

Les Boag

1st March 2011

Independent Competition and Regulatory Commission
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Submitted by email to: icrc@act.gov.au

Second Submission to ICRC Investigation into the ACT racing industry

Thank you for your letter of 11th January 2011 providing me with a copy of the draft report of the Commission dated 20 December 2010 and inviting submission from interested stakeholders.

As I advised in my initial submission on 5th December 2010, I have a significant involvement in the Canberra Racing industry as:

- I own stables at Thoroughbred Park that I lease to trainers;
- I am a breeder and race thoroughbred horses;
- I enjoy the social and responsible gambling aspects of the ACT horse racing industry;
- I am a Member of the Canberra Racing Club (CRC);
- I am a registered stablehand and enjoy helping train horses when I can spare the time.

I was extremely disappointed with the glaringly negative bias of the draft report and the lack of understanding of the ACT Racing Industry that the draft displays.

I sincerely and respectfully recommend that the Commission invite at least one person from each of the three racing codes, who has an understanding of their code, to help to rewrite the report and base conclusions upon evidence rather than what I consider to be speculative modelling that seeks to belittle the evidence based modelling of others.

Major Issues

The report uses the Productivity Commission Framework (p6) which could potentially be a suitable tool if populated with appropriate evidence and used without bias. However, the report then proposes a framework for the ACT Racing Industry (p7) that shows the impacts with the top listed of three impacts being Problem Gambling. I consider this a public exposure of an incredibly biased report. Would the Commission list the top impact of ACT Roads as road deaths, or of Public swimming pools as drowning victims? The Commission lists the second top impact as Government Revenue. Would the Commission list the second top impact of ACT Roads as speeding fines or of

Public Swimming pools as gate takings. This model needs to be changed to show the real top three impacts of ACT Racing rather than display a grossly negative bias.

The draft has failed to show an understanding of the impact of the ACTTAB problems and issues. It does not investigate or obtain evidence of the impact of the poor performance and poor products of the ACTTAB upon the betting on ACT Racing and thus previous product fee paid to ACT Racing. Despite this being identified in my previous submission as a major issue, the report has tried to ignore the impact by suggesting it '*has been suggested as a potential cause*' (p35). By seeking to trivialise and failing to measure and consider this impact the evidence presented in the report about ACTTAB payments and product fees received by ACT Racing from ACTTAB turnover grossly distorts the real ACT gambling on Racing. If the Commission does not gather some factual evidence of the real state of betting on Racing in the ACT the report will have no credibility and be grossly misleading. My own small survey (35 people) has shown that 80% of ACT racehorse owners now bet on thoroughbred races with the NSW TAB or the Corporate bookmakers. To present figures that ignore the impact of this important factor is very misleading.

The draft report fails to consider the combined impact of the greatly reduced ACTTAB turnover and the ACT Government paying the lowest Australian rate of only 4.5% of TAB turnover instead of 6.3% as in Victoria. It would appear ACT Racing has been receiving about a third of what it would have received if ACTTAB was competitive enough to retain customers and the ACT Government has set the product fee at a more equitable 6.3% of total income. If ACT Racing had been receiving 6.3% of all TAB betting by ACT residents it would have been able to more than double prizemoney and hold races that attract higher quality fields. That would have enabled Canberra Racing Club (CRC) to hold thoroughbred races on every second weekend and would have enabled the ACT racing public who cannot attend mid week races to attend and enjoy being present at the races on the weekend.

The report fails to give due consideration to CRC races not having the NSW Breeder Owner Bonus Scheme (BOBS) or an equivalent system. To compare prizemoney without considering BOBS payments shows the ACT in a falsely elevated light when comparing prizemoney. There are also other factors such as CRC deducting riding fees from prizemoney that NSW does not deduct which further reduces ACT prizemoney in comparison to others. These factors could be addressed by involving someone with a knowledge of each code in the development of the report.

