a step forward worth making. Having said that, there are a few areas that I must explore and question in order to feel confident that the Government have taken them into consideration, and that they will act if they have not done so already.

I hope the Minister can reassure me on the following points. While smaller in scale, greyhound racing is a section of the market where it is not compulsory for bookmakers to contribute towards a levy. They give voluntarily at a rate of only 0.6%. Why have the Government not gone further and sought the introduction of a greyhound racing levy? Has the Minister made any predictions or estimations on the extra sums that will be generated with the changes to the levy? What discussions have there been and what considerations have been given to the welfare of horses, and will any of the additional sums raised be ring-fenced to ensure that horse welfare is made a priority?

Given that extra money will be given to racecourses across the country, will the Government ask them to commit to paying staff the living wage as set by the Living Wage Foundation? Why has the Minister chosen to review the levy after seven years? Will she explain her decision? The Opposition do not intend to divide the Committee, but I look forward to the Minister's response to my questions.

4.40 pm

Kevin Foster (Torbay) (Con): It is a pleasure to serve under your chairmanship, Sir Alan. I do not intend to delay the Committee for too long. I have a fiancée—soon to be Mrs Foster—who was once an amateur licensed jockey. We still have Breezy, her last race-horse, which gives me an interest. Hazel assures me she will not be going on a horse in a race any time soon, and the only race Breezy is likely to compete in is one for his next feed bucket.

I welcome the regulations, and particularly the fact that they will bring a fairer and more level playing field. They are relevant to my constituency in Torbay because the people who go to Newton Abbot racecourse regularly look to stay in Torbay and bring valuable business. I welcome what the Minister has outlined. The regulations are about supporting the industry and creating a level playing field so that betting operators here do not end up paying a levy that others can avoid by using a different model of operation. The amounts that will be generated will make a real difference and the measure is needed. I am not going to ask any questions, such as what tips the Minister has for the racing coming up. I simply want to put on the record my support for the measure and how I think it will benefit my constituency.

4.42 pm

Gavin Newlands (Paisley and Renfrewshire North) (SNP): It is a pleasure to serve under your chairmanship, Sir Alan. Given that the Scottish National party supports the legislation before us today, I will be brief in my remarks.

We accept the need for an overhaul of the system—indeed, we have voted for such in the past. In 2013 we supported a new clause to the Gambling (Licensing and Advertising) Bill, which would have made offshore bookmakers liable. The Government did not support it at the time, but I am pleased to see them come to the right conclusion on this occasion.

In addition, the Scottish Government and the cross-party horse-racing and bloodstock industries group in the Scottish Parliament also support the changes. In any event, I think all parties, both inside this place and out, would agree that a fair and sustainable instrument of reinvestment is long overdue.

[Gavin Newlands]

Over the years, the number of bets placed online has markedly increased. In tandem with that, the proportion of online bets made using offshore bookmakers has also increased dramatically, resulting in the levy not being applied to an estimated 40% of all bets on British racing. The British Horseracing Authority has estimated that that costs the industry more than £30 million a year in lost levy receipts. The SNP does not believe that bookies can exploit the system by moving parts of their business offshore to avoid meeting their responsibilities.

It is worth noting that the levy exists for a reason. As well as supporting the nearly 17,500 people who directly work for horse-racing, it also advances horse-racing in general. Failing to abide by this important levy makes it more difficult for the sector to meet a critically important set of responsibilities, including the wellbeing of people who work in the sector alongside the horses themselves. It is right that we introduce legislation that closes that loophole.

It has been forecast that the levy will raise between £10 million and £30 million. With such a wide forecast, it is only right that we review the levy's efficacy. Will the Minister provide the Government's thinking on the seven-year timescale of the review? Further to the question asked by the hon. Member for Tooting, has that period been agreed by both the horse-racing and betting industries?

We must be mindful of spectators and punters across the UK who may become addicted to gambling. Problem gambling causes harm to the gambler and those around them, including family, friends and others who know them or care for them. Nearly 50% of people have gambled in the past four weeks; even though the majority of people gamble with moderation, addiction is still said to cost the UK Government £1.2 billion every year, with the impact on the individual being more devastating. Given the additional income being secured for the sport of horse-racing, we should contemplate whether additional support can be offered to those affected by problem gambling.

