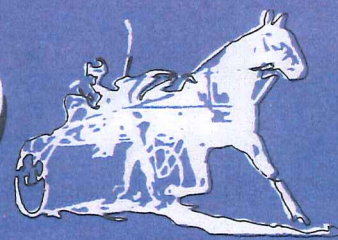


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RECORD DISTRIBUTIONS MASK GRIM REALITY

By ANDREW GEORGIU

DON'T get excited for one second by Tabcorp's announcement last week of record distributions to the New South Wales racing industry.

The adrenalin rush that the 10.8 percent increase on the previous distribution appears fantastic, but in reality, it actually spells a dire warning for the lifeblood of all three race codes as the increase is on the back of a very poor performance in 2007/08.

The fact is the distribution under the TAB Distribution Agreement to all codes of racing is, yes a record, but at only \$226 million - an increase of only 2.3% since the \$220 million distributed in 2004/05.

Over the past five years the TAB distribution has experienced some significant "one-off" occurrences such as the Sky/TVN imbroglio and the devastation of equine influenza.

The most significant affect, however, is not a "one-off". It is the aggressive intrusion by corporate bookmakers and betting exchanges, which has been described by at least one administrator as an illness.

Tabcorp revealed that the first half of the 2008-09 season saw industry distributions up in NSW by a massive 18.6 percent, thanks largely to the recovery of equine influenza. At the same time during 2007/08, it must be remembered that there was little to no racing in NSW, hence the lack of distributions.

The second half of 08/09, however, saw distributions grow just 3.4 percent.

This, Tabcorp says, is largely put down to State legislative changes that govern the wagering market in NSW.

"In 2009, the totalisator continued to demonstrate its ability to support the industry. However, there are concerning signs for the racing industry when one considers the declining level of growth in the second half of the

2009 financial year and the changes taking place in the NSW wagering market," Tabcorp Chief Executive, Elmer Funke Kupper stated.

"Longer term, the NSW totalisator will not be able to fund the industry unless the inconsistencies in the market place are addressed. Tabcorp welcomes competition, provided all players contribute at the same rate for the same level of access to the market.

"The only way we can secure industry funding is to recognise that racing and wagering are national activities, not state based activities. This means putting in place a national tax rate and a national industry funding regime that applies equally to all operators.

"In other words, we need to close the loopholes that exist as a result of differences between States in both tax rates and product fees. Getting this right will require leadership from the NSW racing industry and the State government."

The legislative changes at State level give interstate corporate bookmakers greater freedom to operate on racing without giving any significant return to those who put on the product, namely, the participants and clubs who conduct each code.

Rules that Tabcorp's gaming operator, TAB, and corporate bookmakers are forced to follow are vastly different.

IN BRIEF, THEY ARE:

*TAB pays a tax rate of 19.8% on revenue - corporates pay little or none

*TAB pays back between 5 to 6 cents of every dollar wagered on racing to the industry - corporates pay no more than 1.5 percent under NSW Race Fields Legislation

*Corporates have greater flexibility in the products they offer to their clients, including the option of credit betting
Arguably one of the biggest differences between the two is the ability for corporate bookmakers to offer 'tote odds'.



'Pirates' a threat to sport — Dumesny

By ANDREW GEORGIU

AUSTRALIAN harness racing officials were shocked on Tuesday when Federal Parliament stated it would leave Australia's Interactive Gambling Act 2001 unchanged following a lengthy review.

Today's decision opens the door for controversial overseas betting giant Betfair to move a step closer to destroying racing in Australia.

The decision is a concern for the racing industry, which has had Betfair as its rights since the betting website began operating in Australia in February 2007.

With the Act to remain unchanged, the UK-based operator's chances of obtaining a betting licence in Australia remain easier than if an amendment were passed.

While those concerned at Betfair would have celebrated the news, the same cannot be said for the NSW Harness Racing Club, Harness Racing NSW and the NSW Harness Racing Authority.

The controlling bodies of harness racing in this state have, along with the NSW TAB and various other commercial interests, lobbied long and hard to block Betfair operating in this country.

Currently, Betfair takes bets from Australia as an "excepted wagering operator" under section 15 of the Interactive Gambling Act 2001. The section specifically excludes any wagering operator, which takes bets on sport or racing, from the restrictions imposed on other forms of gambling.

It's under this exemption that Betfair and the TAB (and various other operators, licensed or unlicensed in Australia) are allowed to take sport and horse racing bets from people in Australia.

While competitiveness in the underclass is healthy, the main problem the NSWHRCA, NSWHR and HRNSW, along with other commercial interests, have with Betfair can be encapsulated in one aspect - they return nothing to the racing industry.

The money that is given back to race clubs is used for promoting the sport and benefits owners, trainers and various participants through prizemoney increases.

On an overall scale, the NSW TAB returns five per cent of all wagers back to the industry.

NSWHRCA Chief Executive, John Dumesny, said he could not explain the Federal Government's inability to see the threat Betfair is to the racing industry.

"The Federal Government's decision not to banish offshore betting exchanges and regulate corporate bookmakers will have a devastating effect on the racing industry and can be best described as pirates."

"These operators do not contribute to the income of the racing industry and do not wish to be described as pirates."

"One can only suspect that, with an election looming, the Federal cabinet did not wish to upset support seats in the likes of the Northern Territory or ACT."

