Thoroughbred Park

Canberra Racing – The thrill of it all...

CANBERRA RACING CLUB SUBMISSION

ICRC

independent competition and regulatory commission

INVESTIGATION INTO THE ACT RACING INDUSTRY

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Canberra Racing – The thrill of it all...

Mr P Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
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Dear Senior Commissioner

The Canberra Racing Club welcomes the opportunity to provide this submission to the Independent Competition and Regulatory Commission for its investigation into the ACT racing industry in accordance with the Terms of Reference Determination 2010 (No 1) – Disallowable instrument DI2010-269.

Yours sincerely

Peter Stubbs
Chief Executive
Canberra Racing Club
23 November 2010

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Contents

EXECUTIVE SUMMARY

The funding of the racing industry is a complex issue which is intertwined in a connection between racing, wagering, Government and TAB's. Any investigation into the racing industry must unravel the association between the relevant bodies to fully understand the source of revenue received from wagering.

In summary the Canberra Racing Club's (CRC) submission to this investigation provides a significant amount of information and data and is supported by Access Economics (AE) in a submission which provides a quality economic analysis of the ACT thoroughbred racing industry.

The AE submission demonstrates that the ACT racing industry receives the lowest percentage point of funding per capita relative to TAB turnover by comparison to every other racing jurisdiction except the Northern Territory, Ref: AE submission Table 1.5.

CRC is seeking the following outcomes when the final ICRC report is released on Friday 8 April 2011:

1. A continuation of funding of the racing industry from the ACT Government Budget

2. An adjustment of funding to be the equivalent of 5% of ACTTAB turnover from the base year 2005/2006 plus CPI adjustments for each subsequent year

3. ACT Government support through the transition period towards a national funding model for the racing industry and support in negotiating the national model

4. A continuation of the revenue from race fields legislation to be passed onto each racing code and for the Government to review the fee structure in light of the NSW Federal Court of Appeals decision Racing NSW versus Betfair and Sportsbet

5. For 80% of the ACT Government's budget funding to be distributed to the thoroughbred code

6. For the ACT Government to pay out the balance of the CRC racecourse redevelopment loan of $2.75 million

7. A feasibility study on the structure of the three codes of racing, a possible centralised venue and suitable governance arrangements

8. The distribution of the balance of the discontinued Racecourse Development Fund (RDF) to the three codes thoroughbreds, harness and greyhounds

With regard to the four major points identified in the ICRC review, CRC provides the following responses:

- **Appropriate system of product payments –**

There are two parts to product payments:

1) In the longer term a national model may evolve, where an increasing proportion of the ACT racing club's product fees comes from interstate wagering operators. A National model would need to include concessions to compensate for the circumstances of small jurisdictions. It is likely that Government's would still need to contribute financially to the racing industry (as they currently do with other sports) to supplement the product fees paid by wagering providers.

2) In the short term, until a national model evolves, the current system of Government budget funding is considered an appropriate transition arrangement.

- **Appropriate funding outcome for the ACT racing industry -**

To align product fees more appropriately with those of other jurisdictions, the CRC believes that the appropriate level of funding is the equivalent of 5% of ACTTAB turnover for the recommended base year of 2005/2006 plus CPI adjustment for each subsequent year and that the funding should continue to be paid from the ACT Government's Budget. In addition the ACT racing industry should continue to receive the full amount of the revenue created by wagering on its product through race fields legislation as is the case in all other Australian jurisdictions. Whilst this would increase the racing product fees from the current level, the ACT would still remain one of the lowest funded jurisdictions.

- **Appropriate allocation of ACT budget funding between the three racing clubs –**

CRC believes that the most appropriate approach to allocating the funds across the three codes is to apply a model based on the economic value created by each racing code to the ACT and it should also reflect the interests and contributions of stakeholders. In determining the value, consideration should be given to the contribution to the ACT economy, the employment the code produces, the level of interest in the code locally and nationally and the cost of producing the product. CRC believes that the value of its product and contribution to the ACT economy entitles it to 80% of the budget funding provided to the total racing industry and this is supported by Access Economics (AE) in its submission. Thoroughbred racing is also the clear leader in terms of the interest that local punters have in the three codes.

In 2004 CRC commenced a redevelopment of its racing and training facilities and completed the project in 2007. The $9.5 million redevelopment was funded partly from reserves built up in the RDF and partly from a principal and interest loan the CRC secured for $4.5 million for the balance. The loan was guaranteed by the Government but by agreement between the three racing codes was paid from the RDF. Since the abolition of the RDF in May 2010, CRC is required to meet the annual repayment fee of approximately $668,000 per annum from within the budget funding. The loan will be fully repaid in August 2014. CRC seeks a recommendation from this review that the loan to be paid out in full by the ACT Government. The balance of the loan is $2.750 million including interest payments. CRC acknowledges that the ACT Government made a contribution of $500,000 towards the loan in 2010.

- **Future structure of the ACT racing industry –**

The ACT racing clubs face many challenges not the least being the small size of the ACT jurisdiction and the additional costs of running the clubs as Principal Clubs, a cost that is not borne by regional racing clubs who are the ACT clubs major competitors for the wagering dollar and racing stock to make up race fields. For the ACT racing industry to be competitive in the future it must reduce its overall running costs. The cost of maintaining facilities such as Thoroughbred Park and the Canberra Greyhound racing facility will increase as the cost of services, repairs and maintenance and capital costs grow. Added to this is the on-going requirement for improved safety standards for participants, public demand for better facilities and competition for the function and sponsorship dollar. It is doubtful over time that the three codes of racing in the ACT can support and adequately maintain three racing venues in the ACT. CRC believes that the three codes and the ACT Government should explore the feasibility of bringing together the three codes of racing into one facility and explore suitable governance arrangements.

Recent developments in NSW

Following an important recent Federal Court decision, Racing NSW proposes to allocate $70 million towards capital works to racecourses across NSW and increase prize money to $100,000 for Saturday metropolitan races, $35,000 for metropolitan mid-week races, $25,000 for provincial level races and $15,000 for country TAB races, (Ref: The Daily Telegraph page 87, Thursday 18 November 2010 & Racing NSW Strategic Plan 2010, page 3.). With the current level of funding in the ACT, this will significantly affect CRC's competitive position in relation to NSW, making it difficult to retain the current level of thoroughbred racing in the ACT.

