

CANBERRA HARNESS RACING CLUB SUBMISSION

To

***INDEPENDENT COMPETITION AND REGULATORY
COMMISSION***

ACT RACING INDUSTRY REVIEW

Prepared by the Canberra Harness Racing Club
November 23, 2010

Executive Summary

- It is a goal of CHRC to conduct 200 races over 25 meetings per year. In 2009-2010, 149 races were held.
- CHRC has 25 local trainers; the number of horses per trainer varies from one to ten. Each trainer has one or two stable hands, and each horse has one to ten owners. Each owner has relatives and friends that follow the sport. Direct local interest in the sport is estimated at 5000 people.
- Each year the club attracts a minimum of 2000 visiting trainers and owners as well as their families and staff.
- CHRC employs two full time and 20 casual staff. On race days for workers compensation purposes an average of 30 drivers are considered casual staff.
- CHRC annually supports up to 40 suppliers and 20 contractors.
- The club has 69 registered members.
- CHRC races are televised nationally and some internationally.
- Over the past five years the club has increased televised meetings from 5 a year to 21 and national turnover from \$1.5 Million to \$14 Million
- It is a goal of CHRC to be a net importer of race field product.
- Turnover on harness racing in the ACT doesn't fluctuate as much as the other codes showing a sound base of local followers.
- Because of lease arrangements with the landlord, Exhibition Park (EPIC), the club is restricted when it can race.
- It is a goal of the club to be a nursery for trainers, drivers and horses.
- CHRC is geographically suited to be a niche player in the region.
- The club manages licensing, registration and handicapping by a contract arrangement with HRNSW.
- The club supports two charities, the Eden Monaro Cancer Support Group and the Cancer Council ACT.
- Through a catering arrangement, the club supports the Lake Ginninderra Sea Scouts.

Introduction

The Canberra Harness Racing Club offers the following comments on the Terms of Reference for the Independent Competition and Regulatory Commission (Investigation into the ACT Racing Industry) Terms of Reference Determination 2010 (No1)

Product Payments and Funding Outcomes

The Canberra Harness Racing Club is in agreement with the current funding model which is a product payment of 10% of gross revenue combined with the funding by the ACT Government. The level of this funding to harness racing should be sufficient for the ACT to become a net importer of product payments.

Due to its location in the South East Region of NSW, The Canberra Harness Racing Club (CHRC) is in a unique position. The nearest tracks are Goulburn, Young and Wagga. Remove the Canberra Harness Racing Club and a large proportion of NSW

is no longer supported by the sport. Unlike the thoroughbreds and greyhounds there are not a lot of harness racing tracks throughout NSW.

The other benefit of Canberra is its location to the bigger NSW tracks of Goulburn and Menangle. Canberra cannot expect to compete with the bigger tracks but it can hold a niche position in respect of people commencing in the sport.

A \$30,000 race does not have ten times the turnover of a \$3,000 race and punters are not concerned about prize money just that the horses are evenly matched. Canberra has shown over the past couple of years that by catering for the lower class of horses we can attract very competitive fields. Canberra's location and current harness racing rules provide plenty of potential for the sport to flourish in the ACT.

Because prize money is at its highest for the premier events non capital city clubs such as Canberra cannot compete but neither should they. This club intends to provide for the quality and quantity of racing that is affordable. CHRC will favour attracting lesser class horses in sufficient quantity that will negate the need for local trainers to travel to race. Better horses will be catered for but not to the same degree.

Based on our estimations the Canberra Harness Racing Club requires sufficient funds made up of both Government funding and race field legislation to run 25 eight race meetings on Sky Channel. The funding has to be sufficient to provide a mix of 50% Restricted (Currently \$3,000 prize money) and 50 Country penalty races (currently \$5,000 prize money). The prize money is based on the approved Harness Racing Australia maximums for Restricted and Country penalty races.

There is also a contractual SKY TV requirement to run one major meeting a year to highlight the sport in the Canberra region. This is currently the Canberra Cup meeting. The Cup race carries \$35,000 prize money and attracts those horses just off elite level. Many Canberra Cup horses have gone on to compete in the Inter dominion, the premier harness racing event in Australasia.

