

**Submission
No 1**

INQUIRY INTO GREYHOUND RACING IN NSW

Organisation: Greyhound Action Group NSW Inc

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To : Legislative Council Select Committee on Greyhound Racing in NSW

Our Submission Number One : Addressing Terms of Reference Items : A, B, C

Please find enclosed our Submission Number One. This submission is written from the perspective of our members, whom are participants within the industry (either owners, trainers and/or breeders), and addresses the following Terms:-

- a. the economic viability of the greyhound racing industry in New South Wales
- b. the financial performance and conduct of the industry and of Greyhound Racing NSW including a comparison to other states of Australia,
- c. government initiatives and assistance measures to support the industry and comparison of assistance to other racing codes,

We consider that the viability of the industry from the perspective of our members, is marginal and the NSW industry financial performance compared to other states to be poor. So much so that a large percentage of owners and trainers protested by refusing to race their dogs over a 'no show' period last year.

We submit that the solutions are within ready reach, with government support, and would re-energize the industry's economic contribution to the state and vibrancy of the industry.

We intend contributing with further submissions as to other terms shortly. We may have other information in respect to these terms over the course of the inquiry.

Please do not hesitate to contact the writer should you have any questions arising from our submission.

Yours Faithfully

Dennis Carl
President
Greyhound Action Group NSW Inc

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Section One - Introduction to This Submission.

This submission addresses the following Terms:-

- a. the economic viability of the greyhound racing industry in New South Wales
- b. the financial performance and conduct of the industry and of Greyhound Racing NSW including a comparison to other states of Australia,
- c. government initiatives and assistance measures to support the industry and comparison of assistance to other racing codes,

We intend contributing with further submissions as to other terms shortly and may have other information in respect to these terms over the course of the inquiry.

The submission is written from the perspective of our members, whom are participants in the industry, being owners, trainers and/or breeders of greyhounds.

Section Two – Executive Summary Paper

Economic Contribution

2.1 The NSW Greyhound Racing industry is a significant contributor to the state of NSW through being a provider of an enjoyable pastime and hobby, the payment and generation of taxes, charitable works, services to country areas and through generating employment.

Current Viability

2.2 The viability of the NSW greyhound racing industry is marginal from the perspective of participants. The industry has traditionally been the racing industry for the 'working class' people, having a much lower cost of participation than the two other racing codes, and being able to be undertaken by hobbyists from their suburban backyards. The financial returns have been declining to the point where participation is almost out of the reach of the everyday person in NSW. This is because:-

2.2.1 Prizemoney being the lifeblood of the industry, declined by 23% in real terms in the 7 years prior to 1996/97, while costs escalated by 9% per annum in the preceding three year period alone. The negative impact of that has not been corrected; prizemoney has since grown but has been absorbed by rising costs.

2.2.2 Participation in the NSW greyhound racing industry is more costly than the three other major greyhound racing states, it is double that of Victoria and WA more expensive than QLD. It is not financially viable for professional or semi-professional trainers to train the average prizemoney performing dog in NSW, whereas in Victoria it is viable to do so.

2.3 The NSW greyhound racing industry has not had a major infrastructure project for many years. In comparison, Victoria spent approximately \$9.8M on three major projects in Y2012.

2.4 The marginal viability of the industry from a participants' perspective reflects in participation statistics, which have been in decline for many years.

2.5 The industry provides 50% of race tracks Australia wide and double that of Victoria. These race tracks contribute substantially to the social fabric and entertainment and hobby opportunities for many towns. However, maintaining these tracks is a significant cost to the industry.

2.6 As a result of a combination of factors arising from the financial pressures; participants then travel too far to provide for the racing traits of their greyhounds and the resale market fails to move those greyhounds to those tracks. That is, the internal markets are also inefficient.

GRNSW Consultation and Strategic Planning

2.7 Participants are frustrated by the lack of consultation by GRNSW. GRNSW has indicated it would implement processes to review and provide refreshed strategic direction in consultation with participants, but have failed to. At the same time, to heighten frustrations, major decisions

continue to be made. To add further, we are concerned that the Minister may be interfering with the policy direction of GRNSW, which contrasts with the Greyhound Racing Act 2009 (Section 5) which states that GRNSW is to act independently and without direction of the government.

Reasons for Non Performance

2.8 The key reasons for the non- financial performance of the industry are identifiable:-

- 2.8.1 It is subject to a revenue funding model with the other two racing codes and TAB Ltd at a fixed remuneration rate and for 99 years.
- 2.8.1.1 It is the lowest cost supplier of the three racing codes and has provided the prime basis of growth of TAB race betting product. It has over time increased its contributions to now stand at over 20% of betting turnover, and yet is rewarded at only 13% of earnings.
- 2.8.1.2 The government has previously commissioned studies on the sustainability of the racing codes and these recommended changes to this agreement over the funding model, for the benefit of overall economic productivity and innovation. However, no changes were made. Victoria has since changed to a market contribution based mechanism.
- 2.8.1.3 The industry has called for change AND accountability as to how it signed the Inter Code deed back in 1998. This has not been attended to by GRNSW. We have found that the government appointed the then board and the government approved the Inter Code agreement. The industry would like answers on how this occurred – it surely is in the public interest and that of accountability and transparency to do so given we are locked in for 99 years. At a minimum, from the investigations we have done, it would seem the government processes had unintended consequences. The government applied public benefits tests over competition principals when approving the hierarchy of documents to protect the racing industries as a whole and TAB Ltd. However, it seems clear the government did not knowingly approve the Deed so to prevent competition, productivity and innovation between the race codes. But in approving the deed as part of all of the documents for Trade Practices exemption, did exactly that.
- 2.8.2 The 'value for money' and performance of GRNSW is uncertain and there is no suitable audit program in place. Who is auditing the auditor ?
- 2.8.3 The government is happy to take taxes but has done little to support the sustainability. The government has failed to intervene or encourage changes to the funding model, nor has it assisted with infrastructure projects like it has with other racing codes in NSW and like the state government of Victoria has for greyhound racing in Victoria. Nor has it assisted with animal welfare programs, as has the Victorian government. It is our belief that it has interfered with policy

direction to require country tracks to remain open, but has provided no financial support to do so. The government is not adequately supporting the industry.

- 2.8.4 Club management, which comes under the supervision of GRNSW, has been very costly.
- 2.8.5 GRNSW has excelled in creating accountability of animal welfare with best practice (certainly well above any other canine or feline industry) lifetime tracking as well as anti-drug policies where sophistication and testing levels are very good. However, if further funds were available, it could also carry out further track construction on existing sites to further cater for all racing traits within each region, rather than dogs and trainers needing to travel excessively. Alternatively, or in conjunction, if prizemoney was at better levels, resale values would hold, and transactionally greyhounds would then potentially move to regions where tracks better suit their traits. Our greyhounds enjoy racing, with further funds, GRNSW could develop programs for older greyhounds, extending their racing life. Further, GRNSW has invested substantial funds into the greyhound adoption program for retired greyhounds. This could be expanded to include a dedicated best practice infrastructure site if further funds were available, as has been built or to be ever better than that in Victoria¹.

Solutions

2.9 It is suggested that solutions are well within reach. The government and industry should explore and proceed with:-

- 2.9.1 Given how the funding mechanism came about, and the impacts in respect to productivity and innovation for the racing industries as a whole, the government needs to step in and encourage, and if necessary force change to the revenue funding model (the Inter Code).
- 2.9.2 GRNSW should enter into extensive consultation with participants and stakeholders to freshen the industry in respect to efficiencies, tracks, its positioning as an entertainment product, animal welfare, and consolidation of operating infrastructure and needs.
- 2.9.3 Viability of country tracks should be examined. Where continuation does not pass deemed business plan tests, government should be consulted as a stakeholder (but not as a quasi director), and where it deems it in the public interest for the track to remain open, there should be a program of government subsidy to maintain its costs.
- 2.9.4 GRNSW should become subject to a bi-annual 'value for money' audit, which would include financial experts, participants and stakeholders
- 2.9.5 The industry and government should consider the candidacy of the industry for a major infrastructure project. This would target correction of inefficiencies, revitalize the industry as an entertainment product, provide first class consolidated operating facilities

¹ <http://www.premier.vic.gov.au/media-centre/media-releases/931-coalition-delivers-1-million-for-greyhound-adoption.html>

including administration and veterinary care and include a first class adoption program centre. Funding should be within reach through consolidation of existing industry assets, sale of the revenue rights to Trackside (the automated racing game, with sale as completed for the horses) and other government support. There will be issues herein with different industry clubs holding differing assets; etc. The government should support and sponsor such initiatives as it did in the STC and AJC race horse industry merger. We detail this further herein.

