

# Submission to the WA Parliamentary Joint Standing Committee on the Review of Racing & Wagering WA Acts

The Fremantle Harness Racing Club (Inc) committee and members take this opportunity to make a submission to the WA Parliamentary Standing Committee on the Review of the Racing and Wagering Western Australia Acts.

## Racing Industry Overview

The national dimensions of the racing industry (gallops, harness racing and greyhounds) in terms of economics, employment and direct revenue, is a factor rarely acknowledged by State Governments throughout Australia.

An economic impact study undertaken in the Eastern States identified the racing industry as the fourth largest industry in Australia. The contribution to government revenue, direct employment, indirect employment, support of service industries and ancillary functions is enormous. Such economic factors can also be extrapolated across the rural industry, together with the import and export of equine stock. It is almost impossible to calculate the vast amount of infrastructure and on-going capital expenditure created by the total racing industry throughout Australia.

The harness racing code contributes substantially to the national economy, as confirmed by an Australian Harness Racing Council study undertaken following the 1998-1999 season.

The three racing codes in Western Australia make a tremendous contribution to the economy of our state, particularly in the areas of revenue from betting, employment, community entertainment, tourism and the flow-on to the rural sector. The WA Government cannot afford to sit back and allow the industry to decline. The Parliamentary Standing Committee should urgently consider all avenues available to provide maximum additional funding for Racing and Wagering Western Australia to ensure future revenue growth for the racing bodies.

## THE EFFECTIVENESS OF THE OPERATIONS OF RWWA

Racing and Wagering Western Australia assumed control of the racing industry state-wide on 1 August 2003 and the initial 12-18 months proved to be a transition period for both the RWWA administration and their affiliated racing clubs. In the early period, consultation with the codes and industry bodies was not strong, however, over recent years industry consultation has been improved. Whilst a formal consultative process is in operation, the strong views and recommendations of the industry bodies are not always adopted by RWWA, even where a unanimous or majority submission is put forward.

This is most evident under the framework of the RWWA Harness Racing Consultative Group where a vote for or against major issues raised can be readily disregarded by RWWA senior management.

Following the outbreak of Equine Influenza on the eastern seaboard of Australia in August 2007, RWWA reacted swiftly and decisively to coordinate the industry stakeholders and government agencies to respond to any threat to the equine codes and to develop a biosecurity strategy for horse events in Western Australia. This resulted in our state remaining EI free until the national restrictions were lifted in March 2008.

Whilst RWWA is the controlling body of the racing industry under the Acts, their extreme level of operational and financial control over the activities of a racing club tend to apply restrictions on clubs in terms of improving attendance, turnover and in the marketing our racing product.

Being constituted under an Act of Parliament, RWWA has tendency to employ a bureaucratic culture, which has been of some concern at various times since inception. Although RWWA has responsibilities to the Minister for Racing and Gaming, it should be possible to adopt more of a corporate culture amongst the RWWA senior management and staff, to blend with their obligations under the Acts.

## THE EFFECTIVENESS OF THE OPERATIONS OF RWWA

In general terms the RWWA Board and management have operated effectively and endeavoured to take a broad view with industry policy. However, the affiliated clubs have little or no ability to influence RWWA policy or strategies, particularly on matters of vital concern to the operations of all conducting clubs.

The current provisions of the Acts in relation to the appointment and composition of the RWWA Board are viewed as acceptable and working well under the appointed delegates on behalf of the total racing industry. The requirement for each code to appoint a Director is considered a vital component towards provision of an informed view on behalf of the respective racing codes on local issues, for the benefit of the entire RWWA Board and management.

Adverse prevailing economic conditions have necessitated redundancies amongst RWWA permanent staff. It would appear the staffing levels at RWWA are reaching an appropriate and affordable level, which level should be maintained in for the long term. Any future requirement for additional staff should be justified by the CEO to the Board on a cost-benefit basis to RWWA and the industry.

## THE NEED FOR THE CONTINUING OPERATIONS OF RWWA

RWWA's initial six years of operation have been successful overall, given the positive economic growth experienced internationally, nationally and particularly in Western Australia. In the past two seasons turnover growth has been minimal or negative for a sustained period due mainly to the world economic crisis.

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It is unlikely that sustainable growth can be restored in the foreseeable future and therefore RWWA cannot continue to operate in a growth pattern without some form of assistance from the WA State Government.

Racing and Wagering Western Australia should continue as the controlling and coordinating body for the racing industry in Western Australia under the objectives as set out in the Act.

## **OTHER MATTERS RELEVANT TO THE OPERATIONS OF RWWA**

It is timely for the Parliamentary Standing Committee to consider major issues relevant to the review of the RWWA Acts that will impact on the future operations of RWWA -

### **Racing Industry Funding**

Under the prevailing difficult economic climate and with increasing competition from betting agencies and imposition of Product Fees, the financial future of RWWA is under threat. Growth in revenue is currently running at only 1% which would confirm there is no capacity for growth in the foreseeable future. RWWA and the racing codes now face the scenario of existing on a substantially reduced revenue base.

Unless RWWA and the racing bodies receive some assistance from the WA State Government, there will be a sustained period of flat growth, reduced stake money, reduced breeding and ownership, reduced betting turnover and therefore reduced revenue to the State Government.

