



CANBERRA RACING CLUB

SUBMISSION IN RESPONSE TO ICRC

independent competition and regulatory commission

DRAFT REPORT INVESTIGATION INTO THE ACT RACING INDUSTRY

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Mr P Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
CANBERRA ACT 2601

Dear Senior Commissioner

The Canberra Racing Club welcomes the opportunity to provide this submission in response to the Independent Competition and Regulatory Commission Draft Report of its investigation into the ACT racing industry in accordance with the Terms of Reference Determination 2010 (No 1) – Disallowable instrument DI2010-269.

Yours sincerely

Peter Stubbs
Chief Executive
Canberra Racing Club
1 March 2011

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EXECUTIVE SUMMARY

The funding arrangements for the national racing industry are complex and it is incumbent upon the Independent Competition and Regulatory Commission (ICRC) to fully investigate the associations between racing, wagering, government, TAB's and racing clubs.

From this investigation the CRC is seeking the following:

- a strong and vibrant future for the ACT racing industry
- a commitment from the ACT Government to work with the ACT Racing Industry to establish a long-term sustainable funding model

With respect to the draft report, CRC responds in detail to the following points:

- the ICRC concept of de-linking wagering from racing
- the associations and relationships in relation to funding
- the serious ramifications that some of the recommendations could have for the future of the ACT racing industry
- the methodology used to separate wagering from racing to determine the economic impact of the racing industry
- the under valuing of the racing industry compared with the economic studies undertaken by Access Economics (AE) and The Allen Consulting Group
- the submissions by other industry bodies, including the thoroughbred racing peak body, the Australian Racing Board
- the terms of reference and how they have been addressed
- the use of data that is incomplete, incorrect or not fully analysed.

CRC believes there are a number of funding options that are worthy of further consideration, these include:

- moving to an ACTTAB-based model where the industry is more involved in the wagering operations
- the introduction of a national funding model that delivers sufficient revenue for the ACT racing industry to operate
- continuing budget funding, or
- releasing the value of existing sites by selling them and moving to a greenfield site.

The ICRC draft report consists of a foreword, executive summary, six chapters and two appendixes. This submission responds to the executive summary and each of the chapters, under the various sub-headings, and provides details of the RISA Participation Agreement.

Response to ICRC Executive Summary (Ref: Page vii, ICRC Draft Report)

The draft report says that the ACT Government now supports the racing industry in the following two ways:

- *Direct budget funding.* In the 2010–11 Budget, the ACT Government provided the ACT racing industry with a level of budget funding broadly commensurate with the funding that the industry received from ACTTAB prior to the changes in the wagering landscape.
- *Race fields legislation that enables the collection of product fees.* New regulations prohibit the use of race field information (for example, race times, starters and winners) relating to races in the ACT without approval, ensuring that the ACT racing clubs receive funding from wagering operators for the use of the clubs’ racing information.

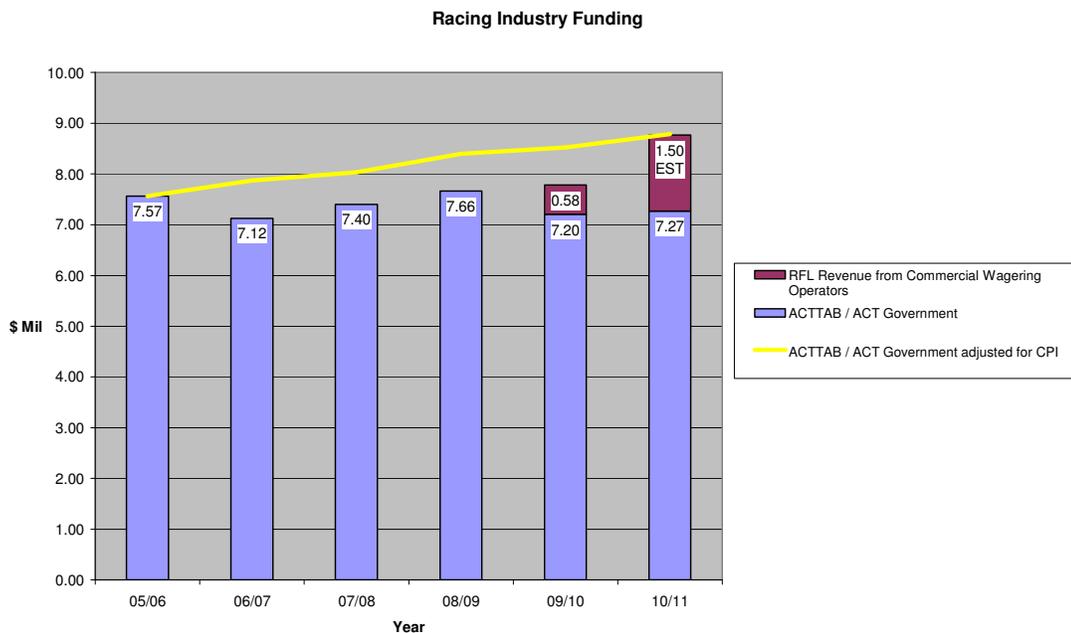
It adds:

In total, this funding amounts to approximately \$8.77 million in 2010–11, after the \$7.27 million in direct budget funding is indexed annually by the Consumer Price Index (CPI). As shown in figure ES.1, this level of funding for the industry is expected to be higher than that which would have been received under the previous arrangements (Ref: ICRC Draft Report, page vii)

CRC believes that these statements and the reference to Figure ES.1 do not provide a true description of what has actually occurred.

The graph below provides the true history of the funding arrangements since 2005–06, splitting out both base funding and race fields legislation revenue. The graph also shows the trend line should the base level of funding maintain pace with CPI.

It is important to note that the base funding from Government is lower in 2010–11 than it was in 2005–06 (even before inflation is considered). If CPI is applied from 2005-06 year on year the base funding from Government in 2010-11 is well below 2005-06, it is only when race fields revenue is added that the two amounts become equal.



It must be acknowledged that from 2006–07 the ACT racing industry and ACTTAB were suffering from the impacts corporate bookmakers were having on wagering on ACTTAB. Race fields legislation effectively only partly remedies this situation by generating revenue from a source that did not previously pay for the ACT racing product.

Race fields legislation (RFL) was introduced by most states and territories to respond to a change in the wagering market.

In the mid-1990s the ACT and Northern Territory governments introduced legislation which allowed corporate bookmakers to operate in each of the territories. For period corporate bookmakers flourished in the ACT and NT, delivering significant revenue to the respective governments. The ACT Government must bear some of the responsibility for funding issues corporate bookmakers have created for the racing industry.

Because of a more advantageous taxation regime in the Northern Territory, corporate bookmakers have flourished there but have declined rapidly in the ACT. Although the ACT Government made adjustments to the application of GST and the taxation rate for corporate bookmakers, this had no impact on the decline. The ACT Government has shown no inclination towards re invigorating the corporate bookmaker industry in the ACT, a sector of the wagering market that delivers \$18 million to the Northern Territory government annually.

The Australian racing industry had to respond to the challenges presented by the booming corporate bookmaking industry and state racing authorities, including CRC, encouraged their respective governments to introduce legislation that would ensure a fee was payable to the industry for the racing product from which corporate bookmakers were profiting.

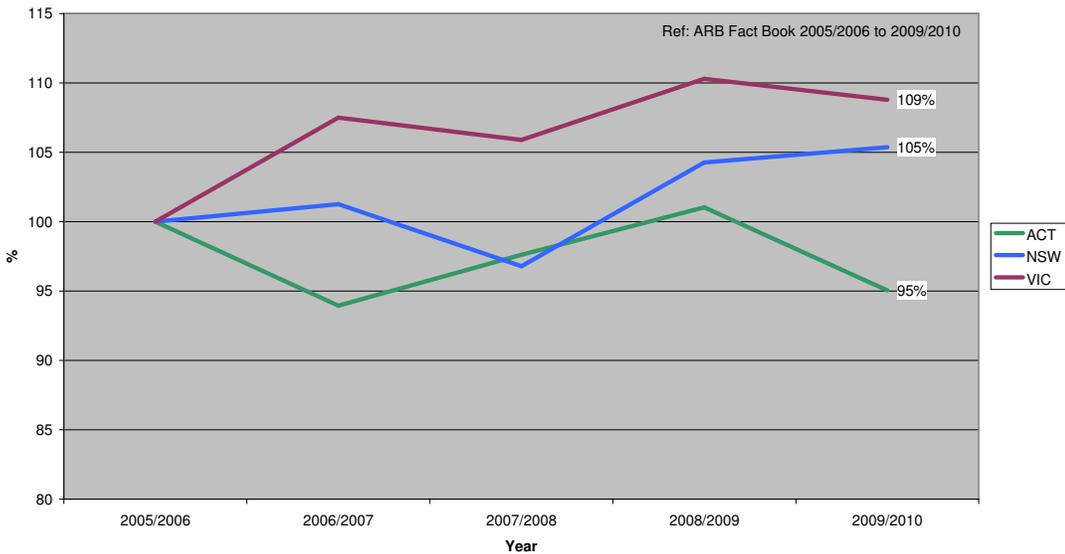
For the ICRC to describe revenue from race fields legislation (RFL) as funding and government support is misleading. Race fields legislation merely enables the racing industry to collect from corporate wagering operator's revenue that is generated from the racing industry product.