Conclusion

- 2.10 There is little doubt that from a participant's perspective, the current financial performance and viability of the industry to participants is marginal. However, with a fresh approach from government and GRNSW, revitalization is within reach. We urge the committee to take into account the full thoughts set out in this submission.

Section Three – Assessment of Economic Viability of NSW Greyhound Racing.

Financial Information

- 3.1.1 On 31 July 2008, Greyhound Racing New South Wales (GRNSW), the independent statutory body completed its submission to the Independent Review of Wagering in NSW. That effectively provided information that effectively provided an assessment of the viability of the NSW greyhound racing industry at that time and is submitted as Attachment A.
- 3.1.2 We have reviewed key items noted on that report and given it context in today's environment through accessing up dated data where possible.

Economic contribution

3.2 NSW greyhound racing:-

- Is a mass contributor to the NSW economy in respect to direct spending, economic benefit and employment (pp 24-24)
- Is a direct contributor by the way of charity and community work. This continues today with substantial programs by both GRNSW and at club level. Just recently, the number one dog winner promotion by GRNSW raised \$35,000 for Cystic Fibroses and is complimented by other work.
- Further, NSW has approximately 35 tracks across the state of NSW. Many of these tracks are very significant in the context their local community (p17).

Prize Money & Ownership

- 3.3.1 Prizemoney is the life blood of the industry because it in turn determines the participants' affordability levels to own, train and breed greyhounds. Greyhound racing has long been regarded as a hobby and pastime of the working class, because it is far cheaper to participate than the other racing industries and a greyhound can be trained from the suburban back yard and be the elusive champion. Given its hobby/ past time underpinning, it is not realistic to expect net positive returns for the average participant; losses are the cost of the hobby. However, it is anticipated that the level of loss will be at a level that allows reasonable cost for participation, that allows financial incentives for breeding or owning and training should you be lucky enough to own that elusive high performing dog or even champion, and it should achieve returns that enable highly skilled semi-professional and professional trainers and breeders to earn a reasonable living. If this equilibrium is not in existence, that then has knock on effects to the viability of suppliers, the vibrancy of the industry as to reinvestment, employment,

attraction to new entrants, impact on breeding programs, ability to attract sponsors, the enthusiasm and ability of the owner to support the greyhound post retirement etc.

Data based on the period up until Y2007

- 3.3.2 The Y2008 report shows that for the period 1998/99 to 2006/07, payments (to clubs) for prizemoney had declined 23% in real terms (p13). In contrast, costs had risen in nominal terms by 51% over the same period (p21). Affordability of participation had clearly been declining; in fact spiraling downwards..
- 3.3.3 The average income derived per greyhound was estimated at \$2,568 versus estimated cost of greyhound from birth to racing retirement of \$15,534 (p21). This equated to a return of 16.5% of costs outlaid.
- 3.3.4 The states of Victoria, NSW, QLD and WA collectively provide for 90% of total prizemoney Australia wide. The average return per start for greyhounds in NSW is \$144 (p26, calculated by dividing total prizemoney by the number of starters), which compared very poorly with Victoria \$290, WA \$269 and QLD \$186 respectively. Please refer Worksheet Appendix A.
- 3.3.5 If we assume the same cost model across the states, and consider revenue relative to the average amount paid per greyhound starter (this is set out in Appendix A), then we can compare the participation cost by state. As shown, in comparison, NSW compares poorly, well below QLD and almost at half of WA and Victoria. This table clearly reflects and shows participants' frustrations:-

	NSW	VIC	WA	QLD
Revenue	\$ 2,568	\$ 5,181	\$ 4,801	\$ 3,318
Total costs	\$ 15,534	\$ 15,534	\$ 15,534	\$ 15,534
Net cost of ownership until retirement	\$ (12,966)	\$ (10,353)	\$ (10,733)	\$ (12,216)
Return as a Percentage of cost	17%	33%	31%	21%

- 3.3.6 The training of greyhounds is undertaken by hobbyists whom train their own race dogs, sometimes out of the suburban back yard (it is still well and truly possible for the working class to win a major group race, even training from the suburban back yard, one of the exciting facets of the sport), through to semi-professionals and professionals. Where the services of a (semi) professional are used, the general market in respect to the charging of training fees is for part reimbursement of costs and 50% earnings rights on prizemoney. Owners in the main, will generally seek waiver of the part reimbursement for the better dogs; and trainers, in competing for the better dogs, will do this for the better performing dogs and will be less inclined for the lower performing. This analysis, however, is an analysis of the average racing greyhound; given the returns as shown, therefore involves the trainer seeking this part reimbursement.

3.3.7 In the study period mentioned above, training costs were estimated at \$75 per week (p21). At that time, we estimate average reimbursements payments were \$50 per week.

3.3.8 This effectively gives rise to the following business model for most trainers assuming the average racing greyhound has a two year racing career and assuming costs across states are similar:-

Trainer Model		NSW	VIC	WA	QLD
Costs	\$75	\$ (7,800)	\$ (7,800)	\$ (7,800)	\$ (7,800)
Part reimbursement	\$50	\$ 5,200	\$ 5,200	\$ 5,200	\$ 5,200
Prizemoney	50%	\$ 1,284	\$ 2,590	\$ 2,401	\$ 1,659
Net profit/loss per greyhound		\$ (1,316)	\$ (10)	\$ (199)	\$ (941)

3.3.9 Professional and semi-professional trainers would have some benefit in respect to bulk buying and efficiencies (example, multiple dogs on same travel and being expert in house on animal care). This analysis shows that the average greyhound returns a loss for NSW trainers, and generates a break even position (which would be profitable with efficiencies) for Victorians.

3.3.10 One of the key problems that arises given this disequilibrium, is that in owners seeking the best returns for their greyhounds, are incentivized to move their better quality runners interstate, both because the trainers interstate are better positioned to waive the reimbursement cost and for the better prizemoney returns. So there is a 'double whammy' for NSW trainers, whom not only earn less, but are effectively at a massive disadvantage in competing for the better dogs. This fact is evident by Australia's leading breeder and owner, Mr Paul Wheeler, sending his race dogs predominantly to Victoria, and rarely placing them in NSW, despite being resident and having his breeding infrastructure in NSW.

3.3.11 Clearly for participants, the costs of participation in NSW is comparatively very high.

More recent data

3.3.12 It is estimated that NSW prizemoney, based on prizemoney average per greyhound start, has grown by 47% in the 5 year period 2007-12; that is, an average of 9% (refer Appendix A). A further 6.7% increase has been approved for this racing year. On face value, this is impressive. Victoria has grown 29% plus a massive 20% increase for the coming year.

3.3.13 While the prizemoney growth appears impressive, the Y2007 paper showed that costs were rising by approximately 9% per annum. We do not have access to the latest GRNSW costs index as shown in that paper, but we have analysed current training costs which make up over 50% of the index costs (Appendix A). It is our view that average training costs have risen by 48% over this period, bearing in mind fuel and meat prices as substantial factors. That is, the prizemoney growth has simply met the rising costs.

