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Submission by Greyhounds Australasia to the Productivity Commission Inquiry into Gambling

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1. Introduction

Greyhounds Australasia (GA) is the peak national body for greyhound racing in Australia and New Zealand. It welcomes the opportunity to provide a submission to the Australian Governments Productivity Commission Inquiry into Gambling.

GA comprises representatives from jurisdictional controlling bodies in all Australian States and Territories, and New Zealand, specifically;

- Canberra Greyhound Racing Club
- Greyhound and Harness Racing Regulatory Authority
- Greyhound Racing New South Wales
- Greyhounds Queensland Limited
- Greyhound Racing South Australia Limited
- Greyhound Racing Victoria
- New Zealand Greyhound Racing Association
- Northern Territory Department of Justice, Racing Commission
- Racing and Wagering Western Australia
- Tasmanian Racing Board

Predominantly legislated under various *Racing Acts*, these bodies have the responsibility to control and regulate the functions and commercial activities of the greyhound code including the governance of racing clubs. The charter of GA is to support these jurisdictions via encouragement of a holistic approach to the Australasian greyhound racing industry and to create uniformity with the GA brand.

GA has prepared this submission on behalf of its members and the Australian Greyhound Racing Industry for "The Commission" to assist with their inquiry. In considering the 'Terms of Reference' of the Inquiry and matters highlighted in the Governments 2008 Issues Paper the submission addresses.

- the nature and definition of gambling and the range of activities incorporated within this definition
- the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries, such as tourism, leisure, other entertainment and retailing
- the contribution of gambling revenue on community development activity and employment
- the effects of the regulatory structures - including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements - governing the gambling industries, including the implications of differing approaches for industry development and consumers

- the implications of new technologies (such as the Internet), including the effect on traditional government controls on the gambling industries
- the impact of gambling on Commonwealth, State and Territory budgets
- the social impacts of the gambling industries, the incidence of gambling abuse and the cost and nature of welfare support services necessary to address it

Hence this submission links these terms of reference to the landscape of the greyhound racing industry.

2. Structure of Australian Greyhound Racing

The greyhound racing code in Australia is broadly structured as follows:

- Activities in each state and territory are governed by statutory bodies under a Racing Act of Parliament. The bodies are generally known as Control Bodies, who manage industry regulation, governance of racing clubs, functions and commercial activities of the code.
- In turn, a national administrative body exercises responsibilities in relation to supporting these statutory bodies. Greyhounds Australasia (GA) is that national body.
- The statutory bodies are not-for-profit organisations. Their income is used to provide for the racing product, the provision of race facilities, their infrastructure and services, and the payment of stakemoney
- Wagering on the outcome of live greyhound racing events, involves pari-mutuel operators (totalisators), bookmakers and betting exchanges
- The relationship between racing and totalisators, bookmakers and betting exchanges is inter-dependent. The racing industry supplies the product and the totalisators, bookmakers and betting exchanges conduct wagering on the product
- Generically, totalisators, bookmakers and betting exchanges pay a percentage of wagering revenue and or turnover which supplies the vast majority of funding to jurisdictional racing bodies
- The vast majority of funding for greyhound racing comes from pari-mutuel (totalisator) wagering. In FY 2006 approximately 78% of all wagering on greyhounds occurred on totalisators. About 94% of totalisator wagering is conducted “off-course”

3. Contribution of Australian Greyhound Racing

The Australian greyhound racing industry plays an essential role in supporting the Australian community, both financially and socially. This role is defined within various interrelationships depicted by the following statistics:

There are 76 greyhound racing clubs in Australia and during FY 2008:

- 292,000 greyhounds started in over 40,000 races
- Over 700,000 people attended a greyhound race meeting
- Stake money of around \$61 million was distributed to licensees (ie, owners, trainers and breeders)
- Over \$2.5 billion was wagered on the greyhound product
- There were around 30,000 registered greyhound participants (i.e. owners, trainers, breeders, attendants, racing staff, etc)
- About 3,000 greyhound litters were registered
- The sport is strongly linked to the social aspect of society, with about 95% of trainers being classified as hobbyists

From the statistics provided, it is safe to conclude that Australian Greyhound Racing is a major part of Australian society.

Australian Greyhound Industry Contributors

Industry Contributors	The Industry	Customers – Outputs
Breeders, Studs, Rearing facilities	Clubs, Tracks	Government
Veterinarians Muscle men	Administrators	Sponsors
Utility Providers	Regulators	Vision Providers Broadcasters
Feed Providers	Owners	Hospitality Services
Product providers	Hobby Trainers (95%)	Wagering Providers
	Professional Trainers	Attendees
	Attendants, kennel hands	

From an industry perspective, wagering is a key “outcome/customer” of the industry. The total size of the greyhound industry and the contribution it makes to the Australian economy is highlighted by the number and variety of industry contributors.