Economic Impact of the Racing Industry in the ACT

There have been many previous studies completed in the last ten years that provide other detailed information on revenues collected or provided to racing clubs. These include the Productivity Commission report on gambling and wagering,¹ Funding ACT Racing by Access Economics² and Beyond the Winning Post by ACIL Consulting on the impact of the racing industry to the ACT economy.

Lessee

The club has limited opportunity to generate income. Being a lessee the facilities are owned and controlled by EPIC. The club's lease provides for sole control of four areas within the betting hall which is occasionally rented out, and we own two demountables, one within the confines of EPIC and the other in the training complex. Both are rented on a short time basis.

Stables

The club also has five stable blocks each containing 16 stables, 12 of which are available for horses and four to store racing paraphernalia. The stables and tack rooms are rented to trainers for \$74.55 per box per month. The stables do not generate an income but ensure we have a core group of horses available to race. All local club trainers are hobbyists and train horses in their spare time. In recent times the cost for water and electricity has increased dramatically, and the training track requires daily attention whether it be conditioning, refurbishing or preparing. The training complex is an essential part of the club's operations. The stables are currently at 65% capacity and we are starting a campaign to try and bring new trainers to the sport and base their harness operations in Canberra.

Race Fields Net Importer

We believe we can become a net importer of race field legislation fees within the next couple of years. ACTTAB annual reports show that the amount of money invested on harness racing in the ACT has averaged \$17.2m over the past five years. For the first eight meetings this year we averaged \$91k per race in turnover and \$710k per meeting. If this is extrapolated over 200 races it would equate to \$18.2 M. In the warmer months turnover increases, several meetings last year topped over \$1m. In recent years we also averaged \$90k per race or \$18m a year, which makes our target of net importation a realistic goal.

Monday Nights

The Canberra Harness Racing Club this year is racing 19 times out of a possible 48 Monday Nights on Sky Channel. Being the only Harness Race meeting on Monday nights we are not competing with any other location which it ensures a good display of our product and of the ACT.

Canberra Cup

Tourism is limited mainly due to racing on the Monday Nights but the Canberra Cup which is currently held on the evening of the first Sunday in February brings over 1200 patrons to the course from all over NSW and visitors from Victoria. The majority of the patrons come from regional NSW as it is one of the only opportunities to see better classes of horses, plus it provides an opportunity to attend a race meeting with old fashioned atmosphere.

Sponsorship

Sponsorship success varies with the state of the ACT economy. Sponsorship is generally from those people associated with the Harness Racing industry predominately as owners.

Permanent Staff

The CHRC employs two full time staff. One is the General Manager and the other the track Curator. A part time accountant maintains the club's accounts.

Race Day Staff

However, on race days judges, bar staff, mobile drivers, the clerks of the course, course marshals, vets, video operators, audio operators, caterers and ambulance staff swell these numbers to over 20. The support costs for a race meeting outside regular staff is about \$11,400 per meeting or \$239k per annum. These costs vary slightly with the number of races being held.

Training Costs

A local trainer, Mr Michael Hawke, estimated that to bring a race horse to actually race, costs in the order of \$250 a week. These costs are based on feed, vet services, farriers, horse dentistry, transport, and vehicles. There are around 100 horses that would undergo training sometime during a year in the Canberra region and if they were in work for 40 weeks of the year it would generate about \$1m into the local region.

Lake Ginninderra Sea Scouts

The Canberra Harness Racing Club enables the Lake Ginninderra Sea Scouts to generate funds for purchasing new equipment by running the canteen at each of the race meetings.

Cancer Council ACT and Eden Monaro Cancer Society

The Canberra Harness racing clubs supports the Cancer Council ACT and the Eden Monaro Cancer Society. The Cancer Council ACT receives all gate receipts for the Canberra Cup meeting with a guaranteed minimum of \$4,000 and we conduct a charity auction race night for the Eden Monaro Cancer Society generating sometimes up to \$16,000.

Product Payments.

Product payments will have a significant impact on income. In essence they not only provide for a level playing field for wagering operators they also replace the past sources of income, such as bookmakers fees, which are no longer available. The collection of these payments is in its infancy. The ACT commenced collections in March 2010. To date since March this year the club has attracted \$63870 in product fees, with \$44000 since June 2010.