3.3.14 Taking these factors into account, inclusive of current prizemoney increases, we view the current relativity of returns to be as follows:

Ownership Model Y2013

	NSW	VIC
Revenue	\$ 4,041	\$ 7,931
Total costs	\$ 22,936	\$ 22,936
Net cost of ownership until retirement	\$ (18,895)	\$ (15,006)
Return as a Percentage of cost	18%	35%

Trainer Model Y2013		NSW	VIC
Costs	\$110	\$ (11,440)	\$ (11,440)
Part reimbursement	\$75	\$ 7,800	\$ 7,800
Prizemoney	50%	\$ 2,021	\$ 3,965
Net profit/loss per greyhound		\$ (1,619)	\$ 325

3.3.15 This analysis indicates that over the past 5 years:

- There has been little change in the relativity of returns for NSW owners
- It remains far more attractive to participate in Victoria
- The economic viability of an average performing greyhound to a professional or semi-professional trainer has improved for Victorians but deteriorated for NSW.

Quality of Facilities as an Entertainment Venue

3.4.1 A further frustration for NSW participants is the aging infrastructure. Capital works programs led or funded by GRNSW are evidenced by reviewing its annual reports². Excepting a new kennel block and judge tower project at Goulburn in Y2012 (*), we have to turn back to years 2008/09 to find substantial infrastructure projects, and those rested with just three which were significant in size, being patron refurbishment projects of less than \$700,000 each. Over this same period of time, the GRNSW has forgiven an industry loan of \$2.1M and paid cash of \$1.2M to the NCA Club to retire loans associated with its failed The Gardens racetrack project. GRNSW took 70% ownership of the complex with an independent valuation being \$1.5M. This is after having provided a \$750,000 interest free loan in the prior year. And further, after the predominant club GBOTA, paid \$1.8M for metropolitan race dates a few years earlier (with the asset sold having debatable real value). The NCA has since had its license terminated and is no longer operating the race track. (* there is currently an exciting new grandstand under construction on the Goulburn showground site funded by council and a trust; this facility has had very limited if no financial funding support from GRNSW or state government).

3.4.2 The participants feel that the leaders have given up on trying to attract new patrons and are solely focused on producing the sport as a TV/ internet based product. **It is frankly, embarrassing to go to most race tracks such they are so run down and aged.** The

² <http://www.thedogs.com.au/DPage.aspx?id=4>

Maitland facility on the mid north coast has its main grandstand roped off due to safety issues. The Gardens facility is well known to be in well in arrears as to maintenance. The Wentworth Park facility is suppose to be the jewel in the crown in a Sydney city location and where the highest prizemoney is paid and best dogs therefore race, yet costs the industry over \$1.2M per annum to operate (excluding prizemoney payments) and unlike the major facilities interstate, you cannot even buy dinner and watch the races at the same time within an enclosed area.

- 3.4.3 The above factors reflect in attendance levels. Paying attendances today are the same as they were in year 2000³. Branding and promotion is limited, but if undertaken, it is considered unlikely that too many new patrons will return to the track given the state of the facilities. This then limits opportunities to attract new entrants and young people to become involved.
- 3.4.4 In contrast to this, the NSW government continues to enjoy over \$21M in direct government revenue from TAB turnover⁴ (p33 GRNSW 2012 Annual Report) and other taxes.
- 3.4.5 In comparison, in Victoria during Y2012, there was capital expenditure of \$9.8M on major projects at Healsville (\$1.5M), Bendigo (\$4.3M) and Ballarat⁵. The GRV Annual Report states *“Minister for Racing Dr Dennis Naphine has been vital in many of the significant advancements in Victorian greyhound racing throughout the 2011/12 Financial Year. The State Government contributed more than \$1.8M towards capital works and various other initiatives to improve the stability and longevity of the sport in the state”*.

Participation Statistics

- 3.5.1 The above information clearly has translated into the level of participation in the NSW industry. The number of registered trainers has fallen from 1,770 in 2003 to 1,690 in 2007 to 1,589 in 2012. Ownership has fallen from 5,243 in Y2003 to 4,534 in Y2007 to 2,082 in Y2012. Litters have fallen from 1,320 in Y2003 to 1,069 in Y2012. ⁶

Industry Inefficiencies

Country Tracks

- 3.6.1 We have approximately 35 tracks in NSW, they being approximately 50% of the greyhound racing tracks Australia wide and extending right across the state into country areas. This compares with 14 in Victoria.

³ GRNSW Annual Report Y2012 p 32 [http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20\(2\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf) & GRNSW Annual Report Y2004 p73 <http://www.thedogs.com.au/resources/pdfs/2004AnnualReport.pdf>

⁴ GRNSW Annual Report Y2012 p33 - [http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20\(2\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf)

⁵ GRV Annual Report Y2012 p2 http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

⁶ GRNSW Annual Report Y2012 p32 - [http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20\(2\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf)

- 3.6.2 In Y2012, total industry income via GRNSW was \$48.5M of which \$6.9M was non-recurring, that is, \$41.6M based on recurring incomes⁷. This compares to income \$55.1M for GRV (the Victorian counterpart), which under their recent revenue renegotiations, was anticipated to rise to \$64M for the 2012/13 year⁸.
- 3.6.3 Because there are less Victorian venues, there is also more racing on their venues; further creating operating efficiencies.
- 3.6.4 In broad terms; the \$41.6M of recurring NSW income equates to \$1.2M per track (/35) and \$392 per greyhound race start. The \$55.1M Victorian income equates to \$4M per track and \$680 per starter.
- 3.5.5 NSW is clearly inefficient. Further, because of the pressures; there is clearly then less funding to maintain, refresh and modernize each venue. This reflects in our earlier comments on the aged appearance of each of the tracks.
- 3.6.6 Previous administrations have unsuccessfully sought rationalization and closure of tracks. The key issue here is that the country tracks heavily contribute to the social fabric and economy of their towns and closures will not just see participants lost but be heartfelt for the entire communities. Our membership strongly supports country tracks. We acknowledge that in some instances, subject to business plans and study, it may be necessary for some closures (particularly where studies indicate that in the main attendance and nominations are from out of the local area as that means the continuation of the track is simply inefficient).
- 3.6.7 Under Section 5 of the Greyhound Act 2009 GRNSW specifically *“does not represent the Crown and is not subject to direction or control by or on behalf of the Government”*. It is our belief that the current NSW board has considered plans to regionalise and close some country tracks, but that the current Minister (for Tourism, Major Events, Hospitality and Racing, and Minister for the Arts) has intervened and if not directed, then influenced GRNSW. Under Section 5 of the Greyhound Act 2009 GRNSW specifically *“does not represent the Crown and is not subject to direction or control by or on behalf of the Government”*. We ask the Inquiry to query the Minister’s involvement and the appropriateness of it. We believe this influence reflects in the GRNSW altered country policy which fixes country distributions to historic levels and deregulating to a large extent racing policies that apply to country tracks. It is considered that this policy will in time see some tracks become insolvent and close- it is simply over time a roundabout way of influencing closures.
- 3.6.8 There is clearly a conflict between social welfare, responsibility, support of regional / country Australia, participation at grass root levels and what the industry can afford. We therefore call on the government to create a scheme which assists maintain country tracks where the

⁷ GRNSW Annual Report Y2012 p10 - [http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20\(2\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf)

⁸ GRV Annual Report Y2012 p4 - http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

industry considers it non-viable on a business plan basis only (compared to value for that expenditure elsewhere), but the government considers it in the public interest to remain open.

Resulting market inefficiencies due to restricted capital development

3.6.9 The financial floundering creates further inefficiencies. For example, the owner/trainers identify the particular racing traits of their greyhounds; in particular, suitable distance and track type for the greyhound's optimal enjoyment and performance for racing. Particular tracks cater for some dogs and not others. For example, there is limited opportunities for racing of short distance dogs in the Sydney metropolitan area (as there are not many short distance starts) nor for big track racing (no tracks in Sydney metropolitan area are the bigger U turn tracks). This means that it is common for trainers to travel regularly from Sydney, as far as Bathurst and Nowra to race short distance dogs for approximately \$500 in prizemoney (with one in eight chance of winning). It should be borne in mind that compared to previous times, travel costs (fuel) have risen markedly and people are also time poor. What is happening is that the lack of capital development of tracks to cater for all racing types is being transferred as to inefficiencies costs to owners/trainers.