4. Wagering and Correlation to Greyhound Racing

Wagering in Australia is traditionally divided into pari-mutuel and fixed odds wagering, with totalisators being the predominant form of wagering. In addition to totalisators, bookmakers and betting exchanges may be licensed to wager on greyhound racing. The correlation of wagering to the long term growth of the greyhound racing industry is highlighted in Exhibit 1.

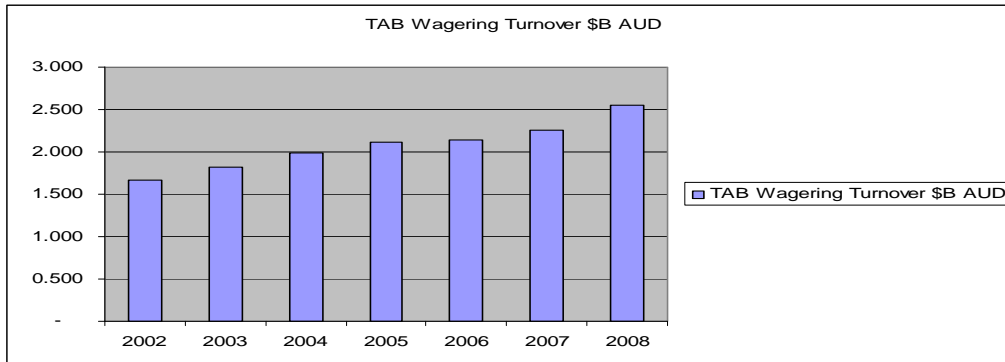


Exhibit 1: TAB Wagering Turnover¹

From Exhibit 1 - in FY 2002 wagering turnover was \$1.663 billion. By FY 2008 it had grown to \$2.555 billion (+54%). A direct outcome of this growth is referenced in Exhibit 2 where stakemoney paid increased from \$47 million in 2002 to \$68 million (+45%) in 2008

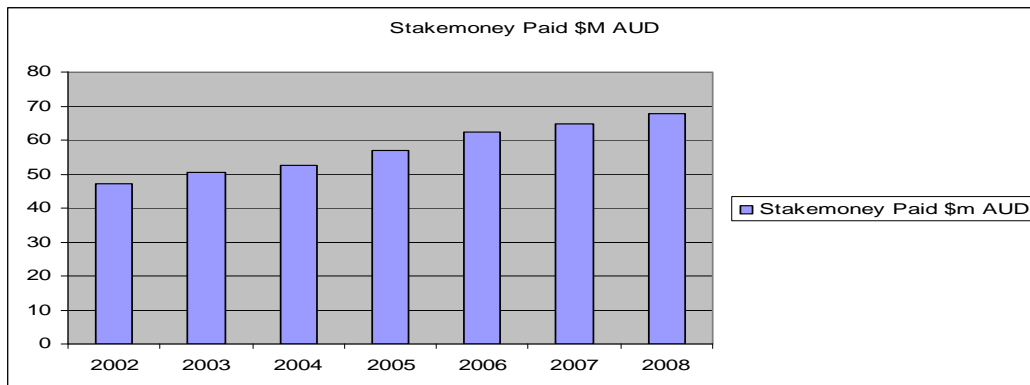


Exhibit 2: Stakemoney Paid²

¹ Greyhounds Australasia, 2008 Australasian Racing Statistics

² Greyhounds Australasia, 2008 Australasian Racing Statistics

As stake money is a major driver of industry participation, stakes growth is a key goal however the ability to increase stake money is directly driven by returns from wagering.

Based on Exhibits 1 and 2 stakes increases are a direct result of the increases in wagering. Around 75 % of the greyhound codes funding is as a direct return from the TAB wagering dollar. The future of greyhound racing is dependent upon continued strong returns from the wagering market.

However, it must be pointed out that with totalisator turnovers of \$2.5 billion in FY 2008 and returns to participants at around \$61 million, costs to fund (control and regulate) the industry run into millions of dollars.

5. The Changing Wagering Landscape and Impact on the Greyhound Racing Industry

The wagering landscape has changed substantially over the past decade for both government and the greyhound racing industry. Whether the transformation has been for the better is debatable and will ultimately be determined as time goes on.

