



CHAIRMAN'S REPORT - MR GEOFF WANT

HRA ANNUAL GENERAL MEETING 12 OCTOBER 2009

It has been a positive year for harness racing in Australia and also for HRA.

There are some issues of great concern, especially the threat to our industry's traditional funding model, but it is important that we do not allow negatives such as this to colour our thinking to the point we forget about celebrating the positives.

At the top of the list of things to celebrate is another season of outstanding racing, with our exciting sport showcased at some wonderful venues.

It remains a challenge for all administrators to get more fans enjoying the spectacle of harness racing, but we have a fabulous product with which to work.

There has been much to admire and applaud on the track in the past season, including:-

- some outstanding racing on the Barastoc Grand Circuit and many other events;
- the deeds of brilliant pacers such as Mr Feelgood, Blacks A Fake, Melpark Major, Auckland Reactor and some highly promising juveniles;
- Sundons Gift dominating in trotting events and taking on the world in The Elitloppet in Sweden;
- some admirable training feats and brilliant drives;

- and, the continued development of talented young male and female drivers, headed by the record-breaking Kiwi Dexter Dunn.

Venue Developments

The opening of the Melton complex, less than a year after the commencement of racing at Menangle, gave our industry another world class facility.

Tabcorp Park Melton is a stunning multi-purpose venue and is a credit to the vision and perseverance of Neil Busse and the Board and management of Harness Racing Victoria.

The New South Wales Harness Racing Club is also deserving of plaudits for the continued development of the excellent Menangle facility, which is now also sponsored by Tabcorp.

Other developments are planned or underway at several harness racing venues to provide better racing and improved facilities for fans and participants. One such venue is Albion Park in Brisbane, where problems with the grandstand forced the transfer of the Inter Dominion Pacing Championships to the Parklands complex on the Gold Coast in March.

Inter Dominion

ID09 was a great success with exciting racing and good crowds and attracted considerable media coverage.

Research commissioned by the Inter Dominion Event Committee showed ID09 delivered more than \$10 million in economic benefit to the Gold Coast.

IDEC will be putting forward recommendations for the future conduct of the Inter Dominion Championships after the end of the current roster (in Perth in 2012) following ID10 in New South Wales in March 2010.

Other Achievements

From a HRA perspective, other notable achievements for the past year have included:-

- the first review of our handicapping system in more than a decade;
- the first national market research exercise conducted for harness racing;
- implementation of a much-improved national database;

- progress on animal welfare issues, including new whip rules and the development of an injury and incident database;
- monitoring several matters in the aftermath of the equine influenza outbreak;
- maintaining a strong focus on integrity; and
- preparation of a Strategic Plan.

The changes to the Australian Handicapping Rules which took effect on September 1, 2009 were the result of exhaustive industry consultation and discussion. There are those who believe the changes do not go far enough, particularly in relation to three-year-olds. It is important the industry embraces the positive aspects and revisits other issues, if appropriate, when the rules are next reviewed in 2010.

The proposed changes to the whip rules, from January 1, 2010, have been the subject of robust debate in the industry.

The changes represent a common-sense approach to an issue on which many people have strongly divergent views. Apart from industry consultation, HRA also discussed the proposed changes with the RSPCA, which is opposed to the use of whips in racing. Nonetheless, the RSPCA recognised the new rules as a “significant improvement” and welcomed “the progressive attitude taken by HRA to implement the changes”.

Completion of the Multi-Jurisdictional State Harness Racing Database Project in May was a significant boost to the industry. It was achieved through considerable hard work and a great deal of co-operation between the team from RISE, HRA and all State controlling bodies. Congratulations to all involved with the project, which will bring long-lasting benefits to our industry.

Equine influenza wreaked havoc on our industry two years ago and there are still grave concerns about a number of matters. Australia's equine industries have been unable to sign the Emergency Animal Disease Response Agreement as the Horse Disease Response Levy Bills were defeated in the Senate in February. HRA and all major equine bodies supported the Levy Bills, recognising the need for certainty and comfort should there be another equine disease outbreak.

It is of grave concern that standardbred owners could face crippling financial exposure should there be another equine disease outbreak without harness racing being a signatory to EADRA. Hopefully, the Federal Minister For Agriculture, Tony Burke, will continue to review this situation and the matter can be satisfactorily resolved in the months ahead.

HRA has also written to Minister Burke recently seeking an undertaking that the Australian Government will continue to provide, control and operate post arrival quarantine stations for imported horses. This was prompted by concern that the closure of Spotswood in Victoria and uncertainty over the Eastern Creek facility in New South Wales could lead to the establishment of privatised quarantine stations.

