

**PERTHRACING**

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28 January 2010

Mr John McGrath MLA
Suite 8
219 Canning Highway
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Dear John

Please find enclosed our submission pursuant to the current review being undertaken by your Joint Standing Committee with respect to the Racing and Wagering Western Australia Acts.

Please contact me at your convenience if you wish to discuss any of the issues contained in our response.

Yours sincerely

E van Heemst
CHAIRMAN

Received 29 Jan 2010

**SUBMISSION TO THE JOINT STANDING COMMITTEE ON THE REVIEW OF
THE RACING AND WAGERING WESTERN AUSTRALIA ACTS**

**Perth Racing
22 December 2009**

This submission is presented by Perth Racing (Western Australian Turf Club) in response to a request for comment on the terms of reference established by the Joint Standing Committee

Introduction

Thoroughbred racing nationally is at the crossroads on a number of fronts the impact of which will ultimately seal the fate on the future livelihood of a large number of your constituents who are directly employed by the third or fourth largest industry in the nation depending on the key economic indicator you choose to measure the industry by.

The industry model since the introduction of state managed totalisators in the 1960s complemented by oncourse bookmakers to provide adequate income streams to drive the industry has served the industry well but is no longer the recipe for survival in today's environment where wagering operators not paying adequate returns to fund prize money and infrastructure have been allowed to flourish.

Our industry is being marginalised and faces a serious threat to it's survival unless the following issues are dealt with sooner rather than later:

- The legitimisation of piracy by the Northern Territory government has witnessed previously outlawed practices in Vanuatu legitimise a group of corporate bookmaker's who in the past racing year transferred in excess of \$4 billion turnover away from traditional industry bookmaker's and totalisators. In essence they have legalised a practice which was an illegal activity in return for a .3% return to their state coffers.
- Net costs associated with payment of product fees to other wagering service providers
- Growth in gaming compared to no real growth in wagering has been a serious issue since the introduction of casinos across the nation and highlights the importance of RWWA to be able to expand their product offering to provide future growth from new income streams.

To demonstrate the impact of these threats the Australian Racing Board in its submission to the productivity Commission noted that in 2006/7 thoroughbred wagering totalled \$12.849 billion, with \$3.5 billion of this being siphoned off to corporate bookmaker's who pay a pittance for the privilege of free riding on the industry.

This cancer has continued to grow at an alarming rate and by the most conservative estimate is costing the industry in excess of \$50 million dollars per annum in lost revenue given this figure has grown to in excess of \$4 billion in the past racing year.

Contributions to the racing industry from totalisator margin produced \$560 million in the 2006/7 financial year representing a return of approximately 6% on turnover.

Arguments are articulated that the spate of new wagering operators who have recently been licensed will grow the market and through their proposed fees benefit the industry at large. This is merely a smokescreen and a proposition that is intellectually bankrupt as evidenced by the facts.

The facts are:

- Totalisator turnover is unsustainable against the lower margin operators. In some cases such as the Betfair model turnover would have to increase by 35 – 40 fold for the industry to receive the same level of funding.
- A loss of 30% of turnover to Corporate Bookmakers would see \$168 million in 2006/7 dollars lost equating to a net contribution loss of \$126 million, greater than the entire current revenue received by the Queensland or Western Australian Industries.
- Nationally a transfer of 30% of Totalisator turnover to Corporate Bookmakers would require bookmaker turnover to increase to \$8.4 billion annually for the Industry to stand still, in Western Australia this ratio is even greater.

Currently wagering in WA produces tax revenue for the State Government of \$57.3 million and for the Federal Government of \$39.4 million all of which is now under threat.

At the same time as this fundamental change in the funding of the Industry in Western Australia is taking place we are also facing the need for major infrastructure investment to take place to ensure the industry remains relevant in meeting the demands of our stakeholders and customers.

Racing & Wagering Western Australia is a vital component to the future sustainability of the Western Australian Industry, but in the face of a changing national landscape RWWA requires some key structural reform to occur for it to be able to deliver on behalf of the industry in an environment which cannot be compromised in any way from making commercial decisions. Some of the key issues which need to be addressed are:

- Change in the overall operating and Governance structure
- Focus on key areas of expertise and accountability with a reduction in operating cost and review of its role in the industry
- The ability to operate in a less politicised and more commercial environment.

