

December 1st Scenarios

Scenario A:

If Overseas Horserace betting were to be included in the 2009/10 levy scheme with a headline rate of 9% without abatements then this would raise the theoretical levy from £62.5 to £76.8m. This is based on using the 2009/10 levy scheme calculations without abatements on the total of GB & Overseas Horseracing for each of the shop and remote betting categories.

This forms the basis of this scenario. Table A shows that for this scenario:

- The levy from those modelled in the base year would rise from £62.5m to £76.8m – a rise of £14.3m (22.8%).
- This assumes that nothing else changes in terms of number of shops open, revenues and all other costs.
- So this £14.3m rise levy comes straight from the bottom line and means that operator profits fall by the same amount.
- For the four most vulnerable groups this is particularly critical. For example, the Single Shop Operators would have their profit reduced from £2,320 to £900 on average.

It is reasonable to assume that such a change to the Levy would significantly impact upon operators. The figure quoted is an average per shop and therefore a standard distribution would leave many shops likely to close. It can be reasonably assumed that:

- 15% of Large and Small Independents would close.
- 17.5% of Single Shop Operators would close.
- 10% of the Big 5 Very Small shops would close.
- 2.5% of the Big 5 Small shops would close.
- In total, 344 shops would close.

In addition, it could be assumed that 50% of the closed shops' business would be transferred to other shops – yielding a Levy of £76.1m.

Operators would also make a concerted effort to shift away from Horseracing through all UK based channels (either to other products and/or to non-UK based Internet).

Then it would need an average contraction of Horseracing Gross Win of 17.8% for the Levy to earn no more than before the change i.e. yield £62.5m in total.

Table A: Base Year with Levy Scheme including Overseas Horseracing with a headline rate of 9% and no abatements

Scenario A: Levy @ 9% without abatement inc Overseas Horseracing	Blg 5				Single Shop Operators	Total Shops	Telephone and UK-Taxed Internet	Total
	Very Small	Small	Medium, Large & Very Large	Large & Small Independents				
Number of Shops	1,131	1,908	4,291	935	243	8,508		
Total £m								
GB & Overseas Horseracing Gross Win	£43.1	£135.8	£526.7	£54.4	£4.2	£764.2	£89.4	£853.6
All Other Income	£206.1	£404.7	£1,145.3	£167.6	£18.5	£1,942.1	£140.6	£2,082.8
Total Income	£249.2	£540.5	£1,671.9	£222.0	£22.7	£2,706.3	£230.1	£2,936.4
Horseracing Levy	£3.9	£12.2	£47.4	£4.9	£0.4	£68.8	£8.1	£76.8
All Other Costs	£228.2	£439.7	£1,155.1	£211.0	£22.1	£2,056.1	£146.9	£2,203.0
Total Costs	£232.1	£451.9	£1,202.5	£215.9	£22.5	£2,124.9	£154.9	£2,279.8
Profit	£17.2	£88.6	£469.5	£6.0	£0.2	£581.4	£75.2	£656.6
per Shop £000s								
GB & Overseas Horseracing Gross Win	£38.1	£71.2	£122.7	£58.2	£17.2	£89.8		
All Other Income	£182.3	£212.1	£266.9	£179.2	£76.2	£228.3		
Total Income	£220.4	£283.3	£389.6	£237.4	£93.4	£318.1		
Horseracing Levy	£3.4	£6.4	£11.0	£5.2	£1.6	£8.1		
All Other Costs	£201.8	£230.4	£269.2	£225.7	£91.0	£241.7		
Total Costs	£205.2	£236.8	£280.2	£230.9	£92.5	£249.7		
Profit	£15.2	£46.4	£109.4	£6.4	£0.9	£68.3		
GB & Overseas Horseracing Total								
Income (£m)	£43.1	£135.8	£526.7	£54.4	£4.2	£764.2	£89.4	£853.6
Costs (£m)	£47.3	£129.2	£413.4	£58.2	£4.8	£653.0	£62.8	£715.8
Profit (£m)	£-4.3	£6.6	£113.3	£-3.8	£-0.7	£111.2	£26.7	£137.9
GB & Overseas Horseracing per Shop								
Income (£000s)	£38.1	£71.2	£122.7	£58.2	£17.2	£89.8		
Costs (£000s)	£41.9	£67.7	£96.3	£62.3	£19.9	£76.7		
Profit (£000s)	£-3.8	£3.5	£26.4	£-4.1	£-2.7	£13.1		
Levy % GB & Overseas Horseracing Gross Win								
Levy % GB & Overseas Horseracing Gross Win	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Change in Levy £m	£2.8	£4.8	£4.1	£2.5	£0.3	£14.6	£-0.3	£14.3
Change in Levy per Shop £000s	£2.5	£2.5	£1.0	£2.7	£1.4	£1.7		
Number of shops % Change								
Number of shops % Change	-10.0%	-2.5%	0.0%	-15.0%	-17.5%	-4.0%		
Shops Lost	-113	-48	0	-140	-43	-344		

Source: ABB Industry Model 2009/HBLB/RSBM