

28 February, 2011

**INDEPENDENT COMPETITION AND REGULATORY
COMMISSION DRAFT REPORT (REPORT 11 OF 2010):
INVESTIGATION INTO THE ACT RACING INDUSTRY**

**CANBERRA GREYHOUND RACING CLUB INC. SUBMISSION
AND RESPONSE**



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CANBERRA GREYHOUND RACING CLUB INC

Introduction

The Canberra Greyhound Racing Club Inc (CGRC) is pleased to be able to respond to the ICRC review into the ACT racing industry, and in particular the way it is funded and recommendations on its structure.

The Club was incorporated in August 1970 and today stands as the only Principal Race Club for greyhounds in the ACT, something which the ACT Government and community should be proud of and protect moving forward.

The CGRC held its first race meeting on 28th January 1979 for total prize money of \$4,510. In 2010-11 racing year (October – September) the CGRC will hold 44 race meets and pay in excess of \$406,000 in prize money.

The Canberra Greyhound Cup is listed as a Group Race by the Australian Greyhound Racing Association and is rated one of Australia's top greyhound races outside the metropolitan areas with entrants coming from around Australia to compete.

Of critical concern to the Club is to guarantee funding certainty to not only meet the costs of providing the product, but also to offer prize money to a certain standard that can ensure a quality field in a market in which competition is ever increasing and maintain its current Sky Channel status.

CGRC currently provide a quality wagering product that is covered by SKY 1 racing for the 44 race meetings per year. The 44 race meetings are wagered on through all TABs as well as betting exchanges and Corporate bookmakers. SKY 1 broadcast of CGRC race meetings, in conjunction with Race Fields Legislation, have resulted in a substantial increase in wagering on the CGRC meetings, for which CGRC is rewarded via Race Field legislation income, and indirectly benefits through increased wagering turnover via on course and off-course ACTTAB.

As a Club we have five key objectives:

1. Make track, surrounds and amenities improvements for the safety and welfare of the Greyhound;
2. Provide reasonable and sustainable return to Owners and Trainers;
3. Provide and improve facilities for the enjoyment of Patrons;
4. Improve Marketing of the Club to bolster attendance and wagering; and
5. Improve Governance and integrity arrangements of greyhound racing in the ACT.

As a Club we continually strive to improve the track and the facilities of the Club which we see as a community benefit. We have recently spent around \$200,000 upgrading the track and we have plans to further upgrade the clubhouse itself. We also have plans to further invest into the grounds, including further drought proofing and environmental sustainability measures. With the removal of the Racing Development Fund (RDF), the CGRC has decided to apportion 12.5% of this income source to future capital development works.

Executive summary

The CGRC welcomes the draft report and this opportunity to comment on its draft recommendations. The CGRC has also joined with the ACT Harness Racing Club and the Canberra Racing Club to make a submission on common areas of interest, namely short term funding security, responding to the report's economic analysis, single governance body and probity. These matters will also be further addressed in this submission going into more detail where it relates to the CGRC.

The CGRC has also jointly funded with the other two racing clubs an analysis into the economic contribution of racing and wagering in the ACT. This analysis has been conducted by Allens Consulting Group to assist with responding to claims made in the draft report about the economic contribution of racing to the ACT community and economy.

Concerns with the review process:

The CGRC wishes to express its concern about the review process itself and the way certain 'facts' were presented and conclusions made which devalue the quality of both the report and its recommendations. For example, statements have been made about the CGRC and issues of probity as re-reported from a media article. The ICRC report re-stated the erroneous media claims as fact and never raised this issue with the Club to understand their status and accuracy.

There are other examples in the report of facts being stated which when examined more closely come into question. This unfortunately undermines the report as a whole which is a shame as this review presented an opportunity to undertake a thorough, unbiased and comprehensive review of racing into the ACT. The individual concerns will be raised in subsequent pages of this submission.

The ICRC itself and the Government has at all times been responsive and impartial in its dealings with the CGRC and the concern more rests with the gathering of selective evidence leading to false assertions which affected a number of recommendations.