For example, even though the past 8 years highlights major growth in TAB wagering turnover and stake money nationally for greyhound racing, there have been winners and losers amongst the GA members. For instance, consider the position of greyhound racing in New South Wales where they earn at about 17% yet receive income set at 13% market share of the TAB wagering dollar, however - "over the past 11 years because of the inequities of this arrangement, they have subsidised thoroughbred and harness racing in New South Wales by the tune of \$92 million".³

Regardless, the GA membership remains optimistic and is attuned to the reality that the wagering industry is changing through the emergence of what is defined as a true shift towards a 'national wagering market'. The emergent technological environment allows punters to bet on whatever they want, regardless of their location. The increased accessibility of alternative wagering operators via technological improvements means that consumers are increasingly choosing to bet on the basis of price, service and product, and is encouraging a move away from the dominance of totalisator wagering.

It is understood that wagering has grown due primarily to technology advancements. However differences in regulation between states and territories has also provided for opportunities and incentives for non-traditional wagering operators to enter the national market.

This section hence offers opinion on extant changes within the wagering market and how they have or may impact the greyhound racing industry.

³ GRNSW 2008 Submission – Independent Review of Wagering in NSW p36

Cross Border Betting

The evolution of technology and specifically 'free trade between States' has enabled cross border betting to escalate. This is particularly so since limited advertising restrictions in various States have been lifted or un-enforced. Generically it may be argued that cross border betting is unattractive for various jurisdictions because income derived from wagering may not always result in a return to where the product was generated.

The greyhound code is cognisant that wagering returns should be tied to the jurisdiction providing the product and that the establishment of cross border betting may not necessarily be negative if product fees were structured consistently. The advent of race fields legislation in various States is designed to mitigate unacceptable returns for several jurisdictions.

Betting Exchanges

A principal concern of elements of the racing industry about the introduction of betting exchanges into the Australian wagering market has been centred on the perceived integrity risks.

Betting exchanges provide an alternative to traditional wagering forms where results are determined by 'winners' or 'placegetters' of races. As intermediaries, Betting exchanges offer a low commission where their customers may wager on 'winners', 'placegetters' or 'losers' of races. Integrity of the wagering and racing industries are linked. Thus, "betting to lose" may have significant impact on greyhound racing where field size is limited to eight runners and generically, there are perhaps 2 or 3 genuine winning chances in an event unless adequate integrity systems are implemented and maintained.

Betting exchanges may be a legitimate alternative for wagering in the Australian wagering market. However, they must provide adequate financial returns to ensure integrity standards are maintained and like all other wagering operators, should have to enter arrangements with the racing industry to provide an appropriate level of funding for the use of the racing product.

Race Fields Legislation

The majority of Australian States and Territories have introduced race fields legislation to address "free riding" – the engagement of wagering service providers where little or no contribution is made to the industry involved.

Whether this legislation will be successful is unclear because the quantum and method of contribution is under dispute. This legislative uncertainty highlights the increasing difficulties associated with the control and regulation of wagering service providers. Ideally, a consistent national solution to all forms of wagering which observes trade practice, competitive and consumer law may be a viable alternative to the current situation.

Nonetheless the introduction of state and territory race field legislation shows some promise in returning equitable financial gains to some greyhound racing control bodies.

Corporate Bookmakers

The activity of corporate bookmakers has grown dramatically, with a significant percentage of wagering now occurring through these channels. It is said that these wagering service providers receive competitive advantage via limited restrictions on their operations as compared with traditional bookmakers. Corporate bookmakers may operate 24/7, receiving bets via electronic communications. They offer significantly reduced returns to the racing code compared with those required of totalisators.

Most corporate bookmakers now also offer best totalisator odds and even concessions on totalisator odds. This has led to a view that they also “free ride” off the industry by capturing the benefits of wagering but generally not contributing significantly to the expenses or expertise involved in running the industry.

For corporate bookmakers to be truly recognized as a wagering partner, like all other wagering operators, they should have to enter into arrangements with the racing industry to provide an appropriate level of funding for the use of the racing product.

On-Course Bookmakers

The decline of the on-course bookmaker has been steady over the last twenty years whereby premier metropolitan greyhound clubs attract 2 bookmakers per meeting. An exception is Wentworth Park (NSW) which on average has about 6 bookmakers fielding on a Saturday night.

The attractiveness of on-course bookmaking providing fixed odds on the course has gone. Technology has removed their previous competitive advantage. Further the demise of on-course bookmakers, the inability for larger on-course punters to outlay decent wagers and the lack of on-course atmosphere has contributed to the decline in track attendances.

