

More horses chasing less prize-money

There were increased contributions from racecourses in 2007, but a 16% drop in Levy funding reflects the fact that racing's share of the betting shop market is on a downward slope

The basic message to stem from these figures and graphs is that, in 2007, more horses chased less prize-money. This is not just bad news for owners but for all the industry's participants, as percentages on prize-money for trainers, jockeys and stable staff suffered a commensurate decline. It is worth repeating that this is a central point with prize-money, because it makes the difference between viability and insolvency for the majority of trainers and this clearly reflects on the staff they employ. Prize-money percentages also contribute no fewer than 40% to jockeys' overall earnings.

The main source of prize-money, the Levy Board, reduced its contributions by 16% from £62.1 million in 2006 to £53.4m in 2007 – a direct result of bookmakers winning less money from punters betting on horseracing. This stems from a combination of reducing volumes and margins. Although it is impossible to know the extent of each without a closer analysis of bookmaker figures, the message is clear: while horseracing remains a key product to bookmakers in attracting punters into the shops, racing is on a downward path in terms of market share in betting shops.

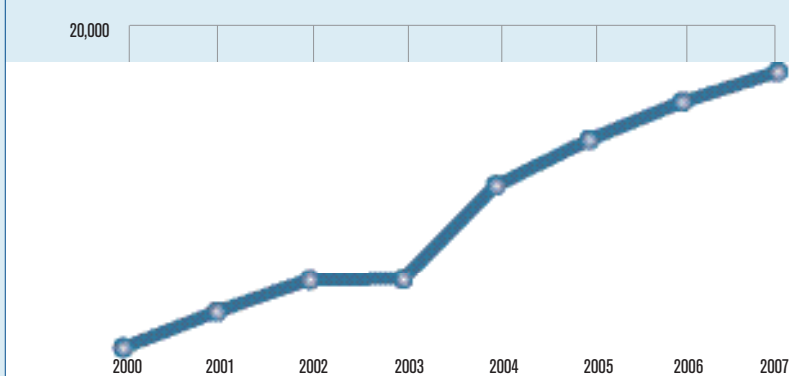
The damage has, to some extent, been cushioned by a much better prize-money performance by the racecourses who, in 2007, contributed £2.4m, or 8.7%, more than they did in 2006. All three of Jockey Club Racecourses, Arena Leisure and Northern Racing increased their contributions, while only 15 of the 59 courses showed a year-on-year decline when their

The prize-money pyramid 2007

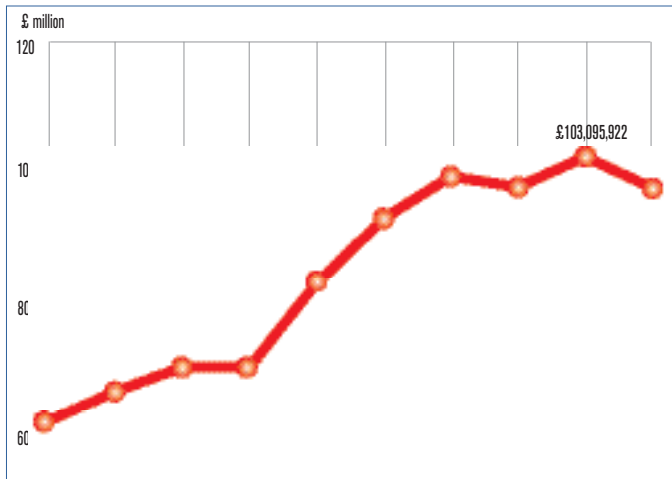
Prize-money won	%	No. of horses
£100,000+	0.5	96
£50,000+	1.4	269
£30,000+	2.7	523
£15,000+	6.9	1,344
£7,500+	15.3	2,995
£2,500+	34.3	6,690
£1+	62.9	12,273
£0	37.1	7,242

The table (left) is based on the number of individual horses who ran in Britain in 2007 and the percentage of those horses who won prize-money at varying levels. In other words, 37.1% (7,242) of the 19,515 horses who ran last year won no prize-money at all; 62.9% won £1 or more; and 34.3% won £2,500 or more. The same principle continues until, at the very top of the scale, 0.5% of those horses who ran won £100,000 or more.