1. Introduction

CRC's submission provides information and comment on the key points on which the ICRC is required to make recommendations which are:

- Appropriate system of product payments;
- Appropriate funding outcome for the ACT racing industry;
- Appropriate allocation of ACT budget funding between the three racing clubs; and
- Future structure of the ACT racing industry.

CRC's submission discusses the challenges the Club has faced as ACTTAB's turnover has declined over recent years, how the recent funding agreement has now somewhat stabilised that situation and how the CRC still faces cost and competitive pressures. Given the challenges presented by being in a small jurisdiction and acting as both a Principal Club and a racing club it emphasises the importance of having a period of certainty and stability over the next few years, given the funding volatility of recent years.

To support this submission the CRC has commissioned AE to prepare a submission titled Investigation into the ACT racing industry 2010. The AE submission focuses on the economic rationale for product fees, statistics and comparisons of funding between the ACT and other jurisdictions, economic impacts, employment impacts and per capita contribution.

The Australian racing industries wagering landscape has changed rapidly in recent years particularly with the expansion of the corporate bookmaking sector and the introduction of race fields legislation by all States and the ACT. The funding of the Australian racing industry has reached the transitional stage with a hybrid product fee partly based on the traditional Gentleman's Agreement funding model and partly based on a wagering product fee charged to all operators.

Over a decade ago the CRC foreshadowed the likely breakdown of the Gentleman's Agreement (which governed wagering across jurisdictions) and its likely replacement with a funding model based on product fees. The CRC has been pro-active and dynamic in its scheduling and broadcast decisions, and has been responsive to the changing demands of punters around Australia, more so than many other racing clubs.

CRC Operations

CRC is a seven day per week operation located at Thoroughbred Park, Lyneham. As well as staging 26 race meetings per annum CRC maintains a seven day per week fully supervised training centre. Thoroughbred Park accommodates the stabling of 250 horses under the care of 22 trainers in 19 sub-lease stable complexes. The training facility includes four training tracks, an equine swimming pool and automated horse walking machines. Training commences under lights each morning from 4.30am. For reasons of safety, integrity of the rules of racing and animal welfare, track work and the equine pool are fully supervised.

Thoroughbred Park also accommodates one corporate bookmaking company and two professional punter suites all of which operate seven days per week. In addition the CRC operates a function centre at Thoroughbred Park in order to earn additional revenue.

In this submission the CRC provides extensive information and data on the economic significance of the ACT thoroughbred racing industry, the contribution to the community, the value of the ACT thoroughbred racing product, the net value of the product, the level of interest, the relative costs of producing the product and of maintaining facilities, government support and the current structure and recommendations for the future.

Gentlemen's Agreement

Any review of the funding of the Australian or ACT racing industry requires an understanding of its history particularly the unwritten Gentlemen's Agreement among the state and territory racing authorities.

This agreement allowed each state and territory to accept wagers on each state and territory's racing product without paying the originating state or territory a fee for product. The proviso was that the TAB or government compensated the local racing industry in each state and territory for the right to use the national racing product. This arrangement remains in place in every state and territory under varying

funding models and is the principle under which the ACT Government funds the ACT racing industry through the ACT budget after changing from an ACTTAB turnover-based model in May 2010.

Over a decade ago CRC foreshadowed the likely breakdown of the Gentleman's Agreement, and the challenges this would present of operating in a national competitive environment. To meet these challenges CRC adopted a strategy of eliminating the scheduling of predominantly non-TAB Saturday race meetings and scheduling national TAB-covered and Sky Channel televised race meetings. These objectives were achieved in 2010/2011, with all of the 26 race meetings scheduled by CRC having national TAB and Sky Channel coverage. CRC has been pro-active and dynamic in responding to the challenges of national competition.

In recent years all states and the ACT have introduced race fields legislation to counter the free-riding by corporate bookmakers as a result of a partial break down of the Gentleman's Agreement. In the 1960's, free-riding by SP bookmakers was addressed by granting exclusive licenses to government-owned TABs to provide off-course retail wagering. As well as providing an effective means of raising taxation for government, this arrangement ensured that the racing industry was paid for the use of its product through agreements between TABs and the local racing authorities.

The Australian racing industry wagering landscape has changed rapidly in recent years particularly with the expansion of the corporate bookmaking sector and the introduction of race fields legislation by all states and the ACT. The funding of the Australian racing industry has reached the transitional stage with a gradual move from the traditional Gentleman's Agreement funding models towards a product fee based model.

National Funding Model

There is strong support in government and racing circles for the establishment of a national funding model based on the payment of product fees.

In an article in the Australian Financial Review (Fin Review, Mark Skulley Page 3, 29 October 2010) it is reported that the Council of Australian Governments (COAG) would consider the impact of online betting on the racing industry. Federal Assistant Treasurer Bill Shorten said that online betting was a big industry in Australia and it made sense for the select council to include it in its deliberations, saying: "The federal government is committed to working with the states and territories on gambling reform".

Rob Hulls Victorian Deputy Premier, Attorney General and Racing Minister, welcomed the consideration of wagering by COAG arguing that all wagering operators had to provide a reasonable contribution to the racing industry.

A national approach to the funding of the racing industry is logical but it will take time to establish. In the meantime it is critical to the survival of the ACT racing industry that it is funded on the basis of the traditional funding model based on the Gentleman's Agreement, plus the revenue generated by CRC's product through race fields legislation. Without adequate funding CRC could fall below the level of race meetings needed to generate sufficient racing product to continue to generate the economic benefits identified by AE. The CRC is currently very close to the minimum scale of operations and prize money to remain a competitive racing club in the new national environment.

CRC acknowledges that the ACT Government has abolished the Racecourse Development Fund (RDF) and replaced the funding of the ACT racing industry with a budget allocation. But there remains a link between ACTTAB, the ACT Government and the ACT racing industry as there is an ethical obligation on either ACTTAB or the ACT Government to pay to the local racing industry the product fee that is due to the industry while ACTTAB is not paying the full contribution to other jurisdictions for the racing product it accepts bets on.

If following this investigation the ACT Government were to reduce funding to the ACT racing industry it would be the first state or territory Government to break the nexus between its TAB wagering on interstate racing product and compensating the local racing industry for this right and would no doubt draw the attention of interstate racing authorities.

Response to Issues Paper

CRC's responses to the issues the Commission raised in its Issues Paper are given below under the paper's heading structure.