CGRC Response to the Draft Report

Industry structure

The draft report makes a number of comments, observations and recommendations on the ACT racing industry. The issue of a single governance structure is dealt with under the probity sub-heading below.

In listing the summary of the operations and structure of the CGRC (page 15), it says: *"Due to the size of the ACT market and resources of the CGRC, the club relies on Greyhound Racing NSW for a significant number of race-day functions, such as stewards. Given the size of the CGRC, it would not be appropriate, and most likely not possible to provide all of those functions from its own resources"*.

This statement is incorrect. The only time Greyhound Racing NSW (GRNSW) ever provided race-day functions was for stewards alone. This is no longer the case and NSW Greyhound Racing has had no involvement in providing stewards services to ACT racing for more than twelve months. The CGRC has established its own independent steward's panel and all other race day activities are sourced and provided locally.

CGRC will however contract the services of GRNSW if unusual circumstances, such as a conflict of interest, required steward services other than from the CGRC Greyhound steward panel.

CGRC also wish to clarify that on going member services are provided to CGRC by GRNSW. These non race day services include such matters as participant's registration and licencing as a Trainer, Owner; Owner/ Trainer, Attendant etc; registration, marking and micro chipping of greyhounds that are born; and provision of the independent centralised grading service.

Probity

In section 2.3.2 (page 29), the draft report questions the probity of the ACT racing industry. The basis for this assertion, and a flow-on recommendation of the establishment of an independent government body, is a media article published in 2009.

The draft report states that: *"A deficit of probity and integrity leads to a decrease in confidence in the industry and its administrators"*. This inflammatory opening statement is justified by the following sentence: *"The Canberra Times published an article at the end of 2009 about concerns held by the industry for the integrity of a race meeting held by the CGRC in December 2009"* (2.3.2 emphasis added).....*"The Commission notes that, while this incident may be considered minor by the CGRC, it had an impact on the public perception of integrity with the industry."*

The CGRC was surprised it was not consulted on the status or outcome of this media article in compiling the ICRC draft recommendation, given the major justification for the recommendation of a single governance body is claims in a media article on a single race.

The CGRC refutes the ICRC statement that *"this incident may be considered minor by the CGRC.."*. The CGRC wishes to state that it was extremely concerned about the allegations raised and the impact they could have on the Club and has introduced a range of new measures in response to this race meeting in 2009.

The CGRC contracted stewards for this meeting were provided by Greyhound Racing NSW (GRNSW). GRNSW have conducted preliminary investigations regarding

allegations about the running of Race 3 at the meeting conducted by the CGRC on 6 December. After conducting the preliminary investigations, GRNSW advise they do not intend to proceed to a formal inquiry at this stage due to lack of circumstantial evidence. CGRC accept this advice. Therefore we reject probity and issues surrounding a single greyhound race as the main justification for draft conclusion 6.1 which suggests that: *"...one independent body that oversees the three racing codes. This would be more likely to increase the integrity of the racing industry for the different codes..."*.

The following integrity changes have been implemented by CGRC as a result of concerns raised:

1. All greyhounds nominated to race in a maiden or mixed stake race at CGRC TAB meetings must have completed a satisfactory performance trial. This brings CGRC in line with NSW TAB meetings.

The rule change ensures that greyhounds drawn to race have disclosed form to help assess the greyhound's chances when it next competes in a race, and have trialed satisfactorily prior to racing. Prior to this rule change a greyhound may have been drawn to race in a maiden or mixed stake as a first starter, and therefore have no disclosed form so as to assess its chances in the race.

2. CGRC race meetings are graded by the GRNSW centralised grading system. This brings CGRC in line with NSW TAB meetings.

This procedural change ensures that greyhounds nominated to race at CGRC are graded according to a published set of rules and via a high integrity process that is independent of the CGRC.

This procedural change ensures that there can be no real, implied or perceived integrity breach in either favouring or disadvantaging any greyhound or Owner/ Trainer who may nominate for the meeting.

