

Uppsala, April 14 2021

The logo for BOS.nu, featuring the letters 'BOS' in a large, bold, white sans-serif font, followed by '.nu' in a smaller, white sans-serif font. The logo is set against a dark grey rectangular background.

Consultation response, Fi2021/00299, The financing of the horse industry on the re-regulated gaming market

BOS agrees with the inquiry's summary conclusion; there is no reason for the state to present any new financing model for the horse industry.

The inquiry's work has mainly revolved around a market fee for games on horses proposed by the gaming company ATG and its owner companies ST and SG. It is thus this proposal that the inquiry rejects.

According to the proponents, the market fee would be designed in such a way that a percentage - five percent has been mentioned - is taken out of the gaming companies' gross turnover on horse games. For every hundred kronor played, five kronor would thus be earmarked for the horse industry. The market fee and its size would be decided by the state and be mandatory for all Swedish-licensed gaming companies that offer games on horses.

BOS's main reasons why we agree with the Gambling Market Inquiry's rejection of the proposal are:

1. You can not own and consequently not demand payment for information that is open and accessible to everyone. This includes the outcome of a parliamentary election, the weather, who wins the hit festival, whether AIK wins over Hammarby and which team wins a trotting race. All of these examples are things that are bet on.
2. The proposed scope of the market fee is so high that it corresponds to the gaming companies' total gaming surplus. Surplus bets are the amount of money that remains after winnings have been paid out to the players. Betting normally has a profit refund to the players of about 95 percent. For each hundred kronor bet, approximately SEK 95 is refunded to the player collective. The remaining five kronor is the net that finances e.g. gaming tax, salaries, marketing and returns to the owners. With the proposed market fee, there will

thus be zero kronor left over after the profit refund and market fee have been paid. Few gaming companies would want to operate under such financial conditions.

3. If a market fee is introduced and Swedish-licensed gaming companies add this fee (approx. 5%) on top of the profit refund (95%) and the gaming surplus (5%) so that the cost for the player collective is around 105% compared to the current cost situation, this should have a negative impact on the channeling into the Swedish licensing system. The opportunities to collect market fees from gaming companies that do not have a Swedish license are likely to be small, gaming companies that thus gain a competitive advantage compared with Swedish-licensed gaming companies in that the former can then offer lower and thus more competitive prices.
4. Svensk Travsports (ST) and Svensk Galopps (SG) own gaming company ATG has an estimated 98 percent of the market in Sweden for horse betting. ST and SG already have the mandate to have the surplus that betting on horses provides.

It is also not possible to discern any changes in this strong position in the market even in the long term. This is due to the fact that betting on horses in general takes place in so-called gaming pools, which by their nature lead to large and few pools. Whoever wants to win the big prizes must apply to the biggest pool to have a chance at it. ATG has had almost half a century of protected monopoly on building such a pool. The state has not shown interest in participating in a market for games on horses that is characterized by equal conditions for all, e.g. Our proposals to the Swedish Competition Authority that more gaming companies should be allowed into the pools have not been heeded.

Of course, one can imagine transfers between different game verticals, for example that games on horses lose market share to sports games, or vice versa, but a mandatory market fee on games on horses does not solve the loss of revenue a possible market weakening for games on this game vertical can thought to undergo.

5. Gaming companies live in symbiosis with their betting objects (in this case equestrian sports) and thus have their own motives for wanting to see equestrian sports flourish. In addition, data that is not generally available has an economic value. Examples of such data are streamed live broadcasts of the races, which is something that the gaming companies want to be able to offer on their gaming sites. In other words, there are good conditions for equestrian sports to conclude voluntary lucrative agreements on market-based grounds

with gaming companies regarding both marketing and access to attractive data. Admittedly, such an agreement cannot claim the *entire* gaming surplus, but a considerable part of it. This is exactly what is the case in other sports that attract betting, e.g. football and ice hockey.

6. Licensed gaming in the competitive gaming market is subject to an 18% excise tax, called gaming tax. Tax finances Swedish welfare. A mandatory market fee should mean a deduction before taxation, which would then lead to significantly reduced tax revenues. It seems unthinkable to abolish a tax revenue that is so widely accepted and functional.

Gustaf Hoffstedt
Secretary General

Swedish Trade Association for Online Gambling
Box 3198
103 63 Stockholm

gustaf.hoffstedt@bos.nu

www.bos.nu