It is unclear how much of the funding acquired by the Horserace Betting Levy Board has been spent in Scotland. The only source of information containing a discussion of the issue is a 2015 William Hill report, which states that the betting industry's annual contribution through the levy to Scottish racecourses for 2014 is "£4.1 million, 6% of the total UK levy contributions".

In addition, a 2014 document noted that the income received from the levy by Scottish racecourses exceeds that bet on Scottish fixtures. However, given that Scotland accounts for 9.8% of the betting taxes and levies collected in the UK but has 5% of the British horse-racing sector, it is likely that Scottish punters make a net contribution to horse-racing in the rest of the UK. That is estimated at £2.8 million per annum. I ask that a proportionate amount of any additional funds raised be spent in Scotland, where the country's five racecourses attract more than 300,000 visitors annually, the economic impact of which has been valued at £170 million a year.

I welcome the new proposals set out by the Minister, and believe that they will help to secure vital resources to support the industry and horse-racing in general. They will also help to prevent aspects of the industry from moving sections of their online business to offshore accounts, avoiding their responsibilities to the levy and the sport.

4.46 pm

Richard Benyon (Newbury) (Con): I want to start by saying how important the issue is for my constituency. I estimate that between 700 and 1,000 jobs relate directly to the racing industry in West Berkshire. We are one of the three big training centres in the country, and the Lambourn valley is, of course, the home of national hunt racing. A lot of businesses on which my constituents depend have been looking carefully at the sometimes tortuous negotiations that have taken place on the subject over many years. Those of us who are members of the all-party group on racing and bloodstock industries will have sat in on frequent meetings with the Minister and her predecessors on either side of the House about how to fund such an industry fairly.

In addition to Lambourn, where there will be an impact, we have one of the premier racecourses in the country at Newbury. There are direct jobs there, as well as tourism throughout that part of the Thames valley, and the effect will be enormous. To understand the issue, including the reduction in income from the levy, we need to understand the extra costs of putting on a day's racing at any course—leaving aside Newbury, which has the ability and location to generate other funds. There are racecourses in some of my hon. Friends' constituencies, and in Scotland, that rely on racing for nearly all their income. We want a system that supports racing across these islands and that makes sure that the industry is set for the future.

The industry has relied for too long on an analogue system in a digital world—the hon. Member for Tooting put it well; it was brought in three years after I was born, when there was no online betting. The system by which people can now bet did not exist. Betting has of course changed in other ways. People can now bet on a place—or, to put it better, a variety of different conclusions to a race. Income to the industry has reduced because of online—and in some cases offshore—betting, from £115 million in 2007-08 to £54.5 million in 2015-16.

To answer the question of the hon. Member for Tooting about the Government's predictions, according to the explanatory memorandum the figure of 10% will, on 2015-16 predictions, bring in an income of between £72 million and £84 million. That is not back to where we were in 2007-08, but it is certainly a big improvement. It is entirely right to implement a percentage, because then we will not have to rely on an annual review as we go forward.

Will the Minister give a little more explanation of how the governance of the levy will work and what systems will be in place following the ending of the current arrangements with the levy board? I felt at times that this issue was as difficult for Ministers of all parties to deal with as trying to pick up mercury with a fork. I congratulate the Minister on not only nailing this, but doing so with agreement right across the industry. There may be some outliers who disagree, but the conversations I have had seem to suggest that she has achieved the alchemy that has been missing; perhaps it will set her straight for a future career in negotiating a power sharing agreement in Northern Ireland.

As things stand at the moment, we are now able to say that all betting—offshore, online, onshore or in the traditional way on racecourses—will be subject to a system that will result in a fair income for racing. I congratulate the Minister on achieving that.

4.51 pm

Mr Stephen Hepburn (Jarrow) (Lab): I feel your frustration, Sir Alan; your knowledge and insight into the horse-racing game is sadly missed by the Opposition today. I welcome you to the Chair. I was not disappointed when our spokesperson did not turn up on time today. The hon. Member for Hexham (Guy Opperman) and I hatched a plot: I would have made my name in her position today if she had not arrived. It was not to be.

