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Greyhounds Australasia Submission to the ICRC Draft Report into the ACT Racing Industry

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1. Introduction

Greyhounds Australasia (GA) is the peak national body for greyhound racing in Australia and New Zealand. GA welcomes the opportunity to provide a submission to the Independent Competition and Regulatory Commissions (ICRC) investigation into ACT Racing following the release of its draft report on 20 December 2010.

This submission considers the reports findings and recommendations with respect to the greyhound racing industry and provides general comments.

GA comprises representatives from jurisdictional controlling bodies in all Australian States and Territories, and New Zealand, specifically:

- Canberra Greyhound Racing Club
- Greyhound Racing New South Wales
- Racing Queensland Limited
- Greyhound Racing South Australia Limited
- Greyhound Racing Victoria
- New Zealand Greyhound Racing Association
- Northern Territory Racing Commission
- Racing and Wagering Western Australia
- Tasmanian Racing Board

Predominantly legislated under various Racing Acts, these bodies have the responsibility to control and regulate the commercial and regulatory activities of the greyhound code, including the governance of racing clubs. The charter of GA is to support these jurisdictions via encouragement of a holistic approach to the Australasian greyhound racing industry and to create uniformity with the brand.

GA has prepared this submission on behalf of its members for the ICRC to assist with their review. When addressing the review GA emphasises that it is not usual practice for the national body to be involved in specific local jurisdictional matters. As such, this submission provides general comments only rather than definitive recommendations.

2. Overview

GA acknowledges that the draft report released on 20 December 2010 was subject to specific terms of reference. As a result, GA has prepared this submission in consideration of these, and based on the findings and recommendations released in the report. In summary, this submission addresses:

- The system of industry product payments, including discussion on gross revenue models, single levy and national funding.
- Discusses the perceived benefits noted by the IRCR with respect to future funding outcomes, and whether the greyhound code will be better or worse off.
- Considers the allocation of budget funding and the mix of funding between the three codes of racing.
- Considers the opportunities for industry restructure and highlights several outcomes shared with this approach.
- Explains and highlights the magnitude of greyhound racing across Australasia, and the social and economic value it adds to the community.
- Opens discussion surrounding the issue of problem gambling.

3. Draft Findings and Recommendations

3.1 Appropriate system of product payments

It is appropriate that product fees continue be calculated on the basis of gross revenues associated with ACT race events.

The rate at which the product fee is set (10%) is appropriate. However, over time it may be appropriate to increase the rate in line with other jurisdictions.

The ACT should support the development of a national approach to the support of the racing industry through a coordinated approach to product payments.

Gross Revenue

GA acknowledges the Commission's recommendation that ACT product fees continue to be calculated on the basis of gross revenues associated with ACT race events.

GA does however point out that whether the gross revenue model is the most appropriate formula for calculating the fees is a matter that requires modelling and testing against objectives.

As highlighted in the Commission's report, Australian racing jurisdictions actually support both models. For example, Western Australia offers wagering providers a choice between:

- a) 1.5% of turnover, or
- b) the greater of 20% of gross revenue or 0.2% of turnover.

In a truly competitive market which operates under a gross revenue model, some jurisdictions may be winners and others losers. Whilst this may build competition between racing jurisdictions, the model opens up a number of other issues. Key to the issue is the balance between diversity of product for the consumer with the necessary scale required to be competitive in the broader wagering market.

GA respects the ICRC's opinion that ACT product fees continue to be calculated on a gross revenue model and it is not opposed to the concept. But we do recommend and support on-going exploration to ensure it best meet the needs of the ACT racing industry, because as noted, other jurisdictions have embraced the turnover model.

Single Levy

GA is not opposed to a funding model which involves a single levy universally paid on a gross revenue basis. However the rate proposed, at a set product fee of (10%), in our view requires further consideration. For example, what obligations are imposed on the ACT by wagering providers that ensures they have the flexibility to renegotiate the product fee rate.

