



PRESS RELEASE

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ENTITIES AND PUBLIC POLICIES

L'INSTITUTION DES COURSES

An organisation structure calling for reform and an activity requiring regulation

L'Institution des courses, the French collective horse-racing body, encompasses five main entities, including Société d'Encouragement à l'Élevage du Cheval Français (SECF) and France Galop, which organise trot and gallop horse racing respectively, and manage the main race courses. These two parent companies formed Pari Mutuel Urbain (PMU) to collect bets and distribute earnings. These organisations deal with substantial amounts of money: PMU collected €9.1 billion in 2017, of which €7.9 billion came from French bettors, €793 million from foreign professional punters and €354 million from other foreign punters, together with €856 million drawn from online sports betting and poker games.

The resources of L'Institution des courses have fallen considerably since the start of the 2010s, due to horse racing betting having to deal with increasing competition on the gambling market. Having failed to put in place the necessary reforms, the institution is now facing a deteriorated financial situation despite increased support from the French government. Furthermore, questions may be asked regarding the relevance of the monopoly it has on the organisation of horse racing betting.

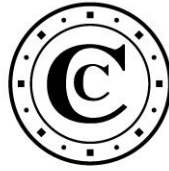
Substantial changes in the horse-racing sector

The horse racing sector is based on the organisation of races on which bets are placed, among which one must distinguish gallop races, which are part of an international market, and trot races, focused on a French breed and representing around 60% of horse breeding and racing activity in France. Jobs in this sector are essentially concentrated in some regions (Normandy, Pays-de-la-Loire and Oise).

The sector has been weakened by the increasing competition horse racing betting has to deal with on the betting market, both *offline* and *online* since the opening of this particular market in 2010.

Important structural shortcomings calling for a reassessment

The controlling powers of the state over the institution are *de facto* limited because of the dilemmas it faces, these dilemmas being inherent to the positioning of the administrative bodies involved. The State appears unable to exert any meaningful influence over the choices made by the institution, all the more so since its prerogatives have been reduced in recent years. In practice, the government's decisions and instructions are not always implemented, in practice, by the institution.



The effectiveness of the state's control over the institution is also hindered by an unsuitable legal framework. Because of this, practices still exist that go against the government's goals regarding the necessary fight against money laundering. The legal framework has also failed to prevent the considerable increase in sums placed by international professional punters, which today accounts for 9.5% of *offline* betting and is disloyal for French punters. The relevance of the "dual monopoly" the institution has been entrusted with can be questioned. The exclusive right to determine the number of races and the timetable races does not stem from any public interest consideration, while the legitimacy of the monopoly on the organisation of horse racing betting, in theory based on public order motives, is being hindered by the above-mentioned weakness of the state's control.

Given the growing competition among the gambling sector, the entire gambling and betting market requires effective regulation. The model chosen for online gambling has demonstrated its relevance, with the existence of a single, independent regulatory authority allowing for efficient supervision over all gambling sectors.

Financial difficulties that must be addressed

The revenues generated by horse racing betting have been falling sharply, while the operational costs of the parent companies have risen substantially over the last few years, particularly those of France Galop. As such, the financial situation of the institution has rapidly deteriorated, and the parent companies have failed to put in place sufficiently ambitious reforms to address these financial challenges.

Despite these shortcomings, the institution has benefited from increased support from the French state since 2010. From 2011 to 2015, the parent companies benefited from reduced taxation for as much as €150 million. This has allowed the institution to the considerable increase in its costs without reforming itself. The institution initially chose to deal with this situation by reducing its financial support to the horse-breeding and horse-racing sectors. It then chose to increase its levy on the sums placed by punters themselves, the share of total stakes given back to punters as earnings having fallen substantially since 2012.

Necessary reforms to allow for efficient strategic management

The governance of the institution appears inadequate, and hinders effective strategic management – such management being necessary to allow the institution to deal with the challenges it faces. France Galop and SECF, the institution's decision-makers, have been unable to agree on a common strategy and often adopt non-cooperative strategies. These shortcomings are only aggravated by the state's lack of any clear strategy for the sector. Accelerating the strategic transformation of PMU, increasing pooling within the institution and modernising its management call for considerable efforts and ambitious actions that have yet to be initiated.


The Cour des comptes recommends to undertake 13 specific actions so as to achieve this necessary reform and allow for a better regulation of its activity.


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