The club has no information on product payments being paid in other jurisdictions.

Funding Allocation

Prior to 1994 the allocation or distribution of racing funds in the ACT was based on 2.3% of TAB turnover and 1.2% of bookmaker turnover.³ As bookmaker turnover was decreasing at an alarming rate it was obvious that the funding model then in existence was inappropriate. For example, in 2000 the club receipts from bookmakers per meeting averaged \$812.50. At the 7 race meeting held on November 8, 2010, the bookmaker's levy receipts were \$10.50. It was the Bennet report that recommended the distribution scheme be replaced by one dependent wholly on TAB turnover and be distributed at the current split of 75%, 12.5%, 12.5%. Bennet also noted that to ensure the development of harness racing and achieve desirable continuity CHRC would need to race an additional 10 meetings a year. The club sees these sentiments are as valid today as they were twenty years ago. At the turn of the century the club raced 16 times a year five of which were televised. Current plans are to achieve 25 meetings with all races broadcast into the lounge rooms of the punter.

The Canberra Harness Racing Club agrees with the current level of funding and we believe we can survive on that amount. Any additional money would be difficult to benefit the club because of restrictions of obtaining Sky Channel coverage and our lease arrangements with EPIC. That said, any additional money would generate more races with a consequential albeit non proportional increase in wagering hence product fees.

Interest and Involvement in the Race Codes

In the past attendance at race meetings was a good indicator of interest but no longer. Most stay home, watch the race on TV and bet using the internet. The average number of people attending CHRC races is 150. The main race of the year, The Canberra Cup attracts up to 1200 patrons.

To obtain a complete picture of the interest in harness racing the outcomes should include the region in which we operate. In country NSW this stretches as far north as Sydney, as far south as Albany and from Bega to Wagga. These people are as much contributors to the Canberra harness scene as are ACT residents.

CHRC has 25 local trainers; the number of horses per trainer varies from one to ten. Each trainer has one or two stable hands, and each horse has one to ten owners. Each owner has relatives and friends that follow the sport. Direct local interest in the sport is around 5000 people.

Costs of Producing Racing Product and Maintaining Racing Facilities

The average cost of producing racing product per meeting is about \$11,500, excluding prize money. The CHRC has a contract with Harness Racing NSW to provide steward and race field support. Race day costs account for 13% of racing expenditure. Prize money accounts for 74%.

The costs incurred by each racing code vary considerably and should be taken into account in any future funding model. It is a fact that horses cost much more than dogs

to race. Of course on the flip side there are many more dogs racing. For example, this club is required to have two mobile barriers. These are specially fitted out vehicles that when finished are valued at over \$80000. Vehicles and material needed to prepare, refurbish or repair crushed granite tracks are all expensive. The training track requires upgrading two to three times annually and the racing track after each Summernats carnival and Canberra Show. Unlike the other two codes CHRC races predominately at night. Like many other projects conducted by the club with both the public and racing in mind, the lighting infrastructure was provided by the Racing Development Fund.

The other thing that has to be considered is the infrastructure required to train horses to enable them to race. Over the years governments of both political persuasions have developed the infrastructure for harness racing to a level where the club's facilities are second to none. All of this was achieved through the now defunct Racing Development Fund (RDF). Not only does the club have use of a first class half mile track to race on, that is the main arena at EPIC, it also leases and operates a second training track contained within the confines of a first class training and stable complex.

Infrastructure provided includes:

- The training complex consists of a fully operational track slightly smaller than the main track which can be used for trials if required.
- The training track is used daily in the routine preparation of horses to race.
- There are four wash bays and a like number of outdoor stables.
- Two mobile barriers.
- A water truck in need of replacement.
- A towed grader.
- Two tractors.
- A track conditioner.
- A slasher, and
- Winning post semaphore

Forms of Government Support

Up until July 2010 Canberra Harness Racing Club was supported almost wholly by government funding. Other forms of income were limited. The government provided 4.5% of ACTTAB gross turnover to the racing clubs on a monthly in arrears basis. 0.5% was kept in reserve as a capital works support programme under the Racing Development Fund (RDF). As part of the new arrangements this fund has now closed and clubs will be required to fund their capital works programmes directly from operational revenue. Whatever combination of product fees and government support is agreed upon, this new costing impost on the racing codes must be taken into account.

