



CHAIRMAN'S REPORT - MR GEOFF WANT

HRA ANNUAL GENERAL MEETING 28 OCTOBER 2013

The harness racing industry makes a valuable contribution to the Australian economy and is not only a sport, leisure and entertainment pursuit, but also plays an important role in the environmental and social dimensions of the communities in which it is represented.

This is not the view of a biased participant or administrator, but some of the findings of independent analysts engaged to conduct one of the most critical projects undertaken by Harness Racing Australia in recent times, an economic impact evaluation of our industry.

Apart from providing an enormous amount of vital information to assist HRA members in their dealings with governments and business partners, the *Size & Scope of the Harness Racing Industry in Australia* should be a timely reminder for administrators and participants alike that we have an important and viable industry that needs to be protected and nurtured.

There are plenty of issues to be dealt with in harness racing and there are no easy answers, but we need to be focused on meeting the challenges rather than bemoaning the negatives.

The Size and Scope study, conducted by the leading strategic consulting business IER Pty Ltd, will be dealt with in more detail elsewhere in the annual report, but there are some other points worth reiterating. These include: -

- * the harness racing industry in Australia contributes more than \$1.4-billion in value added to Gross National Product
- * more than 19,000 people rely on harness racing, in part or totality, for their livelihood
- * more than 48,400 individuals are involved in the process of producing and preparing standardbreds for racing
- * more than half a billion dollars is spent on producing and preparing racing stock
- * over 326 community organisations or charities are assisted financially by harness racing clubs and more than 460 community organisations share racing club facilities and resources.

These, and other findings of the study, are impressive numbers, a point that has not been lost on state and federal politicians and bureaucrats who have been briefed since the report was released in May. HRA co-ordinated a lobbying campaign for members to ensure the study's findings were widely disseminated and understood, a process that will continue in the coming year.

Racing Highlights

It has been another outstanding year on our racetracks with some stellar performances by horses, drivers and trainers.

Western Australia's dynamic pacer Im Themightyquinn scored a brilliant victory in the revamped Inter Dominion championship at Tabcorp Park Menangle. This, along with wins in the WA Pacing Cup at Gloucester Park and the Auckland Cup at Alexandra Park, ensured he was crowned 2012/13 Grand Circuit champion, making it a three peat, after wins in the 2010/11 and 2011/12 seasons.

His third Inter Dominion triumph also saw Im Themightyquinn inducted into the Inter Dominion Hall of Fame. The mighty gelding, trained by Gary Hall senior and driven by his son Gary, won 12 races and more than a million dollars during the season.

Im Themightyquinn was a deserved winner of the Horse of the Year title.

Tabcorp Park Menangle was also the venue for a thrilling Miracle Mile, with the emerging star Baby Bling earning Grand Circuit honours when she prevailed over a talented field. She also won the Group One Mares Classic at Gloucester Park and four other races during the season.

Mah Sish proved his Ballarat Pacing Cup victory was no fluke with a tough Grand Circuit win in the AG Hunter Cup at Tabcorp Park Melton, while nine year old gelding Washakie made light of his age by winning the opening Grand Circuit race of the season, the Queensland Pacing Championship, at Albion Park. Washakie also scored in the Group One Treuer Memorial at Bankstown and five other races.

Exciting colt Caribbean Blaster was brilliant in winning his first Grand Circuit race, the Victoria Cup at Tabcorp Park Melton, and was considered a near certainty in the South Australian Cup at Globe Derby Park a few weeks later. But the pundits had forgotten about the class and fighting spirit of the ageing warrior Smoken Up.

Caribbean Blaster looked to have the race in his keeping on the home turn but Smoken Up refused to yield and the two horses waged a war down the straight, urged on by a boisterous crowd. It was racetrack theatre at its best and Smoken Up responded to win one of the most memorable races of the season.

The trotting equivalent of the pacing grand circuit, the Trotting Masters, featured two new events during the year - the Glenferrie Farm Challenge at Tabcorp Park Menangle and the Great Southern Star at Tabcorp Park Melton.

Kiwi champion I Can Doosit won the opening race of the Trotting Masters at Addington in Christchurch before his season was cut short by injury and another New Zealander, the Tim Butt trained Vulcan, found form to take out the series.

Keystone Del, representing Australia despite his New Zealand heritage, upset the better fancied runners in the Glenferrie Farm Challenge, but Vulcan would not be denied when the Trotting Masters series moved to Melton.