3.6.10 Market forces could provide a logical solution to the above problem, through the transacting of (the sale of greyhounds) to see the regions where the tracks are more suitable. However, this is not working because the lack of return (and other factors, such as limited racing life, see later) is dulling the capital value of the greyhound. Although travelling is hard work and of low return, it is more economic than sale. This means that both the operating infrastructure and the capital markets for the industry are inefficient.

Summary of Economic Viability of The Industry - Key Observations

3.7.1 The NSW greyhound racing is not sustaining participation costs in the industry; returns have never recovered from the 23% decline in real terms over the period preceding Y2007.

3.7.2 From a participant's perspective, industry viability and financial performance is marginal. The key evidence is:-

- Ownership returns are low and much less than interstate. This makes it so much more costly for NSW residents to participate
- The returns to semi-professional and professional trainers for the average racing greyhound are negative; and far less than other states.
- Facilities are aged and have not been refreshed for a long time.
- The market is inefficient

- The frustration has boiled over and is evidenced by :-
 - In late 2012 the majority of the industry supported strike action and racing was severely interrupted over a two week period
 - Industry participants have sought this parliamentary inquiry
 - There is in fighting within the industry, with dissatisfaction with GRNSW and among participants.

Section Four – Further Frustrations

- 4.1 A further frustration for industry participants is that GRNSW has publicly promised a consultative process for a refreshed industry strategic plan (GRNSW manages the strategic direction of the industry under the Act – Attachment K). This has been delayed numerous times and continues to remain unknown. This creates uncertainty with participants.
- 4.2 Yet at the same time, GRNSW continues to make significant strategic decisions including:
- Extending metropolitan race dates to Wentworth Park
 - Reducing the funds flow to country clubs and deregulating their race dates
 - The manner in which prize money increases are allocated
 - Increases in GRNSW cost budgets - still not communicated to the industry for Y2013/14
- 4.3 GRNSW's explanations of the delays are not considered acceptable to the participants.

Section Five - Factors Attributable to Non Performance of NSW Greyhound Racing.

5.1 We have identified five major factors attributable to the non-performance of the industry, being:-

- 1 The impact of the current funding model
- 2 How the Current Funding Model Came About - Unintended Consequences at Best and possible Failure of Due Process
- 3 Performance and value for money from GRNSW
- 4 We need Government Support
- 5 Mismanagement of clubs and non-performance of Wentworth Park and The Gardens

Attribute One (of 5) - The impact of the current funding model

5.2.1 By far, the biggest cause of non-performance of NSW Greyhound racing is the current principal funding model. In 2010/11, 83% of industry income was derived under the Racing Distribution Agreement (RDA)⁹. The distributions of TAB income under the RDA is governed by Inter Code Deed (Inter Code). This was entered into by the 3 racing codes in 1998, as part of the process of privatization of the TAB.

5.2.2 It is generally known that the TAB funding is distributed via the Inter Code deed to the codes on **fixed percentages** of 72% to thoroughbreds, 15% to harness and 13% to greyhounds. This arrangement was put in place in 1998 as part of the privatization of TAB, and is also **in force for 99 years (from 1998).**

5.2.3 The industry now contributes above 20% of TAB racing revenues. Being fixed at 13% is grossly unfair. Should the inter code model have been established on a market share basis , under current arrangements, the NSW greyhound racing would derive more than an extra \$14M per annum. This should be considered in the context of current NSW total prizemoney of \$24M in total (projected for Y13). The Inter Code has a 15 year growth review (now due). However, this relates to growth going forward; given TAB revenues are considered stagnant this is unlikely to provide significant respite.

5.2.4 GRNSW has unsuccessfully lobbied for change to the Inter Code. It is worth considering its Executive Summary in its submission in its Y2008 Wagering Review submission (earlier mentioned and submitted).

⁹ <http://www.thedogs.com.au/DPage.aspx?id=113>

Facilitating Industry Innovation, Growth and Performance

Since the privatisation of the NSW TAB in 1998, the NSW racing and wagering industry has suffered a decline in its share of the entertainment market. One of the major contributors to this decline has been the failure of the NSW industry to keep pace with and properly embrace and adapt to the technology revolution that has occurred over the last 10 years. This technology revolution has "nationalised" the Australian wagering market, and created opportunities for greater competition within the industry. Most notably has been the rise of Northern Territory corporate bookmakers.

If the industry continues to follow this path, and together with government, does not take the necessary steps to combat the decline of racing and wagering's share of the gambling market and NSW's falling share of the national wagering market, the size and scope of racing in NSW will also decline.

During the period of change that has occurred over the last 10 years, the NSW industry has operated under a 99 year industry agreement between the three codes of racing (the Inter-Code), which was entered into at the time of privatisation. The Inter-Code does not take into account the changing landscape of the industry, nor provide any incentive or reward for efficiency, innovation or growth, and as a result, the racing industry is currently locked into inappropriate and anachronistic distribution arrangements as between the codes for a period of 99 years. As stated in the Racing Paper, under this arrangement the three codes receive fixed percentages of the NSW TAB distribution, set over 10 years ago which no longer reflect each code's contribution to NSW TAB revenue.

Since the inception of the Inter-Code greyhound racing has achieved substantial growth through promotion of its product and innovation within the industry. For example, during this period one great innovation and success was the greyhound industry's move into the twilight wagering market. The greyhound industry's ability to be flexible and seize opportunities as they arise has allowed it to achieve substantial growth, reflected as a very significant increase in its absolute and proportionate contribution to NSW TAB wagering revenue or, in other words, its market share.

Despite this, the Inter-Code has not been amended to reflect this increased market share and in no way has the greyhound industry been rewarded for its achievements. Indeed over the past 11 years the greyhound industry has subsidised thoroughbred and harness racing in NSW by some \$92 million.

The fixed percentage structure in place under the Inter-Code has not only failed to reward the greyhound industry for its innovation and growth, but in fact hinders it from further growth and marketing opportunities, as at present the greyhound industry does not have the funds to pursue new opportunities, nor any incentive to do so. For example and in a clearly ludicrous situation, under the current distribution arrangements it is more beneficial for the NSW greyhound industry to run the minimum number of races under its contractual obligations than to invest in conducting more races. The irony of this is that the NSW greyhound industry is the only code which currently has the product to significantly expand.

The NSW greyhound industry currently runs approximately 750 non-TAB race meetings. With the ability to significantly and quickly expand by using existing non-TAB race meetings, and the willingness to be flexible to accommodate opportunities in the national racing programme, the NSW greyhound industry has the opportunity to increase overall NSW wagering revenue by expanding its market. This could include for example conducting NSW greyhound racing in a matinee market which is currently filled with overseas racing products. This type of arrangement and the increase in

wagering turnover would benefit the NSW Government, wagering operators, and all three racing codes.

For the industry to move forward and compete in the national wagering market the industry must move toward market/performance-based funding. The 99 year Inter-Code arrangements provide a significant barrier to innovation and should be amended. The racing codes should be placed on a sustainable footing which is able to meet future changes in technology and be paid based on their market share. In the first instance the three codes should be given the opportunity to improve and modernise current arrangements through negotiation and amendment of the Inter-Code.

Should the parties that currently benefit the most from the inefficient Inter-Code arrangements fail to agree to move to a market share basis of remuneration (which would require a period of adjustment in the immediate future and based on the current market will result in a decline in their percentage of the TAB distribution) Government intervention would be required to ensure that the Inter-Code is amended to promote and reward innovation in the industry and ensure a sustainable financial future.

5.2.5 This submission was made for the purposes of the report called for by the NSW State Government and authored by Alan Cameron AM and titled “Correct Weight. A review of wagering and the future sustainability of the NSW racing industry’. This report is hereby submitted to this Inquiry.

5.2.6 The report found and recommended :

“If the NSW racing industry is to become sustainable there is a need to ensure that it is operating in a manner that maximizes long-term financial returns. This means, in essence, producing the quantum and quality of racing product that will maximise revenue jointly attributable to broadcast rights, returns derived from wagering turnover (i.e. TAB contributions, and revenue from race fields legislation) and income from on-course attendances”.