E-Betting

The uptake of the World Wide Web has enticed wagering providers to offer e-betting services. The internet has made wagering extremely competitive and accessible. While competition may be good for any industry, it is only seen as truly positive if equitable financial returns come back to the industry.

The development of mobile phone betting is now largely unrestricted and pay television providers like Foxtel are also offering interactive wagering via the remote control on their clients' televisions. In essence this is another packaged version of e-betting.

GA members question if this change is good for the wagering industry and greyhound racing in particular. There are two sides to the argument:

- 1) this will potentially lead to a greater demise of on-course patronage
- 2) it may generate additional wagering given there is no need for the punter to leave the comfort of their own home.

Pari-Mutuel Wagering - Totalisator (TAB)

Pari-mutuel wagering (totalisator betting) is the largest generator of income for the code.

The regulation of exclusive licenses for pari-mutuel operators like TABCORP seems to be fast disappearing. These licenses do have stringent obligations which dictate the sizeable contributions that must be made to the racing industry as a whole. Without totalisators contributing to specific codes, the industry itself would go into rapid decline.

The intrinsic link of pari-mutuel wagering to the greyhound code has, over recent years, been exposed by newer wagering service providers who contribute at the far less than totalisator returns. Whilst supportive of a competitive wagering environment, it must be recognised that pari-mutuel wagering has in real terms been virtually the sole funding source of the greyhound industry over the last decade.

Responsible Gambling

With an evolving wagering landscape and ever increasing accessibility to wagering, comes the issue of problem gambling. Clearly this issue is not the wagering industries alone as the gaming industry may have more profile than the wagering industry.

As highlighted by GRNSW's submission to the Cameron Wagering review, GA agrees that wagering is one form of gambling that is less likely to involve addiction. Given the many papers produced over the years in respect of problem gambling, "it is fair to say that without exception the evidence from such papers has shown that the predominance of problem gambling occurs not with wagering products but with gaming products which are games of pure chance, are repetitive in nature, and do not involve social interaction".⁴

GA does however fully support responsible gambling initiatives and processes instituted by wagering operators and governments, and believes that education is a critical part of the process. Wagering operators along with the relevant sections of the racing industry must be accountable and share the responsibility for punter education and problem gambling initiatives.

GA also supports;

1. a review on wagering operator practices of offering credit betting facilities and
2. a review on wagering operators offering any inducements such as free bets or account opening credits.

⁴ GRNSW 2008 Submission – Independent Review of Wagering in NSW p53

6. Technological Advancements in General

Technology developments have driven growth in telephone and internet betting, both locally and internationally. Wagering on the greyhound product is literally now offered 24 hours a day, 7 days a week. It has offered punters greater choice and far more product, however without the adequate control measures in place it has enabled some wagering providers to not return what the industry believes are reasonable “income streams” to the industry.

Technology has played a major role in transforming the wagering environment from a local state operation to that of a national and international operation.

Any consideration of wagering regulation must be mindful that technology will continue to develop and feed international growth.

It should be noted that the growth of technology has been a contributing factor to the demise of on-course wagering. As depicted in Exhibit 3 – ‘On-course turnover’ has grown slowly in the past 6 years at 14%, when compared to Exhibit 1 – ‘TAB wagering turnover’ at 54%.

So, while we acknowledge the progression of technology, it must be highlighted that it has contributed towards the demise of on-course turnover growth, excluding the year 2008.