Vulcan won the Australian Trotting Grand Prix at Melton and then took out the inaugural Great Southern Star, an exciting event based on the famed Elitloppet in Sweden and featuring heats and a final on the same program. Vulcan's exploits gained him Trotter of the Year honours.

Apart from the stars racing in the Grand Circuit and Trotting Masters and a host of other open class events, the season also saw the emergence of some exciting youngsters destined for bigger things. Many of these were in action at a fabulous finale to the Australasian Breeders Crown series at Tabcorp Park Melton late in the season.

Harness Racing Victoria are to be congratulated for developing the Great Southern Star and for their efforts to promote the trotting gait. It is to be hoped this unique event will continue to grow in popularity and get the widespread recognition it deserves.

Congratulations are also due to the NSW Harness Racing Club and Harness Racing NSW for their efforts to reinvigorate the Inter Dominion Pacing Championship. The concept of qualifying heats in Auckland, Melbourne, Perth and Sydney with a grand final two weeks later at Tabcorp Park Menangle was ridiculed by some who find it difficult to break with tradition, regardless of the underlying reasons for the need to change.

Most reasonable people accepted it was a necessary attempt to reinvigorate the Inter Dominion and, regardless of the changes, it would still feature the best horses in a demanding final. Despite the critics it was a resounding success, with a good crowd enjoying fabulous racing and another Im Themightyquinn victory.

Wagering turnover was strong and there is every indication that the event will be even better in the next two years at magnificent Menangle, which has just undergone a \$25-million upgrade.

The economic impact study commissioned by the Inter Dominion Event Committee also told a positive story, with the event generating gross economic benefit of more than ten million dollars.

It wasn't only the horses starring during the year. Victorian Chris Alford was the leading driver in Australia during the season with 295 wins while the highly talented Greg Sugars moved to another level with 257 victories.

Western Australian ace Gary Hall junior drove 241 winners but was the most successful driver on metropolitan tracks, saluting on 101 occasions.

One of the outstanding band of young drivers, Amanda Turnbull, was the leading driver in NSW, the 23 year old winning an amazing 203 races. Another fabulous young female driver, Lauren Panella, recorded 179 wins.

Queensland trainer Grant Dixon did not allow his battle with cancer to severely impact his season and again emerged as the nation's leading trainer with 226 winners, 158 of which he drove.

Industry Funding

The fabulous racing and the exploits of wonderful horses and drivers can however easily mask some of the issues clouding our industry, especially with wagering turnover and trends.

Wagering sustains our industry and there are some serious issues pertaining to turnover which much be addressed if funding is not to be impacted.

In the past decade the industry struggled to overcome the threat posed by the growth of corporate bookmakers, who attacked the licensed pari mutuel operators and undermined the industry's traditional funding model.

Harness Racing New South Wales played a key role, in a lengthy legal battle, in ensuring the corporates had to pay a commission to wager on their events. Harness Racing Victoria had a similar win in court, with the result all states now get a one to 1-1/2 per cent turnover commission from bookmakers.

While the return from corporate bookmakers is less than the industry receives from the totalisator operators and their pari mutuel pools - in both the percentage of turnover and overall monetary terms - it is a positive step in the right direction for a just return from anyone using our product for wagering purposes.

In an effort to compete with the corporates, the TABs introduced fixed odds betting, which has become increasingly popular. While it is necessary to meet the needs of punters - and there is no

doubt fixed odds betting has strong appeal - it is ironic that the cure is not necessarily in the best financial interests of harness racing.

As fixed odds turnover increases, pari mutuel turnover drops and the industry's return from the former is considerably less.

In the financial year to the end of July 2013, harness racing turnover on totalisators nationally, both on and off course, was almost \$1.7-billion (\$1,697-million), a fall of 2.8 per cent on the previous year, or some \$50-million.

Of this total, \$203-million was invested on fixed odds, an increase during the year of almost 96 per cent. Pari mutuel wagering fell by 9 per cent or some \$150-million.

During the year, fixed odds accounted for almost 12 per cent of all TAB turnover.

Investments with bookmakers on course continued to spiral downwards with a further drop of 28.61 per cent to \$4.6-million.

Conversely, turnover with corporate bookmakers continued to grow rapidly, with a 32.33 per cent increase to \$463.8-million - or about \$113-million. Turnover with the corporates was 21.42 per cent of the national wagering total on harness racing, up from 16.67 per cent the previous year.

Total turnover from all sources was up 2.97 per cent at \$2,166-billion. This figure does not include money matched on betting exchanges.

The dominant exchange operator, Betfair, had net customer winnings - the criteria used to determine commission payments to the industry - of some \$130-million, down slightly on the previous year.