I think the draft report distorts funding by stating: '*The ACT Government now supports the industry in two ways:*' (pvii). Why doesn't the report present a more balanced view by stating the "The ACT Government now uses two ways to pay the industry a product fee"? The direct funding is less than product fees paid by other states and the Race Fields legislation was only introduced to collect product fees.

The draft report is devalued by the Commission deriving estimates from ABS information that are contrary to accepted modelling. The report claims to seek to 'provide a better indication of the contribution this industry makes to the ACT economy' but should instead seek to base all finding on evidence and accepted practices. Such twisting of the facts presents a contribution figure that is vastly less than using accepted analysis and appears to be further bias against the Racing industry.

The draft report: '*considers the new funding arrangements included in the budget to be generous*'. Unfortunately the report uses selective historical figures and assumed comparisons of a single location for each code rather than multiple locations in other states to justify such a claim. If the

report was based on the real ACT Gambling figures and gained an understanding of the industry it could reach evidence based conclusions.

The CRC has been very well managed and despite an inequitable product fee has developed a very good complex for training and racing at Thoroughbred Park. Further, CRC has been operating very successfully in a very professional, efficient and effective business manner with unquestionable probity. The CRC is governed by an elected Board who are all volunteers who do not get any pay, kickbacks or perks. The report seems to ignore this and recommends the Government consider merging the three codes as it would *'improve probity outcomes and provide for a more flexible and efficient process for allocating government support across the three codes.'* Those I have spoken with about this recommendation are alarmed that the Government could ever consider taking a good effective organisation like CRC and try to change it to something like ACTTAB. The comparison with Tasracing and Racing Queensland ignores the fact that in the ACT each code manages both its' code and its' venue and activities, which is far more efficient than having a central body and also clubs to manage the venues and activities. The ACT already has one Government organisation responsible for the three codes, so why duplicate that?

Further, the report recommends *'merge the codes' three facilities into a single facility'*. This is alarming from two aspects. First, the failure of the Commission to understand why around the world these codes have separate sites just highlights a lack of understanding and failure to gather evidence before making recommendations. CRC is a complex that is used full time for the training, trialling and racing of racehorses and mixing the three would be far worse than trying to use a single field for training and playing of Australian Rules, Soccer and Rugby. This investigation deserves serious investigation.

Secondly, what is causing most alarm to the people I have spoken with about the draft is the possibility of the suggestion *'consideration should be given to unlocking the value of the land at Thoroughbred Park and selling it so that a new purpose built tri-code facility can be constructed'* being the hidden agenda of this investigation. I personally have a sub-lease of the CRC Crown lease for the land and stables I own at Thoroughbred Park. The CRC lease has more than 90 years left so how does the Commission propose to break these leases? Is this just another impractical suggestion causing unnecessary concern or is the Commission really suggesting an agenda to move CRC from Thoroughbred Park?

A major failing of the investigation is not acknowledging that the Racing Industry deserves a fair fee for the product it provides and has not been receiving that in the ACT for a long time, and that has been exacerbated by the ACTAB not being competitive with the NSW TAB.

Having exposed some major problems in the draft report I would be remiss if I did not also acknowledge there are some accurate and correct parts in the report.

The recommendation that: *'The ACT should support the development of a national approach to the support of the racing industry through a coordinated approach to product payments.'* is correct in seeking a national and coordinated approach to racing product payments. However, it displays a negative bias by calling it *'support of the racing industry'* rather than acknowledge that the racing industry is entitled to a fair product fee and there is a need for a national approach to achieve that state in the future.

Other issues with the report

The report states an expectation that *'there would be a considerable number of volunteers required to assist on race days for each of the racing codes.'* Again, this highlights the need for evidence based decisions rather than speculation. I believe the clubs should have been asked and believe that except for the unpaid committee, CRC pays for all workers on race days and every other day. I also suggest that you get evidence about volunteers in feeder aspects of the industry rather than guess. My experience has shown that in the thoroughbred racing industry volunteers with aspects such as training are extremely rare.