Many sports receive government support. However, and unlike some other sports, racing generates income. It is the money generated by the racing clubs that is used to fund the industry.

National Statutory Scheme

The recommendations made by the Productivity Commission and referred to in the ICRC Issues Paper, to create a single product fee for each code is a laudable goal and supported by this club. The PC stated that the fee should be paid on gross revenue to replace other product fees currently being paid. This statement ignores the danger that if the funding model is based solely on gross revenue the smaller clubs, which is where most horses begin their careers, may disappear. They will get poorer and poorer as the larger metropolitan clubs expand. Smaller clubs may have difficulty generating sufficient product fees to consolidate their future. There will need to be some form of additional funding for them to survive. The ACT could fall into this bracket and under a national product market, fee collection could be minimal placing further strain on government to financially support the ACT racing product.

Impacts and Opportunities from a National Product Market

As a wagering nation Australia has few peers. On a per capita basis we are fourth behind only the USA, Japan and Great Britain. There is no doubt that the racing industry is a huge contributor to the Australian economy. The harness racing contribution comes from 114 racing clubs competing for over \$90 Million annually in prize money. In 2006-7 there were over 15000 races nationally.⁴ All costs preparing a horse to race benefits both local and national economies directly and indirectly. The racing industry has much to offer. Whatever funding model stems from this review it must provide financial certainty to the racing clubs and a racing product of sufficient quality and quantity to produce the level of product fees necessary for racing at standards that befit the nation's capital.

The main concern of a national product market is the support that will be provided at the grass roots level of the sport. The ACT with only one club per code will have little bargaining power. Much the same as the three clubs have struggled to have their products on Sky Channel. The bigger clubs are paid for their product while the smaller clubs like Canberra pay.

Opportunities for Efficiency

Opportunities for efficiency could only come about by the development of a three code complex and the investment of funds into other revenue options, for example, development of Thoroughbred Park into office space and accommodation. This racing club is at a disadvantage as we do not have any assets to bring to the table. The club returned their assets to Government at the time of the move from Acton the EPIC. Also Harness racing has already contracted out most support services to HRNSW so there is little benefit in sharing common racing costs with the other codes. Harness Racing also suffers from their inability to readily choose race dates. On many occasions the programmes selected after consultation with EPIC clash with other regional harness events decided by HRNSW to be held on the same day.

An examination into the benefits of a joint racing industry mix could have benefits particularly in the social development of each code. However, any three code arrangement would have to be controlled by a board that had equal voting right to each code with an agreed revenue split between the codes and administration.

Conclusion

For over 40 years CHRC has been contributing to the ACT economy and community. These benefits are at times hidden but nonetheless valuable in both social and monetary terms. The club has operated within the financial guidelines provided by government for over 40 years. It is an observer to the peak national regulatory harness body, Harness Racing Australia and a well respected and trusted member of the Australian harness racing community. ACT governments of both political persuasions have strongly supported the establishment of racing facilities which are second to none. The club is well positioned to continue harness racing and generate sufficient revenue to become a net importer of product fees.

CHRC produces a product that benefits the industry, the ACT and the surrounding regions. It does so under strict racing integrity and legal guidelines. The club is well aware of the need to invest in the future and cater for all types of on course and off course wagering. The club is ready to play its part in the development of a profitable and respected racing industry for the ACT.