### **State Government Taxation Relief**

It is critical that the WA State Government provide taxation relief for the racing industry, as has been the case in other mainland states. Additional revenue from a taxation reduction is the most practical way to assist the racing industry throughout our state.

WATAB wagering is currently taxed at 11.91% of GR. Whilst this would appear to be a reasonable comparison to other states at this time, it is important to note that Victoria is to reduce taxation on pari-mutual wagering to 7.6% in 2012 and South Australia is set to reduce taxation to 0.0% in 2013. Additionally, betting exchanges and corporate bookmakers pay minimal betting tax, particularly those based in the Northern Territory.

RWWA in its endeavours to retain and attract turnover cannot compete with these states and companies operating under a very favourable taxation regime in their respective states.

Urgent WA Government action is required to reduce taxation on the racing industry, to help promote and fund future growth. Failure to address this matter will inevitably result in RWWA being forced to introduce a number of cost cutting strategies, including reduction of funding to the codes, reduced basic stakes across the industry and rationalisation of tracks, particularly in country regions. The impact of any such actions will be devastating to the racing industry in our state.

## **Funding of Harness Racing**

Prior to introduction of the Racing and Wagering Western Australia Acts in 2003, distribution of TAB surplus was specified under the Totalisator Agency Board Act. Despite some changes to the distribution formula over the years, the conducting clubs had a high degree of certainty as to their minimum level of funding each year. Under the RWWA Act no such provision has applied as from 1 August 2006 which has created a great deal of uncertainty for the codes and the clubs, particularly harness racing.

Since 1 August 2003 season, the total distribution to harness racing has reduced some 1.84% without any apparent or stated explanation, which represented almost \$2 million in lost revenue to the harness racing code last season.

There is no stipulation of a minimum distribution to the harness racing code under the RWWA Act and therefore no certainty for the racing bodies or fraternity involved in harness racing in our state. The pending RWWA Strategic Review of Harness Racing could well see a continued erosion of funding or some other financial disadvantage for harness racing. RWWA has no stated obligation to distribute minimum funding.

Future funding options should include –

Set Funding to the Codes – this would involve allocation of a set funding to each racing code based on the funding assessed to maintain the wellbeing of each racing code and an average of the percentages which applied over the preceding three financial years.

Set Prescribed Percentage to the Codes – allocation of a set percentage of funding to metropolitan based clubs and also country based clubs. This could involve a prescribed funding level for individual clubs under a grading system of clubs.

Contrary to popular belief the cost of professional training of Standardbreds and Thoroughbreds is the very similar overall. The training of a Standardbred requires more labour as against a similar standard Thoroughbred. There is a great differential in stake money on offer for the harness owner as compared to a galloping owner, therefore the lower rewards in harness do not promote increased breeding, ownership and ultimately betting revenue, both on and off-course.

## **RWWA Product Expansion**

It is imperative that RWWA have the capacity to expand its product range in the future in order to compete with the growing number of betting agencies, both locally and nationally.

It is quite unrealistic to note that Burswood Casino has a monopoly on all gaming types, including virtual horse racing gaming. This product is currently operated by TAB agents in other states; however, this cannot occur in WA whilst Burswood retains the monopoly. RWWA should be permitted to introduce virtual horse racing and other betting products to support its traditional range of wagering types.

Another area of expansion available to RWWA and TABWA is an expansion of its gaming sales network. Currently RWWA can only offer gaming from a limited network of TAB agencies, Pubtabs, telephone and internet services. Other forms of gaming are more widely available such as Lotto, through the entire newsagency network, which incorporates all major shopping centres and various other retail shopping outlets.

RWWA should be permitted to expand the TAB network into all newsagencies, shopping malls, shopping centres, tourist precincts and other popular retail areas.

## IN OVERVIEW

The racing industry in Western Australia has an enormous economic impact on our state which should be acknowledged by the State Government.

RWWA and the racing industry in Western Australia are in a difficult financial position and require an immediate injection of government funding through taxation relief.

Unless WA State Government takes some immediate positive steps to increase funding, the racing codes will continue to decline, with dramatic effect on the industry and government revenue.

State Government taxation on WATAB turnover should be reduced to a level equivalent to the pending level of Victoria, a state supporting a significant racing industry.

Racing and Wagering Western Australia should continue as the controlling and coordinating body for the racing industry in Western Australia with more defined industry objectives under the existing the Act.

TAB distribution to the codes must be restructured to provide more certainty to the codes and the clubs of a minimum funding level to be stipulated in the RWWA Acts.

RWWA should be provided with the authority and flexibility to expand the range of gaming products and selling network to provide for future growth for RWWA and the racing industry

The harness racing code contributes substantially to the national economy, as confirmed by an Australian Harness Racing Council study undertaken following the 1998-1999 season.

The three racing codes in Western Australia make a tremendous contribution to the economy of our state, particularly in the areas of revenue from betting, employment, community entertainment, tourism and the flow-on to the rural sector. The WA Government and RWWA cannot afford to sit back and allow the industry to slip further into decline. Urgent action is required on behalf of all the parties involved to ensure adequate funding of the racing industry, particularly the harness racing code.

Submitted on behalf of the Fremantle Harness Racing Club (Inc) Committee and members.

**Gino Monaco, FHRC President,**

15 January 2010