

28 February 2011

Mr Paul Baxter  
Senior Commissioner  
Independent Competition and Regulatory Commission  
GPO Box 296  
Canberra City ACT 2601

Dear Mr Baxter,

Rather than provide a blueprint for the future, the report if left unamended, could lead to the demise of the racing industry in the ACT. The review makes much of the funding of the racing industry now coming under the public money umbrella. It makes little mention of the money raised by wagering on ACT racing, nor the link necessary to compensate the public purse from these proceeds. Instead the review separates wagering and racing as two separate industries. This is in direct contrast to the Productivity Commission which states unequivocally that 'wagering and racing are inextricably linked'.

It is a significant oversight of the draft report that a mechanism to retain the status quo between fairly compensating race clubs for the use of their product and ensuring a return to government has not been identified.

As a minimum the club believes the ICRC should recommend the following:

- (a) A statement that provides support to the continuation of the ACT racing industry as a viable and value added component of the ACT industrial structure;
- (b) A funding model that comprises a base amount made up from revenue raised from wagering on ACT racing plus product fees generated by ACT racing;

- (c) A funding allocation process that takes into account the performance and costings of each race club;
- (d) An investigation into the benefits of co-locating ACT race clubs; and
- (e) A statement outlining the benefits of creating an overarching single governing body for the ACT racing industry.

Ray Redman  
President  
Canberra Harness Racing Club

The following comments relate directly to the reports and findings of the draft report:

### **APPROPRIATE SYSTEM OF PRODUCT FEES**

Report Finding/Recommendations 3.1, 3.2, 3.3

- (a) **Appropriate product fees be calculated on the basis of gross revenue**

CHRC Response

*Agreed. The Productivity Commission also agrees that this is the most appropriate method. This club compared turnover against gross revenue for December 2010. The revenue from product fees minus the 5% administration charge to government was \$13304.23. Turnover for the month was \$909927 which at 1.5% would have returned \$13649.*

**The 10% rate of product fee seems appropriate**

CHRC Response

*Disagree. Ultimately product fees will be the mainstay of racing industry funding and be under constant review. Would have preferred the broader 10% to 20% base referred to in the body of the report.*

© **The ACT should support a national approach to product fees.**

CHRC Response

*Agree.*

**FUNDING OUTCOMES**

**Report findings and recommendations 4.1, 4.2**

(a) **It is expected that the ACT racing industry will receive greater industry funding in the future than in the past.**

CHRC Response

*Agreed. However product fees are only one component of any future funding model. Using the amount generated by the industry and despite the commissions concerns with incentives and competition, there needs to be a base amount allocated to each club added to the product fees generated. As product fees increase with time this base amount could be reduced proportionately. At this stage reliance solely on product fees would be catastrophic for this club.*

(b) **Product payments provide the racing clubs with an incentive.**

CHRC Response

*True. Put simply more races more return. This suits the greyhounds as the current level of funding and their relatively low level of prize money allows racing 40 times a year. Clubs cannot guarantee TV coverage - in our case we pay for the privilege. TV coverage is the critical factor in the generation of product fees. There does come a point where there is a shortage of horses to race.*

- © **Funding arrangements should provide some form of incentive for the industry to improve and gain efficiencies.**

CHRC Response

*Agree.*

- (c) **The Commission is of the opinion that the current level of funding is generous.**

CHRC Response

*The commission's opinion is based on a funding model in its first year of operation. Historically CHRC has used its funds to conduct harness racing for lower classes of racehorses. To date funding has been adequate not generous for this purpose. The club sees itself as a nursery both in promoting racing and training. We have advertised and taken action to attract new trainers to the sport. We see our excellent training facilities as an ideal feeder platform for metropolitan racing. The club will achieve these goals within the current funding allocation.*

- (d) **Budget funding should be reduced at the end of the 4 year commitment made by the ACT government.**