Figure ES.1 in the ICRC executive summary (page viii) provides a comparison of historical funding with estimated future funding of the ACT racing industry. It is used to justify the argument that future funding will increase.

Figure ES.1 is shown in nominal terms and is not adjusted for inflation

It ignores the new market revenue from RFL as the reason for the growth and does not recognise the fact that revenue from RFL is to correct the erosion of the traditional revenue base from TABs resulting from the expansion of corporate bookmakers—erosion that has not occurred to the same degree in other jurisdictions, as evidenced by the graph below.

TAB Turnover - Notional % Movement Since 05/06



The contribution of the racing industry to the ACT

Extract from ICRC Draft Report

From a national perspective there is a strong interdependence between the value added generated by the racing industry and the wagering industry. However, in the context of the ACT economy, this interdependence is not as strong as wagering in the ACT via ACTTAB is primarily on events outside of the Territory, and thus not as dependent upon the pre-existence of an ACT-based racing industry. This has important implications when considering the importance of the racing industry to the ACT economy.

In the extract above, the ICRC correctly identifies that from a national perspective there is a strong interdependence between racing and wagering. The racing industry has always known this, and that the two economic drivers of the racing industry are wagering and prize money—without one there is not the other.

It is the realisation or expectation of winning prize money that drives the whole industry. The owners of the racehorse, pacer trotter or greyhound fund every activity in preparing the horse or greyhound for racing.

The major source (almost 73%) of the revenue required to pay prize money at a level that will attract owners to the industry and sustain them is derived from wagering.

For the ICRC to separate wagering from racing is an unusual and unique approach to establishing the overall value of the racing industry.

In the context of the ACT economy, the reason that the ACT derives only a minor percentage of turnover on ACTTAB is to do with the economic size of the ACT as a proportion of the national totals rather than any underperformance by the racing industry in the ACT. Nearly all state and territory racing industries produce a minority share of national turnover on their home-based TAB.

Again, the proportion of the total is greatly dependent upon the size of the population and economy of each jurisdiction. CRC conducts 1% of the thoroughbred races nationally, yet its races generate 2% of ACTTAB turnover, which proves there is a greater interest in ACT thoroughbred races than the percentage of races it conducts.

The ICRC view also ignores references to minority share of national turnover made in the Australian Racing Board (ARB) submission (section 7, page 56). It also seems to ignore the investigation's first term of reference:

1 a) examine the economic impact of the racing industry in the ACT, including, but not limited to:

- i. the benefit the ACT Government receives through ACTTAB's use of race field product from the ACT racing clubs and interstate racing clubs.

ICRC ignores the fact that the ACT Government derives considerable benefit from interstate racing clubs and it fails to quantify these benefits. In doing so, it ignores ACTTAB's responsibilities under the gentlemen's agreement. It also fails to explore the inherent risks for the Government and ACTTAB in deviating from the original basis for funding of the racing industry state by state, risks that are identified in section 7 of this submission.

ACTTAB and the racing industry's reliance on interstate product for revenue is not dissimilar to the situation in the Northern Territory, Tasmania and South Australia. Further, the third largest racing state, Queensland, derives only 28% of its revenue from local product and Victoria is the only net exporter of racing product of all the states and territories, mainly due to the level of wagering on the Victorian Spring Racing Carnival.

Following is an extract from the ARB submission to ICRC supporting the above statements and detailing the import/export ratio for each state and territory and the similarities between the smaller states.

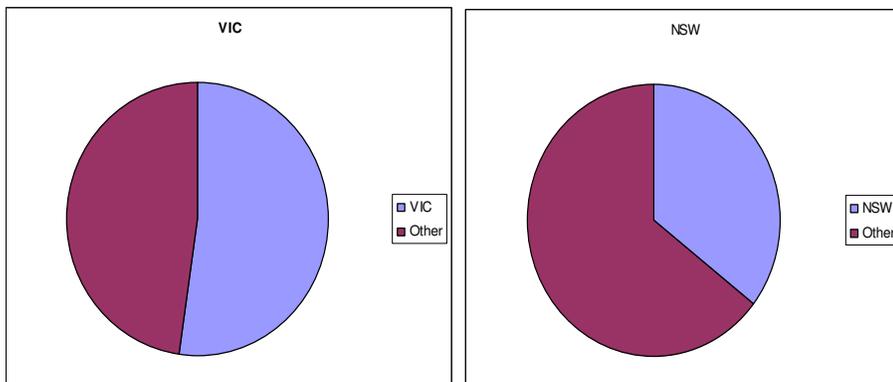
“It is noted that for the 2010-11 budget, the ACT Government has provided the ACT racing industry with a level of budget funding part way back to the real level of funding the racing industry received from ACT TAB prior to the changes in the wagering landscape, as well as the product fees now collected through recently introduced race fields legislation.

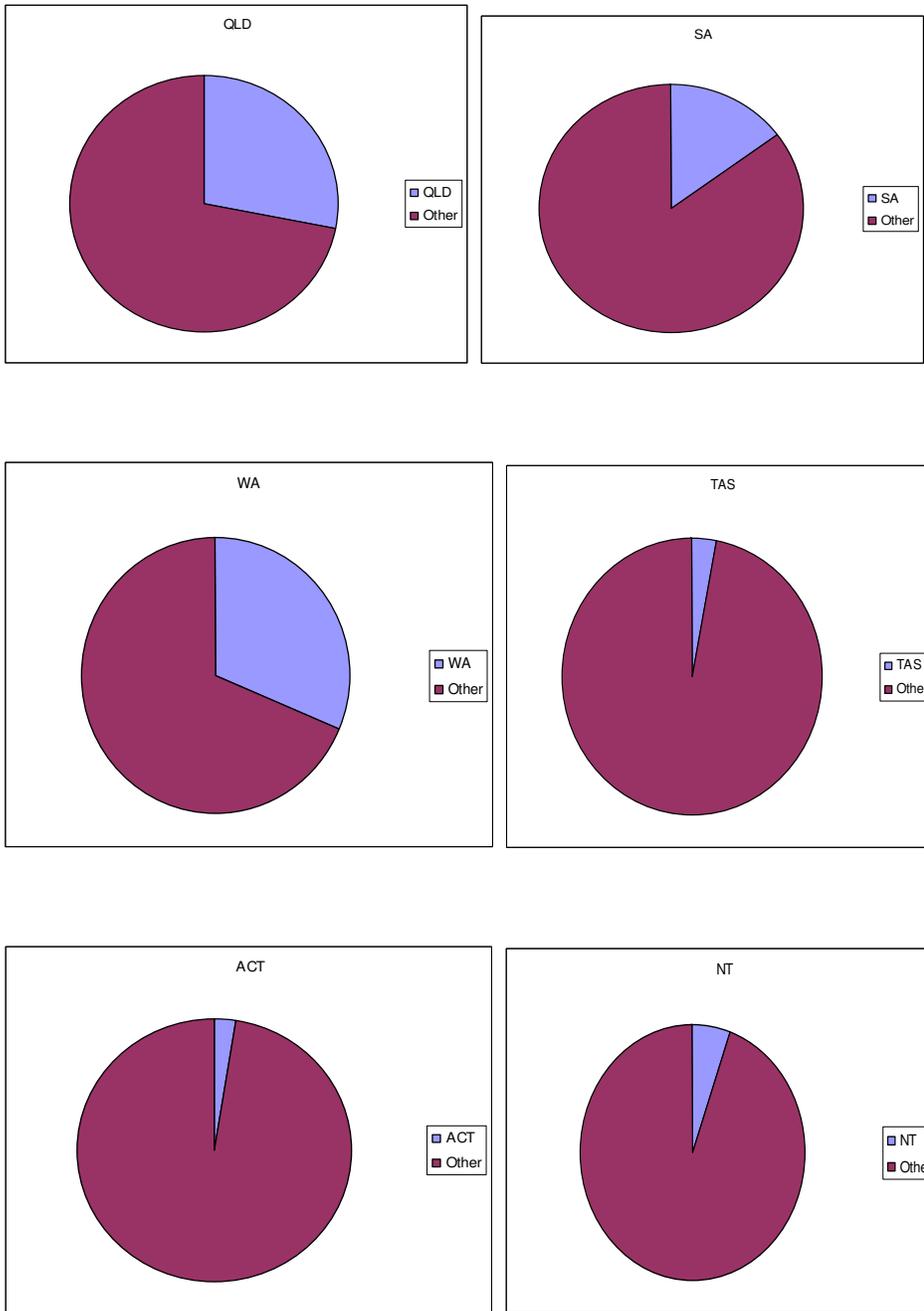
It is submitted to the Commission that the ACT racing industry should continue to receive funding additional to the product fees collected through race fields legislation.

The fact is that every State and Territory's racing industry receives, as well as product fees in respect of its own racing, funds generated by wagering on racing other than its own events.

Exhibit 27 shows the import/export ratio for each State and Territory. This illustrates the self evident viz that racing is a national sport and the wagering that takes places on it flows across State and Territory borders. No State or Territory's racing industry generates all for the racing product that bettors within that State or Territory wager upon. Indeed with the exception of one state, each jurisdiction is a net “importer” of product.

Exhibit 27.