"As far as the off-the-books betting exchanges are concerned, the fact that punters can opt for backing a horse to lose goes against the fabric of what racing is about - winning."

Dumesny pointed out that betting activity on Harold Park has been dramatically affected.

HRA Stewards have been monitoring Betfair activity closely recently and, last Friday night alone, the betting giant took more than \$150,000 in matched bets on the meeting.

Betfair relies on the concept of 'Matched Bets', which basically translates as one party being the backer and the other party is not a bookmaker, but another punter.

"Monitoring of the Betfair activity on Harold Park, metropolitan meetings has demonstrated that as much as \$40,000 per race is wagered."

"While some punters have expressed that they have no opinion on bet win or lose is great, they have not taken the integrity issue into consideration. They themselves can only be beaten - win or lose by a corrupt individual."

"It is pleasing to note that the HRA Stewards are monitoring all Harold Park races live at the track and are taking action proven by their immediate and then decisive action recently when handing out suitable punishment."

Dumesny also issued a plea to anyone



NSWHRCA Chief Executive, John Dumesny.

losing of any punter represents an insurmountable threat to racing integrity.

"We've witnessed this already in British racing. One example is a recent hurdle or steeplechase event in England which came under heavy criticism."

While jumping over a hurdle, the jockey in question appeared to fall off his mount just after clearing one of the obstacles. The rider came under severe scrutiny as suggestions were made that he deliberately jumped off his mount, which was one of the favourites for the event.

"Let's not pretend that a person involved with a punter won't be able to have a friend or distant relative by their own name or another in the same race," Mullins stated.

"Under these conditions, claims by the proponents of betting exchanges that measures can be implemented to prevent foul play is laughable."

"Even if a Stewards inquiry were to give the comfort to the innocent punters who have already fallen victim to the foul play."

"There is an overwhelming public interest consideration in ensuring that all punters in a race perform on their merits."

"The ability of anybody to profit from the

Here, the corporates are at a greater advantage because they can offer the same price as the TAB, without having to pay the same taxes.

The above few paragraphs highlight the 'leakage' that the racing industry in general has suffered from for the last five years.

Back in 2004, in this very newspaper, an article highlighted the threat that corporate bookmakers and betting exchanges, such as Betfair, posed to the racing industry.

Some few short years down the track, the doomsday prediction is spot-on.

Funding to the sport isn't in line with the budgets and forecasts that Tabcorp projected to race clubs, therefore, a cut in operational costs or reduction in prizemoney are the logical answers.

In essence, if you have a business that is running at a loss, you have to cut expenses where you can - it's as simple as that and prizemoney is the easiest.

NSW's principal harness racing club, the NSWHRCA, is one perfect example of a club operating on 'fumes'.

Despite the record funding announcement from Tabcorp, the racing industry is actually \$82 million worse off due to leakage according to NSWHRCA Chief Executive John Dumesny.

"In 2004/05 the distribution was \$220 million and is now only \$226 million," Dumesny revealed.

"If the 2004/05 figure was increased by CPI over the past five years racing would have received \$308 million.

"This decrease in real terms of wagering income is no fault of Tabcorp and certainly no fault of the racing industry.

"The fault lays squarely with those who originally didn't pay for the product and now don't want to pay the meager fee under Race Fields Legislation.

"The 1.5 percent of turnover fee is really only a pittance when compared to what Tabcorp contributes and now litigation is in full swing to reduce the fee."

Dumesny said he feared for the future of the racing industry in the face of legislation that sees the TAB pay a higher tax compared to that of their wagering rivals.

"I am even uncertain as to whether the industry can be sustained into the longer term on the TAB funding model of 4.5 cents in the dollar turnover but it is still three times more than what is currently legislated for others," he pointed out.

"These operators also have the ability to offer tote prices which virtually equates to no work and at least a good portion of the play, eroding further what the industry could get from the TAB.

"There is no credit betting either with the TAB but it can be only a matter of a punter giving their credit card details for a bet to be placed with other operators.

"It is illegal in NSW to gamble utilising a credit card, so why should the interstates and offshore operators be permitted this advantage? The Federal regulators could easily correct this anomaly.

"Everything is so easy but it won't be easy for anyone when the prize at the end of the race is only a ribbon and owners abandon racing horses, not even for those who prosper without paying an appropriate fee."

No one doubts that TAB distributions are a big part of the overall make-up of each club's prizemoney, so if the TAB struggles with growth in the wagering sector, it will inevitably mean that clubs could be forced to reduce prizemoney in order to curb such losses.

"We have only been able to keep prizemoney at the current levels due to funding received during the four months when we couldn't race due to EI, however, these monies will soon be expended," Dumesny pointed out.

"We will still be expected to conduct race meetings but for how long we will be able to attract owners if there is not at least a viable return for their investment is another question.

"Those who are not wanting to pay a fair fee can dismiss the Clubs as just being winning operators of race tracks with no personal financial interests.

"But can anyone with any conscience dismiss the needs of participants who actually do the work and spend their hard earned to put on the show?"

"A selfish attitude, but an attitude from the greedy that wouldn't surprise me.

"In 2004 I described such acts as piracy - I now tend to compare the current actions as an illness which will eventually destroy racing as we know it," Dumesny concluded.

He finished off by stating that there was no chance of prizemoney increases in the foreseeable future should these trends continue.

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