

Observaciones al Anteproyecto de Ley de Regulación del Juego

EPMA position regarding the Spanish proposal of law on gambling

Brussels, 10th January 2011

A new approach on gambling was presented by the Spanish regulator last September and a draft legislation is now open for public consultation since 30th December 2010 in order to be adopted early 2011.

The European Pari Mutuel Association which brings together leading operators present in 10 countries could support this approach hoping it will create the conditions for the Spanish market to develop in a safe and sound way.

However, looking at the content of the future regulation which should regulate fiscal issues, governance, licensing and responsible gaming issues, EPMA must object on the discrimination made between bookmaking betting and Pari Mutuel.

Unjustified discrimination

As historically experienced actors in the gambling sector, EPMA members are entitled to submit their views and position on the development of the gambling sector. **As betting operators, Pari Mutuel organisations have a dual objective, offering the best entertainment value to bettors in a fair and moderate way and serving the European horseracing industry in its long-term development. A large majority of horseracing organisations have acknowledged the benefits of the Pari Mutuel model as the best tool to preserve and develop their industry.**

Referring to the draft articles of the Spanish legislation, authorising Pari Mutuel and fixed-odd betting on local and foreign racing, and more particularly on its Title VII (fiscal regime) clear differences appear:

**“Apuestas hípicas mutuas: 15 por ciento sobre la base imponible.
Apuestas hípicas de contrapartida: 5 por ciento sobre la base imponible.”**

This is clearly something discriminatory and against the horseracing Pari Mutuel principle that we defend. Such measure will clearly encourage fixed odds bookmaking and penalize Pari Mutuel.

In fact, it will entirely stop the development of the Pari Mutuel system in Spain.

Moreover, nothing can justify such a difference between 2 offers and it is not compatible with the rules of the European market.

The European Commission has recently opened an investigation in Denmark precisely because the draft law of this country introduces a differentiation of taxation between land-based and online gambling.

Look at the opportunities for the Spanish market

In Spain, the **Pari Mutuel market for horseracing represents around 30 million €** and starting to be well developed in Madrid and Pais Basco (San Sebastian) with small revenues in Andalousia and Baleares. It could be further developed if all operators were on the same level playing field. Although, the national racing product is underdeveloped and so less attractive to punters than other gaming products, betting on foreign racing of quality is starting to attract Spanish players.

Looking at other EU countries which have started to reform gambling legislation, we can see that the same level of taxation is supported by operators for sport or horserace betting and on fixed-odd and pari mutuel betting:

- In Italy, taxation is the same for all betting activities and is around 20% of the gross margin
- In UK, it is 15% of gross margin for all betting products, fixed-odd and Pari Mutuel.
- Belgium is also implementing its gambling reform in 2011 and proposes 15% taxation on gross margin for all betting offers.

Racing authorities and Pari Mutuel operators have worked together on the definition of legal implementation measures last year in order to launch new horseracing betting products in 2011 and find new resources for the equine industry in Belgium. The model has convinced the regional authorities in Wallonia who have agreed in December 2010 to cooperate with Pari Mutuel operators in order to offer foreign races to local punters and at the same time provide revenues for the national equine sector.

Preserve the specificities of the Pari Mutuel model

In Europe in 2010, Pari Mutuel betting totalled €13 billion. Out of that sum, more than €11 billion returned to the winning punters and as much as € 1.5 billion was reinvested in the European horse industry and racing, a considerable investment which represents more than 300 000 people directly employed by the sport. These figures can be doubled if all indirect employment is taken into account, often at the crux of regional development (Normandy, County Kildare, etc.).

Compared with other sports, horseracing mainly relies on betting revenue, which can be explained by the early introduction of betting legalisation and the recognition of the right of horseracing to benefit from this revenue. In addition to this historical link, both activities have developed symbiotically, particularly for Pari Mutuel operators, which are often set up and supervised by the racing authorities.

EPMA members are defending a common identity

The specific identity of Pari Mutuel operators needs to be recognised as such by all the European governments and therefore preserved on the same basis and arguments that the lotteries are putting forward: contribute to the general interest. Pari Mutuel is globally the most widespread form of betting on horseracing, accounting for 72% of betting stakes worldwide.

EPMA in its White Paper has explained the values of the Pari Mutuel model (Document published in September 2008) confirmed by an economic impact study of the racing sector in Europe in 2009 (<http://www.parimutuel-europe.org/>).

Racing is a way to measure and select inside the breeding activity. Such breeding sector works on reproducing, improving and preserving breeds. At the same time, breeding is a part of agriculture revenues – moreover a growing activity in a sector where many have reduced over the years facing reforms and international competition.

The coherence of the system as described above is not yet fully understood. We see that competition, fiscal, social and market issues are opposed instead of being mixed in order to establish coherence and long term objectives. It should be the ambition of the Spanish reform.

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