1.1 Background (Issues Paper)

The ICRC correctly identifies in its issues paper that wagering operators traditionally covered racing throughout Australia but paid product fees and taxes only to the state in which they are licensed, an arrangement known as the Gentleman's Agreement. The Commission acknowledges the introduction of legislation known as race fields legislation by all state and territory Governments with the exception of the Northern Territory.

As the ICRC correctly points out the ACT racing industry previously relied on the performance of ACTTAB through the RDF. The RDF required ACTTAB to pay the ACT Government an equivalent of 4.5 per cent of turnover (not 4 per cent as stated in the issues paper). From the funding 4% was distributed directly to the clubs for operational expenses and 0.5% was retained in RDF for capital works which was subsequently distributed among the three racing codes in the ACT.

This model meant that the funding provided to the racing industry was dependent on the success of the ACTTAB and was not necessarily linked to the success of the racing being provided by the three codes in the Territory. This is not peculiar to the ACT in fact this model was similar to those operating in all other state and territories. <u>The significant difference was that the ACT racing industry received the lowest percentage funding in the country.</u>

It is true that the current funding arrangement for the industry is expected to provide a higher level of funding than that which would have been received under the previous arrangements. However this is true only because of the declining turnover of ACTTAB and the failure to address its causes. It is also due to race fields legislation in the ACT generating revenue for the local industry on its racing product which the industry in all jurisdictions receives in addition to the normal TAB model funding.

In 1998 the ACT Government was considering the sale of ACTTAB. The CRC commissioned a report by PKF Consulting which was submitted to the ACT Government.

In part the 1998 PKF report identified that:

- "ACTTAB's competitive position is likely to deteriorate
- ACTTAB faces an increasingly competitive wagering market especially as new forms of internet and interactive betting emerge.
- ACTTAB is not fully equipped to match new forms of gaming or cross-border wagering competition".

All of these predictions have been found to be accurate. The consequences has been that the ACT racing industry has suffered from a lack of growth over many years particularly because of ACTTAB's inability to provide the range of wagering products available from other TAB operations.

ACTTAB has been left behind in the increasingly competitive wagering market because of an apparent lack of strategic foresight and business development initiatives over many years. Over the next few years, ACTTAB is embarking on an IT upgrade project to address some of these issues, which may help stem the flow of its market share to online, phone and other interstate operators.

The ICRC notes the relevance to its investigation of the June 2010 Productivity Commission report entitled "Gambling" which focuses on the issues that have arisen through the traditional funding arrangements for the racing industry.

The Productivity Commission Gambling report (page 16.23) made the point that in the ACT "it appears as if only part of the income from the proposed race fields legislation will be delivered to the racing industry, with the remainder being used as general revenue by government (Canberra Times, Saturday 30 January 2010). Rather than unwinding a past interstate market distortion, race fields legislation (RFL) in this case is merely being used as a new form of Territory government taxation." It should be noted that the ACT Government did not maintain its initial approach of netting off the full amount of race fields legislation revenue from the ACTTAB funding model.

Instead, the CRC understands, the ACT Government adopted a funding model based on providing budget funding that is equivalent to the distribution received based on 2009/2010 ACTTAB turnover. The racing industry had argued for 2005/2006 to be accepted as the base year as ACTTAB's competitive position and consequently turnover declined significantly in the years since then.

2. Investigation Approach (Issues Paper)

2.1 Product payments and funding outcomes

The Commission seeks comments on what an appropriate system of product payments for the ACT racing industry would be.

The Commission seeks comments on what an appropriate funding outcome for the ACT racing industry would be.

An appropriate system of product payments for the ACT racing industry needs to be considered in the context of a pre and post national funding model.

In 2010/2011 the ACT Government amended the racing industry funding model from 4.5% of ACTTAB turnover to direct budget funding. CRC argues that the budget funding should equate to 5% of ACTTAB's turnover using 2005/2006 as the base year plus CPI adjustments. The ACT racing industry has been disadvantaged by the inability of ACTTAB to remain competitive in the modern wagering market and this has significantly eroded its turnover in real terms since 2005/2006. Over this period the three clubs have had little to no involvement in the management of ACTTAB and despite repeatedly raising concerns with Government over the performance and strategic positioning of ACTTAB it has only been very recently that the industry gained representation on the Board of ACTTAB with the appointment of Mr Howard Powell. The effect of the deterioration of ACTTAB's "real" turnover between 2005/2006 and now when compared with achieving inflationary growth has seen the three codes forego approximately $1.5 million annually, as derived in the AE report, page 1, Product Fees for Racing.

That is to say, if ACTTAB's performance had continued in line with its 2005/06 performance, its wagering turnover would be in the order of $200 million per annum, with 4.5% of that resulting in around $9 million for the racing clubs, rather than the 2010/2011 allocation of $7.268 million.

Additionally, in every other State and Territory (where the local TABs have not declined to the same extent as ACTTAB) the racing industry has received the full value of race fields legislation revenue in addition to the funding provided under the existing current funding models in place in each state.

CRC believes that the appropriate level of funding, based on interstate comparisons, is the equivalent of 5% of ACTTAB turnover for the recommended base year of 2005/2006 plus CPI adjustments for each subsequent year and that the funding should continue to be paid from the ACT Governments Budget with annual CPI adjustments. In addition, the ACT racing industry should continue to receive the full amount of the revenue created by wagering on its product through race fields legislation. This would see racing product in the ACT remunerated similarly to the way to a similar extent as is the case in other jurisdictions.

If a national funding model is established then it is appropriate that the ACT racing industry be funded according to that agreement. There are some risks for the clubs in a small jurisdiction such as the ACT and it may be that the Government may need to support the industry in a similar way that it supports the Brumbies, the Raiders and the Greater Western Sydney AFL team from a community benefit perspective for the entertainment it provides to the wider community.

The ACT racing industry will also need to negotiate an acceptable funding model with the other state and territory racing authorities, one that recognises the different scale of the various jurisdictions economies and the importance of regional racing as feeders into metropolitan racing, (Ref: AE submission page 2, Developing a National Market).

2.1.1 Economic impact of the racing industry in the ACT

The Commission seeks comments and information on the economic impact of the ACT racing industry.

The Commission seeks comments on the different sources of contribution of racing to the ACT community.

The following information provides an outline of the Canberra Racing Club's contribution to the ACT economy. Additional details are in the AE submission, page 6 Economic impacts. CRC has also previously provided information to the ICRC on the tourism benefits of the Black Opal Stakes.