Leaving aside probity as a sound reason for pursuing an independent governance body for ACT Racing, the CGRC makes the following additional points:

- The CGRC has a very efficient and cost effective management structure as well as steward panel arrangement so it does not see any cost savings associated with the creation of a single body. In fact, evidence from other jurisdictions demonstrates that it can cost more and simply add another layer of bureaucracy;
- It can lead to claims of politicisation of the industry;
- The smaller clubs, as found in other jurisdictions, can be dictated to by the single body without necessarily its interests taking precedence.

It has been suggested that a single body may offer greater scope for ACT racing to "compete" or collectively deal with other States in negotiations over funding, wagering and racing. Currently and in the foreseen future, we don't see this as an issue and certainly not one that would provide a solid argument for the creation of a single racing entity.

Industry economic assessments on economic contribution of racing

In section 2.3.1 (page 20) the report questions the economic assessments that the CRC and other racing bodies have commissioned, at great expense, through high profile and reputable economic consultancies to add value and substance to its submissions and level of local economic literature. As the draft report states, the Commission did not undertake its own assessments but relied on other reports and quotes a SA based report which says: *"studies commissioned by the racing industry clearly overstate the size and role*

of the racing industry by including all employment in all industries throughout the economy that results from spending in the...racing industry....It only makes sense to measure the 'economic impact' resulting from international tourism related to racing, not general spending by Australians...".

The draft report then says: *"Thus, while the extent of economic impact generated by **'international tourism' has not been relevant to an assessment of the ACT industry**, it does highlight the extent to which any economic impact that is created represents a value-added benefit...."*

The draft report goes to great lengths to assess and pull apart industry commissioned research into the racing industry, leading to a false conclusion in our view that it is unreliable and irrelevant. Further, the report selectively cites other research that the ICRC itself suggests is not directly relevant to the ACT situation. We stand by the industry reports as reputable and reliable and in absence of other relevant reports should be taken as read. The CGRC strongly believes that racing in the ACT does contribute back to the local economy and community and at a rate significantly higher than suggested by the ICRC draft report.

The draft report specifically makes the point that it does not question the analysis of the IER and Access Economic reports into value added by the racing and wagering industries for the ACT but does not consider the wagering component in these assessments as relevant (page 27). We believe that separating wagering and racing is not a simple matter nor is it relevant to do so. We refer to the joint Allens Consulting Group submission for further detail.

However, it is the ICRC and the reports' analysis of economic benefit of budget funding to the racing industry that leads it to the recommendation that in the future beyond the current four year budget allocation, that funding be reduced as this in some way provides incentives for the Clubs. The CGRC believes that a level of government funding to the clubs is warranted due to the economic and social value it provides the community.

Funding

The three Clubs have agreed that for ease of budget planning for both the ACT Government and the Clubs and given the current time frames for the adoption of any report recommendations, that it support for two years only (2011-12, 2012-13) the continuance of the current split of budget funding to the ACT racing industry (at 75%, 12.5%, 12.5%).

From 2013-14 and beyond, we support the draft recommendation of the ICRC that the funding split between the clubs reflect the level of wagering support.

We strongly support the finding of the draft report that the level of budget funding should be based on the level of wagering activity. Such a calculation would be responsive and equitable for all three clubs involved.

We don't believe that the funding split needs to be allocated by a single governance body. ACT Treasury or another existing entity should easily provide this calculation allocation.

Linking budget funding to ACTTAB revenues

The CGRC believes that ACT racing should be funded beyond the current period.

We believe that this funding should be tied to ACTTAB revenues and be linked to the levels of wagering it transacts. Should ACTTAB revenues decline markedly in the future or it be sold, then the funding issue can be revisited but the CGRC is concerned about the

de-linking of racing funding from ACTTAB and becoming a budget item that can be removed or reduced easily by a Treasurer of the day.

The linking to ACTTAB revenues is a greater protection of racing funds to the CGRC than the threat of ACTTAB revenues declining further. In addition, it is hoped that that recent and future developments by ACTTAB will improve its profitability and ongoing viability as a source of revenue to the ACT Government.

Race Fields Legislation income Race Clubs also provides an incentive to offer better product and be rewarded for that output of intellectual property.