CHRC Response

*In a letter to all clubs dated 21 June 2010, the Minister for Racing outlined expected budget funding for the industry up to and including 2013/2014. The club has agreed to this level of funding. It is what will happen after this time that is of critical importance. The review has no recommendation in this regard. Provided the link between wagering and the racing clubs can be re-established, budget funding could become a thing of the past.*

- (e) **After the four year period the government ensures the industry makes a transitional move towards a self sufficient position.**

CHRC Response

*Disagree. By not providing a suitable funding model including the amount to be distributed, the club believes the commission has not met its terms of reference. Any future funding model should initially include two components, product fees and a base amount.*

- (f) **Incentives to improve product payments**

CHRC Response

*Without TV coverage we have no product fees. It is a bonus if a good crowd is in attendance but it would have only a minimal effect on the amount of product fees generated.*

## **ALLOCATION OF BUDGET FUNDING**

Report/ recommendations 5.1, 5.2.

- (a) **Current agreement does not allow flexibility to accommodate changes in market share of the three racing codes.**

CHRC Response:

*Agree. Over the last two years CHRC has increased the number of race meetings from 13 TAB and 4 non-TAB fixtures to 20 TAB and one non-TAB meeting. This is an increase of 55% of televised meetings. Next year the club will race 24 times with an ultimate goal of 25 meetings a year. Within the harness community our evidence is that market share is static. We base this on the turnover generated by pari-mutuel betting. Over the last two years Super Tab has held 55% of turnover, NSW Tab 31% and UniTab 14%. These statistics are remarkably consistent varying by no more than 1% for each race meeting.*

- (b) Flexibility in the allocation process would be assisted by an independent ACT Racing Authority.**

CHRC Response

*Partially Agree. However, the statement raises more questions than answers. What is the planned membership and terms of operation for the authority? We believe the report should have provided greater detail.*

- © In the absence of an adequate authority the allocation should be based on the wagering involvement of the three codes.**

CHRC Response

*Disagree. The Productivity Commission states on page 16.47 that due to the complexities that arise when scheduling race meetings the level of wagering from each code may not reflect the true value of a racing club. This is the case with this club. Unlike the other two codes we do not own our racing complex and compete with other users of the showground controlled by our landlord EPIC. Further, we then compete through Harness Racing Victoria with NSW and Tasmania harness authorities for the right to stage our races on Sky TV. If future transitional funding is based solely on wagering this club through circumstances beyond its control would be seriously disadvantaged in favour of the other two codes. In their original reports CRC sought 80% as their split and the greyhounds 14%. If these allocations came about the harness component of the racing industry would be reduced to holding picnic races.*

- (c) Racing clubs to receive other forms of explicit and implicit government support.**

CHRC Response

*This club has no information what these forms of support may be. The report needs to be more specific and name the forms of support to which it is alluding. Presumably the explicit form is the budget*

*distribution which should match funds generated by the racing industry. Failure to do so may well lead to cries of free riding and a less than pleasant response from other jurisdictions with respect to this approach*

- (d) While additional support is recognised it is not proposed this funding be increased.**

CHRC Response

*The justification for this statement is not understood. Should the industry create wealth they are entitled to share in the spoils.*

## **THE STRUCTURE OF THE INDUSTRY**

Report recommendations and findings 6.1, 6.2

- (a) One independent body**

CHRC Response

*Not Agreed as Yet. More information is needed on the role, membership and funding. It is not clear what economies of scale would result and improved probity issues referred to in the report are already well catered for by a contract agreement with HRNSW. The inference that the smaller clubs lack a sufficient level of integrity is vehemently denied by this club. There could be benefit in an overarching controlling body but this need to be explained.*

- (b) Co-Location**

CHRC Response

*Given the programming difficulties and funding disadvantages that are evident under our leasing arrangement, CHRC agrees with the*

*proposal for co-location. It is also considered that co-location and one independent body go hand in hand.*

© **Commencement date**

CHRC Response

*The club agrees that an investigation including a cost benefit analysis commence immediately. Our preference is for a Greenfield site although in consultation with CRC we are investigating the suitability of the Thoroughbred Park synthetic track for harness racing.*