

Investigation into the ACT racing Industry

An Economic Valuation of ACT Racing
ICRC Public Hearing - Racing Review

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Summary

- ◆ The valuation of ACT racing provided in the draft report should be re-examined on three fronts
 - 1) The valuation of the *direct value added* provided by the ACT racing industry is understated based on ABS input-output tables.
 - 2) ACT racing has links to other sectors of the ACT economy and a robust valuation of the industry would not ignore these.
 - 3) The synergies between racing and gambling should be considered.

Background

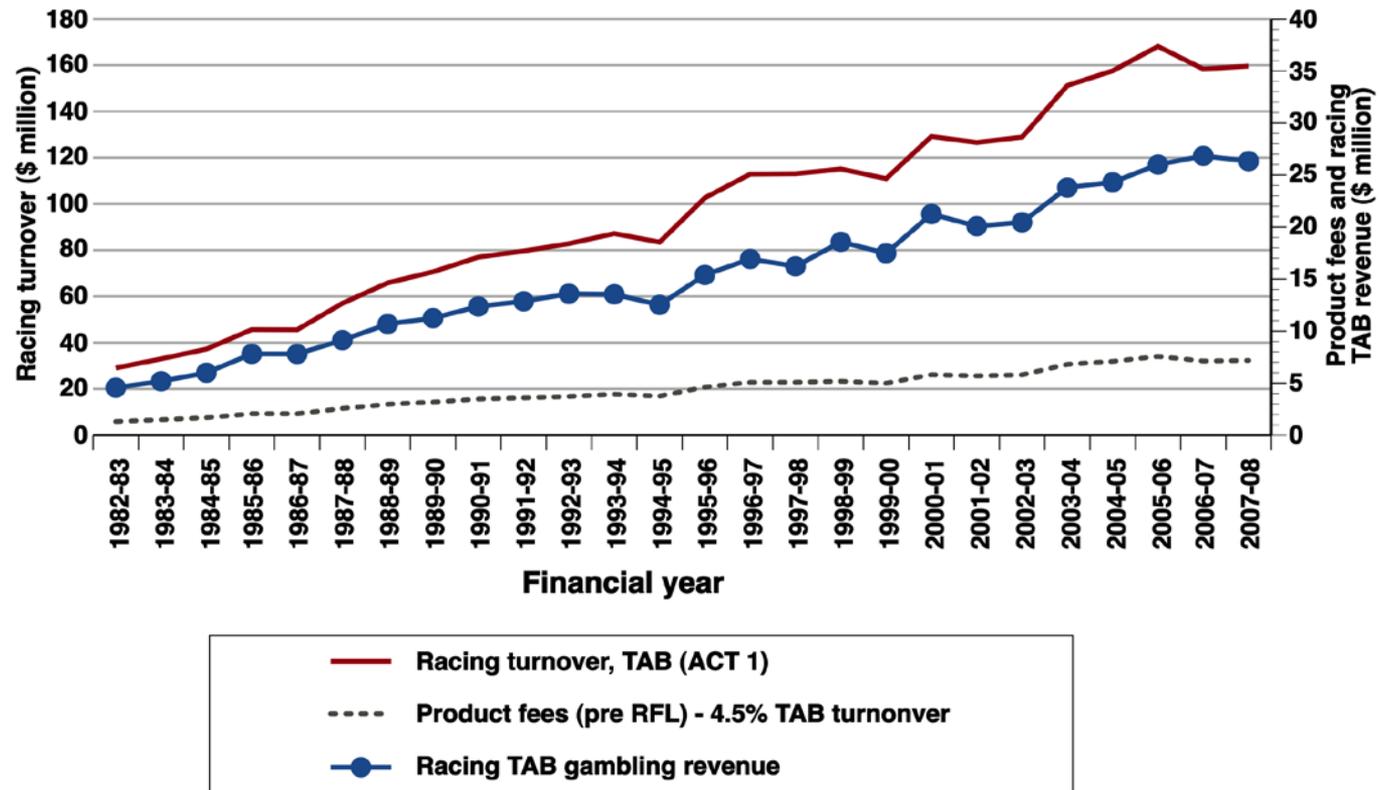
- ◆ The ACT racing is an important part of the ACT economy.
- ◆ ACT racing directly provides 500 full-time equivalent jobs across a wide range of skills.
- ◆ ACT racing hosts over 100 race meetings per year which draw visitors from within the ACT and interstate.

Links to Gambling

- ◆ Historical interdependence of racing and wagering:
 - ◆ intertwined funding arrangements
 - ◆ crucial two-way information flows
 - ◆ integrity of one industry affects the other
 - ◆ importance of media and broadcasting, e.g. TAB
- ◆ ICRC approach should give greater consideration to this interdependence.
- ◆ These links are illustrated below.

Links to Gambling

ACTTAB RACING WAGERING TURNOVER, PRODUCT FEES AND REVENUE



Source: Australian Gambling Statistics, Queensland Government, 2010.

Value Added - direct and indirect

- ICRC analysis is limited to direct, value added effects to avoid the risk of over-estimation.
 - ACG, using ABS data and applying the same top-down approach using values the ACT racing industry at \$25m in 2009-2010 — 3-5 times the ICRC valuation.
- However, consideration of upstream and downstream employment effects is important and doesn't necessarily inflate valuation.
 - e.g. decline in racing may benefit industries competing for scarce labour and capital
- CGE modelling better values direct and indirect effects, including synergies.

Key Results

- Using ABS input-output tables and the narrow direct value add concept arrives at an estimate of \$25M (3-5 times the estimate in the draft report).
- Indirect (General Equilibrium) impacts matter. When these are considered the impact of ACT racing on GSP is around \$50M.
- The synergies between racing and gambling should not be ignored. When these are considered the impact of ACT racing is around \$90M.