- **Total Direct Spending**
  Total direct spending from racing in the ACT amounts to $52 million. The total direct spending of the racing industry comprises of money spent by the participants, the Club, and the customers, plus the direct revenue that flows as a result to Government, ACTTAB and bookmakers for further stimulation of the economy.

- **Economic Impact**
  It is estimated that thoroughbred racing in the ACT generates $44.4 million in real gross value added and employment of 480 Full Time Equivalent workers.

  The number of on-course customers for the 2009/2010 season in the ACT was approximately 40,000. Whilst these customers spend money at the races, some also generate spending in the community (transport, accommodation etc).

  This additional spending equates to more than $1.7 million as a result of their attendance at the races. A large proportion of the money is spent during major events such as the Black Opal Stakes, Canberra Cup and Melbourne Cup race meetings where interstate and overseas visitors are inspired to attend.

- **Taxation Impacts Generated**
  The three codes of racing in the ACT are responsible for the generation of $8.95 million for the ACT Government as detailed in the AE submission.

  The CRC has contributed to the organisations listed below through monetary donations and/or goods and services. In addition at feature race meetings a designated charity is appointed to allow the charity to collect funds at the entrance gates and amongst the patrons. For example Pegasus – Riding for Disabled at the 2010 Melbourne Cup race day at Thoroughbred Park collected more than $7,000. CRC remains an important conduit for fundraising for ACT charity and sporting organisations.

2010 Community Contributions	
Sportzcare ACT	Peter Blackshaw Real Estate Gala Dinner
Richard Luton Property Valentine's Day Ball	Women in Racing Spring Racing
St Anthony's Parish School	Creative Digital Solutions
Mitchell Lovelock-Fay's Fundraising Dinner	Tuggeranong Lions Junior Australian Football Club
St Monica's Primary School Fete	Australian Red Cross
Centenary Institute	Olivia Lambert Foundation
Department of Education, Employment & Workplace Relations	St Vincent de Paul
Majura Primary School	Quandialla Preschool
Careflight	Goulburn Domestic Violence Committee
Lara Jean Association	Karinyahouse
Marymead	Pegusus – Riding for the Disabled
Dickson Baptist Church	

CRC race meetings support a number of charity functions throughout the year including Open Family, the Cancer Council, and Snowy Hydro Southcare all of which generate attendances of over 200 people at luncheon functions which generate considerable revenue for their organizations.

2.1.2 Value of product payments to ACT racing clubs

The Commission seeks comments and information on product payments currently being received by the ACT racing clubs.

The Commission seeks comments and information on product payments currently being received by racing clubs in other jurisdictions.

Prize money is the economic driver for racing and wagering; to be competitive for the wagering dollar prize money levels must be competitive with other jurisdictions, particularly the adjoining jurisdiction of NSW.

To maintain racing at its current level in terms of the number of race meetings and to be competitive with the level of prize money paid by provincial level Clubs in NSW funding has to be at the very least equivalent to the percentage levels provided to Racing NSW.

Equinox Consulting Services (Ref: Equinox, Attachment 1) was engaged by CRC in 2008 to provide an outline of the level of funding in both NSW and Victoria based on a nominal turnover figure of $100. The analysis identifies the various deductions including a takeout rate of 16% and the various state and commonwealth taxes. As the data indicates the three codes in NSW receive 5.13% from the Government in funding and in Victoria 6.38% compared to 4.5% in the ACT under the previous model.

It should be noted that the Victorian figure of 6.38% does not include funding from gaming, which the Victorian Government has recently announced will be withdrawn from racing. The Victorian Government has announced that racing will not be disadvantaged by the withdrawal of gaming revenue. If Victorian funding is increased to compensate for the loss of gaming revenue Victorian funding to racing will increase 18% in total and Government funding will increase from 6.38% to approximately 7.56% of turnover.

Further interstate comparisons of product fees by jurisdiction, per capita, per dollar of economic impact and per employee are provided in the AE submission, Tables 1.5, 1.6, 1.7. These show that ACT product fees are relatively low and the economic performance relatively high, compared with other jurisdictions.

The significance of the decision on the Federal Court appeal between Racing NSW, Betfair and Sportsbet cannot be overstated in terms of its relevance to this investigation, the effect it will have on prize money levels in NSW and the competitive pressures CRC will come under to match NSW prize money levels. This point is covered in more detail on page 18 of this submission.

2.2 Funding Allocation

The Commission seeks comments on the most appropriate approach to allocating the funds across the three different racing codes.

CRC believes that the most appropriate approach to allocating the funds across the three codes is to apply a model based on the value of the codes racing product to the ACT from an economic perspective and in terms of the interest shown by ACT punters and stakeholders in the three codes, as per the AE submission page 6, Three Code Split.

In determining the value, consideration should be given to the value to the ACT economy, the employment the code produces, the level of interest in the code locally and nationally and the cost of producing the product.

Economic data and interest in the thoroughbred racing product supports CRC's belief that the value of its product and contribution to the ACT entitles CRC to 80% of the budget funding to the racing industry and this is supported by AE in its submission, (Ref: AE submission, page 6.)

2.2.1 Interest and involvement in the racing codes

The Commission seeks comments and information on the levels of interest and involvement in each of the three racing codes associated with the ACT racing industry.

In the modern racing world it is difficult to determine the level of interest in the ACT racing industry. Criteria for the measurement of interest might include, attendance at race meetings, wagering turnover, membership, racehorse ownership, betting with ACTTAB, betting with an interstate corporate bookmaker, reading about the local racing industry or watching television news coverage of local racing, visiting the CRC web site or viewing races on Sky Channel or TVN. Clearly, the interest is made up of a combination of these things.

The following statistics indicate the level of interest in the areas referred to above:

- On average **40,000 people** attend Thoroughbred Park annually for race meetings and there is a wide national and international television and radio audience for each of the 26 race meetings produced by CRC.
- The CRC's new schedule, with full TAB and Sky coverage is a first for 2010/2011, so results are expected to be higher than in earlier years.
- Wagering turnover on ACT thoroughbreds through race fields legislation is estimated to be **$80 million to $100 million.**
- At 30 October 2010, CRC had a membership base of 1,050 paid up members and associate members.
- On average eighty four horses start at each Canberra Race meeting with a core ownership base of approximately 400 people per race meeting. In addition at each race meeting there is an average participation rate of 50 trainers and 25 jockeys.
- ACTTAB turnover on ACT thoroughbreds is in excess of **$3 million per annum** excluding fixed odds betting through its Centrebet contract.
- Details on individual accounts held by ACT residents with interstate corporate bookmakers or TAB's are not available.
- Sky Channel is the most watched Pay TV channel (based on duration) with an estimated 2 million viewers each week, Sky Channel subscribers have access to all CRC race meetings.
- Sky Racing Radio has an average weekly audience of 604,000 with an average of 125,000 listeners on race day (includes Canberra race days).
- CRC website receives 6,000 hits per month and an average of 16,000 page hits per month.
- The Canberra Times newspaper and Win Television Local news in combination cover almost all local CRC race meetings. In addition each week the Canberra Times newspaper prints a local column devoted to local thoroughbreds in its Sunday edition.