¹ Productivity Commission Report Section 16 dated July 2010

² Funding ACT Racing, Access Economics 22 March 2005

³ Power and Bennet Recommendations

⁴ Productivity Commission Report p16.4

ATTACHMENT A

Table Three -Stable Rent 2000-2010												
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals
Income												
Rent	54,181	52,230	53,585	53,625	49,931	49,425	65,040	65,821	56,129	54,641	47,865	602,473
Expenses												
Cleaning	1,545	1,869	1,692	1,578	2,110	2,931	3,128	1,409	1,798	1,210	1,539	20,809
Depreciation	36,708	36,708	36,708	36,772	41,596	54,960	54,960	54,960	54,960	54,960	54,960	518,252
Electricity	3,898	4,384	4,297	5,370	5,297	4,729	5,051	5,255	5,748	3,985	6,682	54,696
Insurance	4,520	5,644	6,004	8,117	8,215	7,850	7,644	4,735	0	0	0	52,729
Main Track	13,211	10,588	18,928	16,009	16,580	22,206	23,624	13,506	8,725	0	1,517	144,894
Rates	4,573	11,539	9,921	11,553	13,943	15,638	19,118	2,241	699	0	0	89,225
R&M	7,275	4,426	7,258	9,252	2,117	7,647	13,238	13,509	10,656	42,565	79,267	197,210
Training Track	7,504	8,877	1,159	3,165	2,822	25,636	31,994	15,887	1,400	2,818	3,634	104,896
Wages	18,588	22,810	28,355	29,150	27,320	28,741	17,178	35,925	29,691	31,705	32,886	302,349
Water	0	0	0	0	0	0	0	23,579	12,547	24,381	46,606	107,113
Total Expenses	97,822	106,845	114,322	120,966	120,000	170,338	175,935	171,006	126,224	161,624	227,091	1,592,173
Net Result	-43,641	-54,615	-60,737	-67,341	-70,069	-120,913	-110,895	-105,185	-70,095	-106,983	-179,226	-989,700

ATTACHMENT B

Table One - Revenue Streams 2000-2010												
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals
Stable Rent	-43,641	-54,616	-60,737	-67,340	-70,070	-120,913	-110,895	-105,185	-52,477	-106,983	-179,226	-972,083
Bar	15,656	16,519	16,208	13,034	14,816	8,821	14,544	8,654	-3,628	4,971	-1,042	108,553
ACTTAB Distribution	575,429	684,324	670,859	677,635	754,792	791,254	838,992	793,267	822,475	851,431	803,952	8,264,410
Product Fees	0	0	0	0	0	0	0	0	0	0	44,381	44,381
Admissions	18,097	16,357	16,536	15,655	14,934	14,254	13,072	1,773	1,536	887	3,275	116,376
Acceptance Fees	39,000	0	0	0	0	0	0	0	0	0	0	39,000
Bookmakers Fees	13,333	5,671	7,480	7,204	5,641	4,887	4,731	656	238	527	718	51,086
Facilities Rental	22,100	17,388	30,104	24,424	16,664	20,785	20,349	7,681	7,518	9,000	8,727	184,740
Bank Interest	7,725	9,793	9,920	9,280	11,348	16,352	14,131	16,656	23,664	26,365	9,809	155,043
Membership	6,890	4,827	4,700	4,309	4,917	5,400	5,025	610	0	417	755	37,850
Sponsorship	24,596	23,806	16,534	19,944	20,640	29,546	17,004	58,955	1,500	72,045	53,203	337,773
Trials	2,805	2,238	2,729	2,505	2,424	1,677	2,898	2,393	2,117	2,046	1,073	24,905
Commission	203	60	1,068	140	140	20	0	37	3,923	6,672	0	12,263
Track Fees	0	0	0	3,200	1,100	3,400	3,700	3,245	0	0	0	14,645
International Rights	0	0	0	0	0	0	0	0	0	0	4,421	4,421
Gig Insurance	0	0	0	6,006	6,193	6,361	6,009	6,225	4,274	2,871	4,846	42,785
RDF	0	0	0	23,800	191,455	114,631	8,807	130,000	0	55,344	50,295	574,332
Race Books	-387	-432	-890	-1,475	-378	-192	-878	4,574	2,134	3,093	3,897	9,066
Track Restoration	0	0	0	0	0	0	0	2,543	8,699	350	3,833	15,425
Sundry Income	69	3	240	0	0	0	0	220	36,397	500	1,904	39,333
Total Income	681,875	725,938	714,751	738,321	974,616	896,283	837,489	932,304	858,370	929,536	814,821	9,104,304
Annual Profit/Loss	-40,022	52,178	-67,937	-10,412	123,199	39,622	-41,252	-5,057	109,822	-60,148	-285,544	-185,551