Speculating that: *the geographical competition places pressure on the CRC as it schedules its race meets, as it will most likely be competing with surrounding racetracks to attract entrants* displays a lack of obtaining advice and understanding of the racing industry. Having more tracks and races available in the region enhances the opportunities for trainers to enter their horses into suitable races and there are large numbers of CRC races with far more nominations than the race can accommodate. The problem is with prizemoney to attract quality horses rather than competition.

It is disappointing that the report selectively selects the South Australian Centre for Economic Studies note that estimates should be treated with caution (p20) and then quotes their statement that is clearly contentious and again presents a negative bias.

The report also has a theme throughout it of seeking to minimalise figures that show the benefits of racing, such as having a narrow focus upon the impact in the ACT and discounting attendance at races that may have been elsewhere without considering offsetting or greater attendance by people from elsewhere. This again shows the need to use evidence based decisions and not try to assume, derive, distort, adjust or otherwise bias figures.

The report focuses upon a press article about concerns *'for the integrity of a race meeting held by the CGRC in December 2009.'* The report fails to show any evidence that the concerns were ever real or proven and fails to acknowledge the fine reputation of the CRC and the strongly self regulated thoroughbred racing industry Australia wide. The need for probity is strongly agreed but suggesting that merging the three codes would improve probity without providing any evidence of a problem or evidence that merging with independent governance would improve probity should be removed from the report. It may be more enlightening to obtain evidence of the problems in ACTTAB which has Government 'independent' governance arrangements and compare it with the lack of problems in CRC that has Board and industry governance.

The draft report claims that *'cultural outcome derived from the racing industry is primarily based on public involvement and attendance at race meetings.'* This appears to be another assumption without bothering to obtain evidence. The cultural outcomes are multifaceted. Indeed, attendance at race meetings is one of the cultural outcomes. However, there is far more involved than just race meetings. For example, the ACT Women in Racing (WIR) held a lunch attended by 160 and combined it with the Black Opal prelude last Sunday, 27 February 2011. However, they also have an annual 3 day bus trip to Lightning Ridge that does not involve a race meeting and they hold many other functions each year that do not include race meetings, including functions at Thoroughbred Park when there are not race meetings being conducted. I race horses with partners and we have visits to the stables and other activities outside attendance at race meetings. We also listen to the races and chat about our horses that race while we are working during the week and cannot attend the meeting. We get together to watch replays and discuss results and future options as well as share other social activities.

For the report to focus upon the racing wagering game 'Trackside' seems questionable without evidence of how much is gambled upon it as I don't know of anyone who bothers to be involved with it.

The report states ACTTAB has more than 5,000 account holders who use internet and telephone services (p34) but fails to identify how many ACT citizens are NSWTAB Account holders. Hopefully NSWTAB would cooperate with the ICRC and advise these numbers if evidence was sought. Of my small survey I found that those who did have an ACTTAB account all also had a NSWTAB account and rarely used their ACTTAB account.

Further on the issue of problem gambling. The report presents this as a negative impact but does not draw any useful conclusions than to assume '*it is likely that problem gamblers are wagering on horse and greyhound racing.*' This is not even a definite impact yet it is listed as the top impact. I sincerely doubt that a single one of the 150 who attended the WIR function last Sunday at the race meeting have a gambling problem, and I know some do not even bet and most only have small bets.

The draft report does not propose any solution to improving ACTTAB and getting a fairer share of the ACT betting funds for ACT Racing and ACT Government. It would be helpful if effort could be focused in this area and some courses of action based on evidence from other locations could be presented.

My final point is that I think the draft report does not adequately recognise that there are hundreds of people directly involved (paid work) in providing thoroughbred racing in the ACT and thousands of owners and other ACT citizens who enjoy their involvement in racing, despite many not being able to attend race meetings during work days. I believe Racing is a far more important part of the ACT culturally and economically than the report presents in the 'derived' assumptions.

In concluding, I am very disappointed with the draft report and hope that the Commission does make an effort to obtain evidence and consult code specialists so that the report can be immensely improved before it is finalised.

Thank you,

Les Boag