2.2.2 Relative costs of producing racing product and maintaining racing facilities

The Commission seeks comments on the relative costs of producing racing product and maintaining racing facilities across the three different racing codes.

CRC is a not for profit organization. After the deduction of running costs, capital works funding and racecourse development loan repayments, it distributes its remaining revenue to industry stakeholders and participants as prize money.

There is a direct link between wagering and prize money. There is an age old argument about who is more important, the owner or the punter. The argument is circular, as each is dependant on the other and the Club is the intermediary between the two to collect the wagering revenue and dispense it to the owners as prize money.

The race horse, pacer, trotter or greyhound owner, is an important element in this equation. Through the realisation or expectation of winning prize money the whole racing industry is driven. The reality is that most owners pay out more money in costs than prize money won, but the level of investment is affected by the rate of return.

The racehorse, pacer trotter or greyhound owners fund every activity in preparing and racing the horse or greyhound including:

The trainer
The jockey or driver
Strappers

Veterinarians
Farriers
Feed Merchants
Gear suppliers
Chiropractors
Agistment properties
Float Companies
And the list goes on.

The total cost of producing racing product and maintaining facilities for CRC is **$8.2m per annum.** Alternative revenue streams to wagering generate important but limited additional revenue. Sponsorship, bars, catering and membership subscriptions will not sustain the Club as these revenue sources combined generate only 28% of total revenue. The CRC continually develops strategies and initiatives to generate additional revenue but as with all racing clubs the majority of revenue is derived from wagering revenue.

The Australian Racing Board is making a submission for this investigation which provides information on returns to owners. While owners receive some 'consumption benefit' from the excitement of owning a racehorse, there is also a large professional involvement in racehorse ownership (and more so than with the other two codes, where there is arguably a larger hobby/consumption element).

For this reason thoroughbred racing could not rely purely on those 'consumption benefits' to cover the cost of owning, breeding and training a racehorse, and a reasonable proportion of these costs needs to be returned to owners through prize money, to maintain the quality and professionalism of the runners that is demanded by punters.

2.2.3 Forms of government support

The Commission seeks comments on the different forms of government support currently provided to the racing clubs.

The Commission seeks comments on the different forms of government support currently provided to other sporting codes.

CRC's view is that the funding provided by the ACT Government is consideration for the right for the government owned ACTTAB to be able to accept bets on the Australian racing product while it is not paying the full value for the product to other state and territory jurisdictions, and consideration for the economic benefits generated by racing in the ACT.

CRC has had a strong and positive working relationship with the ACT Government, government departments and the ACT Gambling and Racing Commission over many years. However given that funding in every other state and territory is based on the premise outlined in the paragraph above, then it is difficult to demonstrate any form of support that the ACT government currently provides to the racing clubs outside of the funding entitlement for the racing product.

The following points explain support from Government and the relationship with various ACT agencies and the ACT racing industry:

- **Gambling & Racing Commission** - Through the ACT Gambling and Racing Commission, the government administers the collection of revenue generated by race fields legislation. However for this the Club's pay a fee of 5% of revenue up to a maximum of $100,000 per annum. The ACT Gambling and Racing Commission provide a regulatory role for the racing industry but is unable to support the industry in a promotional or marketing role. The ACT Gambling and Racing Commission administer the licensing of bookmakers in the ACT. The application process is possibly the most stringent and onerous in the country to the point that many interstate bookmakers will not commit to completing the application process.

- **Australian Capital Tourism** - CRC receives only limited support from Australian Capital Tourism. Only dates for feature race meetings are listed on the tourism events website, but are often left out and not noted as major events on the website front page or are not even promoted by Australian Capital Tourism as events at major federal government funded institutions are. The feature meetings are listed under the "Sport" category rather than a major event category and the 23 non-feature race meetings are not listed at all. Advertising in the tourism seasonal guides is

paid for by CRC and editorial is minimal for racing. CRC received a grant for $5000 in 2008 to assist with the development of the Race n Taste Food and Wine Race Day.

There is a real opportunity for Australian Capital Tourism to embrace carnival racing in the ACT, particularly around the Black Opal Stakes race meeting which has a national following and for which there is strong interstate visitation for the racing and fashion components of the day. It has been difficult to solicit any real enthusiasm from Australian Capital Tourism.

The Melbourne Spring Carnival and the work that Sydney Events is doing with Racing NSW are examples of how tourism and racing are working hand in hand to provide wide benefits to the community, government and the racing industry in other States. A racing campaign similar to that of NSW or Victoria by Australian Capital Tourism would help the ACT Government and ACT community to leverage off this existing event, and allow the interstate visitors the chance to experience Canberra racing as well as other tourist activities in Canberra to extend their visit.

- **EPIC & The Harness Code** - Since the change to the funding model in June 2010 the funding arrangements for the repayment of the CRC redevelopment loan have changed considerably. By agreement CRC was receiving most of the 0.5% funding allocated from the RDF for capital works, under the revised model CRC receives only the equivalent of 75% of the funding and the other two codes receive 12.5%; therefore CRC is comparatively disadvantaged compared with the other two codes. CRC must now budget for profits to generate revenue to meet the average $668,000 annual repayment for the remaining redevelopment loan. CRC is particularly disadvantaged by comparison with the harness code which under its licensing agreement with EPIC is not responsible for the full extent of repairs and maintenance and capital works whereas the greyhound and thoroughbred codes with their own facilities, must meet all these costs.

- **ACT Government Taxes** - CRC pays rates and land tax at the full rate for all services. The ACT Government received $8.95 million in revenue from racing and wagering in 2009/2010 (AE submission page 12.).

- **Workers Compensation** - The ACT Government supported CRC during the jockeys workers compensation crisis in 2005 by making amendments to the workers compensation Act to allow ACT jockeys to be covered under the Racing NSW self insurance scheme. There are ongoing risks in this arrangement as it is dependent on Racing NSW retaining its self-insurance licence.