This can be addressed in part by ensuring that the incentives facing the three codes are aligned with ensuring the optimal generation of racing product. This can be achieved by the amendment of the Inter-code Agreement to ensure that returns to each code from the TAB contribution are in proportion to the percentage of wagering generated by each code.

*“**Recommendation 21:** The three racing codes should agree to amend the Inter-code Agreement to provide that returns to each code from TAB distributions are in proportion to the percentage of wagering generated by each code; in the absence of such an agreement, the Government should over-ride the Inter-code Agreement and the RDA such that the distributions from the TAB are made directly to each code and in proportion to the percentage of wagering generated by each code.”*

5.2.7 Due to the self interests (as predicted as a possible outcome by Cameron), the three codes have not been able to negotiate an amendment that satisfies the recommendations. Most disappointingly, the government has not had the courage to step in and lead amendment.

More recent lobbying by industry participants has seen a standard reply along the lines that it is a commercial agreement between the codes and that the government did not draft the document (Attachment H). This contrasts to the next section of this report, which shows the government indeed approved the deed and it was instrumental in it being agreed in its current form. **Once again, the industry calls upon the government to have the courage to lead negotiations for amendment. The state of NSW greyhound racing is burdened by the original government processes and by the government failure to amend the deed.**

5.2.8 The Victoria industry has similar market share of its racing industry to NSW at 20.6%. It recently had its revenue sharing arrangements restructured and this has led to the current year increase of 20% in Victorian prize monies. **The Victorian revenue model is performance and market based.** As reported in its Y2012 Annual Report "*the new distribution arrangements will see GRV's fixed component (50% of total funding) to rise to 14.75 per cent, up from 9 per cent which applied to the previous (1994-2012) agreement. On the other hand, because GRV's market share (the other 50% of funding) has now grown to 20.6% per cent overall, GRV revenue is set to climb to a staggering \$64 million or so in 2012/13. In other words, the industry is strongly placed financially to expand and create innovative strategies for the twelve year period of the new license*"¹⁰

¹⁰ GRV Annual Report Y2012 http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

Attribute Two (of 5)- How the Current Funding Model Came About – Unintended Consequences at Best and possible Failure of Due Process

Observations as to lock in provisions to 99 Year Lock & 13%

5.3.1 It is difficult to comprehend that the industry would agree to sign off on a 99 year lock at 13%. The share of revenue that the three NSW codes provided to NSW product revenue was 15% and 11% nationally –see Attachment C. Under the (prior) Scheme of Distribution, NSW Greyhound Racing received 15% of the surplus after payment of the previous years distribution plus CPI. (Attachment D). So it signed off for less. But most striking of all, it was well known that the privatized TAB would logically be hungry for product (to underpin revenue growth), the twilight racing slot was unfulfilled, and greyhound racing was not only looked upon as the practical provider, but logically the lowest cost product supplier and the best positioned for innovation and growth.

Public & Participants Interest to Review How It Came About

5.3.2 The participants have recognized the impact of the Inter Code over a long period of time. GRNSW itself has unsuccessfully campaigned.

5.3.3 GRNSW has indicated to the industry it is has sought legal advices, and is satisfied there is no legal basis of review, **and yet admits it is not knowledgeable in detail of the facts of the day. Given the depth of impact of the funding model (99 years !!!), we consider it disappointing that GRNSW has not intimately investigated and made public the affairs relating to the industry's sign off of the Inter Code (in 1997/1998). We consider this critical in the participant's/public's interest, for accountability, and to determine whether in fact the industry has a legal position**

5.3.4 This in turn leads to frustration, lack of confidence and in-fighting over whose 'fault' it was. Common causes of concern among industry participants have been:-

- Unable to understand why there is no position to change it, based on the simple principals of fairness
- The motives of the current GRNSW executive in not continuing to fight for the necessary changes are brought to question; in addition to those of the Minister in not making or leading for the necessary changes (preferring the horses interests over what is right and the best outcome for the state)
- There is rumour and innuendo about how the industry came to sign off the deed and there has been very little done to set the record straight, despite it being such a critical issue to

the everyday workings of the industry. GRNSW has insisted that it has legal advice to the negative. However, it appears certain that there has been little investigation as to how the industry came to reach agreement on the deed. GRNSW does not see it as overly relevant; the participants strongly disagree.

5.3.5 We formally submit that in public and participants interests, given the 99 year consequence of the deed, that this should be fully investigated and we request the Inquiry do so, as based on the information we have, we believe the government is accountable to and responsible for the process; our investigations reveal that at best the process had unintended consequences and at worst, we are concerned due process was not followed.

5.3.6 Our own investigations have met roadblocks with:-

- GRNSW offered to meet industry demands for a secondary legal opinion, however, this did not have regard to how the original agreement came about, and without our significant involvement in the scoping process. Further, the solicitor providing the opinion also works for the harness industry, which is clearly a (declared) conflict of interest. The opinion ultimately supplied to the group was heavily redacted.
- One of our members has sought board minutes and financial and legal advisings pertaining to the signing of the agreement; this has been partly done formally under Access to Information Requests. However, between the two agencies requested, being Office of Liquor Gaming & Racing and GRNSW, each has claimed the other should be contacted for the documents and advised they do not have them; with little assistance to actually finding them. This is very disappointing, from the perspectives of understanding what happened, for transparency, and for establishing confidence that GRNSW has properly investigated (if it does not have these documents, relevant to a contract bound for the next 99 years, then how did it properly obtain legal advice?).
- We are concerned that in fact, the legal advice, could be from the very firm that acted for all three codes on the Inter Code Deed and other matters in the first place – clearly a potential conflict.

What We Know of How It Came About

5.3.7 We ask that the Inquiry enquire further as to how the Inter Code was signed off for the industry and the processes and government involvement. We have been able to piece together the following:-

1. The Inter Code Deed came about and was a government agreed Condition Precedent to the privatization of the NSW TAB. Please refer Attachment E. It is our understanding the government was particularly keen to conclude its sale, for its own funding reasons.

2. We are aware that the greyhound racing clubs were barely profitable and not generating sufficient funds to meet financing and refurbishment costs. We believe a large number of clubs were financially distressed and would have been seeking financial assistance, and the authority would have been very concerned. The agreement to the Inter Code provided with it lump sum payments which would remedy the immediate problems.
3. We believe (but are uncertain as we have not been able to access the documents) the same solicitor consulted and acted on behalf of all three codes in respect to the agreements with government and TAB Ltd. That is, it appears our industry was not independently advised as to the individual risks to our industry. We can also find no evidence of financial risk advices and financial analysis which should have identified the 99 year lock in risk.
4. We believe the Deed was negotiated and signed off at Board level and that was NOT an industry board. Just two years prior (1996), then Minister Face sacked the Greyhound Racing Authority board and appointed an independent board with no greyhound industry participants. It was immediately AFTER the Inter Code was done and dusted that an industry board was appointed. It was only then, the industry had its course in its own hands. See Attachment F which shows the board turnover at the time, the government board, plus a passage from parliament showing the subsequent movement of the industry 'to its own hands' – **TOO LATE – THE GOVERNMENT HAD ALREADY DONE THE DAMAGE WITH ITS BOARD. THIS IS CLEAR and on its own should suggest the government has a responsibility to step in and fix this.**
5. Prior, the codes were paid an amount equal to the previous year, plus inflation plus a proportionate share of growth as follows: Horses 70%, Harness 15% Greyhounds 15% (Attachment D). - why did we sign off at 13%?
6. Further, NSW market share at the time was 15.6% (nationally 11.2%) (Attachment C), but a very key aspect was that the TAB would be product hungry in order to grow its revenues and that the twilight racing program was underutilized. Greyhound racing, as the lowest cost supplier, was the best positioned to service this time slot. It is therefore difficult to understand why the board would agree to a 99 year lock in without adequate market based revisions. We have a copy of the 15 year growth revision clauses (Attachment J); these are clearly inadequate, as they pertain to growth from Y2013 (now) rather than reflecting the variance between revenue in 1998 to the period in which the twilight program was filled by the greyhound industry.
7. The GRA annual report for 1996/97 reported that *“The Inter Code Agreement between the (3) racing codes has been all but finalised with the only problem being the Harness Racing industry representatives who are “holding out” for a larger share of moneys flowing to the Racing Industries”*. Further *“As at the time of this report going to press the Thoroughbred Industry were attempting to resolve the impasse”*. Our question – given the thoroughbreds were seeking to resolve it, how did we end up falling from 15% on the old agreement to 13% and get locked in for 99 years. (Attachment G).
8. We believe the government pressured the Chairman of GRNSW to complete the transaction and that he was not appropriately advised nor had sufficient engagement with advisors independent for the greyhound code. The advisors were relevant to the codes as a whole, but not between

them. To the extent we believe that the chairperson was called and pressured continuously over the period, including a 3am pick up from his home to finally agree the deed.