Problem Gambling

The report makes some points on the impact of the racing and wagering industry on the community, and in particular problem gambling.

The CGRC notes that of the different types of gambling available to the ACT community, electronic gaming machines (EGM) made available through the ACT Club network are the largest single contributor to problem gambling according to the Productivity Commission (PC) report released on 23 June, 2010.

Chapter 7: 4.1 of the PC report notes that problems and vulnerabilities rise with the frequency of gambling and are much greater for gaming machines than other gambling forms.

The table from the PC report below shows that the ACT has the lowest average expenditure per gambling adult of \$1234 compared to the national average of \$1500.

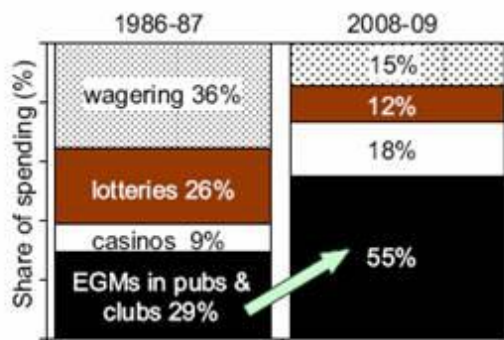
Table 2.1 Gambling expenditure by jurisdiction, 2008-09^a

State	Expenditure ^b	Expenditure as proportion of household consumption ^c	Average expenditure per adult	Average expenditure per gambling adult ^d
	\$m	%	\$	\$
New South Wales	7 150	3.5	1 319	1 911
Victoria	5 110	3.3	1 229	1 684
Queensland	3 344	2.8	1 016	1 355
South Australia	1 136	2.6	921	1 316
Western Australia	1 129	1.8	672	Unavailable
Tasmania	429	3.4	1 124	1 322
Northern Territory	500	7.5	3 129	4 287
ACT	243	2.0	901	1 234
Australia	19 042	3.1	1 147	-1 500^e

^a Gambling includes all gaming, wagering and lotteries. ^b Expenditure in all jurisdictions may not add up to Australia total due to rounding. ^c Household consumption is defined as household final consumption expenditure (HFCE). ^d While these estimates are based on the best available data on gambling participation and expenditure, they are less reliable than other estimates presented due to simplifying assumptions about participation rates. Participation relates to gambling by adults in the last 12 months, and includes most gambling forms, though commonly 'sweeps' and raffles are excluded from the definition. Gambling participation data refer to different years for each state and territory; 2001 for ACT; 2008-09 for NSW; 2005 for the Northern Territory; 2008-09 for Queensland; 2005 for South Australia; 2006 for Tasmania; 2008 for Victoria. ^e Average expenditure per gambling adult for Australia is an estimate based on likely gambling participation in Western Australia.

Further, 2.3 below shows that that EGMs provide by a large margin the current share of gambling revenue and that there has been enormous growth in this type of gambling and a corresponding decrease in wagering in the Australian community.

Figure 2.3 Share of gambling revenue by activity



Data source: Australian Gaming Statistics: 25th Edition, Commission estimates.

Tricode facility

Racing in the ACT has to date received bipartisan support which we are keen to maintain. However, recent experiences in Tasmania and Queensland shows that pushing tricode facilities onto racing clubs can lead to politicisation of racing, invariably due to budget cost blow-outs and issues surrounding the new tricode facilities. This has been a major issue in Hobart. Premier Paul Lennon announced \$16 million in Government funding for the construction of the new tri-code centre in 2004 and recent reports indicate the current budget is \$30 million. In interviews the CGRC instigated with the Hobart Greyhound Racing Club, and from media reports, there were myriad problems with the new facilities development and start-up which has taken years to fix.

However, from reading the draft ICRC report you would not get any of this information or detail. In fact, it refers to Tasracing as the model for Canberra and that the three codes are happy with the arrangement. The Hobart Greyhound Racing Club was never contacted by the report's authors and clearly Tasracing was not going to be critical of itself and the government's policy direction given its government appointed and funded nature.