I congratulate the Minister. Some 20 years ago, when I was a new MP and she was a novice researcher, we used to have a pint in Bellamy's club, which is sadly not there anymore. We never discussed horse-racing, so I am surprised and pleased that she has achieved something that so many people before her have tried to do and not succeeded. I congratulate her on that.

I have just a few brief questions. First, the Minister mentioned that she was confident about state aid rules not being contravened. On what basis does she have that confidence? Secondly, she says that everybody is on board, so far as the bookmakers are concerned. Is everybody on board, or has she any concerns that there is a particular area that still holds concerns and may, at the end of the day, challenge her?

Thirdly, may I ask her about the distribution, so far as geography and the allocation of the money are concerned? I do not know whether she has any say in that. On geography, will all areas of the country get a share—a fair share—of the money? On allocation, let us hope it is not like the Premier League and that the money does go down to the bottom—to the smaller people at the real grassroots of horse racing, who miss out so often and who struggle to keep our great sport alive.

Philip Davies (Shipley) (Con) *rose*—

Mr Laurence Robertson (Tewkesbury) (Con) *rose*—

The Chair: Order. Gentlemen, before you are called I should say that, according to the House's guidelines and rules, Members not on the Committee may turn up and ask to stand at the discretion of the Chair. I point out to you that this is a very short Committee meeting today, and we have to give time for the Minister to respond and for any other Committee members to ask questions or answer queries. Nevertheless, I think it is in keeping that the two of you should be given an opportunity to speak, particularly because you both have such a wealth of experience in this area.

4.54 pm

Mr Laurence Robertson (Tewkesbury) (Con): Thank you for agreeing to call me in this short debate, Sir Alan. As you say, I am not a member of the Committee, but I wanted to turn up and make a brief contribution. It is a privilege to serve under your chairmanship, and also to co-chair the all-party parliamentary group on the racing and bloodstock industries with you. That is the first interest I need to declare. Secondly, the Cheltenham racecourse is in my constituency, and a great racecourse it is. Thirdly, I need to draw the Committee's attention to my entry in the Register of Members' Financial Interests. I receive hospitality from bookmakers and horse-racing from time to time. I have checked with the Parliamentary Commissioner for Standards, and it is in order for me to contribute to this debate.

I support the regulations. Unlike a number of other hon. Members, I had been born when the levy was introduced—I do not suggest that that gives me any greater authority to speak on the issue. It is important that horse-racing has a boost in income, regardless of where it comes from. We hear about it being the sport of kings. We saw racing at the Cheltenham festival, in my constituency, just a week and a half ago, we are coming up to the grand national festival, and we see Royal Ascot and the Derby. At that level, yes, there is an awful lot of money in horseracing.

If we go beneath that level, we find a very different picture. Many horse races are run for prize money of £2,000. To break even over a season, it would be necessary to win about 10 races, and no horse is going to do that. Owners going into racing at certain levels know for sure that they are going to lose out. There is a need for more money in racing for stable staff, jockeys and trainers at that end of the market. There is a pyramid, and most people are at that end of the pyramid and do not make much money, and many of them struggle.

There is certainly a need for measures to be taken to bring more money into racing. As the Minister rightly said, there is an anomaly. That is nobody's fault, but it has come about because of the changes in technology and the way people bet. It is only right that this measure be introduced to bring about fairness and consistency in how bookmakers pay the horse-racing levy.

I hope that the Government are not considering taking any further measures, which might reduce bookmakers' ability to fund horse-racing. That is a debate for another day, but it needs to be taken seriously. If further measures were taken that undermined the bookmakers' ability to pay, the regulations would be rendered completely useless. I hope that we can proceed with caution in other areas, but we can perhaps come to that on another day.

I echo what the hon. Member for Jarrow said. When we make these changes and more money comes into horse-racing, I hope, as someone who represents one of the top racecourses in the world, that the money is not just ploughed in at the top end and that consideration is given to the many thousands of people who struggle at the lower end of horse-racing. Without those people, there would be no Cheltenham, no gold cup, no Royal Ascot. I know that is a debate for another day, but it is a very important point.

