



# ATROC

Australian Thoroughbred Racehorse Owners Council



25th May, 2009

Mr Gary Banks AO  
Chairman  
Productivity Commission  
GPO Box 1428  
Canberra City  
ACT 2601  
Australia

Dear Mr Banks,

The Australian Thoroughbred Racehorse Owners Council (ATROC) requests that the Productivity Commission take note of the following comments in carrying out its public inquiry into gambling in Australia.

ATROC is the national peak body for more than 78,000 Australians that are owners of thoroughbred racehorses.

We believe that the Productivity Commission's inquiry comes at a critical time, with urgent reforms needed to secure Australian Racing's place as one of this country's most successful industries.

The thoroughbred racing industry makes important economic and social contributions to Australia. Through direct and indirect effects, thoroughbred racing and wagering on that racing account for 0.58 percent of Gross Domestic Product, provides 48,680 full-time equivalent (FTE) jobs, and contributes over \$1.2 billion in State and Federal tax revenue (FY06). Racing is also an important part of Australia's culture and history, especially in provincial and country areas where racing is a cornerstone of community life.

The wagering landscape in Australia is currently experiencing major changes, in particular, the rapid growth of new types of Australian wagering operators – corporate bookmakers and betting exchanges.

Australian Racing and the Australian wagering market are financially interdependent, with returns from wagering accounting for more than 90 percent of thoroughbred racing funding in some States and Territories. Accordingly, the current changes within the wagering market have the potential to have a massive effect on racing's sustainability.

Put in the simplest of terms the problem that Australian racing faces is one where wagering providers are 'free riding' on the resources, time, effort and money invested to conduct and promote racing events. A substantial part of that investment is made by racehorse owners, with many racehorse owners receiving little financial return on that investment and the likelihood this will further diminish if reforms are not introduced.

Telephone and later online wagering made free riding physically possible and differences in regulatory requirements, taxes and racing industry payments across jurisdictions facilitated its growth. The emergence of new technologies for the distribution of wagering products—most obviously the rapid advances in the internet, the impact of which is now being extended with the growth in wireless services, have weakened each jurisdiction's control over wagering within its borders.

In the case of corporate bookmakers free riding has an additional dimension with these wagering operators offering “TOTE Odds” betting. They do this by copying the odds created by the TABs. This activity is nothing more than a tax and fee arbitrage with the corporate bookmaker making no value add contribution to the totalisator product whatsoever. Their ability to engage in this arbitrage depends entirely on the negligible wagering taxes rate and racing industry fees they pay compared with the TABs.

This problem has been compounded further by the development of recent months where Northern Territory based corporate bookmakers have begun to attempt to achieve de facto retail outlets in other States by installing internet terminals in pubs and clubs.

The potential consequences of all this for the racehorse owners we represent is that racing industry income will go into freefall triggering a major contraction in the sport.

It will be readily appreciated that there are also serious implications for the value of the licences that State Governments issue to wagering operators, and the licence fees that these operators are able to pay to Treasury consolidated revenue.

We believe that a “do-nothing” approach to those issues would not be in the public interest. A viable Australian Racing Industry delivers a demonstrable and substantial net public benefit. In these circumstances we believe that it is essential that governments take urgent action to establish a new regulatory framework for the wagering market that will ensure continuing industry sustainability to be achieved.

ATROC also believes that this new framework must also be national in nature, because it is the incapacity of individual State Governments to manage these issues individually that has created this predicament. We believe that the elements of a national policy approach should include:

- a. National endorsement of, and if needed, supporting legislation directed to the following:
  - Strong and enforceable race fields legislation that receives recognition and enforcement across State and Territory borders and which gives the racing industry the clear power to set the basis (turnover, gross profits or other) and level of the fees payable for use of race fields.
  - An appropriate licensing regime to promote integrity and probity of the wagering operator and to enable the racing authorities to access wagering data to fulfil industry integrity functions
- b. Offshore bookmakers should not be permitted to free ride on Australian Racing. The IGA should be amended to extend the exceptions only to operators who have the requisite approvals to use race fields, so as to prevent free riding.
- c. The IGA should be amended so that totalisator odds betting is only able to be conducted online or by phone by a totalisator licensed in one of the 6 Australian States, the ACT or the NT.
- d. The power provided by section 69A of the IGA to make regulations creating financial transactions controls to enforce compliance with the IGA should be used.

In conclusion I would like to say we welcome the opportunity provided to us by the commission to lodge a submission on what is today the most important issue facing the Australian Racing Industry. We have no doubt if reforms are not introduced then the Racing Industry which has been such an integral part of Australian society for one hundred and fifty years or more will die a slow and painful death.

Yours sincerely,

Harvey Crossman  
Chairman  
ATROC

# Productivity Commission

## SUBMISSION COVER SHEET

(not for publication)

### Gambling Inquiry

**Please complete and submit this form with your submission to:**

By email: [gambling@pc.gov.au](mailto:gambling@pc.gov.au)

OR

By fax: (02) 6240 3377

Gambling Inquiry

Productivity Commission

GPO Box 1428

Canberra City ACT 2601

Organisation: \_\_\_\_\_

Street address: \_\_\_\_\_

Suburb/City: \_\_\_\_\_ State & P'code: \_\_\_\_\_

Postal address: \_\_\_\_\_

Suburb/City: \_\_\_\_\_ State & P'code: \_\_\_\_\_

Principal contact: \_\_\_\_\_ Phone: \_\_\_\_\_

Position: \_\_\_\_\_ Fax: \_\_\_\_\_

Email address: \_\_\_\_\_ Mobile: \_\_\_\_\_

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