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RESPONSE TO

THE PRODUCTIVITY COMMISSION

REPORT ON GAMBLING

BY

THE NSW RACEHORSE OWNERS

ASSOCIATION

DECEMBER 2009



NSW RACEHORSE OWNERS ASSOCIATION (NSWROA) RESPONSE TO PRODUCTIVITY COMMISSION DRAFT REPORT ON GAMBLING

Introduction

The NSW Racehorse Owners Association (NSWROA) represents owners racing horses primarily in NSW but also in other States and Territories in Australia. The mission of the NSWROA is to further and protect the rights of racehorse owners in NSW.

The Association is recognised by all racing participants in NSW and a representative of the NSWROA is a member of the NSW Racing Industry Consultation Group (RICG), which advises Racing NSW.

Racehorse owners provide the racing product and are paid by race clubs for that service through the provision of prize money. The NSWROA is aware that race clubs derive their revenue largely from wagering by punters.

As is correctly noted in the submissions made by RICG, without owners, punters would have no horses upon which to wager and without punters there would be no wagering returns to convert into prize money and therefore, no incentive for owners to purchase horses to race. NSWROA is also aware that higher prize money attracts larger race fields and better quality race fields which is important to turnover and hence the available pool to be distributed as prize money.

Racing NSW statistical information suggests that without taking into account the initial outlay by owners to purchase horses, racehorse owners in NSW incur annual training and upkeep costs of \$200,000,000.00. After distribution of the available prize money, owners suffer a shortfall of the order of \$113,000,000.00. It is therefore apparent that, in addition to providing the racing product by purchasing horses, racehorse owners across the board suffer losses far in excess of the prize money that is distributed to them. It is essential that prize money levels are at least maintained to ensure that owners can remain in the industry and continue to provide the product without which the industry could not survive.

Accordingly, racehorse owners have a vital interest in any funding model adopted by the racing industry.

Submissions

- Australian Thoroughbred Racehorse Owners Council (ATROC), in its primary submission, submits that any new regulatory framework for the wagering market should be national in nature. Whilst NSWROA accepts that a national framework may be desirable in the long term, we consider that it is premature to establish a single national regulator imposing a single, uniform racing industry levy as this is likely to adversely impact on the returns to owners in NSW and hence their ability to continue to provide the racing product.
- The NSWROA does not have funding available to it, which would enable it to commission its own independent review. However, it has had available to it, and the opportunity to consider the submissions made to the Productivity Commission (PC) by individuals, bookmakers and the various racing participants together with the draft report produced by the PC. As is noted above, the NSWROA does not support the imposition of a single regulatory and funding model at this stage. The racing structures in each of the States and Territories are different and maintain flexibility in order to meet the requirements of the industry in that particular State or Territory. We see this flexibility as being advantageous rather than restrictive in terms of maintaining the viability of the Racing Industry and hence the ability to return prize money to owners.
- The NSWROA is aware that Racing NSW has determined that in terms of a funding model it will charge 1.5% of turnover to all Australian wagering operators regardless of where they are licensed or what type of betting they offer. Racing Industries in other states have seen fit to adopt a gross profit model. NSWROA supports the contention that Turnover has always been the currency in racing and wagering. As is pointed out in the RICG submission, it is easily understood, easily calculated and universal to all wagering operators who all calculate their operations based on Turnover. The arguments in favour of other revenue models are more complex and, in our opinion, likely to return significantly less revenue to the industry and hence to owners. If a national system is to be adopted, NSWROA support the model based on Turnover rather than gross revenue.



- After considering the available material the NSWROA disputes the PCs' finding that race fields legislation "poses significant risks for effective competition in wagering, potentially affecting the long term future of racing and wagering, and, more importantly, punters who ultimately finance both of these industries". The NSWROA has every confidence that the market is capable of setting race fields levies at appropriate rates. We believe this to be a fair and appropriate manner of raising revenue for the industry which is not anti-competitive. It is an important source of revenue to the industry and hence to owners. Furthermore there is no evidence empirical or otherwise that revenue based on the turnover model and / or the race fields legislation has, or is likely to prevent any potential participants from entering the market. To the contrary the number of corporate book makers has expanded and they are sufficiently viable economically to provide sponsorship and to mount expensive campaigns to oppose race field legislation and funding models based on gross turnover.

On behalf of NSW Racehorse Owners Association

Ray McDowell
President