I will comply with your request that I speak for only five minutes, Sir Alan—thank you for giving me the opportunity to support the regulations. I wish the Minister well in her endeavours.

4.58 pm

Philip Davies (Shipley) (Con): I am grateful to you, Sir Alan, for allowing me to speak in this debate. It is a pleasure to serve under your chairmanship. Unlike the hon. Member for Jarrow, my pleasure is only tempered by the fact that we do not have the benefit of your expertise as a successful owner and breeder on the Committee today.

Like my hon. Friend the Member for Tewkesbury, I refer people to my entry in the Register of Members' Financial Interests. Like him, I am an occasional visitor to racecourses for the benefit of bookmakers and people in the racing industry. I am grateful to both for their occasional invitations to race meetings. For many years,

[Philip Davies]

I have been the modest owner of racehorses, or I should probably say the owner of modest racehorses. That would be a better way to describe it.

There are two issues I want to explore. The first is whether the Government are in order in making this change in the way that they are. When I first inquired of the Clerks about the mechanism for changing the rules, the Clerk of Bills in the Public Bill Office said:

“I can say with reasonable confidence that changes to the levy itself and its scope would need primary legislation, probably contained within the next Finance Bill after the Budget in March.”

As we can see, however, this is not primary legislation. Why do we not have primary legislation when that was the advice of the Clerk, in particular given that the Minister described this in her opening remarks as a “material change” to the levy? I would like her to consider that point.

I am grateful to Lord Lipsey, who is an expert on such matters in another place, for some advice he got from Olswang’s lawyers. Their point was that it is of course in order to impose the levy on foreign betting operators who do not pay it—because

“the 2014 act specifically says so”—

but

“this order goes ‘well beyond’ that. It mandates a fixed levy of 10% for all bookmakers, in place of the present process of annual levy fixed by the levy board. It mandates the extension of the levy to the Tote’s on-course operation”,

which was not the case before, and all on-course bookmakers will have to pay the levy, subject to the exemption set out by the Minister. Those lawyers, too, feel that there is some doubt as to whether that is how the situation should be handled.

My final evidence is from 2013, when we had a private Member’s Bill to extend the levy to foreign operators. Responding to a point someone had made in the debate, the Minister at the time, Hugh Robertson, said about the levy:

“The best thing I can do is read to her the legal advice that I have been given by the Government Law Officers, which says that although a levy is permitted in its current form, since it originates from before 1972 and therefore pre-dates state aid rules, the European Commission is likely to consider that the collection of contributions from overseas operators would substantially alter the levy, such that it was no longer compliant with state aid. I am afraid that, regardless of how many high-priced opinions are obtained elsewhere, once the Government Law Officers have opined that the Bill is therefore defective in that respect, the Government cannot accept it.”—[*Official Report*, 25 January 2013; Vol. 557, c. 638.]

[*Interruption.*] There is a Division—should we break here?

The Chair: How much longer will you need?

Philip Davies: I will probably need another five minutes or so.

5.1 pm

Sitting suspended for Divisions in the House.

5.25 pm

On resuming—

Philip Davies: I was presenting as evidence the remarks of a previous Minister; if the Minister would explain why the Department’s legal advice has changed so radically, that would be welcome. Perhaps, when she does, she will explain what will happen if the original legal advice, rather than the latest, proves accurate, and the European Court of Justice comes down on a different side of the fence from the one anticipated.

My second point is about the merits of the levy in the first place. I am astonished at the Labour party and Scottish National party support for it, because we all know that it is taking money from poor punters and giving it to rich owners; it is redistribution of wealth in reverse, so I am intrigued by their support. On the Conservative Benches we are, you will notice, Sir Alan, against subsidies for any industry unless it is farming or horse-racing. People may draw their own conclusions as to why Conservatives are all in favour of subsidies for those two industries but not for others.

The levy figures are clear. Something like 75% of the prize money in the UK goes to about the top 10 owners in the country, so it is a great benefit to Sheikh Mohammed, the Qatari royal family and Coolmore Stud—I am sure they are not really on their uppers. The question is whether we should be subsidising their sport and interests.