Number of individual runners 2000-2007



Total prize-money



The increased contributions to prize-money from racecourses, owners and the Development Fund could only partly offset the impact of the reduced levy yield, with total prize-money at its lowest level since 2003

Racecourses executive/sponsors



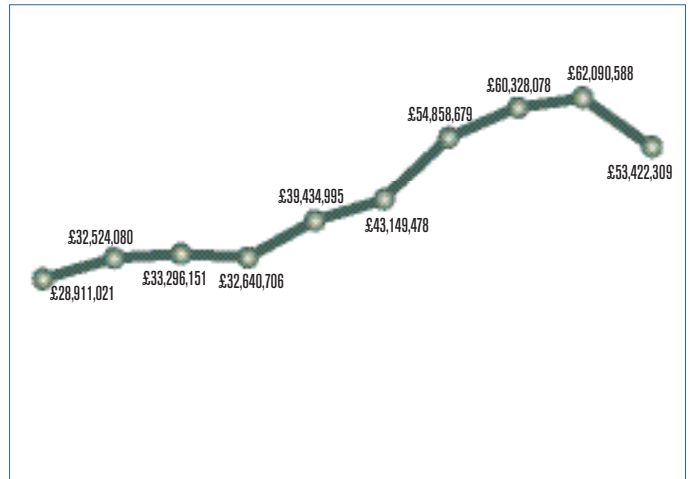
Racecourses partly mitigated the loss of levy, with 36 of the 59 venues increasing their annual contribution to prize-money

BHB incentives



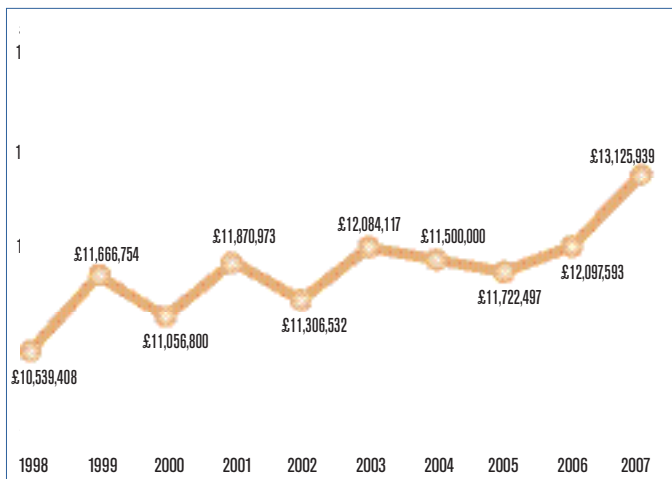
Since 2004, so-called BHB/BHA incentives have principally made up the money going into the Development Fund, which is used to encourage racecourses to programme high quality races that may attract only small fields. This fund, which draws its resources from the bidding process for BHA fixtures, grew as a result of strong interest from racecourses

HBLB



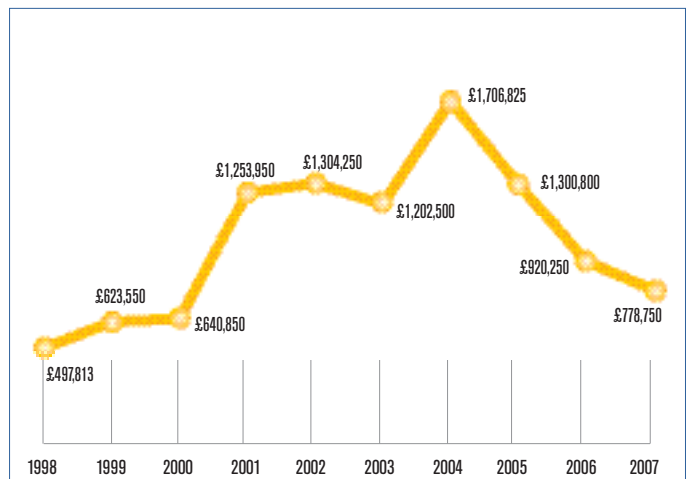
A combination of results, reduced profit margins and competitive pressure from other betting and gaming products contributed to a significant decline in the 2005/2006 levy yield. This forced the Levy Board to reduce its contribution to prize-money for the first time since 2001

Owners



Total owners' stakes grew by 8.5%, increasing their contribution to prize-money by over £1 million

Divided Race Fund



The decline in the 2005/2006 levy yield also impacted upon the amount available to the Divided Race Fund, with the reduced payment structure introduced in July 2006 extended into 2007

Prize-money contributions

How the racecourse groups have fared 2005-2007

These amounts are the total prize-money that was on offer at all the courses owned by the groups in the three-year period. In 2007, the Levy Board contributed 54% of all prize-money, the racecourses 30% and owners 13%. The remainder came from the BHA incentives and the Divided Race Fund (see graphs on previous page)

This shows the racecourses' executive and sponsorship contributions, expressed as a percentage of their total prize-money figure