If a set percentage is locked-in long-term, this may reduce the ability of the code to grow, and could be non-competitive for ACT racing when compared with other jurisdictions and leisure pursuits that offer wagering on their product.

For example, below is an assessment of prize-money levels per stater and per race for the 2010 year for ACT greyhound racing versus other Australian jurisdictions:

Jurisdiction	Total prize-money	Total starters	Prize-money per starter
ACT	344,000	2,780	\$124
NT	193,964	2,103	\$92
SA	4,361,000	24,285	\$180
WA	8,687,345	27,179	\$320
NSW	20,939,289	106,577	\$197
Jurisdiction	Total prize-money	Total races	Prize-money per race
ACT	344,000	387	\$889
NT	193,964	311	\$624
SA	4,361,000	3,213	\$1,357
WA	8,687,345	3,472	\$2,502
NSW	20,939,289	14,231	\$1,472

¹ The above table highlights how the ACT greyhound racing prize-money levels are the second lowest amongst jurisdictions. For prize-money in the ACT to remain competitive, attractive to owners/trainers and viable, adequate ongoing funding growth is necessary.

We recommend continued exploration of all models to ensure wagering providers contribute fair returns to the greyhound racing industry for use of the racing product. This exercise will take into account the impact on individual racing jurisdictions and the potential impact on vibrancy of racing clubs.

National Funding Model

GA provided comment regarding the Australian Governments Productivity Commission Inquiry into Gambling. GA supported the Commission's final report of a national funding model. This premise seems to be consistent with the ICRC's findings;

"That the ACT should support the development of a national approach to the racing industry through a coordinated approach to product payments."

GA recognises the importance of nationalisation and understands that returns from the wagering dollar should be fair, equitable and sufficient to meet the needs of all parties.

GA welcomes the support from the ACT Government regarding this approach.

It is recommended that the ACT Government work with State and Territory governments to enact laws which will withstand challenge on constitutional grounds and address the fundamentals of a national model.

¹ Greyhounds Australasia 2010 Industry Statistics

3.2 Funding outcome

It is expected that the ACT racing industry will receive greater industry funding in the future than it has received in the past through historical funding arrangements. The product payments provide the racing clubs with an incentive to improve their product and generate a greater source of revenue.

The funding arrangements should provide some form of incentive for the industry to improve and gain efficiencies. However, a base guaranteed level of funding diminishes those incentives. The Commission is of the view that the current level of base funding from the ACT Government is generous given the historic level of funding.

The budget funding should be reduced at the end of the four-year commitment made by the ACT Government to ensure that the industry transitions towards a self-sustaining position. The transition should be made through either a phasing out or a reduction in the base level of budget funding. This phasing out process should be less than the product payments generated by the industry, thereby not removing all of the incentives on the racing clubs to improve product payments under the current regime.

We understand that the Canberra Greyhound Racing Club (CGRC) is somewhat concerned that there is no budget linkage beyond the current four-year commitment in the context of the transition to any future national funding arrangements.

As expressed earlier in our submission, GA supports the concept of national funding, but we do express some reservations regarding the timing of instigating such change. The suggestion that the change is to occur over a 4-year period may well be unrealistic.

GA points out that it is over twelve months since the release of the Productivity Commission's final report into Gambling, which is yet to be tabled by Federal Government.

The concept of a national funding model has been discussed by the Australian Racing Ministers over the last few years with limited evolution.

If you combine this with the agenda and objectives tabled for consideration by the Council of Australian Governments' (COAG), we respectfully suggest that the likely development of a national funding model is more than four years away.

3.3 Allocation of budget funding

The current agreement on the allocation of funding between the race codes is fixed and does not allow flexibility to accommodate changes in the market share of the racing codes in the ACT.

Flexibility in the allocation process would be assisted through the development of an independent ACT racing body, which would have discretion in determining an appropriate allocation of funding between the three racing codes.