I have two more points to make. First, it seems to me that the Government have made changes to the scheme to satisfy the European Commission by extending the levy to the Tote and on-course bookmakers, which were not in the original proposals put out to consultation. Why do not the Government, given that they are now pursuing a policy that they do not support—it was not their original proposal—wait until after we have left the European Union, when they can introduce whatever policy they want without having to refer any of it to the European Commission and risk its going through the European Court of Justice?

Finally, we talk about the amount of money that goes from bookmakers to racing. When the levy started, it was a mechanism to do that. The Government have always been against the levy; they have tried to abolish it, because they think it is a bad system. However, it was a useful mechanism for transferring money from bookmakers to racing when there was no other mechanism for doing so.

I asked the Minister some questions not too long ago about how much money bookmakers give to the racing industry. Racing always wanted about £100 million out of the levy; that was the figure it wanted to achieve—a perfectly reasonable figure. However, let us take 2012 as an example. The levy has gone down since then but media payments have gone up, so the figure is probably still about right.

In 2012, the bookmakers handed over, in levy payments, £74 million. As my right hon. Friend the Member for Newbury said, that has gone down since—I accept that. In the same year, they also gave £153 million in media rights to show the racing in their shops and online, £88 million of which went to racecourses. That figure has gone up considerably since 2012. They also gave £12 million in sponsorship. The total going directly to racecourses from the betting industry was £174 million. However, it cost bookmakers even more than that, given the money taken out with respect to picture rights.

In that year, total prize money in racing, in the UK, was £97 million. If people were asked what proportion of prize money bookmakers in the UK should contribute to UK horseracing, I suspect that some might say half. Some zealots might say all of it. I suspect very few people would think that bookmakers should give virtually double the total UK prize money levels to the racing industry, yet that is what they do every single year. That, to me, seems excessive. The Government seem to be doing nothing to find a way to make sure that the horse-racing industry passes the money down from racecourses to owners and trainers.

If the Government proceed with this, I hope that they do not just try to extract more and more money out of bookmakers, which are actually taking less and less on horse-racing; it is becoming a smaller and smaller proportion of their business. I hope that the Government accept that bookmakers pay a huge amount into racing—I think it excessive, in many respects—and that they find a way to ensure that racecourses pass that money on in prize money, not just to the richest racehorse owners but to those at the bottom. I look forward to hearing how the Minister will say to the racing industry that, yes, the Government will make sure that it gets the money, but that it should make sure that that money goes from the racecourses to the people it is intended to support.

Sir Edward Garnier (Harborough) (Con) *rose*—

The Chair: Sir Edward, give me a second before you proceed. Because of the two Divisions, we can now go on until 6.23 pm—although we do not have to.

5.31 pm

Sir Edward Garnier (Harborough) (Con): Sir Alan, I apologise, not only to you but to the Committee as a whole, for my slightly late arrival at the Committee. I will certainly not go on until 6.23 pm or anything like it.

I do not want to have a row with my hon. Friend the Member for Shipley because it simply would not be worth it. However, I do not want him to think that I accept that Leicester Racecourse, in my constituency of Harborough, is at the bottom end of the racing hierarchy. It may not have the cachet of Newbury, which my right hon. Friend the Member for Newbury proudly represents, and it may not be quite like Cheltenham, but it is not a bad racecourse. If this new arrangement enables more racing to be held there, and for there to be better prize money to attract higher-quality racing at the racecourse, so much the better.

I appreciate that my hon. Friend the Member for Shipley speaks with great knowledge of the bookies' industry. I was also delighted to hear from him that one of his many horses once ran at Leicester, steered by the great Dettori. I look forward to seeing my hon. Friend riding one of his own horses.

Philip Davies: No chance!

Sir Edward Garnier: “No chance”, he says. There we are—there is a God.

While we are getting excited about what my hon. Friend may think is the unfair nature of this new arrangement on the bookmaking industry, I think it is important that

we also discuss the unsung heroes of the racing world who work at and run, shall we say, the less famous racecourses throughout the country.