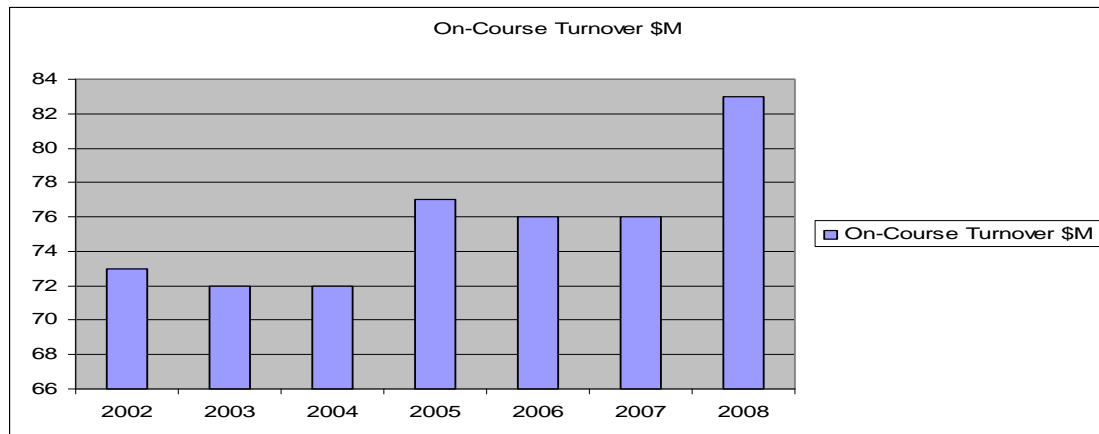


Exhibit 3: On-Course Turnover⁵

⁵ Greyhounds Australasia, 2008 Australasian Racing Statistics

7. International Greyhound Racing

In many countries, greyhound racing is purely amateur and conducted for participant enjoyment. In other countries like Britain, United States of America, Ireland, New Zealand and Australia, greyhound racing is a leisure sport with gambling a popular form of activity linked to the sport.

Within the major countries that operate professional greyhound racing, Australia is recognized as a world leader. Refer to Exhibit 4 for a comparison of Australia's status compared to other major greyhound racing countries.

	AUS	NZ	Britain	USA	IRELAND
Number of Starters	292,520	30,964	442,389	n/a	134,964
Number of Races Held	43,098	3,954	73,731	n/a	22,956
Stakemoney Paid	60.5m	7.7m	18.7m	n/a	11.4m
Number of Tracks	76	12	28	32	17
Litters Registered	3,102	126	493	3,242	3,641

Exhibit 4 - International Statistics for Financial Year Ending 2008⁶

Exhibit 4 shows that, internationally, Australia is the world leader in the greyhound industry in terms of “*Stakemoney*” paid to participants which can be attributed to the sustained wagering growth detailed earlier.

Another important statistic to highlight is the “*Number of Tracks*” in Australia. Whilst leading the world in track numbers may seem totally positive, this does place further cost burden on the code due to the under utilisation of infrastructure and facilities.

⁶ International Alliance of Greyhound Registries

8. The Way Forward – Nationalisation

The greyhound racing code understands that change is inevitable; however we submit that any change to the wagering industry must be consistent with support of the longevity of racing.

What is further relevant is consideration of the nature of change, with various interactive and electronic forms of wagering the commission must be consistent with its approach from a national prescriptive.

It is acknowledged however that state and territory governments control the regulation and funding of greyhound racing, and in light of today's administrative framework, it is superficial for them to work in isolation. A national unified approach to wagering is what GA members seek.

As highlighted throughout this submission the long term sustainability of greyhound racing and the wagering industry must be supported by federal intervention.

Many of the issues confronting greyhound racing are directly linked to the wagering industry and have come about due to the changing landscape of the state-territory and international wagering scene.

The existing racing/wagering infrastructure makes it difficult at times to advance or resolve issues and take advantage of opportunities. The greyhound code needs an environment which promotes better use of systems, invests wisely and finances these investments in a cost effective way. The only way to meet these objectives is to make sure there is support for a national wagering focus.

GA notes in the submission provided by Mr Elmer Funke-Kupper, CEO, TABCORP a number of matters proposed which support a national approach. Mr Funke-Kupper states;

“A move to achieve national consistency in the administration of wagering taxes and racing industry product fees, and the responsibility for consumer protection. This may involve transferring these responsibilities from the states and territories to the Commonwealth.”

Furthermore, the NSW review undertaken by Alan Cameron AM, outlined the benefits of a coordinated national response based on a recent meeting of COAG where it was noted;

“Many of the challenges facing the economy can only be addressed through more effective Commonwealth-State arrangements. By moving towards a seamless national economy through the reform of business and other regulation, COAG's reforms will make it easier for businesses and workers to operate across State and Territory borders. These reforms will make life simpler for businesses and consumers, while continuing to provide the necessary protections and access for consumers and the community.”

GA has always been, and remains a strong supporter of national wagering pools if each operator in the pool are wholly related organisations.

A national approach to totalisator odds betting would create the opportunity for far greater pool sizes and an increase in wagering, potentially providing greater returns to participants and the greyhound racing industry.

9. Conclusion

Greyhound racing and wagering are interdependent.

Both industries can remain vibrant if they embrace technological change, recognise the importance of nationalisation and understand that returns from the wagering dollar should be fair, equitable and sufficient to meet the needs of both the wagering customer (punters) and racing industry participants (owners, trainers and breeders etc).

In this regard, “free riding” must cease. All wagering service providers must contribute fair returns to the greyhound racing industry for use of the racing product.

National uniformity will build consistency with wagering and potentially better market share for greyhound racing.

The Federal government must acknowledge this major change and legislate to encourage the long term viability of the racing industry.