- **Government Guaranteed Loan** - The CRC has had to repay the loan for the reconstruction of the track and training facilities out of the Racecourse Development Fund which effectively is racing industry revenue through wagering. The government has supported CRC by guaranteeing the loan which has been a factor in securing a lower rate of interest for the loan.

The ACT racing industry believes that all of its funding is generated from turnover on the racing product and in fact 78% of CRC's total revenue originates from wagering turnover. The racing industry believes the funding provided by the government is product fees that are earned by the racing industry, and cannot be readily compared to government funding and grants to sporting codes or other government-funded activities.

Other sporting codes and particularly the three major football codes are administered by major national organisations and their major sources of revenue are from television rights and ticket sales. The government funding of these organisations in the ACT is provided as direct grants and it is not clear that they are aligned to any form of revenue generated from their product.

According to the Canberra Times (front page 11 November 2010) the following payments are made to the Raiders and the Brumbies by the ACT Government:

- Brumbies - Under their performance agreement the Brumbies receive $1.7 million in annual funding; and
- Raiders - Under their performance agreement the Raiders receive $1.8 million in annual funding.

Both of these organisations play at Canberra Stadium under licence agreements but are not responsible for repairs and maintenance and capital works at the stadium which is in direct contrast to the CRC's responsibilities at Thoroughbred Park. In addition the ACT Government developed and owns the Raiders training facility.

The same Canberra Times front page article of 11 November featured the ACT Government's $26 million funding of the Greater Western Sydney (GWS) AFL team over ten years. The governments funding of GWS created a huge amount of media coverage in the ACT and a great deal of comment on talk back radio and letters to the editor comment.

In a Canberra Times article written by John-Paul Moloney and David Polkinghorne (Saturday 13 November 2010, Sport page 4) the funding of eleven sports in the ACT was compared. Racing was not mentioned in the comparison which perhaps is an indication that in the community and the media the racing industry is considered as an economic industry (rather than a sport and recreation industry) and is funded through wagering and is not a sport that receives government support. A further example of the separation between racing and sport is that the ACT Government Department of Sport and Recreation has no relationship or ongoing dealings with the racing industry.

2.3 National statutory scheme

The Commission seeks comments on the impact, opportunities and challenges of a possible national statutory scheme on the ACT racing clubs.

The Commission seeks comments on what the future structure of the ACT racing industry should incorporate.

As stated in the introduction, there is strong support in government and racing circles in Australia for the establishment of a national funding model based on fees for product. Because of the small size of the ACT racing industry in comparison to those of the other jurisdictions, it is likely that the ACT local racing industry or the ACT Government will have limited influence over the outcome and financial model for a national statutory scheme.

The level of funding through such a scheme will determine the impact, opportunities and challenges for the ACT racing clubs. CRC is currently able to generate significant national turnover on its racing product.

A national product funding model will present challenges for small jurisdictions. The Australian racing industry and governments will obviously have to negotiate a funding model that suits all parties. It is likely that a national funding model will have to address the differential between pari-mutual wagering and fixed odds wagering which may require a different percentage payment for each category and the model may also require a fixed and variable funding rate.

CRC has actively pursued initiatives to increase its national turnover by moving to a full schedule of TAB and Sky Channel televised race meetings, improving its product by redeveloping its racing tracks and developing its training centre.

2.3.1 Opportunities and risks arising from a national product market

The Commission seeks comments on the potential opportunities and risks created by the introduction of a national product market on the ACT:
- racing industry
- Government
- Community.

- A national product market for the ACT industry provides both opportunities and risks. The opportunity it creates is that the industry can accurately measure its performance and quickly adjust to trends. It can schedule its racing product at times and dates to maximize turnover and in a small jurisdiction it can be innovative in the presentation of its product.

  The national racing industry is a long way off determining the formula for a funding model and it may not follow that it will be based on a straight turnover percentage. Another significant risk is that the ACT racing industry requires a level of product to generate sufficient revenue to meet the operational costs of running the racing club and training centre. Any decline in the number of race meetings in the future would cause significant negative ramifications.

  In small jurisdictions the local racing industry suffers from the diseconomies of scale in terms of being able to support additional race meetings particularly in regard to the links between racing stock, field size, prize money and wagering revenue. The ACT clubs operate as both racing

clubs and Principal Clubs and CRC's Principal Club costs average $69,000 per annum in Australian Racing Board fees, plus around $500,000 in meeting the integrity responsibilities of a principal club, plus staff time in attending national meetings.

- A national product fee market would provide an opportunity for the ACT Government by delivering a largely self funded non-government industry in the ACT, of which there are few.

- The major risk for the Government in a national product market is its involvement as the owner of ACTTAB. ACTTAB faces many of the same issues faced by the ACT racing clubs. It operates in a small jurisdiction, it relies upon pooling arrangements with another TAB to operate and it does not have the resources to compete with large privatised TAB operations.

  The CRC is aware that ACTTAB is making a significant capital investment in new hardware and software to improve the betting systems. The new system is in testing and is known as "Spectrum".

  Spectrum is long overdue and will simply bring ACTAB up-to-date with betting types that all other States have enjoyed for up to 5 years. In that time ACTTAB has lost considerable revenue to other jurisdictions through the loss of VIP Accounts, Internet betting facilities and heavy leakage of revenue to interstate TAB's from ACT retail customers.

  Spectrum will be available to Account customers in December 2010 and will be installed in all retail outlets, Clubs, Pubs and TAB shops over the first half of 2011.

  However the risks to ACTTAB's revenue growth remain high for a number of reasons:

  1. Customers have established Accounts with other TAB's and are unlikely to come back to ACTTAB without incentives.
  2. The ability to win back VIP customers will rely heavily on bigger rebates.
  3. ACTTAB will also need to invest in improving the functionality of the Internet facilities.
  4. Retail outlet staff will need to be re-educated and trained to use the new betting types that may attract new revenue.
  5. The "BIG 6" exotic bet type attracting new revenues in NSW & Victoria will not be available to ACTTAB. Currently, the BIG6 is securing revenues of more than $2 million per week.
  6. There is uncertainty around securing an on-going pari-mutual pooling arrangement with Tabcorp beyond the expiration of the existing agreement in August 2012.