It should be obvious that if these trends continue, allied with the threat to harness racing wagering from the significant growth of sports betting and such things as internet casinos, our industry will have serious funding concerns in coming years.

HRA decided late in the year to appoint a special committee to examine these wagering issues and make recommendations as to how industry funding can be boosted. Various matters have been discussed at different times and there are no easy answers, but it is hoped the committee can make some progress on this critical subject.

Lobbying Campaign

During the past year HRA has continued to lobby federal and state members of parliament for national legislation to govern the funding of the racing industry, in line with the recommendations of the

Productivity Commission Inquiry into Gambling. It is our belief this could be achieved without the states giving up control over regulatory functions, state taxation regimes or commercial matters.

We have also continued to press for the Interactive Gambling Act (2001) to be strengthened to prevent exploitation by wagering operators who are not approved by Australian regulators.

A primary thrust of our lobbying has been to ensure harness racing is not damaged by legislative change brought about by concerns among politicians and regulators over forms of gambling such as sports betting and gaming machines.

HRA also welcomes the opportunity to attend the Australasian Racing Ministers' conference each year. We recognise it is not easy to schedule busy ministers to attend these forums, but they are a worthwhile exercise and provide an opportunity for the three codes of racing to communicate with ministers as a group on a range of issues.

Integrity

Every harness racing administrator understands that integrity is of critical importance. It is imperative not only that the punting public has confidence in the integrity of our industry, but also that every participant knows their honest endeavours are not being undermined by the illegal activities of others.

Harness racing has an outstanding integrity regime and I congratulate the stewards and administrators who strive to ensure our industry is as clean as possible. Anyone who attempts to influence the outcome of a race by using prohibited substances or engaging in other illegal activities is guilty of fraud and must be punished to the full extent of the law.

It is reassuring to see the punishments being meted out to the participants who were involved in the racket unearthed in New South Wales in mid-2011, whereby stewards were allegedly paid not to carry out tests for prohibited substances on certain horses.

There have been a number of hefty disqualifications and four participants and a steward have appeared before the courts. Two, Dean Atkinson and Cameron Fitzpatrick, were ordered to perform community service as part of their sentences and both have also been disqualified by Harness Racing NSW, Atkinson for 10 years and Fitzpatrick for 15.

Michael Russo received a 2-1/2 year prison sentence while charges against former leading driver Greg Bennett have still to be heard.

Former steward Paul O'Toole was given a three years jail sentence with a non parole period of 18 months for his role in the scandal.

Harness Racing NSW is to be commended for the professional manner in which they have dealt with this unsavoury matter which, despite the adverse publicity it attracted, has demonstrated the effectiveness of our industry's integrity measures.

These measures include the continued development of the International Racing Information and Intelligence Service. HRA have formally joined with a number of countries, including the USA, Canada, United Kingdom, France and New Zealand, to develop a resource by which jurisdictions can communicate and share intelligence information around the globe at anytime.

Broadcasting

Harness racing gained marvellous exposure in early March when the final of the Inter Dominion was covered live on the Nine Network, the first time in many years that our product had been showcased so extensively on free to air television. This provided an opportunity to expand our audience reach beyond the devotees who normally watch Sky Racing.

The industry's relationship with Sky Racing, which also provided magnificent coverage of the Inter Dominion series, is generally harmonious although there are a number of issues which need to be resolved.

In mid-2012 all HRA members, except those in Queensland, signed Deeds of Agency appointing HRA as their agent to discuss a range of concerns with Sky Racing. Some discussions have taken place since then although Sky has been reluctant to make any concessions on most of the issues, which primarily involve concerns about the existing broadcast rights agreements.

It is to be hoped progress can be made on these matters in the year ahead, especially in the area of new media.

Some progress has been made on the crucial matter of race scheduling, where product placement and lead-in times have a direct, and major, impact on wagering activity. Sky has endeavoured to be fair to all codes and clubs in this matter over the years, but certain thoroughbred interests have attempted in recent times to control scheduling to their benefit - and to the detriment of others who share the Sky Racing channels.

The issue has been exacerbated by Sky's insatiable desire for more racing product which has resulted in considerable congestion on its channels.

Just as scheduling can have a significant impact on wagering turnover, Sky is a necessary part of any product initiatives which harness racing attempts to introduce.

It is therefore disappointing when our business partner hampers the implementation of product developments, which it is hoped will attract new fans and grow wagering.