In the absence of such an authority, or for transitional purposes, the allocation should be based on the wagering involvement of the racing codes. The mechanism for this allocation

should involve the product payment information for the three racing clubs and the wagering of ACT consumers on racing throughout Australia.

The racing clubs receive other forms of explicit and implicit government support in addition to the budget funding that has recently been committed to the industry. While this additional support is recognised, it is not proposed that this funding be increased.

GA understands that the current ACT agreement on the allocation of funding between the race codes is fixed, and does not allow flexibility to accommodate changes in market share.

GA members support a funding model of distribution more in line with performance of the code based on market share rather than the current fixed arrangements.

GA questions whether flexibility in the allocation process would be assisted through the development of an independent ACT racing body. The establishment of tri-code racing bodies has predominantly been to establish operational efficiencies and separate the integrity functions from the commercial aspects of racing. Whether a fairer greyhound distribution has eventuated from the revised structures is not self-evident.

Regardless of the position taken by the Commission, GA highlights the disparity that exists between revenue distributions to market share for greyhound racing and recommends that immediate consideration is given to a mechanism for fairer distribution of revenues rather than placing this control under another entity.

GA supports fairer revenue returns for its members, which in our opinion would be achieved by linking revenue distributions to movements in wagering turnover.

Over the financial periods 2006 to 2010, the Australian average distribution received for the greyhound industry versus the market share has shown a disparity of 5.3%. (Refer to Attachment A for a graphical representation of results). This position for greyhounds is further reflected by TABCORP where market turnover statistics for Greyhound Racing in New South Wales and Victoria sat at around 17% in 2010.

Market share turnover per code as provided by TABCORP in 2010

Greyhound Racing	17%
Thoroughbred Racing	69%
Harness Racing	14%

Given the disparity in market share achieved by the Australian greyhound code, GA is of the opinion that a structured mechanism to distribute revenues should be instigated immediately to encourage and recognise the success of the code.

3.4 Opportunities for industry structure

The ACT Government and the ACT racing industry should establish one independent body that oversees the three different racing codes. This would be likely to increase the integrity of the racing industry for the different codes and provide a more flexible and efficient allocation of resources across the industry.

The ACT Government and the three racing codes should investigate the possibility of co-locating the codes at the one venue. This would provide efficiencies to the industry, stronger bargaining power in scheduling negotiations and greater utilisation of capital infrastructure.

This process could be commenced immediately, although it is more likely to be successfully implemented if undertaken under the independent integrated governance model of a merged ACT racing organisation as described above.

GA is not convinced that the establishment of an independent tri-code body is likely to increase integrity for the ACT greyhound racing industry.

We point out to the Commission that they may not be comparing apples with apples in this regard. The core functions of the Canberra Greyhound Racing Club (CGRC) are specifically aligned to race day operations. Other independent bodies like Racing and Wagering Western Australia (RWWA) not only oversee and control race meetings from a stewarding perspective, but also are accountable and responsible for integrity-related activities such as registration and licensing of industry participants and racing-related activities such as racing planning and distribution, grading, payment of prize-money etc.

Will the CGRC be financially better off under the guidance of an independent body? This is debateable, as their current functions are predominantly race day procedures only with most regulatory functions handled by Greyhound Racing New South Wales (GRNSW). Given the volume of race meetings they conduct, this structure is likely to place significant additional and unnecessary overheads on the code.

In respect of the opportunity to co-locate the three codes to the one venue, GA supports the Government undertaking a cost benefit analysis for co-location at alternative sites, on the understanding that the greyhound code will be no worse off.

In this regard, GA would like to share information on the experiences of our other members re co-location and track design, and offers the following comments:

- The sharing of facilities is a concern to the greyhound code where it is at the demise of the viewing spectacle. In most existing shared venues, the greyhound track is situated in the middle of the facility (i.e. inside the other two codes tracks). This not only detracts from viewing the product, but also makes it difficult to increase track attendances and attract corporate patronage based on similar like venues across Australasia.
- Another consideration is the occupational health and safety ramifications associated with shared sites. It is recommended that any tri-code facility offer unique and separate training centres. The mix of horses galloping or pacing/trotting within close proximity of greyhounds is fraught with danger.