Courier-Mail, 7 February 2011

Harness racing and greyhound communities vote to withdraw from tri-code agreement under Racing Queensland Ltd

A MEETING of more than 230 harness and greyhound racing participants yesterday voted unanimously to withdraw from the tri-code agreement under Racing Queensland Ltd.

The public rally, held at the Marburg Showgrounds, fully supported a motion to take a strong message to the Bligh Government condemning the way the two minor codes had been treated under RQL since the single-control body began operating on July 1 last year.

The State Government encouraged all the racing codes to embrace the single control body plan. But harness interests were incensed when a promise was broken to retain Albion Park track as the centre for the sport with a new grandstand.

RQL chairman Bob Bentley drew up a "wish list", which included the sale of Albion Park and the scrapping of a plan for a new greyhound track at Logan.

Harness body Breeders, Owners, Trainers and Reinsman Association chairman Bill Dixon, who chaired the meeting, said he was very pleased with the response. "This is a very clear message to the State Government. I will deliver that message and hope common sense prevails," Dixon said.

CGRC feels strongly that any tricode facility must not include three or four tracks inside each other.

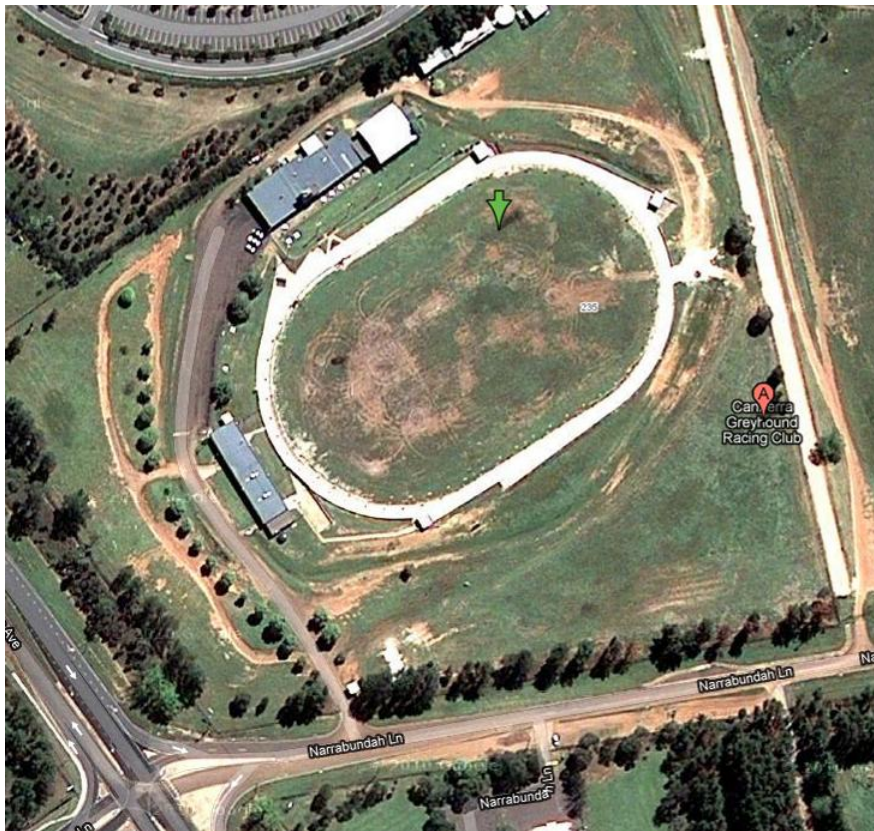
Below is an aerial photo of the Hobart tricode facility (Tattersall's Park) which is referenced in the draft report. It shows three concentric tracks (thoroughbred, harness and greyhound).

The distance from grandstand to greyhound winning post at this track is approximately 95 metres and the distance from back straight to grandstand is approximately 205 metres.



Compared to the CGRC track and facility at Symonston (shown in picture below):

- Grandstand to winning post: 20 metres,
- Fence to winning post: 10 metres,
- Back straight to grandstand: 120 metres



Therefore one can easily understand the concerns that the Hobart Greyhound Racing Club has and the CGRC would have in terms of loss of ambience and patron connection with a small animal such as a greyhound racing such a distance from the grandstand and grass verge in front.