9. It is unclear the level of financial acumen existing at board level or otherwise involved in negotiating the deed. We have been unable to obtain financial advisory papers or financial projections and risk analysis and have been hindered in our desire to do so with GRNSW and OLGR of little assistance.
10. The government approved the deed within a hierarchy of deeds as an exclusion to the then Trade Practices Act (they did this via the Totalizer Act). Refer Attachment E being a Public Information Request approved document, for the evidence of this approval.

Also note the parliamentary speech from the then Minister Face: *“The amendments will confer statutory exemptions from the Trade Practices Act and competition code in respect of the exclusive licences and in respect of nominated associated arrangements. These exemptions are conferred as a matter of prudence. There are occasions on which broader community interests must prevail over the general competition law, such that legislative exemptions are necessary. The competition principles agreement recognises that the Government must conduct this balance of competing interests. Given the fundamental importance of these reforms to the New South Wales racing industry - an industry which employs over 50,000 people - this is one such situation.*

¹¹

Therefore, we conclude the approval was to give the overall racing industries protection and certainty/security as to revenue flows from TAB betting and at the same time create certainty/security for the TAB in its holding the licensing. The Inter Code Deed was within the hierarchy of documents doing so. The fact it was included, is in contrast to the current Minister’s statement that the then government had ‘nothing to do with its drafting’ – see Attachment H. We believe that the inclusion of this deed had the intended consequence of creating security of revenue flow for the TAB and the overall racing industries. But it had an unintended / unconsidered consequence of eliminating competition between the three racing codes which in turn removes the ability for innovation, productivity and economic benefits. **We believe this to be an error in the due process; the competition versus public benefits test did not reach far enough.** That approval within the broader hierarchy of documents effectively gives unfair legislative protection to the Inter Code Deed (for example, as illustrated by Attachment I, it is protected from ACCC actions) when it was never specifically tested against competition or better public interest principals nor is there anything to suggest that the approvals were intended to prevent competition between the codes. **This adds a further reason why the current government should intervene and resolve the inequities between the codes.**

¹¹ The context of management of the whole process, may well be revealed in this speech:-¹²

¹¹ <http://www.parliament.nsw.gov.au/prod/parlment/hansart.nsf/V3Key/LA19971125041>

¹² <http://www.parliament.nsw.gov.au/prod/parlment/hansart.nsf/V3Key/LC19970619048>

***The Hon. M. R. EGAN:** I will take some advice on that. The sale of the TAB will see the end of an era. It has been one of the State's most successful commercial enterprises, and I thank the many people who have served on the board since 1964 as well as the staff and agents of the TAB who have contributed to its success. Unlike the Kennett Government, the New South Wales Government has not resorted to the use of highly paid consultants to develop this program of reforms. Apart from acquiring some financial and legal advice of a specialist nature, it utilised the skills and resources available within the New South Wales public sector. This approach has ensured that these important initiatives have been brought to fruition..¹³*

5.3.8 **All in all, much of this shows that the greyhound people had little to do with the Inter Code Deed. This privatization was messy.** The racing Minister Face could not contribute properly as he was a junior minister with a massive involved project which he totally failed to handle. **The fact that he sacked a representative board and brought in a regulatory board to deal later with the commercial problems cost us dearly but it probably was not intentional.** Because of float arrangements and the need for the float to be subscribed the minister left the regulatory board in from the float until early 1999 (as caretakers) until the commercial board took over. This put the greyhounds in a very poor position competitively with the other codes who did not have the problem of no industry representation. **In conclusion, there is sufficient information at hand to consider that the government failed the industry in the management of the processes involving the Inter Code Deed.** We do not believe that competition versus public benefit principals were in including it within legislative exemption approvals. There is nothing to suggest the industry was well advised. The same solicitor representing all three codes seems to have been legal advisor. The Minister appointed a government board, only afterwards allowed the industry to represent itself. The government should have ensured the industry was well advised and took into account expert financial projections and risks. It appointed and controlled who was in charge. We believe it is in public and participants interests to fully examine the circumstances and process leading to agreement by the industry into the Inter Code.

¹³ <http://www.parliament.nsw.gov.au/prod/parliament/hansart.nsf/V3Key/LA19971125041>

Attribute Three (of 5) – Performance and Value for Money from GRNSW

5.4.1 The governance and integrity of the industry are undoubtedly paramount to its economic viability.

5.4.2 By way of background, the ancestor of the current authority was Greyhound Racing Authority. In Y2003 the role of the authority was split and the regulatory functions passed to GHRRA and commercial functions managed by GRNSW. At the start of financial Year 2010, the regulatory function was passed and combined within GRNSW.

5.4.3 A review by historical cost indicates:-

Year	Cost	Body
2000	\$ 3,500,000	Former body GRA ¹⁴ .
2004	\$ 4,600,000	Combined GRNSW & GHRRA ¹⁵
2010	\$ 6,600,000	GRNSW ¹⁶
2012	\$ 7,400,000	GRNSW ¹⁷

5.4.4 The Y2012 costs were approx.18% of reoccurring revenues (of \$48.5M less \$6.9M take up of deferred revenues). There are rumors that the current operating budget for the Y2013/14 year is approximately \$10M, this would equate to (say allowing 7% income growth) 23% of revenue. The participants are yet to see the updated strategic plan nor operating budgets or other items to assist understand this. We have not conducted comprehensive comparative analysis, but note the GRV Y2012 Annual Report shows costs attributable to it of \$5.8M¹⁸. That equates to approximately 13% of its total industry revenue.

5.4.6 The key areas of concern for us are not so much the actual costs because we recognize that expenditure can provide strategic value; (for example, investment in technologies, and on that front, www.thedogs.com.au is industry leading and GRNSW has done an excellent job). Our bigger issues are:

- i) Lack of consultation with the industry on the best use of limited funds.
- ii) Lack of accountability as to that expenditure, that is, value for money
- iii) How the operating budgets fit in with the industry's strategic plan, because that is not known.

¹⁴ Y2000 GRA Annual Report, p5, hard copy held

¹⁵ GRNSW Y2004 Annual Report p36, <http://www.thedogs.com.au/resources/pdfs/2004AnnualReport.pdf>

¹⁶ GRNSW Y2010 Annual Report p41, [http://www.thedogs.com.au/Uploads/Userfiles/Annual%20Report%202009-10\(1\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/Annual%20Report%202009-10(1).pdf)

¹⁷ GRNSW Y2012 Annual Report p43, [http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20\(2\).pdf](http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf)

¹⁸ GRV Annual Report Y2012 P37, http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

5.4.7 We will further submit in respect to the Terms of Reference upon GRNSW's performance; the point being made here is that the cost of GRNSW is an integral component of industry and therefore accountability is critical. It is our view that the majority of participants do not feel this accountability is in existence. Who does GRNSW answer to? Who is auditing the auditor?