The last time I went to Leicester Racecourse—last summer, for one of the summer meetings—the number of people working backstage was probably just as great, proportionally, as it would have been at Cheltenham, Newbury or Aintree. However, the cash flow and the money going through that particular racecourse is not nearly as great as at some of the great festival racecourses.

Richard Benyon: Does my right hon. and learned Friend also agree that the cost of putting on a day's racing and complying with all that we now require—on crowd management, health and safety and all of the other good policy changes that have been made for the public's safety—is extremely burdensome on precisely those smaller courses?

Sir Edward Garnier: My right hon. Friend makes the point I was trying to make rather better than I was making it myself; I am grateful to him for having done so.

It is perfectly true that the number of people from the medical services, vets, stewards and other officials now needed to put on a day's racing is enormous. From the stable yard right the way through to the car park, there are lots and lots of people, all of whom have to be paid, apart from some of the kind volunteers who help out for the love of it. Those are not racecourses that are putting on tens of meetings a year or attracting the greatest of the prize money. Of course, the famous yards that my hon. Friend the Member for Shipley mentioned will no doubt benefit from the regulations, but I hope the money will trickle down and enable racecourses such as Leicester and—is there a racecourse at Hexham?

Guy Opperman (Hexham) (Con): “Is there”? It is the best racecourse in the country!

Sir Edward Garnier: Well, there we are. I have achieved publicity for that great racecourse in Northumberland, in addition to the one in Leicestershire.

Even if these regulations lead to an increase in the cash flow coming into the small racecourses by only a small measure, the Government will have achieved a public benefit. I salute the Minister for what she has achieved. I wish this new levy system Godspeed, and I trust that vast sums of bookies' money will end up in Oadby, the home of Leicester racecourse in my Harborough constituency.

5.36 pm

Tracey Crouch: I thank Committee members for their engagement and their contributions to the debate. Although the principle of an extension to the levy is, on the face of it, simple, it has been demonstrated by the important points that have been made during this debate that it is more complex than it might seem. I will address each of those points in turn.

I thank the hon. Member for Tooting and the Opposition for their support for the regulations. The hon. Lady is right in her assessment of why this is a necessary step

[Tracey Crouch]

forward. As she said, the industry and the sector have evolved, so we can all now gamble in very different ways than we could 50-odd years ago.

The hon. Lady's comments about greyhound racing are very topical. I recently wrote to Bet365, the only major online operator contributing to the voluntary fund, to thank it for taking a lead in this key area, and I have also written to trade bodies representing all the betting operators to ask that they take part in discussions to improve the current funding position. Lord Lipsey has volunteered to chair that act of mediation. Although there are no plans to introduce a statutory levy for greyhound racing, we will try to encourage more money into the sector.

Maria Caulfield (Lewes) (Con): May I support the Minister's argument? Greyhound racing grounds are closing in record numbers, which is exactly why we need these regulations. Plumpton racecourse in my constituency welcomes them, because it needs that extra funding to make it sustainable.

Tracey Crouch: I thank my hon. Friend for that comment. We are incredibly proud of the whole racing industry. I have met greyhound industry representatives on a number of occasions to tell them that we continue to support them. We will try to encourage more money into the sector on a voluntary basis. We want to ensure, through the levy for horse-racing, that it has a fair amount of money going into it from the offshore sector.

The hon. Member for Tooting also asked about the living wage. Although that is not a matter for the levy, we expect racing to work with racecourses to ensure best practice. As she is aware, the Government have increased the national minimum wage, and all those working in racing will benefit from it.

The hon. Lady and other Committee members mentioned the timeframe for a review. We believe that the seven-year review set out in the regulations strikes a balance between certainty and a reasonable timeframe. The rate can be reviewed at any time if there are changes in the industry that suggest that the rate no longer remains appropriate. Otherwise, it is required to be reviewed automatically within seven years. I hope that that answers the hon. Lady's questions.

I thank my hon. Friend the Member for Torbay for his contribution, although given that I contributed significantly to the profits of a bookmaker during Cheltenham he had probably better not rely on tips from me for the forthcoming Grand National.