To take an example, in the case of Queensland approximately 28% of the wagering through the Queensland TAB licence holder is on Queensland racing events, the other 72% is racing events conducted in other State and Territories. The returns paid by the Queensland TAB licence holder to the Queensland wagering are 39% of commission on ALL of that wagering. Returns to the industry from the TAB licence holder being based on all racing wagering through that TAB occurs in every State and Territory.

Remaining with Queensland as an example, it is significant to note that in recognition of the sector's contribution to the economy the Queensland Government will provide the local racing industry with wagering tax relief over 4 years amounting to approximately \$80M to invest in infrastructure".

If state governments adopted the same thinking as the ICRC in relation to wagering on their home state TABs and applied it to the funding models, then the whole industry would collapse, as

Victoria is the only state that generates more turnover on its own product than it does on the combination of the states' and territories' racing product.

ICRC also makes the following comment in the executive summary of its draft report:

Public finances, principally through budget funding, support this level of activity in the ACT. However, the Commission warns against viewing the support for the ACT racing industry in a static and narrow perspective. That is, it may be that public support of \$7 million directed at some other activity in the ACT may have generated an equal or greater social or economic outcome.

The Allen Consulting Group in its submission to the ICRC takes a broader view and it estimates that shutting down the ACT racing industry would cause economic activity in the ACT to be lower by \$54 million as measured by GSP (Ref: The Allen Consulting Group submission to ICRC, page 20). In fact, The Allen Consulting Group goes further, breaking down the economic downturn in the event of the closure into gross state product, private consumption, investment and employment as displayed in the tables below:

IMPACTS OF THE CLOSURE OF THE ACT RACING INDUSTRY (PER CENT DEVIATION FROM BASELINE)

Source: Allen

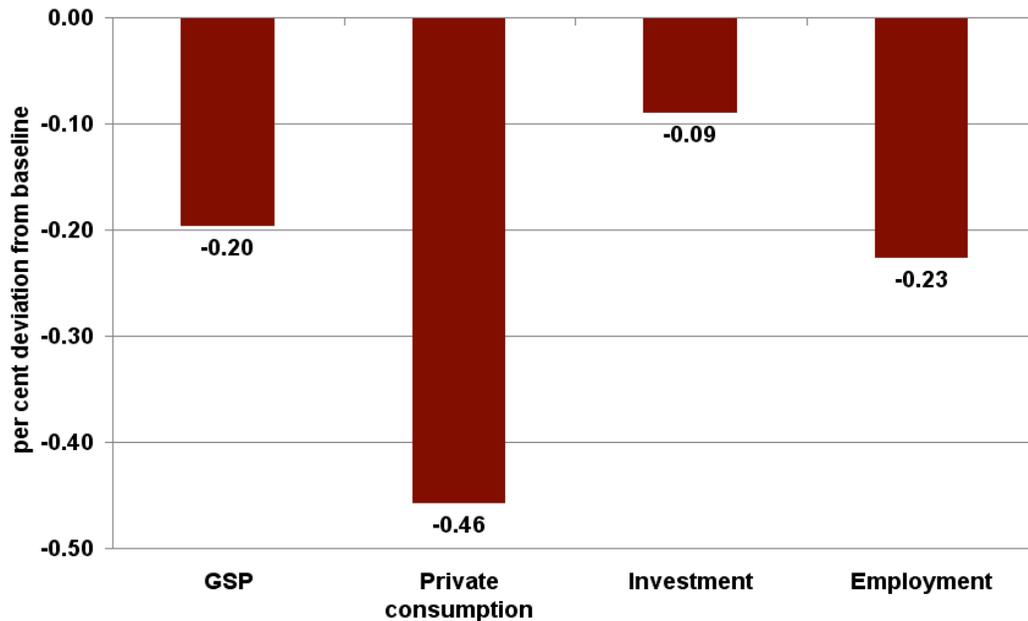


Table 4.1

IMPACTS OF THE CLOSURE OF THE ACT RACING INDUSTRY (LEVELS)

Key economic indicators	\$ million
Gross State Product (economic activity)	-54
Private consumption (welfare)	-62
Investment (business outlook)	-7
Employment (jobs)	-451

Source: The Allen Consulting Group analysis, 2011.

Access Economics also addresses the issue of public finances and in its submission details a positive net result for the government for its funding of the industry of \$1.654 million (Ref: Access Economics submission, page 4).

The racing industry strongly rejects the suggestion that the funding of the industry is public funding. It maintains that this funding is simply the fee for the government-owned ACTTAB to have the right to accept wagers on the Australian racing product.

There is sufficient evidence available to the Commission to support this view—indeed, contained in the 12 submissions it received, all of which support the funding of the ACT racing industry.

This investigation into the racing industry is a public one, and the wider community was invited to make submissions. If “public funding” is an issue for the community, submissions opposing budget funding would presumably have been made.

To suggest that there are no cultural or participation-related factors that justify continued public support for the ACT racing industry indicates that the ICRC has carried out too little research on the matter. It is important for the ACT to maintain a broad base of activities and interests for the population to ensure there is a strong social fabric. CRC addresses this matter in detail below (see “2.3.5 Culture”, page 13).

It is disappointing that ICRC has selectively used community participation to discredit racing with the following statements in reference to Table 2.22, page 32:

“It should be acknowledged that the ABS survey from which these figures are derived may overstate the level of community participation in the ACT racing industry, as the attendance of the sporting events was not required to be in the ACT. The level of attendance may therefore be inflated through ACT residents attending sporting events in other jurisdictions.

In addition to this, the survey noted that for the racing industry (thoroughbred, harness and greyhound) nearly three-quarters of those who attended a racing event only attended one or two times over the 12 months of the survey. This shows that a significant proportion of attendees at racing events focus on the larger meets rather than being regular attendees”.

Table 2.22 refers to participation rates in 2006. It is not clear whether it refers to a calendar year or financial years. Nevertheless, there were events during this time that affected attendances at CRC race meetings. In 2005–06 CRC racing was affected by the jockeys’ insurance issue between July and October 2005 and did not conduct race meetings during this period, and in 2006–07 the club did not conduct any race meetings between 7 November 2006 and April 2007 and did not conduct the 2006 Canberra Cup because of the track reconstruction. ICRC fails to acknowledge these events.

Future Industry Arrangements

CRC agrees with the ICRC’s view that the aim of the racing industry should be to move in the long run to a position of self-sufficiency, relying on product fees and other forms of revenue rather than what is perceived as public support.

CRC understands that, although this investigation has not attracted public attention, the public funding debate will continue to create problems for the club in the long term, as the link between wagering and racing is clouded by budget funding.

To suggest that the sale of broadcast rights is a solution again demonstrates the ICRC’s lack of understanding of the link between broadcast rights and wagering. Broadcasts rights are the vehicle that promotes wagering turnover. CRC already has a broadcast rights contract. To suggest that this is a solution to future funding needs is inaccurate.

CRC believes there are a number of funding options that are worthy of further consideration, these include:

- moving to an ACTTAB-based model where the industry is more involved in the wagering operations,
- the introduction of a national funding model that delivers sufficient revenue for the ACT racing industry to operate,
- continuing budget funding, and
- releasing the value of existing sites by selling them and moving to a greenfield site.

These options are discussed in more detail in section 4.3 of this submission.

The ICRC considers the following three options to be deserving of public discussion (Ref: Executive summary, page x):

- removing budget funding at the end of 2014 if a national funding system is in place
- phasing out budget funding after 2014 if progress is being made towards a system of national funding
- continuing to directly fund the ACT racing industry from the Budget, but at a reduced rate.

CRC's comments on each of these options are as follows:

- It would be irresponsible for the Government to set policy on the premise of a national funding model in 2014. CRC believes a national funding model is unlikely to be in place by then. If funding were to be totally withdrawn from July 2014, racing would cease in the ACT.
- Phasing out wagering/budget-based funding from 2014 would cause the industry to decline rapidly and ultimately cease, as this funding provides CRC with 73% of its operating revenue.
- Similarly, continued funding at a reduced rate would reduce the size of the industry, reduce prize money and the number of race meetings, reduce wagering on ACT product and cost jobs, leading to it being run down and eventually ceasing. As employment in the racing industry is highly specialized, these jobs would be lost to the ACT, with considerable impact on the ACT economy.

CRC provides alternative solutions in this document under the heading, '4. Appropriate funding outcome', page 17.

ICRC floats the following proposition in its executive summary:

If there is to be ongoing public support for the ACT racing industry, there is an obligation on the industry to ensure that it is efficient and operated in a transparent manner. (Ref: Page x, Executive Summary, ICRC Draft Report)

Any person reading this statement may gain the impression that the racing industry is inefficient and not transparent. This is not the case. Further, the ICRC has not conducted any study on the efficiency of the racing industry, nor has the government.

CRC became a Principal Racing Authority in 2001 and representatives of the Club hold positions of Director and Executive Director on the Australian Racing Board. It contracts stewarding and integrity services from Racing NSW, its annual report is publicly available, the Committee is elected by the members, the members are invited to attend the annual general meeting, members may apply to committee for copies of Committee minutes, and the club is required to provide its annual report to the Minister for Gaming and Racing, the Gambling and Racing Commission and the Registrar General's Office.