Attribute Four (of 5) – We Need Government Support

- 5.5 While the various sports continue to receive assistance for new stadiums, and the thoroughbreds receive massive government support, NSW greyhound racing industry lobbies and puts its hand up for help, but receives very little in return. For example:-
1. As we understand it, the government did a 'deal' for the thoroughbreds to raise capital for development of Randwick, by offering Tabcorp tax concessions to incentivize cashing out the horses rights to revenue flows from Trackside (the automated gaming product provided to clubs and TAB agencies). See article "tabcorp-hits-the-jackpot-with-120m-tax-break"¹⁹. We are unaware of any similar offer for greyhounds despite it never having recovered from the negative prizemoney returns dating back to 1998.
 2. The government heavily supported and encouraged the merger between the two principal thoroughbred racing clubs with financial incentives. Our industry has not received similar support. As stated in parliament *"These proposals underpin the biggest step in securing the future viability of the New South Wales racing industry, which is the home of racing in Australia. Put simply, the proposed reforms and accompanying investment in racing infrastructure and spectator facilities are essential to the future viability of the New South Wales thoroughbred racing industry. A strong Sydney racing sector is the jewel in the crown of New South Wales racing and its economic strength has a flow-on effect to country and provincial racing and to the estimated 50,000 racing jobs, both full-time and part-time, throughout the State. Our major races and carnivals headline the national and worldwide interest in New South Wales racing. Racing is one of the State's most significant industries and, as a provider of regular major events, it attracts significant benefits to the State's economy."*²⁰ What about the greyhounds; the working class sport ???
 3. GRNSW spent a lot of money lobbying and providing a professional submission to Cameron (mentioned earlier) for the review of wagering. The report comprehensively recommended changes to the Inter Code with intervention as necessary, but the government refused to do so.
 4. The participants have continued to lobby government to step in and assist change the Inter Code but the current Minister refuses to do so nor provide other assistance despite the comprehensive and very evident problems of the industry. This compares to Victoria where the structure of revenue model has been changed to market basis. The Minister has claimed that it is a commercial agreement not drafted by government, yet the government was a benefactor of the original agreement, it appointed the industry board at the time, and it approved the agreement as an exemption to the Trade Practices Act. It had a very large role in its initial establishment.

¹⁹ <http://www.smh.com.au/business/tabcorp-hits-the-jackpot-with-120m-tax-break-20101019-16skn.html>

²⁰

[http://www.parliament.nsw.gov.au/prod/parlament/nswbills.nsf/1d4800a7a88cc2abca256e9800121f01/3f74cc2275cb753dca2577ca001ace1c/\\$FILE/LA%209310.pdf](http://www.parliament.nsw.gov.au/prod/parlament/nswbills.nsf/1d4800a7a88cc2abca256e9800121f01/3f74cc2275cb753dca2577ca001ace1c/$FILE/LA%209310.pdf)

5. As documented earlier, the industry has seen very little in the way of significant projects for many years. This contrasts with Victoria , where the state government provided funding of \$1.8M in Y2012²¹.
6. The Victoria government has committed \$1M to the expansion of its greyhound welfare program.²² . We are not aware of any mirrored arrangement in NSW.
7. Harness were supported with the sale of Harold Park.
8. In 1998, the industry was short changed over \$6M (in respect to equity of distributions to the other codes) from the former Race Course Development Fund (RCD), the funding mechanism for capital development of the three codes prior to the privatization of the TAB. In lieu of being paid cash, the government transferred the rights to funds owed by the trustee of Wentworth Park, from the RCD to the industry. However, over time, the trust has failed to have the capability nor the willingness (made clear in annual reporting) to repay this debt. This has been referred to the government for assistance for resolution many times, with seemingly scant regard to finding resolution despite it being a legal liability on the Trust's accounts.
9. The NSW greyhound racing industry reaches out to country regions, far in excess of the authorities in the other states. GRNSW should not have to fund government socio economic policies. Where tracks require ongoing funding to operate, and to be maintained, the government should be stepping in and supporting the industry. We believe we have the situation where not only does the government do little to support us, but the Minister has intervened to ensure policies do not include closure of country tracks and yet provided nil financial assistance.

²¹ GRV Annual Report Y2012, p2 - http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

²² GRV Annual Report Y2012, p4 - http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287

Attribute Five (of 5) - Mismanagement of clubs and non-performance of Wentworth Park and The Gardens projects.

5.6.1 Under the Act, GRNSW has supervisory responsibilities over the industry.

5.6.2 GRNSW imposes a List of Operating Standards²³ upon the clubs. On face value, these standards appear prudent and sound.

5.6.3 However, in practice, we are concerned with industry finances being impacted by the performance of the two principal clubs, and the quality of supervision that has taken place, with the two major items being:-

- i) National Coursing Association – NCA The Gardens
- ii) GBOTA management of Wentworth Park the metropolitan venue.

5.6.4 We will submit further on both these matters in respect to the Terms of Reference. However, prima facie in respect to financial performance :-

NCA Gardens –

This was a business plan to purchase an existing licensed club operation and develop a race track near Newcastle. The plan involved funding partly by bank debt and the authority of the time is said to have conducted full due diligence on the project.

The concept itself was unpopular in many sections of the industry, with many believing it would not work.

Over time, NCA continued to incur operating losses. Its financial history shows a series of balance sheet recapitalizations, one after the other, yet none of these achieved a sound financial basis; and culminated in its death knell and loss of its racing license very recently.

Other more popular tracks have been closed to provide racing dates to support the facility. Eventually, it closed down its licensed club. It sold its racing dates and joint racing arrangements at Wentworth Park and received a sum of \$1.8M. In Y2011, GRNSW injected an interest free loan of \$750,000 to assist repay bank loans. In Y2012, GRNSW forgave an industry loan of \$2.1M and paid cash of \$1.2M to retire bank debt in return for 70% ownership of the racetrack, then valued at \$1.5M.

We have difficulty comprehending how one recapitalization after the other can result in one failure, moving to the next. The financial statements make evident losses in its secondary business, a race paper publication “The Recorder”. There was a substantial misappropriation shown in its account, in which it appears charges were not laid, and the employee was permitted to continue to work.

It is difficult to understand that given the on-going reporting and other requirements of Club Operating Standards; that the NCA Gardens situation could have been incurred over such a long period of time,

²³ <http://www.thedogs.com.au/DPage.aspx?spid=125&id=37>

from one disaster to another and costing the industry very dearly in not being able to use those monetary and GRNSW resources on other projects.

GBOTA Wentworth Park –

Wentworth Park is the industry's Sydney metropolitan race track. Its flagship races are generally conducted at this venue. The site is within the city and as freehold would be invaluable. The industry has a finite lease over the site.

GBOTA reports a profit from operations at the site of \$844,286²⁴. This includes income from on course betting, bar sales, etc (though some items are managed by the trust with profits/losses distributed to GBOTA). However, the fact is that the profit is reported AFTER receipt of funds of \$2.064M from GRNSW in excess of the funds it pays out in prizemoney. This means in simple terms, that the cost of operating the site net to the industry is \$1.22M per annum.

This is an excessive cost and is approximately 3% of the total income received by GRNSW (from TAB distributions etc) for Y2012.

GRNSW recently made the decision to extend the provision of metropolitan race dates to GBOTA for this venue (in the absence of release of the strategic plan nor its accompanying consultative process).

We believe it is critical that GBOTA be brought to account for performance at Wentworth Park. It is our view that changes need to be made on a defined, accountable timeline, in consultation with stakeholders, for the management of the facility to utilize the entire facility to generate other cash flows and to increase patronage to the venue. Alternatively, the industry should explore options with the government and stakeholders to exit the venue with benefits to stakeholders that results in a financial payout through the value that is created within this process.

²⁴ GBOTA Annual Report Y2012 p33, soft copy held.