The hon. Member for Paisley and Renfrewshire North asked specific questions about Scotland, and I should say at the outset that I am grateful for the Scottish National party's support on this issue. Officials have kept the Scottish Government informed about levy reform throughout the entire process. Courses in Scotland do, and will continue to, receive levy funding, and the extension to offshore means that more money will be available for courses across Great Britain. Last year the levy board distributed almost £4 million to the five racecourses in Scotland; I hope that addresses his question.

My right hon. Friend the Member for Newbury is a long-standing advocate for reform, and I am enormously grateful for his sage advice on the sometimes complex

issues in this area. He spoke eloquently about the need for these changes and then asked a specific question about governance. This is where I explain that it is quite a complex issue, because there are actually two stages, and today is merely the first phase.

In the short term, the levy board will remain responsible as the governing body, but we will consult on transferring responsibility to a nominated racing authority who will act on behalf of the racing industry. At the moment, the levy board is required to provide an annual report making clear how the money is spent; that is important to make sure that money gets to all parts of the racing industry, as others have raised, and we expect a similar to process to occur under the new racing authority.

I will quickly refer to the transitional phase and some of the administrative changes. The Government will consult on using a legislative reform order to effect the transfer of responsibility to the gambling commission and the racing authority. We will consult affected stakeholders on the detail of those proposals shortly, and we intend to complete transfer of responsibilities in early 2018. It is absolutely crucial that we minimise any disruption when moving to the new arrangements, which is why the administrative changes are intended to be completed in early 2018.

My hon. Friend, as I will call him, the Member for Jarrow has not returned from voting, but I want to put on the record my thanks for his kind words—although I was worried that he was about to reveal all my secrets as a researcher. Distribution is a matter not for Government, but for the board at the moment, and the racing authority in the future. All areas of Great Britain benefit from the levy, and that will not change. As it has done, the levy will continue to benefit the grassroots of the sport, and we expect the new racing authority to have clear criteria for allocating funding and to report that transparently. He also asked about state aid. As the statutory instrument makes clear, the legislation will only come into force once state aid clearance is received.

There is a specific provision within the statutory instrument that says it will come into force on 1 April 2017 or the day after it is made—so, the state aid clearance is expected. My officials have engaged extensively with the European Commission, and as a result I am confident that we will receive that clearance shortly. To be perfectly honest, we would not have introduced these regulations to the House if we did not have that confidence.

My hon. Friend the Member for Tewkesbury spoke very kindly about the reforms. I welcome his support for this; his experience and expertise on all things racing mean that it is even more appreciated. I am grateful.

I turn to my hon. Friend the Member for Shipley. I am pleased that Parliament's procedures allow him, even as a non-voting member of this Committee, to express his views. I feel that some of his speech was 54 years too late. The levy exists, and it is my duty to make sure that it reflects the world we live in today.

My hon. Friend asked some very specific questions about the need for primary legislation. There is no need for primary legislation; the power in section 2 of the Gambling (Licensing and Advertising) Act 2014 allows the Government to extend the levy in a state-aid-compatible way using secondary legislation. The point of securing the power in 2014 was to allow us the flexibility to use secondary legislation, and the power is broad enough to address all the issues necessary to secure state aid approval.

We do not agree that these regulations are ultra vires. As was made clear in 2013, the levy is a state aid and, as I have said, extension to off-shore operators is a material change to the existing scheme, which requires notification and approval. On-course bookmakers and the Tote have always been liable to pay the levy since 1963, but my hon. Friend is right—state approval is required, and we have sought it and are confident we will get it shortly. The Department's legal advice has not changed, because we have always been clear that the levy is a state aid.

Finally, my right hon. and learned Friend the Member for Harborough spoke with passion about the breadth and depth of the industry. Racing is an important

sector, and it is essential that we do all we can to support it, from the small racecourses to the large ones. These reforms are long overdue, and I hope the Committee will agree that they will make a profound difference to the British racing industry and to the thousands of hard-working stable staff, jockeys, trainers and all those who make racing what it is today.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Horserace Betting Levy Regulations 2017.

5.45 pm

Committee rose.