  Spectrum offers new betting types such as Flexi Bets on Trifectas, First Fours and Quadrellas and offers Duets. It brings ACTTAB into line with NSW and Victorian TAB's that have had these offerings for more than five years. At best Spectrum will arrest the heavy erosion and leakage of revenue that ACTTAB has experienced in recent years. It is unlikely to produce significant growth for the reasons outlined above.

- Under a national product market the community has the opportunity to support the local industry through wagering on its product both from a local community viewpoint and the broader Australian Community. The community will have a strong and significant self funded local industry.

2.3.2 Opportunities for efficiency, sustainability and competitiveness in a national market

The Commission seeks comments on the current structure of the racing industry.

The Commission seeks comments on the potential for the racing industry to be more efficient, sustainable and competitive in a national product market environment.

The ACT racing clubs face many challenges not the least being the small size of the ACT jurisdiction and the additional costs of being run as a Principal Club, a cost that is not borne by regional racing clubs that the ACT clubs are competing with for the wagering dollar and racing stock to make up race fields.

For the ACT racing industry to be competitive in the long term it must reduce its overall running costs. The cost of maintaining facilities such as Thoroughbred Park and the Canberra Greyhound racing facility will increase as the cost of services, capital works, repairs and maintenance increase. Added to this is the

on-going requirement for improved safety standards for participant's, public demand for better facilities and competition for the function and sponsorship dollar.

In a small jurisdiction such as the ACT it is doubtful whether over time the three codes of racing can support and adequately maintain three racing venues in the ACT. CRC believes that the three codes and the ACT Government should explore the feasibility of bringing together the three codes of racing in one facility and explore suitable governance arrangements.

Not only would an integrated racing centre produce costs savings it would produce an increased quantity of product at one venue, which could provide additional revenue through an improved negotiating position for a whole range of services and rights agreements.

CRC Redevelopment Loan – Racecourse Development Fund

In 2004 CRC commenced a redevelopment of its racing and training facilities and completed the project in 2007. The $9.5 million redevelopment was funded partly from reserves built up in the RDF and partly from a principal and interest loan that the CRC secured for $4.5 million which CRC secured for the balance. The loan was guaranteed by the government but was paid by agreement between the three racing codes from of the RDF. Since the abolition of the RDF in May 2010 the CRC has been required to budget for profits to meet the annual repayment fee of approximately $668,000 per annum. The loan will be fully repaid in August 2014. The current balance of the loan is $2.75 million including interest payments

Under the revised budget funding model introduced by the ACT Government in May 2010 CRC believes it is disadvantaged for the following reasons:

1. The new funding model did not pass on the equivalent of 4.5% of the recommended base funding year of 2005/2006 (that is, if ACTTAB had maintained its performance in real terms at the 2005/2006 level, it would be turning over $200 million per annum now, and would be paying $9 million in product fees to the racing industry). The new model ($7.3 million in Budget funding) equates to 3.65% of funding from the recommended base year which has resulted in CRC receiving $1.5m of reduced funding directly attributable to the poor performance of ACTTAB.

2. When the new funding model was introduced both the harness and greyhound codes were debt free from an RDF perspective. This means that the other two codes have received and will receive the full benefit of direct funding without having to pay off pre existing loans incurred under a different funding model. Since the change to the funding model in June 2010 the funding arrangements for the repayment of the CRC redevelopment loan have changed considerably. By agreement CRC was receiving most of the 0.5% funding allocated from the RDF for capital works to make its loan repayment, under the revised model CRC receives only the equivalent of 75% of the funding which was previously allocated for capital works and the other two codes receive 12.5%. Therefore the CRC is comparatively disadvantaged with the other two codes. CRC must now budget for profits to generate revenue to meet the average $668,000 annual repayment for the remaining redevelopment loan.

3. The Government recognised this issue for CRC in May 2010 by making a one off grant of $500,000 towards the existing loan. The fact remains that CRC must budget to cover the loan repayments until 2014.

4. In addition, CRC believes the harness code has an added benefit by being located at EPIC where it is not responsible for all costs and where it is further subsidised by the ACT Government through its link with the EPIC Board of Management.

CRC requests the redevelopment loan be paid out in full by the ACT Government.

In addition a balance remains in the discontinued Racecourse Development Fund Account; it is CRC's view that the balance should be distributed to the three codes based on the current funding split arrangement of 75% to thoroughbred and 12.5% to each of the other two codes.

Federal Court Appeal Result Racing NSW – Betfair - Sportsbet

The importance of the decision on the Federal Court appeal between Racing NSW, Betfair and Sportsbet (Ref: Racing NSW v Sportsbet [2010] FCAFC 132 & Betfair Pty Ltd v Racing NSW [2010] FCAFC 133) brought down on Wednesday 17 November 2010 cannot be overstated in terms of its relevance to this investigation. The decision of the appeal will result in significant prize money increases, and infrastructure improvements in NSW and will place pressure on CRC to remain competitive.

Betfair and Sportsbet have 28 days to apply for leave to appeal to the High Court; subject to any appeal to the High Court the successful outcome for Racing NSW allows for the release of $120 million held in quarantine by Racing NSW. The AE data on product fees by jurisdiction excluded this revenue, which was being held back from NSW racing clubs during the court case. As a result, the NSW industry's revenue is now much higher relative to the ACT, than the 2008/2009 figures from AE indicate.

Racing NSW propose to allocate $70 million towards capital works to racecourses across NSW and to increase prize money to $100,000 for Saturday metropolitan races, $35,000 for metropolitan mid-week races, $25,000 for provincial level races and $15,000 for country TAB races, (Ref: The Daily Telegraph page 87, Thursday 18 November 2010 & Racing NSW Strategic Plan 2010, page 3.).

These outcomes will place incredible pressure on CRC to pay comparable prize money, retain its level of turnover and retain jobs. It will place incredible pressure on ACT trainers to retain owners in the ACT if CRC cannot match the prize money levels of NSW provincial clubs. The consequences could lead to a rapid decline of the ACT thoroughbred racing industry; however, for only a modest cost for the ACT Government this could be overcome.

If ICRC adopted CRC's proposed recommendations of CRC to increase the funding percentage to 5% of the base year turnover plus CPI adjustments, apply an 80% split of funding to thoroughbred industry and call for the ACT Government to pay out the CRC redevelopment loan and the ACT Government accepted these recommendations, then CRC would meet the challenge and ensure it was competitive in the market place and it would ensure the prosperity of the ACT racing industry into the foreseeable future.