There has been no event since CRC became a principal racing authority that would justify the Commission's statement. To imply it is not transparent, given the information provided to the Minister and a range of government-appointed offices, is misleading. CRC suggests that the Commission reconsider this statement.

CRC recommended in its earlier submission the consideration of a revised governance role and the possible rationalization of facilities for the three codes. CRC agrees with the ICRC that these matters should be considered.

CRC sets out its views on these matters under the heading "6. The structure of the ACT racing industry", page 22.

1. Introduction (Ref: Page 1, ICRC Draft Report)

CRC agrees with the ICRC's summary of the background of the funding of the racing industry except for the following matters.

The gentlemen's agreement has not broken down; it is still firmly in place in every state and the ACT in terms of the home state/territory government's responsibility to fund the local racing industry from its home state TAB operations. In fact, NSW has a 99-year agreement to ensure that this occurs.

The only change that can remotely be considered a breakdown is the introduction of race fields legislation to capture revenue from NT corporate bookmakers not paying a fee for the racing product. Race fields legislation has merely been "bolted on" to the gentlemen's agreement.

CRC suggests that ICRC reconsider their views on the gentleman's agreement and further investigate the potential risks and issues associated with deviating from the gentleman's agreement premise for funding the local racing industry.

The ACT Government should take some responsibility for the need to introduce RFL, as it was one of the first jurisdictions to license corporate bookmakers. The NT Government receives approximately \$18 million per year from corporate bookmakers.

It logically follows that, if you introduce legislation to collect revenue from a new source, industry funding will be higher. The point is that the full benefit of the legislation should have been passed on to the racing industry as it is part compensation for the erosion of TAB revenue caused by the previous free-riding of corporate bookmakers. The total funding is therefore higher than the greatly impaired funding received in recent years,

2. An overview of the ACT racing industry (Ref: Page 5, ICRC Draft Report)

CRC wishes to make the following points.

- 2.1.1, Table 2.1: A figure for 2009–10 has not been included. In 2009–10 the industry received \$7.210 million and this figure should be included in the table to reflect the latest figures available, which represent a reduction from \$7.6 million to \$7.2 million
- 2.1.1, page 8: The ICRC statement that government funding always carries an element of risk contradicts the Minister's statement that the funding provides the industry with certainty.
- 2.1.2 & 2.1.3: ICRC says that, unlike the thoroughbred club, the greyhound and harness racing clubs have limited full-time employees. ICRC also refers to non-racing revenue that each of the clubs generates, in respect of which thoroughbreds is clearly the leader. CRC makes two points on these items. The resources devoted to raising outside revenue will often determine the level of success, and Thoroughbred Park racing and training facilities are vastly larger than those of the other codes. Therefore it is much more expensive to run.
- 2.1.5: CRC does not have any volunteers to assist with race day operations. All staff are paid, and therefore contribute to the ACT economy. To assist with non-race day track preparation, CRC engages additional staff through an employment scheme that provides opportunities for people who are disadvantaged or have a disability, therefore providing training and further opportunities for such people to secure gainful employment. Committee members are not paid and do not have specific race day roles other than the important one of customer and industry liaison.
- 2.2.1: Figure 2.3 highlights the competitive constraints that CRC operates under. It is likely that the competitive constraints will increase if Racing NSW wins its court case against Sportsbet and Betfair for the right to charge 1.5% of turnover for its racing product. Racing NSW has already forecast in its strategic plan that prize money for country races will increase to \$15,000 and to \$20,000 for provincial races if it wins the court case. This prize money, combined with the NSW Breeders and Owners Bonus Scheme, which provides an additional minimum of \$5,000 per race, will place CRC at a considerable competitive disadvantage in relation to regional country and provincial racing clubs.
- 2.2.3: Table 2.5 is a recompilation of Table 53 and Table 54 from the Australian Racing Board 2010 Fact Book 2009–10 and it has been recompiled incorrectly. The division of races by race meeting does not provide the average number of starters per race. A table that provides the correct average number of starters per race is provided below:

Correct Table

	Race Meetings	Races	Starters	Avg/Strs
2001–02	26	202	2225	11.01
2002–03	24	180	2015	11.19
2003–04	22	173	1858	10.74
2004–05	23	184	2063	11.21
2005–06	18	144	1401	9.73
2006–07	13	107	1143	10.68
2007–08	23	178	1835	10.31
2008–09	24	179	1915	10.70
2009–10	24	181	1909	10.55

- ICRC Table 2.6 provides average prize money per state.

The ICRC makes the statement that “Victoria is considerably higher than other jurisdictions because of prize money for Spring Carnival feature races”. This may be correct but it overlooks the fact that Victoria pays the highest average prize money for standard race meetings across country and provincial races as well.

It is able to do this only because it has the highest funding model in the country. In basic terms Victoria receives 6.38% (Ref: Equinox Consulting Attachment 1 CRC Original Submission to the Investigation) of TABCORP’s turnover on all Australian races plus a percentage of gaming revenue, bringing its funding above 7%, compared to the ACT funding which is equivalent to 4.5% of ACTTAB turnover.

Throughout the draft report comparative funding with other jurisdictions is overlooked by ICRC, even though it is a specific term of reference—1. d) i.

ICRC identifies that in real terms prize money has decreased over the past three years. This can be directly attributed to the decline in ACTTAB turnover, the reasons for which were identified more than 10 years ago in the PKF Consulting report referred to in the CRC original submission (Ref: page 8).

The ICRC statement that CHRC holds its meetings in summer and therefore does not have many opportunities to conduct race meetings is incorrect. This decision is through choice.

2.2.4 Economic Output (Ref: Page 19, ICRC Draft Report)

In this section of the document ICRC dismisses economic data prepared in 2001 as outdated. While this may be true, in section 4.1 ICRC uses a 1996 Industry Commission report to support its arguments. It is not consistent in its recognition of references.

The Allen Consulting Group has prepared new economic data that contradicts ICRC’s valuation of the industry’s economic impact at \$5.3 million to \$8.6 million, or broadly dollar for dollar of public funding. The Allen Consulting Group assesses the total economic activity as follows, (Ref: The Allen Consulting Group submission, Executive Summary, page v):

- \$25 million, if only direct value add (using the ICRC definition) is applied using the ABS input–output tables.
- a \$50 million reduction in GSP, using an economy-wide modeling without including any impacts on gambling
- A \$90 million reduction in GSP, or \$720 reduction in annual household income, using economy wide-modeling and including the gambling on ACT racing by residents and non-residents.

The Allen Consulting Group address the valuation of the ACT racing industry in the following terms (Ref: The Allen Consulting Group Submission page 23):

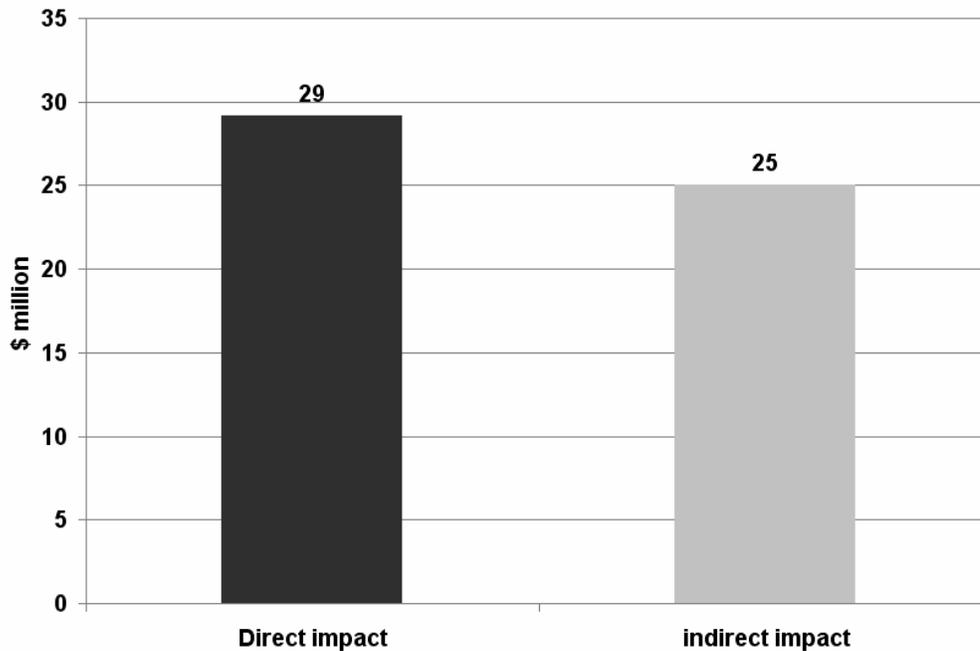
Significant indirect (or flow on) impacts from the racing industry

The ACT racing industry represents 3 per cent of the Arts and Recreation Services and the Other Services sectors (as defined in the ANZSIC), which is around \$29 million. The modeling results show that the closure of the ACT racing industry would cause total economic activity in the ACT economy to fall by \$54 million.

This implies that the ACT racing industry has an indirect impact of \$25 million on the economy (Figure 4.6). In other words, for every \$1 dollar reduction in the racing industry, the ACT economy's economic output would fall by \$1.86.

Figure 4.6

DIRECT AND INDIRECT IMPACT (\$ MILLION)



Source: Allen Consulting Group analysis, 2011.