Executive and sponsorship contributions are the contributions to prize-money made by the racecourse itself. The split between the two amounts is regarded as "commercial" information by the courses and is never revealed

Racecourse owner	2005 PRIZE-MONEY (£)			2006 PRIZE-MONEY (£)			2007 PRIZE-MONEY (£)			Executive & sponsorship comparison 06/07 up/down	
	Executive & Sponsorship	Total	% of total	Executive & Sponsorship	Total	% of total	Executive & Sponsorship	Total	% of total		
JCR	11,796,242	32,556,490	36.2	12,285,794	34,758,290	35.3	13,372,861	35,493,330	37.7	▲	8.8
Arena	2,059,582	15,942,697	12.9	1,756,350	15,442,153	11.4	2,676,764	14,968,607	17.9	▲	54.4
Northern	353,622	8,557,100	4.1	765,495	8,749,610	8.7	929,911	7,255,026	12.8	▲	21.5
Independent	10,946,270	41,517,804	26.4	12,373,168	43,211,320	28.6	12,663,464	40,710,105	31.1	▲	2.4
Grand total	25,155,716	98,574,091	25.5	27,275,491	103,095,922	26.5	29,643,000	98,427,068	30.1	▲	8.7

Britain's 59 racecourses are owned either by Jockey Club Racecourses, Arena Leisure plc, Northern Racing plc (see 'Key to the courses'), or independently. Newbury is placed with the independents, but it is a plc

This is total prize-money for each year (see graph on previous page)

This shows the racecourse groups' executive and sponsorship contribution increase from 2006 to 2007. Even though there were all-round increases last year, this was not sufficient to make up for the levy downturn, hence the overall decrease in prize-money in 2007

► contributions were expressed as a percentage of overall prize-money.

All this has great relevance for the future, as the progress of TurfTV has taught us in recent months. The beauty of the levy system is that about 60% of its income is distributed into prize-money through a system whereby each racecourse or racecourse group gets a Basic Daily Rate that they must spend on prize-money. The level of this Basic Daily Rate is influenced by, among other things, the contribution that the racecourse itself makes to prize-money – the so-called Merit Table system.

Most of the levy money is therefore put mandatorily into prize-money, whereas a racecourse's own contributions are entirely discretionary. If, as we are now seeing with TurfTV, there is a gradual move from the funds coming into prize-money from the levy system to funds coming direct from racecourses as a result of TV rights deals, it is important that owners and all those working in the racing industry secure a prize-money agreement between the Horsemen's Group and racecourses.

Without this, a greater proportion of prize-money will be subject entirely to the discretion of the courses whose first concern is likely to be their own bottom line. ■

The top ten racecourses in terms of prize-money contributions

These percentages are based on the racecourses' executive and sponsorship contributions, expressed as a percentage of total prize-money

Racecourse	Racecourse ownership	%
Aintree	JCR	60.4
Cheltenham	JCR	55.6
Ascot	Independent	51.5
Epsom	JCR	45.4
York	Independent	45.1
Sandown	JCR	41.0
Goodwood	Independent	40.0
Newmarket	JCR	38.0
Chester	Independent	37.8
Doncaster	Arena	35.3

The bottom ten racecourses

Racecourse	Racecourse ownership	%
Wolverhampton	Arena	7.6
Uttoxeter	Northern	7.0
Redcar	Independent	5.7
Newton Abbot	Independent	5.1
Brighton	Northern	3.3
Hereford	Northern	2.9
Plumpton	Independent	2.7
Towcester	Independent	2.4
Sedgefield	Northern	1.8
Worcester	Arena	-1.8

Key to the courses

JCR Aintree, Cheltenham, Epsom Downs, Sandown Park, Newmarket, Haydock Park, Kempton Park, Wincanton, Carlisle, Market Rasen, Exeter, Nottingham, Warwick, Huntingdon

Arena Doncaster, Windsor, Folkestone, Lingfield Park, Southwell, Wolverhampton, Worcester

Northern Newcastle, Bath, Chepstow, Yarmouth, Fontwell Park, Uttoxeter, Brighton, Hereford, Sedgefield

Independent Ascot, York, Goodwood, Chester, Newbury, Thirsk, Ripon, Pontefract, Ayr, Salisbury, Beverley, Musselburgh, Hamilton Park, Kelso, Stratford-Upon-Avon, Bangor-On-Dee, Wetherby, Ludlow, Leicester, Fakenham, Hexham, Perth, Cartmel, Taunton, Catterick Bridge, Redcar, Newton Abbot, Plumpton, Towcester