In assessing the achievements of RWWA to date, one would have to say that whilst there have been some disappointments there is an overwhelming argument to suggest that the model is superior to our eastern states counterparts and from a broad industry perspective it needs fine tuning not surgery.

The importance of retaining ownership of our own off course wagering vehicle is even more fundamental to our future today than in the past and it is incumbent upon all of us to provide RWWA management with a brief which provides them the opportunity to operate the business commercially and develop an agreed manner in which non commercial issues can be dealt with.

Perth Racing requests the opportunity to meet with the Standing Committee at the appropriate time to expand on some of the key issues which are essential to the long term viability of our industry.

Racing & Wagering Western Australia - Key Goals / Operating Guidelines

- **WA Legislative vehicle**
 - RWWA to continue as the legislative vehicle and discharge it's duty as the public conscience through its stewardship role of Government legislation and policy related to racing.
- **National lobby vehicle**
 - RWWA to represent the interests of the WA Government and Industry on the National platform lobbying for Federal policy and legislation
- **Protection of the TAB**
 - Stewardship and operation of the TAB within Western Australia to maximise returns to the Industry on performance based platform. The TAB also needs to be supported in developing new income streams in order to grow the business to meet its funding needs for industry viability.
- **Code Distributions – Commercial model**
 - Code distributions need to be based on performance based outcomes such that individual codes are held properly accountable. Most importantly the codes need to be compensated for product fees generated from wagering on their product and be directly accountable for payment of fees on imported code product.
- **Provision of key infrastructure**
 - RWWA to maintain their role in providing industry infrastructure funding for both facility and training needs where they deem this to be fundamental to maximising industry returns. There is a need for RWWA to negotiate a reduction in tax or rebate thereof to ensure there is a permanent income stream dedicated to this need.
- **Maximising returns through efficient management practices**
 - RWWA need to provide clearer focus on streamlining costs and developing more focused demarcation of duties best managed by the industry to maximise their returns to the codes.

Racing & Wagering Western Australia - Key Issues to be Addressed

- Independence of RWWA Board
 - To enable RWWA to operate in the most commercial manner possible in the changed environment, the Board should be apolitical and not code representative. When RWWA was formed the composition of the initial Board was intended to be transitional but there has been no attempt to move toward a fully independent model consisting of commercially independent members as distinct from government appointees.
- Non politicisation of the RWWA Board will assist in providing a much needed commercial platform for the industry which now has to operate in a less user friendly environment.
 - As part of a more commercial operating platform, RWWA will be able to operate with a clearer focus on its role as a policy vehicle. This will assist in creating a clearer demarcation in the roles undertaken by RWWA and the event managers and thus enhancing sustainability.
 - Need to rationalise venues and reduce costs
 - To ensure Government endorses a commercial model and establish an understanding that in the event that a particular venue or code is deemed to be worthy of funding for “social” reasons that this be funded either by tax relief by reducing industry taxation or from consolidated revenue.
- Responsibility for funding of Key Industry Infrastructure
 - Meeting the cost of training
 - Ensuring facility provision for the future
- Need for RWWA to independently make “tough calls” for the future of the Industry
 - Venue optimisation / rationalisation
 - Allocation of roles amongst clubs
 - Recognition of user pays requirement
- Inter code operating system
 - Tri code system to be retained in legislative and integrity terms
 - Level playing field required for any one industry to be self sustainable into the future
 - In the new operating environment a “socialist” culture will result in the ultimate demise of all codes
- RWWA cost of operation
 - Reduced remit
 - Overhead reduction
 - Allocation of roles amongst clubs
 - Racing activities to clubs including programming, handicapping and marketing
- Ability of RWWA / Industry to compete
 - Legislative flexibility for new wagering / gaming products
 - Ability to have gaming products on course at approved venues as per Burswood
 - Specific state tax relief for infrastructure