- In late 2010 Racing Queensland Limited released a proposed industry infrastructure plan involving shared facilities. We recommend that this be considered if the ACT Government does explore amalgamation of venues. For further details please refer to: <http://www.racingqueensland.com.au/ANNOUNCEMENTS/RACING-INFRASTRUCTURE-PLAN.pdf>

4. Matters of Interest

GA offers the following additional remarks.

The Australasian greyhound racing industry plays an essential role in supporting the Australasian community, both financially and socially, and in our view is undervalued within the report. This role is defined within various interrelationships depicted in the below table and by the following statistics:

There are 82 greyhound racing clubs in Australasia and during FY 2010:

- 320,000 greyhounds started in over 43,000 races
- Over 1 million people attended a greyhound race meeting
- Prize-money of around \$80 million was distributed to licensees (i.e. owners, trainers and breeders)
- Over \$2.5 billion was wagered on the greyhound product
- There were around 33,000 registered greyhound participants (i.e. owners, trainers, breeders, attendants, racing staff, etc)
- About 3,000 greyhound litters were registered
- The sport is strongly linked to the social aspect of society, with about 95% of trainers being classified as hobbyists.

Australasian Greyhound Industry Contributors

Industry Contributors	The Industry	Customers – Outputs
Breeders, Studs, Rearing facilities	Clubs, Tracks	Government
Veterinarians Muscle men	Administrators	Sponsors
Utility Providers	Regulators	Vision Providers Broadcasters
Feed Providers	Owners	Hospitality Services
Product providers	Hobby Trainers (95%)	Wagering Providers
	Professional Trainers	Attendees
	Attendants, kennel hands	

Problem Gambling

Regarding the Commission's concerns around the issue of problem gambling, we are of the view that it is overstated when referenced specifically to wagering on racing.

With an evolving wagering landscape and the ever-increasing accessibility to wagering, comes the issue of problem gambling. Clearly, this issue is not the wagering industries alone as the gaming industry would appear to have a higher problem gambling profile than the wagering industry.

As highlighted by GRNSW's submission to the Cameron Wagering review, GA agrees that wagering is one form of gambling that is less likely to involve addiction. Given the many papers produced over the years in respect of problem gambling, "it is fair to say that without exception, the evidence from such papers has shown that the predominance of problem gambling occurs not with wagering products but with gaming products which are games of pure chance, are repetitive in nature, and do not involve social interaction".²

GA does however fully support responsible gambling initiatives and processes implemented by wagering operators and governments, and believes that education is a critical part of the process. Wagering operators along with the relevant sections of the racing industry must be accountable and share the responsibility for punter education and problem gambling initiatives.

5. Conclusion

Greyhounds Australasia welcomes the ICRC's draft report and summarises its position as follows:

- GA acknowledges and agrees with the ICRC's findings that;
 - Product payments can work under a gross revenue, single levy basis, however we recommend and support on-going monitoring of the situation to ensure it best meet the needs of the ACT racing industry, because as noted, other jurisdictions have embraced the turnover model.
 - Supports the establishment of a national funding model, however understands the obstacles associated with its achievement.
 - Encourages the Government to undertake a cost benefit analysis for co-location of the three codes at an alternative site, on the understanding that the greyhound code will be no worse off.
- GA suggests the following;
 - The allocation of budget funding, including the equilibrium of distribution between the three codes of racing requires immediate consideration.
 - The magnitude of greyhound racing across Australasia and the social and economic value it adds to the community via the various interrelationships has been overlooked.
 - Concerns around the issue of problem gambling are overstated when referenced specifically to wagering on racing.

Any inquiries regarding this submission can be directed to Craig Taberner, Chief Executive Officer, GA on (03) 9548 3500.

² GRNSW 2008 Submission – Independent Review of Wagering in NSW p53

Attachment A