We are also keenly awaiting the recommendations of the Primary Industry Ministerial Committee on the vaccination issue. HRA remains opposed to vaccination against equine influenza, even on a voluntary basis, due to the cost to participants, the lack of compelling scientific evidence and the effect it would have on the free movement of horses between Australia and New Zealand.

The market research exercise has resulted in a strategic road map for future growth of our industry. Few would have been surprised by many of the findings of the research, but it was an extremely valuable exercise. Every Australian administrator must now ensure we work together, as a national industry, to develop and implement policies which will foster growth of our fan base and wagering turnover.

There is little our industry can do about the global economic crisis which has impacted on discretionary spending and resulted in many companies taking a more frugal approach to sponsorship spending. We can, however, and must work together to develop policies for the long-term benefit of our industry.

Funding Threat

Everyone is acutely aware of the critical issues facing harness racing – indeed, the three Australian racing codes – headed by the threat to our traditional funding model.

The leakage of wagering turnover from the licensed pari-mutuel operators in each State to corporate bookmakers and betting exchanges is a malignant cancer which regulators and administrators seem powerless to treat.

Growing the fan base is also a challenge, along with the related issues of fostering new participants and addressing the breeding downturn.

The deregulation of the Australian wagering market accelerated in the past year, but with scant regard being paid to the well-being of the clubs putting on the race meetings, or their licensed wagering retailers. In no other field of endeavour are producers treated so poorly. If someone pirates a song or copies a "brand" t-shirt, they are prosecuted. Anyone suggesting that a producer must sell their goods to a competitor of Coles or Woolworths at a fraction of the true cost would be ridiculed. How is racing different?

The leakage of wagering turnover has become a flood as corporate bookmaker and betting exchange services have become more accessible. And this accessibility, mainly through the internet, has been aided by the lifting of advertising bans on them in Australia. Some thoroughbred clubs even allow the corporates to advertise on their racecourses, which is astonishing.

Why anyone would give a competitor direct access to their supporters is beyond me! It is inconceivable that Woolworths would allow Coles to display advertising in their supermarkets.

The only weapon used in the battle to date has been the Race Fields Legislation, with most administrators closely watching the outcome of a legal challenge in New South Wales. The NSW legislation provides for a fee of 1.5 percent of turnover to be applied to the corporates, although some codes and States (especially the thoroughbred code in Victoria) favour the bookmaker preference for 10 percent of gross profit. This equates to about half a percent of turnover.

Regardless of which scheme is adopted, the returns to racing are considerably less than the industry receives from the TAB's – and despite claims from some misguided souls that the corporates and betting exchanges are bringing in new revenue, most of their turnover is moved from the TAB's. It is estimated that the turnover with corporate bookmakers and betting exchanges in the past year was \$4.5 billion, up from \$2 billion in 2006/07. In 2007/08, turnover on Australian harness racing fell by \$218 million, or about 12.5 percent.

Some of the downturn was attributed to the outbreak of equine influenza, but there was evidence much of it was diverted to corporate bookmakers and betting exchanges.

There was evidence of some improvement in 2008/09, with turnover returning to the pre-EI levels. Total national turnover on harness racing was almost \$2billion (\$1,997,501,561), which was a heartening recovery. Nonetheless, it was only 1.7 percent growth over a two year period – or negative growth if taking account of CPI movements.

It is interesting that British racing has been used as an example of how Australia can benefit from a deregulated wagering market. British thoroughbred racing's primary source of income is a levy scheme, whereby bookmakers pay 10 percent of gross profits. The two biggest bookmaking firms, Ladbrokes and William Hill, have announced plans to move their operations offshore by the end of this year to avoid paying the levy. It is estimated this will cause a reduction in levy funds of at least 30 percent.

This is not just a problem for Australia and Britain. In New Zealand the racing industry has lost an estimated \$50 million in the past year because of wagering revenue leakage and administrators are now coming to terms with funding cuts. At the International Trotting Association Conference in Norway in May this year, the threats to racing's traditional funding model – licensed pari-mutuel operators in each European country – dominated the agenda.

A select committee of the European Parliament has been examining the issue and each member State has been attempting to find a solution. In France, it is estimated that 75 percent of bets made on the internet are processed by illegal sites. France has responded by enacting legislation that stipulates any company wagering on French racing from the beginning of 2010 must be licensed and pay a product fee of eight percent of turnover to the racing industry and taxation of 7.5 percent. It was not clear how the French authorities proposed to enforce the legislation.

HRA's concerns regarding wagering turnover leakage were conveyed to the State Governments at the Australasian Racing Ministers' Conference in Melbourne in December 2008. The Australian Racing Board and Greyhounds Australasia expressed similar concerns.