Hot Shots was conceived in early 2009, when Sky was approached to discuss the project. Apart from televising and promoting the event, it was necessary for Sky to make some technical adjustments to enhance the coverage.

We accepted it would take some time to undertake this work and to reorganise schedules to ensure Hot Shots was successful. Despite several target dates being provided we are still no closer to trialling the product, with May 2014 the latest projected launch date. Attempts are being made to get Sky to expedite this matter.

Hot Shots is intended to be a one lap, 8-across the front mobile start sprint which will involve new camera angles, interaction with drivers via audio equipment, different styles of race call and colored identification of horses. It has been trialled in part by clubs, notably with the Flying K series in NSW, but hopefully we will get to see it as a finished product in the near future.

Marketing

One of the more satisfying developments of the past year was the decision by HRA members to undertake a national marketing campaign.

We do not have the marketing clout of the organisations with which we are competing for the leisure dollar, so it is sensible to combine our resources where possible to become more effective in promoting our brand. Hopefully the *We Will TROT You* campaign will be the first positive step in a collaborative approach to promoting harness racing throughout Australia.

I have long advocated a national media centre to focus on increasing the exposure of harness racing across all media. Administrators and participants alike can lament the lack of harness racing coverage in mainstream media but there will be no return to the situation of three decades ago.

Instead we need to concentrate on targeted coverage in newspapers, magazines, radio and television while continuing to embrace digital media. There are some great stories to be told about our industry, but we need to ensure we take a different approach.

I do not understand why there are state based industry magazines, when it would be more cost effective - and probably be a better read - to have one national publication.

Similarly, Trots TV has been a marvellous initiative by Harness Racing NSW where it is guided by people with extensive television experience. This should be a national undertaking and could be a vital component of an industry wide new media plan.

Breeding

There has been gradual implementation of the recommendations contained in the Australian Standardbred Breeding Panel Report of September 2011, although the proposed national broodmare credit scheme is unlikely to become a reality. In discussing the recommendations, HRA members expressed a clear preference for state based schemes to provide support and incentives to the breeding industry.

There is no doubt however that the panel's work has had a positive impact. It was established to determine the current health and trends of the breeding industry and to develop a plan to stimulate future growth of breeding and ownership of broodmares and racehorses, and the findings will continue to frame many of HRA's initiatives to support breeders for some time to come.

It was pleasing to be able to announce in August that up to \$500,000 will be released to state controlling bodies in the coming year for breeding related activities, such as credit schemes, win bonuses or other localised programs determined by the individual state.

One of the panel's recommendations to be adopted during the year by HRA members was for an increase in the import fee for horses entering Australia from the beginning of April.

Other measures taken this year as a result of the panel's report include the collection of real time service data from studs and approval for a pilot artificial breeding short course via the Northern Melbourne Institute of TAFE, in preparation for the 2013/14 breeding season.

World Trotting Conference

It was a pleasure to lead the Australian delegation to the World Trotting Conference, held in Paris in June. The week long conference addressed a number of subjects and there was considerable debate at extensive committee sessions.

An inescapable fact is that all member countries of the International Trotting Association face common issues, essentially with animal welfare, integrity, growing the fan base, wagering and funding threats, breeding and attracting new owners.

The World Driver's Championship was conducted in conjunction with the conference and NSW reinsman Neil Day was a personable and popular Australian representative. Neil did not have much luck in the draws for horses and could not win one of the 20 races staged over some of France's finest tracks, but he was a fine ambassador for Australian harness racing. The next world conference will be held in Sydney in March 2015.

Acknowledgements

There are several other subjects worthy of coverage, including HRA's animal welfare initiatives, but these will be covered elsewhere in the annual report.

HRA and Harness Racing New Zealand co-operate on a wide range of issues and there is an excellent relationship between the organisations. It is a pleasure to work with chairman Gary Allen and chief executive Edward Rennell and their colleagues.

I must thank members of the HRA Executive Committee for their work and support during the past year, and also acknowledge the contribution made by so many people who serve on our various committees and working parties.

The team at HRA's Melbourne office are a dedicated and committed group, under the leadership of chief executive Andrew Kelly, and they do a wonderful job. My thanks to them for their continuing efforts, and also to our excellent legal counsel, Dean Cooper.

Conclusion

This report began with reference to the Size and Scope study and the positive message conveyed therein. There has also been reference to some of the issues impacting on our industry and to the challenges we face.

We need to embrace these challenges with confidence, knowing we have a great industry which can continue to make a valuable contribution to the national economy and, more importantly, to the social life of many Australians.

Geoff Want
Chairman