2.3.1 Value added by ACT racing industry (Ref: Page 20, ICRC Draft Report)

ICRC refers to the following report: *South Australian Centre for Economic Studies, Swinburne Institute for Social Research and University of Western Sydney 2005, Changes in wagering within the racing industry, Victorian Gambling Research Panel.*

It selects one paragraph from a 108-page report to discredit the methodology of valuing the industry and to justify its view that if racing did not exist Australians would spend their money on other activities.

The Allen Consulting Group has a different view (Ref: The Allen Consulting Group submission, page 14):

This is used by the ICRC in the draft report to motivate the use of Value Added by the racing industry, as an appropriate measure of the economic impact of that industry. It should be noted though, that the ACT racing industry is not isolated from the rest of the economy – a shock to this industry has impacts on other industries. Obvious examples of the employment of veterinarians downstream and its demand for bloodstock services upstream. Not all of these upstream and downstream impacts inflate the value of ACT racing, for example a negative shock to the racing industry may benefit other industries which compete with racing for scarce labour and capital. Analysis of all of these impacts is best performed in a Computable General Equilibrium or CGE framework. This is presented in Chapter 4.

2.3.2 Probity of the industry (Ref: Page 29, ICRC Draft Report)

CRC notes that ICRC acknowledges that there have been no major probity failings.

ICRC identifies “the interdependencies between the racing and wagering industries” and states “it is imperative that ACT racing Clubs provide a high level of probity and integrity to maintain

confidence in their product". It goes on to say, "The probity of an industry can also be a reflection of the size and resources available to the industry". The Australian Racing Board supports this view in its statement that "inadequate prize money motivates corrupt activity."

Yet when it comes to valuing the economic contribution of the racing industry ICRC separates racing from wagering. If ICRC proposes that sufficient resources be allocated to probity and raises questions of probity, it is contradictory to argue a reduction in funding or to suggest that funding is generous.

The interdependencies between racing, wagering and probity are a cross-border issue that each jurisdiction must take seriously and devote sufficient resources to in order to maintain the integrity and ultimately the viability of the racing industry, as wagering is the major source of revenue.

CRC takes probity and the integrity of racing very seriously. It contracts the services of three full-time stewards from Racing NSW for each race meeting. It swabs all winners and pays on average \$3,231 per month to have swab samples analysed. All track work is fully supervised to ensure that the rules of racing in relation to training, animal welfare and occupational health and safety are adhered to. Handicapping is contracted from Racing NSW, as are a number of other services.

Earlier in the draft report ICRC refers to the competitive constraints ACT clubs operate under compared with clubs in NSW. Probity is one of those constraints, as ACT clubs quite correctly cover the costs of probity. In all the major racing states individual clubs do not directly bear the cost of probity and integrity. It is paid for by the controlling body as an overhead prior to funding distributions to individual clubs to fund race meetings and prize money.

2.3.3 Gambling product (Ref: Page 29, ICRC Draft Report)

Under this heading ICRC uses Figures 2.8, 2.9 and 2.10 and Table 2.21 to attempt to compare wagering trends. In Figures 2.8 and 2.9 statistics are supplied from 1997–98 to 2007–08, while in Figure 2.10 and Table 2.21 statistics are supplied from 2003–04 to 2009–10. Therefore the comparisons are not a true reflection of the trends.

Inclusion of the additional two years in Figure 2.9 will highlight the ongoing decline of ACTTAB turnover.

Figure 2.10 showing the average turnover per race meeting is irrelevant and disguises the real growth of ACTTAB customers' wagering on ACT races. In 2009–10 wagering on ACT thoroughbred racing on ACTTAB increased by 8.86% to \$3.07 million.

CRC estimates that turnover for ACT thoroughbred racing on ACTTAB in 2010–11 will increase by approximately 5%, which is in direct contrast to ACTTAB's overall turnover, which is expected to be down again for 2010–11.

Table 2.21 should be used merely as an indicator of past trends and not the basis for a decision that will affect racing into the future. The introduction of race fields legislation in June 2010 has changed the strategy of the thoroughbred and harness racing clubs and both have increased the number of race meetings that will be conducted in 2010–11. The percentage ratios will change in 2010–11.

2.3.4 Community Participation (Ref: Page 31, ICRC Draft Report)

In this section ICRC uses Table 2.22 to compare attendance at race meetings with that of other sports. The table was prepared by ABS in 2006 (it is not made clear if the table represents a calendar year or financial year). It also refers to similar ABS studies in 1995 and 1999 to suggest a decline in race meeting attendance in 2006.

Some significant events occurred in 2006 and the surrounding financial years, which ICRC fails to acknowledge, although it was aware of the track reconstruction. These events were:

- In 2006 the Canberra Cup was not conducted due to the reconstruction of the course proper.
- In 2005–06 CRC racing was affected by the jockeys' insurance issue between July and October 2005 and did not conduct race meetings during this period.
- In 2006–07 the club did not conduct any race meetings between 7 November 2006 and April 2007 due to the reconstruction of the course proper.

If the ICRC is going to rely on a table representing 2006 attendances, closer examination of what actually occurred in 2006 is required and a study of 2011 participation rates needs to be undertaken, as there have been many changes in the ACT sporting structure since 2006.

In relation to other sports, Australian Rules has attendances of 26,600, the majority of which would be attendances at a few government-sponsored AFL games at Manuka Oval and interstate visitation to attend AFL season matches and finals matches. This figure can also be influenced by the varying number of AFL matches held in the ACT from year to year. Cricket is identified as having 13,800 attendees. The only significant cricket match in the ACT is the Prime Minister's XI, which currently attracts 4000 to 6000 patrons per annum. It is a reasonable assumption that the high rating is made up of ACT residents attending interstate matches.

Motor sport is high on the list, with 19,500 attendees. Is there an existing motor sport event in the ACT that attracts high numbers? The Canberra Rally will not be run in 2011.

We suggest that the ICRC reconsider the use of outdated data to support its argument, if not then the argument should at least be balanced and identify relevant factors that affected CRC in 2006.

ICRC states that attendances have declined and that this is a reflection of the wider range of electronic coverage of racing. This statement does not fully recognize the changes in the industry and the fact that CRC markets some race meetings to increase attendances, and some race meetings are not marketed but provide ongoing revenue for the local racing industry participants and employees and attract off-course wagering.

It is not within the financial resources of CRC to market and advertise all of its race meetings. While it is true that average attendances have declined, this is partly due to an increase in the number of race meetings. Generally, given reasonable weather conditions, feature and sub-feature race meeting attendances remain constant.

2.3.5 Culture (Ref: Page 33, ICRC Draft Report)

This is another item where ICRC needs to understand the relationship between attendances at what could be described as "people" meetings and what could be described as "industry turnover" meetings. In racing, culture is built around feature races and race meetings such as the Black Opal Stakes and Canberra Cup, and it is unlikely that current attendance levels at feature race meetings will adversely affect the culture of racing.

The reference to developing electronic horse-wagering games, such as Trackside, to support an argument on the erosion of racing culture is ill-founded. Trackside has had no impact on the culture of racing or attendances in the ACT. We understand that ACTTAB's Trackside has not achieved significant revenue.

The ACT has a long history of racing, which has contributed to the social fabric and entertainment culture of the ACT.

The earliest races held in the vicinity of Canberra were at Ginninderra, which has since become part of Canberra, at a track that became known as One Tree Hill course, opposite the Cricketer's Arms Hotel. In 1925 a racing club was formed with the objective of promoting horse racing and commenced racing on the Acton sports ground. In 1958 plans were unveiled for a new racecourse at the current Thoroughbred Park site and construction of the new course commenced in 1960. The old Acton Race Course now lies under the waters of Lake Burley Griffin.

Other significant events that have taken place over the years in relation to racing in the ACT include:

- 1925 — racing club formed and racing commenced at Acton Sports Ground
- 1926 — the first running of the Canberra Cup
- 1971 — Canberra Racing Club introduced regular Sunday racing in Australia
- 1972 — Acton Grandstand constructed
- 1973 — the first running of the Black Opal Stakes
- 1988 — Queen Elizabeth II opened the new Queen Elizabeth Stand and covered betting ring

- 1988 — Queen Elizabeth Stakes was run in presence of the Queen
- 1999 — Catbird was the first horse to win the Black Opal Stakes – Golden Slipper Double
- 2001 — Canberra Racing Club was admitted as a Principal Club
- 2004 — all-weather synthetic racing surface was constructed
- 2006–07 — racecourse and training facilities were reconstructed at a cost of \$10 million
- 2006 — the first Australian race meeting was conducted on a synthetic surface
- 2010 — Decision Time won the Black Opal and ran second in the Golden Slipper, the richest 2yr old race in the world.
- 2010–11 — all 26 race meetings televised nationally and internationally.

As indicated above, the ACT has a long history of racing which continues to this day, the facilities and racing surfaces are highly regarded within the industry and by patrons, and the Black Opal Stakes is synonymous with Canberra throughout the country.

The social fabric, vitality and culture of any city anywhere in the world is achieved by the varying interests of its residents, the varying facilities and infrastructure, and its natural beauty and environment.

In racing, fashion is a significant cultural element of racing. Fashions on the Field competitions are highly competitive.