Further, Hobart trainers have to access the track from the rear and kennel their dogs far away from the facilities located in the grandstand. The Hobart Club is required to run a shuttle bus from the kennels to the grandstand on race day.

Further, the three Hobart based clubs have access to a separate training facility so that horses and dogs can be trained and trialed. At present there is only one thoroughbred track in Canberra so a cost benefit analysis would need to consider training facilities and tracks as well as the race tracks themselves.

Thus in considering a tricode or co-located facility, assuming a cost benefit analysis finds that this is economically feasible, the CGRC would support a dedicated greyhound track adjacent to the thoroughbred/harness track and backing the existing or new grandstand and other facilities.

Greyhound training, conditioning and trialling facilities are required at a tricode facility, in addition to the race day track, amenities and surround requirements. There are a number of requirements to ensure that animal welfare issues, such as dogs off leash, are accounted for in any new tricode facility. This is to ensure safety and welfare of all animals and be compliant with the appropriate on and off leash rules for where dogs can be exercised.

CGRC Response to the Draft Recommendation

Below you will find the draft recommendations from the draft ICRC report and the CGRC summarised position. More detailed arguments and background is contained in the pages pre-ceding this section.

Draft finding 3.1

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

Agreed.

Draft finding 3.2

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

Agreed.

Draft finding 3.3

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

Agreed and would support ACT joining smaller States such as Tasmania and South Australia in arguing its position.

Draft finding 4.1

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.

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 level of base funding from the ACT Government is generous, given the historical levels of funding.

Disagree that base budget funding removes incentive to improve product. There is no evidence that this is the case. The base level of funding is appropriate to support and sustain a competitive racing industry.

Draft conclusion 4.2

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 industry. This transition should be made through either a phasing out or a reduction in the base level of budget funding.

Under each of these scenarios, the level of reduction should be less than the product payments generated by the industry, so as not to remove all of the incentives for the racing clubs under the current regime.

The CGRC believes we need budget certainty after the four years whilst transitioning to a national scheme. In absence of a national scheme continued budget transitional funding will be required.

This can be reviewed at the end of the current four year budget period to 2013-14 to establish the quantum of revenue gained from the new ACT Race Fields Legislation and the status of a national scheme.

Draft finding 5.1

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

Draft conclusion 5.1

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.

Agree with draft finding 5.1. Disagree with draft conclusion of 5.1 around the need for an independent racing body to fulfil the finding in 5.1. The CGRC supports mechanism suggested for allocation of budget funds to the three codes as equitable and fair.

Draft finding 5.2

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.

The CGRC does not receive other forms of explicit or implicit government support and the draft report cites CRC and CHRC examples and does not wish to comment on these arrangements. In our submission on the enquiry, the CGRC made the point that it pays rates and taxes at high and increasing levels each year yet has to acquire additional services that would ordinarily be seen as part of the rates levy (eg garbage and waste collection).

Draft conclusion 6.1

The Commission's draft conclusion is that 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.

Strongly disagree. The basis for such a conclusion is on a media article regarding a greyhound race. The onus remains on the Commission to argue the case for an independent body that creates efficiencies (what are they) and not simply adds another layer of bureaucracy. In addition, this may indeed cost the CGRC more in terms of overhead. Whilst we strongly support a more equitable allocation of resources, we don't believe there is a need for a new racing body to simply create a funding calculation. This can be done by ACT Treasury.

Evidence from other greyhound clubs in Australia suggests that a single governance body has not served them well.

Draft conclusion 6.2

The Commission's draft conclusion is that 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 with regard to 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 as described in Draft Conclusion 6.1.

Part agree. The investigation of co-location into a three code facility should form the basis of a cost benefit analysis of such a move. Evidence from other jurisdictions, not covered by the report,

suggest that budgets significantly increased from original estimates and that the minor racing clubs are left unhappy and disenfranchised. A cost benefit analysis of a potential move does not need to be driven by a new independent governance body but could simply be commissioned by the Government.