In a communiqué issued after the meeting it was reported the Ministers had agreed to work with their respective Heads Of Treasury to examine "the financial arrangements underpinning

Australian racing and wagering". We can only wait and see if anything constructive, from a harness racing industry perspective, comes from these deliberations. To date, there has been nothing and there is little cause for optimism.

HRA also lodged a submission with the Australian Government Productivity Commission "Public Inquiry Into Gambling". HRA was one of many organisations to seek Federal control of the racing industry, noting that technology such as the internet and mobile telephony challenged the effectiveness of State-based regulations.

The Productivity Commission is not likely to report until early 2010, but it is unlikely to give the racing industry any joy. It is expected that the Commission's recommendations will cover problem gambling and social ills, rather than the problems afflicting the Australian wagering landscape.

Meeting The Challenge

Regardless of the action taken in the past year, or the possible future form of the Race Fields Legislation, it is imperative racing administrators come to terms with the changing wagering environment. There also needs to be recognition that the industry and its wagering retailers, the various State TAB's, have failed to adjust to change or to adequately service our customers.

There is no need for a witch hunt, but critical evaluation of what has occurred is long overdue. We must also develop our Strategic Plan to include how we tackle funding issues in the immediate future and how we develop a National Marketing Plan for harness racing.

Harness racing administrators should determine the best funding model for the future and present a proposal to regulators, instead of relying on Governments to legislate us out of a problem. We need to take control of our own destiny. Once we have determined what is best for our industry, we should start a campaign to get Government action to ensure we get the funding we rightfully deserve.

We need to present our case at all levels of State and Federal Government in Australia and to ensure our voice is heard – and that bureaucrats and politicians clearly understand the issues. HRA has appointed lobbyists in Canberra to assist in this process.

Most importantly, we must challenge in public the rhetoric of the organisations which are unjustly profiting from our industry.

For a major industry, we don't make much noise. We are going to have to start making plenty of noise if we don't want to start concerning ourselves more with the problems of diminishing funding, such as prize money cuts, postponed or cancelled capital works programs, and losses of jobs. We are a major industry and we should use all our resources to ensure we are heard, from grass roots politics to the most senior Federal Ministers.

National Disasters

Australia has endured another year of disasters and the drought still plagues wide tracts of the nation.

Few people at Moonee Valley for the Hunter Cup meeting in February realised that one of the worst disasters in Australian history was taking place in close proximity to Melbourne. The loss of 173 lives, hundreds of people injured, thousands of animals killed and wounded and many tens of millions of dollars damage to property caused by the Victorian bushfires was distressing.

We are grateful to the many harness racing participants and fans in Australia and New Zealand who gave generously to the relief appeal and provided offers of support.

World Trotting Conference

Australia was represented at the ITA World Conference in Oslo in May by Executive Member Ross Cooper and myself.

As stated earlier, the threat to the traditional funding of harness racing dominated the agenda. Australian harness racing stalwart and former AHRC Chairman Mick Lombardo (attending the conference as an observer) was honoured with Life Membership of the ITA.

HRNZ Conference

Andrew Kelly and I attended the Harness Racing New Zealand Annual Conference in Christchurch in August.

Pressure on funding due to the twin evils – the economic downturn and the leakage of wagering turnover – was the major topic, although the industry in New Zealand is still in a healthy state.

The relationship between HRNZ and HRA has strengthened in recent years with considerable dialogue between the two entities, and this brings benefits for harness racing in both countries.

Acknowledgements

HRA is an effective organisation due largely to the efforts of the many people who serve on the national body's various committees. You are all deserving of the highest praise.

The Executive has functioned extremely well since it was expanded in March to have a representative of each State.

My thanks to the members of the Executive for their efforts, especially to Ray Sharman who is stepping down after three years as Treasurer. I have valued Ray's wise counsel and professional guidance – and also his dry sense of humour!

It has also been announced that Neil Busse will be stepping down as Harness Racing Victoria Chairman at the end of the year, after almost a decade in the role. I have known Neil throughout his tenure and have done business with him as both a business partner and a harness racing colleague. We have not always agreed but I have great admiration for the way he has taken HRV forward. He is a man of vision, tenacity and integrity who, hopefully, will not be totally lost to harness racing. Our industry can ill afford to lose people of Neil Busse's calibre.

Thanks also to the HRA staff for their dedication and achievements over the past year and especially to Chief Executive Andrew Kelly. Andrew's diligence and enthusiasm have been warmly welcomed by everyone he has encountered in his first year in the role.

There are plenty of positives to celebrate and some critical issues to address, but I'm confident harness racing will rise to the challenge.

Geoff Want
Chairman