The Face of Canberra Racing has been operating for two years. In 2011 a record 54 entrants were received for the first round of the competition to select the 2011 Face of Canberra Racing—another culture-building exercise for ACT racing.

Already the ACT struggles to maintain significant interest in sporting teams and events. For example, over the years ACT has lost a major league men’s basketball team, a major league soccer team, a major league cricket team, the V8 Super Car Race, the rally of Canberra, a major tennis tournament and a major men’s golf tournament. The future of Summernats in the ACT is possibly clouded and the Canberra Capitals run on a break-even budget during a period of on-court success.

If Canberra is to maintain an interesting soul and culture it needs racing as well as a blend of other sport, art, museums, festivals, restaurants, entertainment and natural attractions.

2.4.1 Problem gambling (Ref: Page 33, ICRC Draft Report)

The Australian National University was commissioned by the ACT Gambling and Racing Commission to undertake a study with terms of reference that related primarily to gaming machines.

It is interesting that ICRC uses Table 2.24 under the heading “Problem gambling”. This table does not identify problem gamblers. It reports on the frequency of gambling under various categories.

Table 2.24 was compiled from answers received in response to the following question: “*In the last 12 months, how many times per week or per month or per year have you bet on horse or greyhound races excluding sweeps?*” People were given the opportunity to answer in terms of times per week, month or year. Other questions were used under the Canadian Problem Gambling Index to identify problem gamblers in the study.

ICRC referred to the following statement as being made in the report:

Given that horse and greyhound racing is the third most prevalent form of gambling in the ACT, it is likely that problem gamblers are wagering on horse and greyhound racing.

CRC does not believe that this statement was made in the report and suggests that the use of this statement should be reconsidered.

CRC recognises its responsibilities in relation to problem gambling and will continue to do so. CRC makes the point that ICRC attempts to devalue the ACT racing industry by separating wagering from racing, yet it includes problem gambling as an impact.

2.4.2 Revenue for the ACT Government (Ref: Page 34, ICRC Draft Report)

On this point CRC makes the comment that one of the core purposes of establishing TABs throughout Australia was to fund the racing industry—a point confirmed in the *Betting (ACTTAB Limited) Act 1964* which is further explained below.

In this section ICRC refers to the *Betting (ACTTAB Limited) Act 1964*, which it says provides ACTTAB with the exclusive right in the ACT to provide totalisator services and other sporting events. CRC points out that part 4 of that Act details the racing development fund. Section 44 details the purposes of prescribed payments, particularly sub-section (g), which says:

any other purpose approved by the Minister in writing, whether or not concerned with infrastructure that is related to the promotion, advancement, conduct or administration of racing

This section clearly shows that when the Act was enacted that there was an acknowledgment that the industry would be funded by ACTTAB. Clearly, quite apart from the argument about the gentlemen's agreement, the ACT Government and the Minister acknowledge through the Act their responsibility to fund the ACT racing industry.

The ACTTAB Statement of Corporate Intent 2010–11 acknowledges that it is an integral stakeholder in the ACT racing industry. ACTTAB acknowledges the changes to the funding arrangements and how this will increase ACTTAB's profitability and enhance its capacity to compete in the national market (*Ref: ACTTAB Statement of Corporate Intent, Background, page 1*)

ACTTAB is wholly owned by the ACT Government, with two shareholders—the Chief Minister and the Treasurer.

The point here is that the changed funding arrangements benefit the ACT Government in two ways. They enhance ACTTAB's capacity to compete in the national market, which will increase the overall value of ACTTAB and presumably result in increased profits for the owners of ACTTAB, the ACT Government.

The links between the Betting Act, ACTTAB, the ACT Government, the Chief Minister and Treasurer as shareholders of ACTTAB, the Minister for Gaming and Racing and the ACT racing industry make the argument that industry funding is public funding because it is paid through the budget overly simplistic.

The ICRC refers to the reason for the decline of ACTTAB turnover as being its range of wagering products, but it appears not to fully accept this view, as it uses such terms as “suggested as a potential cause”.

There is no question that this is a significant cause of the decline, and this is acknowledged by ACTTAB through its multimillion dollar technology upgrade called Spectrum to bring new wagering products on line.

Furthermore, ACTTAB acknowledges this in section 4 of its 2010–11 Statement of Corporate Intent, where it says it aims to provide a competitive suite of products.

Another reason for the decline that is acknowledged by ACTTAB is the loss of VIP customers, which is largely attributable to the impact of competitors offering incentives and rebates. This is not a recent issue. ACTTAB has not used the incentives and rebates strategy as effectively as its competitors.

The support CRC has provided to ACTTAB to retain VIP customers should be acknowledged. For many years CRC has supplied office space and services free of charge to four long-term groups of VIP punters. It has also paid for the supply of the Australian Prices Service (ACTTAB has also contributed to this), an important element in VIP punter operations.

ICRC's assertion that ACTTAB will not automatically pass on profits and will have discretion over the funds overlooks some key accounting principles. In its response to the draft report Access Economics makes the following points:

The ACT Government, as 100% shareholder of ACTTAB benefits from both ACTTAB's retained earnings (which in turn add to ACTTAB's balance sheet and hence shareholder value) and ACTTAB's cash distributions received in a given fiscal year. Hence, the ICRC should consider the ACTTAB impacts using accrual accounting rather than cash accounting principles. Cash retained by ACTTAB is put towards

investments and upgrades that presumably increase cash distributions in subsequent years. This is a benefit to the ACT, regardless of ACTTAB's remittances in a given year.

3. The appropriate system of product payments (Ref: Page 39, ICRC Draft report)

CRC agrees that at present the appropriate product fee for the ACT is 10% of gross revenue. The result of the possible appeals to the High Court in the Racing NSW, Sportsbet and Betfair case will ultimately determine the product fee that all states and territories apply to wagering on home state racing product.

If the Racing NSW court case is successful, the ACT Government should move to a turnover-based model. This would provide the best outcome for the racing industry, as it would provide a return for every dollar of turnover, which is not the case under the 10% of gross revenue model.

What is important for the future is for the ACT Government to react quickly to changes in the racing industry and deliver the best result for the ACT racing industry.

A national approach could be the best outcome for ACT racing. However, a national approach may be a long way off unless there is some event that influences the major states of NSW and Victoria to focus on a national funding model. The ACT can encourage the process, but it is difficult for it to drive the establishment of a national funding model because of its small size and the level of influence it has in the wagering industry.

Another point CRC wishes to make on this section of the draft report relates to the continued reference (Ref: page 41) to gate takings, sponsorship and hire of venues as having the scope to reduce the risks of revenue volatility by diversifying across revenue sources. This demonstrates ICRC's lack of understanding of CRC's non-wagering based revenue and capacity to increase it, its operations and the link between racing and wagering and funding.

4. Appropriate funding outcome

4.1 Should there be public funding for the racing industry (Ref: Page 45, ICRC Draft Report)

The terms of reference require the ICRC to examine and make recommendations on an appropriate system of product payments and an appropriate funding outcome for the ACT racing industry.

Raising the argument of whether the racing industry should receive public funding and canvassing why ACT taxpayers should provide financial assistance distorts the issue and ignores the historical and existing funding arrangements in place throughout Australia.

This argument put forward by ICRC also ignores the term of reference 1.d) i.—“compare the current net value of product payments to racing clubs in other jurisdictions”.

In May 2008 CRC put such a proposal to the ACT Government, seeking an adjustment of the percentage of ACTTAB turnover from 4.5% to 5.5% to maintain parity with NSW in particular. This proposal was largely ignored, but because of the ongoing decline in ACTTAB turnover the ACT Government decided in July 2010 to provide the industry with a level of certainty and fund it from the ACT Budget rather than on the ACTTAB turnover model.

Under the ACTTAB model, ACTTAB paid the equivalent of 4.5% of turnover to the ACT Government, which then paid it to the industry. All that has occurred with the budget funding model is that ACTTAB now pays increased profits to the ACT Government, which in turn funds the industry from the budget. The revenue cycle from ACTTAB to Government to racing industry continues.

The public funding argument is exaggerated by ICRC.

No original submissions were made to the ICRC arguing against public funding of the ACT racing industry, there was no public appearance at the ICRC public hearings to argue against public funding and two submissions made after the release of the ICRC draft report do not directly argue against public funding.

One of these submissions suggests a funding model similar to a national funding model and the other makes points in relation to the Productivity Commission and the method of determining funding based on either a turnover model or gross revenue model.

Overall, the ACT racing industry will readily accept a model that delivers funding that is comparable with clubs in other jurisdictions, as per the terms of reference.

ICRC also makes the point that transitional support should be provided only to an efficient industry that is moving towards self-sufficiency.

CRC supports this view but takes issue with the ICRC implying that the clubs have diminished incentives or motivation to become self-sufficient. The so-called public funding debate is incentive enough to become self-sufficient and the Club's motivation to become self-sufficient and to control its own destiny has never been stronger.

Apart from its observation on the efficiencies that may be achieved with a joint facility, ICRC is not in a position to comment on the efficiency of the industry as no investigation has been undertaken with regard to efficiencies that may be achieved in its operations.

CRC acknowledges that organizations should continually pursue ways of delivering efficiencies, and this is an ongoing responsibility of the Committee and Management.