Conclusion

It is imperative that the ICRC investigation fully explores the relationships between the racing industry, government and TABs' when making recommendations relating to the level of funding, the ongoing funding structure and the positioning of the ACT racing industry in readiness for a national funding model which it is widely predicted will be introduced in coming years.

It is agreed in most circles of government and the racing and wagering industry that racing must be paid for the product it produces in order for the racing industry to survive let alone prosper. The longstanding Gentleman's Agreement has allowed a somewhat blurred set of arrangements to develop and this has no doubt been complicated by the rapid change in the Australian wagering industry in recent years.

Over a period of many years the CRC has positioned itself through strategic planning and management to meet the challenges facing the racing industry. The predictions that formed the basis of this strategic planning are upon us and it is imperative that the ACT Government support the racing industry through the transitional period that will ultimately determine how the racing industry is fully funded in the future.

ATTACHMENT 1

Equinox
Consulting Services

29 April 2008

Mr Peter Stubbs,
Chief Executive,
Canberra Racing Club,
PO Box 275,
Mitchell, ACT, 2911.

Re: Analysis of Marginal Profitability of Totalisator Sales in NSW and Victoria

Dear Mr Stubbs,

Please find attached a schedule detailing an analysis of the marginal profitability of totalisator sales in New South Wales and Victoria based on publically available information.

In summary the analysis shows that the New South Wales Racing Industry receives a marginal return for each additional dollar of wagering turnover of approximately 5.13 percent compared with the Victorian Racing Industry which receives a marginal return for each additional dollar of wagering turnover of approximately 6.38 percent.

The calculation relating to the Victorian Racing Industry excludes all gaming revenues.

The ACT Racing Industry receives a marginal return for each additional dollar of wagering turnover of 4.50 percent, inclusive of racecourse development contributions.

Schedules detailing the New South Wales and Victorian calculations are attached.

The Victorian Government has announced that it intends to finalise the structure of totalisator licensing arrangements post-2012 over the new few months. These arrangements are likely to lead to the incorporation of existing Victorian Racing Industry gaming revenues within a higher rate of return on wagering. If adopted, this would significantly raise the marginal return to the Victorian Racing Industry for each additional dollar of wagering turnover to a level well above the existing rate of 6.38 percent.

Please contact me should you have any further questions or require any further information

Yours faithfully,

Greg Purcell
Chief Executive

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Tab Limited (NSW) Marginal Profitability of Totalizator on Domestic Race Events

1	Totalisator Turnover		100.00	
2	Less: Dividends Returned to Punters		(84.00)	16.0% return to player
3	Gross Wagering Revenue		16.00	
4	Plus Fractions		0.70	0.7% fractions
5	Net Wagering Revenue		16.70	
6				
7	Less: NSW Government Wagering Tax	(3.17)		19.01% of Net Wagering Revenue
8	Commonwealth Government GST	(1.53)		9.19% of Net wagering Revenue
9	Tab Costs	(2.50)		2.5% of turnover (excludes overheads)
10	Product Fees to Racingcorp	(3.67)	(10.88)	21.9965% of Net Wagering Revenue
11				
12	Marginal Wagering Earnings		5.82	
13	Less: Wagering Incentive Fees to Racingcorp		(1.45)	25% of Wagering Earnings
14				
15	Marginal TAB EBIT		4.36	
16	Less: Corporate Tax		(1.31)	30% of EBIT
17	Tabcorp PAT		3.05	
18				
19	NSW Government			
20	Wagering Taxes		3.17	Line 7
21				
22	Commonwealth Government			
23	GST		1.53	Line 8
24	Corporate Tax		1.31	Line 16
25			2.84	
26	Marginal Racingcorp Revenue (NSW Racing)			
27	Product Fees to Racingcorp	3.67		Line 10
28	Wagering Incentive Fees to Racingcorp	1.45	5.13	Line 13
29				
30	Racingcorp Distribution Between Codes			
31	Thoroughbred	3.71		Racing NSW 72.3%
32	Harness	0.75		HRNSW 14.6%
33	Greyhound	0.67	5.13	GRNSW 13.1%

Source: Derived from Issues Paper - Independent Review of Wagering in NSW - March 2008
+ Overview of Greyhound Racing Legal Framework - March 2003
+ Racing NSW Annual Report 2007

Tabcorp (VIC) Marginal Profitability of Totalizator on Domestic Race Events

34	Totalisator Turnover		100.00	
35	Less: Dividends Returned to Punters		(84.00)	16.0% return to player
36	Gross Wagering Revenue		16.00	
37	Plus Fractions		0.70	0.7% fractions
38	Net Wagering Revenue		16.70	
39				
40	Less: VIC Government Wagering Tax	(3.17)		19.01% of Net Wagering Revenue
41	Commonwealth Government GST	(1.53)		9.19% of Net wagering Revenue
42	Tabcorp Marginal Costs	(2.50)		2.5% of turnover (excludes overheads)
43	Product Fees to Vic Racing	(5.34)	(12.55)	32.0% of Net Wagering Revenue
44				
45	Marginal Wagering Earnings		4.15	
46	Less: Wagering Incentive Fees to Vic Racing		(1.04)	25% of Wagering Earnings
47				
48	Marginal TAB EBIT		3.11	75% of Wagering Earnings
49	Less: Corporate Tax		(0.93)	30% of EBIT
50	Tabcorp PAT		2.18	
51				
52	Victorian Government			
53	Wagering Taxes		3.17	Line 40
54				
55	Commonwealth Government			
56	GST	1.53		Line 41
57	Corporate Tax	0.93	2.47	Line 49
58				
59	Marginal Vic Racing Revenue			
60	Product Fees to Vic Racing	5.34		Line 43
61	Wagering Incentive Fees to Vic Racing	1.04	6.38	Line 46
62				
63	Victorian Distribution Between Codes			
64	Thoroughbred	4.55		Racing Victoria 71.35%
65	Harness	1.09		Harness Racing Victoria 17.15%
66	Greyhound	0.73	6.38	Greyhound Racing Victoria 11.49%

Source: Derived from Racing Victoria Limited Annual Report 2007
+ Greyhound Racing Victoria Annual Report 2006-07

Note 1: Product Fees to Vic Racing incorporates Program, Product and Marketing Fee

Note 2: Excludes Joint Venture Gaming Revenue and Government EGM Compensation Payments

Note 3: Estimated allocations of totalizator wagering revenues between codes (lines 31-33) derived refer workings Worksheet 2