3 Base Year

The 2009 version of the model was used in the scenario development even though the model is still to be finalised. Also, because this exercise is primarily concerned with understanding the impact on the betting industry from other possible levy schemes, the provisional model estimates of the levy for 2009 have been replaced by calculations based upon the 2009/10 (48th) levy scheme.

Therefore, it should be noted that, the 2009 base is NOT a statement of the calendar year 2009 but a base year for testing other possible levy scenarios which is formulated from the 2009/10 levy scheme and 2009 modelled data.

In Table 1, it can be seen that levy payments across all shops are estimated at £54.1m for the base year compared to Levy Board figures of £54.2m for 2009/10. This difference of £0.1m is due to the levy formula being applied to individual shops in the scheme and applied to groups of shops in the modelling. For telephone and internet betting from shop owners the base year shows an estimate of £8.4m. This compares to Levy Board figures for 2009/10 of £10.9m for all remote betting. The difference of £2.5m is due to levy from telephone/internet only operators.

For the purposes of running scenarios against a base case the model is perfectly adequate. So the other scenarios will be compared to the base year levy estimate of £54.1m + £8.4m = £62.5m.

Table 1 shows that the Big5 Very Small Shops, the Large and Small Independents and Single Shop Operators are all very vulnerable to change in their business environment with profits at a very low and borderline unsustainable level.

In fact, the last section of Table 1 shows that, if GB Horseracing were viewed as a separate business with all revenues and costs allocated to their relevant product then these vulnerable groups are all 'losing money' on GB Horseracing.

Table 1: Base Year

	A	Big 5						
Base Year	Very Small	Small	Medium, Large & Very Large	Large & Small Indepen dents	Single Shop Operators	Total Shops		Total
Number of Shops	1,131	1,908	4,291	935	243	8,508		
Total £m								
GB Horseracing Gross Win All Other Income	£33.2 £216.0	£112.5 £427.9	\$448.1 \$1,223.8	£44.1 £177.9	£2.6 £20.1	£640.6 £2,065.7		£724.6 £2,211.8
Total Income	£249.2	£540.5	£1,671.9	£222.0	£22.7	\$2,706.3	£230.1	£2,936.4
Horseracing Levy All Other Costs	£1.1 £228.2	£7.4 £439.7	£43.3 £1,155.1	£2.4 £211.0	£0,0 £22.1	£54.1 £2,056.1	21000000	£62.5 £2,203.0
Total Costs	£229.3	£447.0	£1,198.3	£213.4	£22.1	£2,110.2	£155.3	£2,265.5
Profit	£20,0	£93.4	£473,6	£8.5	\$0.6	£596,1	<u>\$</u> 74.8	£670.9
Levy % Gross Win	3.3%	6.6%	9.7%	5.4%	1.2%	8.5%	10.0%	8.6%
per Shop £000s								
GB Horseracing Gross Win All Other Income	£29,3 £191.0	£59.0 £224.3	£104.4 £285.2		11	£75,3 £242,8		
Total Income	£220.4	£283.3	£389.6	£237.4	£93.4	£318.1		
Horseracing Levy All Other Costs	£1.0 £201.8	£3.9 £230.4	£10.1 £269.2	II .	II .	II .	11 1	
Total Costs	£202.7	£234.3	£279.3	£228.3	£91.1	£248.0		
Profit	£17.6	£49.0	£110.4	£9.1	£2.3	£70.1		
GB Horseracing Total								
Income (£m) Costs (£m) Profit (£m)	£33.2 £34.6 -£1.4	£112.5 £104.3 £8.2	£448.1 £353.8 £94.3	£45.6	£2.9	£541.2	£59.3	II.
GB Horseracing per Shop								
Income (£000s) Costs (£000s) Profit (£000s)	£29.3 £30.6 -£1.3	£59.0 £54.7 £4.3	£104.4 £82.5 £22.0	£48.7	£11.8	£63.6	5	

Source: ABB Industry Model 2009/HBLB/RSBM