CRC is very committed to achieving self-sufficiency. It looks forward to no longer having to debate with government, government departments and ACTTAB over the funding arrangements for the industry.

4.2 What should be the level of base public funding (Ref: Page 47, ICRC Draft Report)

In the mid-1990s the ACT and Northern Territory governments introduced legislation which allowed corporate bookmakers to operate in each of the territories and for a period corporate bookmakers flourished in the ACT and NT, delivering significant revenue to the respective governments. The ACT Government was a stakeholder in the rise of corporate bookmakers, which has contributed to the funding uncertainty that the industry faces today.

Because of a more advantageous taxation regime in the Northern Territory, corporate bookmakers have flourished there but have declined rapidly in the ACT. Although the ACT Government made adjustments to the taxation and GST formula for corporate bookmakers, this made no difference to the decline and was an opportunity missed. The corporate bookmaker industry in the Northern Territory delivers \$18 million to that territory's government annually.

The Australian racing industry had to respond to the challenges presented by the booming corporate bookmaking industry and state racing authorities, including CRC, encouraged their respective governments to introduce legislation that would ensure a fee was payable to the industry for the racing product from which corporate bookmakers were profiting.

For the ICRC to describe revenue from race fields legislation (RFL) as funding and government support is misleading. Race fields legislation merely enables the racing industry to collect revenue that is generated from its product.

The draft report contains no explanation that RFL is a response to a new wagering market that has eroded the TAB turnover, and that the revenue from RFL is new revenue and should be additional money for the industry. The point is that the full benefit of the legislation should have been passed on to the racing industry as it is part compensation for the erosion of TAB revenue caused by the previous free-riding of corporate bookmakers.

CRC's first submission explained in detail the funding arrangements known as the "gentlemen's agreement". The ICRC draft report ignores the gentlemen's agreement and the fact that in all states the gentlemen's agreement is firmly in place. Under the new budget model ACTTAB does not pay other states or its home state the equivalent of what other state TABs pay their local racing industry, by a significant margin.

As the sole owner of ACTTAB, the ACT Government still has a responsibility to honour the gentlemen's agreement and cannot justify the payment of the small percentage of 1.5% of turnover or 10% of gross revenue as its only responsibility for compensating the racing industry, either now or in the future.

ACTTAB has an average take-out rate of 16% to cover operational costs and deliver profits, prior to declaring dividends for punters. The suggestion that RFL is the only fee payable to the Australian racing industry has drawn the scrutiny of the Australian Thoroughbred Racing Industry.

Term of reference 1.d) ii sets ICRC the task of comparing the net value of product payments measured at c) with comparisons of payments per capita, per racing industry full-time employee, per racing patron and per dollar of economic contribution.

Access Economics, a reputable and respected economic analyst, addresses this term of reference in its submission to the ICRC (Ref: Access Economics submission, page 18).

Table 1.6 shows product fees on a per capita basis, for total and adult populations in each jurisdiction. Population data is from the ABS as at 30 June 2009. This shows that the ACT racing industry receives the lowest product fees of all jurisdictions on a per capita basis and is well below the national average of \$52.09 per adult.

Racing industry product fees per capita, 2008–09

State	Fees from wagering operators (\$m)	Population measure		Product fees/capita (\$)	
		Total ('000)	Adult (18+) ('000)	Total	Adult (18+)
NSW	237.0	7,133	5,473	\$33.22	\$43.31
VIC	321.0	5,448	4,227	\$58.92	\$75.95
QLD	124.9	4,427	3,356	\$28.22	\$37.23
WA	108.0	2,247	1,715	\$48.04	\$62.97
SA	40.5	1,625	1,272	\$24.91	\$31.82
TAS	30.8	503	385	\$61.20	\$80.04
ACT	7.7	353	273	\$21.73	\$28.05
NT	8.7	226	164	\$38.31	\$52.98
Total	878.5	21,963	16,863	\$40.00	\$52.09

Source: Access Economics calculations based ABS population data. Excludes NSW RFL fees.

The ICRC follows a theme in its report of attempting to discredit the Access Economics submission in relation to these points.

The per capita comparison, for example, is an agreed term of reference and is specific. It is not within ICRC's authority to dismiss it as an inappropriate term of reference and then attempt to link the funding to gambling per capita—a methodology it rejected in its valuation of the economic impact of the industry by separating wagering from racing.

4.2.1 Turnover (Ref: Page 47, ICRC Draft Report)

The ICRC compares current ACT funding, inclusive of RFL, with Access Economics data for NSW that excludes RFL. If RFL revenues are included for NSW, its product fees as a percentage of turnover increase to around 5.5% or 6.0%. The NSW RFL revenues were not included in the Access Economics data because of Betfair's legal challenge. Whether Racing NSW succeeds with the legal challenge to its percentage or turnover formula, or is required to change to a percentage of gross profit formula, the ACT will remain the lowest funded jurisdiction (as a percentage of turnover) by a considerable margin.

4.3 Ongoing budget funding of the industry (Ref: Page 51, ICRC Draft Report)

The CRC believes that there is a much stronger case for the racing industry to receive on-going budget funding than is currently recognized by the ICRC. This assertion is supported by; the reciprocal benefits that the ACT Government receives through supporting the local racing industry (i.e. ACTTAB), the higher Economic contribution of the industry as estimated by Access Economics and The Allen Consulting Group and the significant social and cultural benefits that the industry provides to the community.

Despite this the CRC recognizes that it is preferable for all parties that the industry moves to a more self-sustaining funding model. Therefore we are happy to work with the ACT Government to further investigate the potential viability of a number of alternate models, including;

Return to an ACTTAB Model – The traditional funding model in most jurisdictions is that the industry receives the majority of its funding through the distribution of a percentage of wagering turnover on the home based TAB. For this model to support the racing industry in the ACT at a competitive level ACTTAB needs to increase its wagering turnover and profitability.

The CRC believes that there are a number of alternate models for ACTTAB that are worthy of further investigation, these are;

- The ACT Government invests heavily in ACTTAB and implements extensive growth strategies to ensure that it maximizes the long-term value created for both the ACT Government and the racing industry,
- a racing industry and corporate joint venture partnership to take ownership of ACTTAB, with the industry funded through our share of ACTTAB's profits and an agreed percentage of turnover,
- a racing industry and government joint venture arrangement to run ACTTAB, with the industry funded through our share of ACTTAB's profits and an agreed percentage of turnover, and
- the racing industry to take ownership of ACTTAB, with the industry funded through ACTTAB's profits.

There would need to be significant due diligence work undertaken to understand the key financial, legal, commercial and strategic make-up of ACTTAB before any of these options could be progressed further.

National Wagering Model – The CRC is happy to work with the ACT Government to attempt to influence the introduction of a National Wagering Model. For a National Wagering model to work effectively for the ACT racing industry the model would need to pay a percentage of turnover on all national wagering turnover on ACT races. The percentage rate would need to be similar to the current rate paid by home based TAB's to their local racing industry with provision to support grass roots racing in the smaller states and territories. As has previously been discussed with both the ICRC and the Minister for Gaming and Racing it appears that a National Wagering model is likely to be a long way off and may never happen. Therefore, it would not be appropriate to sit back and rely on this option.

Greenfield Site – The CRC is open to investigating the option of relocating all three codes to a multi-code venue at a new Greenfield site. This option may allow the industry to receive a significant one off capital receipt if the cost of constructing the new venue was less than the sale proceeds of the previous sites. This capital receipt could be invested and used to partially fund the industry into the future. It is likely that this model would only be part of a broader solution as it is unlikely to provide adequate investment income to replace the current level of funding. The Thoroughbred Park site contains a large investment in infrastructure and facilities therefore this may be an impediment to getting a satisfactory capital receipt to make this option viable.

5. Allocation of budget funding (Ref: Page 55, ICRC Draft Report)

In relation to the allocation of budget funding, CRC recommends that the current arrangement of a split of 75% to CRC, 12.5% to CHRC and 12.5% to CGRC remain in place for the financial years 2011–12 and 2012–13. The three codes have come to an agreement on this matter, which has been lodged with ICRC separately.

In the current environment of the ICRC investigation into the racing industry, to allow time for the ACT Government to consider the final report and consult with the industry on future funding options, CRC believes that the three codes require certainty of funding for budgeting over the next two years at a minimum. This would also allow the revenue generated from race fields legislation to be accurately assessed and considered.

CRC—indeed, the three codes—is fundamentally opposed to the establishment of an independent ACT racing body. The CRC is concerned that an independent body would create another level of bureaucracy and additional running costs, which would presumably come from the current tight funding base of the industry.

At the ICRC public hearings it was explained that ICRC’s intention was a merging of the clubs and not another level of governance. CRC supports further investigation of a merger of the clubs.

5.2.1 Meeting attendance (Ref: Page 56, ICRC Draft Report)

In this section ICRC makes statements on the level of interest in racing. It overlooks some important points in relation to CRC.

CRC conducts 26 race meetings a year and encourages public attendance at all race meetings. CRC promotes attendance by providing free admission to all but three feature race meetings. The three feature race meetings are heavily marketed for public attendance. Another six race meetings are marketed at a lesser level to maximise attendance. Remaining race days are marketed towards corporate sponsor functions, with luncheons that accommodate 100 to 200 people in addition to normal public attendance.

It is acknowledged that some mid-week race meetings are scheduled with the primary intention of maximising off-course wagering turnover. However, public attendance is still an important consideration. The cost of advertising and promoting all race meetings is a factor in determining which race meetings are promoted and which are not.

Meeting attendance should not be ruled out as a funding measure, as it is an indicator of the strength of the code and race horse ownership participation.

Additionally, the changes that have occurred in racing have created a national and international audience through television broadcasts via the Sky Racing network for all 26 CRC race meetings.

5.2.2 Employment (Ref: Page 56, ICRC Draft Report)

The statements in this section overlook the strategic objectives of CRC as detailed in its strategic plan.

To suggest that a funding allocation approach based on employment would be an incentive to employ more people is in direct contrast to the club’s strategic objectives, one of which is to maximise prize money—one of the important economic and integrity drivers of the industry. In any case it is unlikely that the wages and on-costs paid for significantly increased employment would be covered by the employment component in any new funding model.

In this section ICRC also implies that CRC does not have as significant contractual costs as the other codes do. CRC contracts the majority of racing and integrity services from Racing NSW, at a considerable cost, to maintain appropriate probity and integrity services.

CRC does not have any volunteers that cover race day services. All services are performed by full-time employees, casual employees and contractors. The CRC Committee is not paid. On race days Committee members do not have specific tasks but are involved with the important role of customer and industry liaison. The major role of the Committee is to set policy and strategic direction and monitor performance, which it does at regular meetings.

5.2.3 Costs of producing racing product (Ref: Page 57, ICRC Draft Report)

Much of the economic value of the total racing industry in the ACT is derived from CRC operations and the training operations at Thoroughbred Park. Most of the full-time employment in the ACT racing industry is generated from these activities.

CRC strongly believes that the cost of producing the product and the economic contribution should be factors in any long-term changed funding split between the three codes of racing.

5.2.4 Wagering involvement (Ref: Page 57, ICRC Draft Report)

CRC agrees that wagering should be a component of any future funding model, as well as a factor that recognizes the economic contribution to the ACT economy.

5.2.5 Competitive tendering (Ref: Page 58, ICRC Draft Report)

CRC totally rejects the idea of competitive tendering, as the process would be cumbersome, time-consuming and costly and could lead to budget preparation being held up awaiting decisions. Annual tendering could also result in wide fluctuations in revenue for individual codes from year to year.

This suggestion is in conflict with one of the reasons behind the abolition of the Racecourse Development Fund.

5.2.6 Independent ACT racing body (Ref: Page 58, ICRC Draft Report)

CRC rejects the idea of creating an ACT racing body with an independent board. This would add another layer to the administration of racing at a cost it could ill-afford. The current club committees are made up of a mix of people who are successful in their line of employment or business and have a good knowledge of the racing industry.

At the ICRC public hearings on 22 February 2011 the Senior Commissioner explained that the ICRC's intention was a merging of the clubs and not another level of governance. CRC supports further investigation of a merger of the clubs.

CRC would contemplate a model based on a merger of the clubs if it could be demonstrated to provide a net benefit.

5.2.7 Current fixed agreement (Ref: Page 58, ICRC Draft Report)

As mentioned under "5 Allocation of budget funding", CRC recommends that the current arrangement of a split of 75% to CRC, 12.5% to CHRC and 12.5% to CGRC remain in place for the financial years 2011–12 and 2012–13.

In the current environment of the ICRC investigation into the racing industry, to allow time for the ACT Government to consider the final report and consult with the industry on future funding options, CRC believes that the three codes require certainty of funding for budgeting over the next two years at a minimum. This would also allow the revenue generated from race fields legislation to be accurately assessed and considered.

The three codes of racing have lodged a separate submission agreeing to retention of the current split of funding for the next two years.

5.3 Appropriate approach (Ref: Page 59, ICRC Draft Report)

In relation to the allocation of funding, the split of 75% to CRC, 12.5% to CHRC and 12.5% to CGRC traditionally has reflected wagering on each code's racing product, and that was the basis of the original decision to apply the current percentage split.

The rapid change in the racing industry in recent years has altered the wagering percentages, particularly for greyhounds and harness racing.

Race fields legislation has been in place for one year and it is prudent to allow a longer period of revenue flows from race fields legislation before making changes to the current split of funding between the codes.

Any model should also recognise the economic contribution the code makes to the ACT economy.

6. The structure of the ACT racing industry (Ref: Page 61, ICRC Draft Report)

CRC recognizes the issues identified by the ICRC in relation to inefficient utilization of venues and the duplication of club structures. In fact, the quote attributed to CHRC supporting this view was made by CRC, which is acknowledged in the footnote on page 61 of the draft report.

6.1 Racing clubs (Ref: Page 61, ICRC Draft Report)

ICRC cites Tasracing and Racing Queensland as examples of how states can operate with a single jurisdictional authority that represents the three codes.

The significant difference in the ACT is that each code is a one-club operation which, as well as having jurisdictional responsibilities, has operational responsibilities in managing venues and

conducting race meetings—roles that are conducted by individual clubs in Tasmania and Queensland.

CRC is not in favour of an independent body above the control of any particular code but believes it is worth investigating a possible merger of the clubs, which have the expertise for the governance and operations of racing both at a principal and racing club level.

6.2 Racing venues (Ref: Page 61, ICRC Draft Report)

CRC supports a feasibility study on the location of the three codes at one venue.

CRC agrees with the ICRC that the two options are a greenfield site and an upgrade of Thoroughbred Park.

A greenfield site may present challenges, such as finding a suitable site, funding the construction prior to relocation so that racing is not closed down during the construction process, preparing Thoroughbred Park and Narrabundah Greyhound Track for sale through the change-of-use clause requirements and paying out stable sub-leases.

As was the case with the Tasmanian experiment, the more realistic option may be to develop Thoroughbred Park. It is important that racing and training continues through any redevelopment period to maintain continuity and investment in the industry.

The points made by the ICRC in points 6.2.1 and 6.2.2 are well made and bear further investigation through a cost–benefit analysis in a feasibility study.

7. Risks associated with deviating from the gentlemen's agreement

CRC believes there are significant risks in the ACT Government deviating from its responsibilities under the gentlemen's agreement.

The concept of ACTTAB or the ACT Government paying only the equivalent of the current race fields legislation fees as their sole contribution to funding the racing industry poses many risks. They include:

- ACTTAB's ability to negotiate a new pooling arrangement could be compromised.
- ACTTAB's retail monopoly could be threatened.
- Impact on the supply of racing materials to ACTTAB under the terms of the RISA Participation Agreement.

Racing Information Services Australia (RISA) was established in 2003 as the official thoroughbred racing industry organisation responsible for the compilation of race fields & form and the maintenance of race results across Australia.

Each year there are more than 2,600 race meetings, comprising more than 19,500 races, conducted at more than 350 race tracks in Australia. RISA provides a national consolidated racing information service to the Australian horse racing industry and other users of horse racing information.

The working relationship between RISA and the principal racing authority (PRA) for each Australian state and territory is governed by the RISA Participation Agreement, entered into in 2005 and subsequently amended.

The RISA Participation Agreement contains virtually identical provisions for each PRA.

In particular, the RISA Agreement deals with the provision and use of racing materials. "Racing Materials" are broadly defined in the agreement as works created by RISA and others working with it by reason of their collecting, compiling, verifying and managing "Racing Information", and by reason of their exercise of skill, judgment and knowledge in selecting, handicapping, ordering, compiling and finalising the Racing Information and the RISA Information.

"Racing Information" means information directly or indirectly relating to thoroughbred horses, races and race meetings, irrespective of the source of such information.

The RISA Participation Agreement deals with two categories of Racing Information:

(i) **Local Racing Information**, which is Racing Information relating to a particular State or Territory, and

(ii) **RISA Information** which is Racing Information and other associated information which RISA collects, compiles and makes available, including form comments, jockey silk images, premiership tables, jockey profiles and trainer profiles.

The supply of racing materials by RISA

RISA does not have a general right to license or sub-license wagering operators to reproduce or otherwise exploit the Local Racing Information or any Racing Materials which incorporate any Local Racing Information.

RISA has been authorised by the PRAs to *supply* copies of Racing Materials to wagering operators who hold the necessary approvals in accordance with the requirements of the individual state or territory (whether under race fields legislation, a copyright licence from the PRA and/or another form of approval required by a PRA) and who have paid and continue to pay all fees pursuant to those approvals.

RISA enters into supply agreements with wagering operators to whom it is authorised to supply Racing Materials. Wagering operators can exploit the Racing Materials supplied to them by RISA only for the purpose of and in accordance with the terms of the relevant approval granted to the wagering operator by a PRA.

Wagering operators are required to notify RISA if they cease to hold a relevant approval from a PRA. Under the RISA Participation Agreement, a PRA may terminate RISA's right to supply Local Racing Information to a wagering operator where the PRA asserts that the relevant operator is not properly authorised to exploit the Local Racing Information.

RISA has the right under the supply agreements which it enters into with wagering operators to stop supplying Racing Materials to a wagering operator upon receipt of such a notice from a PRA. RISA's continued supply of Racing Materials to a wagering operator in those circumstances would be a breach of the RISA Participation Agreement.