Section Six – Potential Solutions

We propose the following solutions:-

1. Government intervenes or leads negotiations to change the Inter Code to a market based model, with structural adjustment mechanisms built in and funded by government to ease the burden on the other two codes. This could possibly be done in conjunction with taxation reforms.
2. GRNSW has been lobbying government to alter arrangements in respect to charging of corporate bookmakers. This should be further explored.
3. It is our understanding that the NSW racing industries are taxed far greater than Victoria. Given the economic contributions of the industries, the NSW government should look to make changes.
4. GRNSW should conduct feasibility tests as to the sustainability of each country racing track. The government should enter into a financial reimbursement program to support the continuation of race tracks deemed not viable (without support) but where considered by government to be in the public interest to remain open. This should no longer be a cost solely borne by GRNSW / the industry.
5. There should be a bi-annual audit for 'value for money' established for GRNSW which would involve both financial experts and industry participants.
6. There should be a wide ranging consultative strategic planning process. This should look to create efficiencies and ensure that all greyhound racing trait types are catered well regionally and that aged greyhounds are provided the opportunities to race (would usually be short course on suitable tracks).
7. The government should participate in leadership of a State Significant Infrastructure Program to support the NSW greyhound racing industry. The funding for the Infrastructure Program should/could be sought from the realization/ better use of the following significant assets. We believe the capital raising on this scale would be well above 50M :-
 - a. The rezoning and sale of industry (GBOTA) land at Appin NSW
 - b. The rezoning and sale of land at Tweed Heads NSW
 - c. The rezoning and sale of operated land (The Social Club) at Yagoona NSW (and also transfer of the current club)

- d. The sale of revenue rights to Trackside, the automated racing game. The government should provide tax incentives to Tabcorp to purchase back these rights as was done for the horse racing industry (based on the funds raised for the horses, this should raise an estimated \$25M)
 - e. Consideration to the rezoning and sale of lease rights to Wentworth Park.
 - f. Government grants and support.
8. Given the assets are owned by different clubs and sections of the industry, government should take a lead role and incentivize the pooling and consolidation of resources. Similarly to the government's leadership/ support on the AJC/STC merger.
 9. There should be sweeping reviews of all regions within NSW to maximize the position of the industry local to that region. For example, feasibility of usage of the Hunter Valley racetrack(s) within the local tourism industry with track facilities to be redeveloped to support it.
 10. The metropolitan resources should be consolidated and a Centre of Excellence Project encompassing best practice greyhound welfare created at the existing Richmond Greyhound track (north western Sydney). In this respect:-
 - i. The Richmond track is surrounded by greyhound participants and much non arable land and therefore is environmentally friendly to usage in respect to night time racing and noise
 - ii. The existing facility has significant land plus adjoining land potentially available for purchase.
 - iii. The surrounds comprises the massive Sydney north western and western urban development growth paths with demand for entertainment and night life already strong
 - iv. A new grandstand facility should be constructed to enable new participants to be attracted to the venue as a first class entertainment facility and which can generate other cash flows and be made available for shared community uses.
 - v. A larger track should be constructed around the current track and include short distances to suit the racing of both short distance greyhounds and enable establishment of a Sydney metropolitan low grade racing for older aged greyhounds.
 - vi. The facility should be used at least four days a week catering for all grades of greyhounds and be a consolidation of all Sydney metropolitan racing
 - vii. The grand stand facility should encompass office structures to house key industry bodies including GRNSW (currently paying \$250,000 per annum, this will capitalize the value to the industry), GBOTA and Richmond Club

- viii. The grand stand facility should become a club facility with transfer of the Greyhound Social Club operation from Yagoona and be available for community hire and services.
- ix. The overall racing patronage experience and highlighting of the greyhounds should be better than any other greyhound race track experience in Australia (plenty of ideas there)
- x. A veterinary facility should be operated on site to enable best practice and efficiencies in development of greyhound veterinary science policies and practice. This would be an extension upon the excellent work of GRNSW in its current in-sourced veterinary program.
- xi. Feasibility to transfer metropolitan race dates to the venue should be explored.
- xii. First class training facilities including exercising area and swimming pool should be provided to support trainers training from urban areas. This should be available for use to other canine clubs on negotiated arrangements.
- xiii. A small motel facility with security kennels should be considered to accommodate interstate travelers for competition in major events.
- xiv. This program would provide much need employment and investment into north western Sydney and local council support should be sought. It should be considered a State Significant Project.
- xv. The facilities should encompass a separate area but within the same site to form the base for a best practice Greyhound Adoption program , similar but even better than the Victorian scheme which is supported by grants of \$1M by the Victorian government – see below²⁵
- xvi. A stakeholder committee should be formed including government to encourage the different stakeholders to come to the table to bring such a massive infrastructure program to fruition; along the basis of the government support of the AJC/STC thoroughbred merger.

Coalition delivers \$1 million for greyhound adoption

Friday, 13 May 2011

The Greyhound Adoption Program (GAP) will receive \$1 million in funding over the next four years as the Victorian Coalition Government confirms its election commitment to the highly successful initiative that finds new homes for retired greyhounds.

Officially announcing the funding at GAP's headquarters in Seymour today, Minister for Racing Denis Napthine said the program had been a great success story, so far adopting out more than 4,000 retired greyhounds.

²⁵ <http://www.premier.vic.gov.au/media-centre/media-releases/931-coalition-delivers-1-million-for-greyhound-adoption.html>

"The Greyhound Adoption Program is an important part of the greyhound racing industry. It provides good homes for retired racing dogs and provides local jobs here in Seymour," Dr Napthine said.

"These greyhounds make fantastic pets because they are quiet, lazy and gentle dogs that thrive in the family home environment. All dogs spend time with a volunteer foster carer who helps them adjust to life off the track before graduating from kennel life to their new home.

"Adopting a greyhound is a great idea for people thinking about introducing a new pet to their home because every dog that passes the GAP program has been thoroughly temperament tested, desexed, wormed, microchipped and vaccinated.

"In the past the program has operated on a very limited budget and relies on around 100 volunteer foster families and carers. The Coalition Government's \$1 million budget commitment will ensure this program is adequately funded into the future."

Chairman of Greyhound Racing Victoria Nick Caley said Greyhound Racing Victoria had achieved a lot in terms of the welfare of greyhounds over the past decade, but it was now time to take animal welfare initiatives to the next level.

"This very generous \$1 million contribution will enable us to fulfil a wish list of projects, which we will announce in the coming months. We sincerely thank Minister Napthine and the Baillieu Government," Mr Caley said.

"A working party will be formed to establish the specifics about how this money will best be spent. This money will enhance the offerings of the Greyhound Adoption Program by way of promotion and infrastructure. We won't be letting it get absorbed into overheads."

Manager of the Greyhound Adoption Program Larissa Darragh started out as a foster carer for greyhounds in 1996 and said a significant proportion of this money would go towards increasing the public awareness about greyhounds as pets and the Greyhound Adoption Program.

We want to address the misconceptions of greyhounds. The facts are that they are beautiful lazy animals that don't need a lot of exercise, they are great with kids and make exceptional companions," Ms Darragh said.

Appendix A – Financial Analysis

Appendix A - Key Statistics Y2007-Y2012 Comparison Prizemoney across the states.					
	Notes	2007	2009	2012	2013 Projected
CPI as at 30 June each year	1	87.70	92.90	100.40	102.80
NSW Prizemoney	2,3	\$ 14,827,485	\$ 17,433,586	\$ 22,468,416	\$ 24,041,205
VIC Prizemoney	2	\$ 21,225,000	\$ 24,257,000	\$ 30,400,000	\$ 36,000,000
WA Prizemoney	2,8	\$ 6,585,990	\$ 8,734,295		
QLD Prizemoney	2	\$ 7,747,225	\$ 7,598,000		
NSW # of starters	2,3	103,028	106,280	106,155	
VIC # of starters	2, 4, 5	73,106	71,643	80,995	
WA # of starters	2, 8	24,477	27,838		
QLD # of starters	2	41,665	40,723		
NSW AVG Prizemoney/ Starter		\$ 144	\$ 164	\$ 212	\$ 226
Growth NSW AVG Prizemoney/ Starter	9			47%	
VIC AVG Prizemoney/ Starter	9	\$ 290	\$ 339	\$ 375	\$ 444
Growth VIC AVG Prizemoney/ Starter				29%	
WA AVG Prizemoney/ Starter		\$ 269	\$ 314		
QLD AVG Prizemoney/ Starter		\$ 186	\$ 187		
CPI 2007-2012				14%	
Sources:-					
1	http://www.rba.gov.au/statistics/by-subject.html				
2	GRNSW submission to the Independent Review of Wagering in NSW 31/8/2008.				
3	GRNSW Annual Report Y2012 - http://www.thedogs.com.au/Uploads/Userfiles/GRNSW%20AR12%20LR%20F%20(2).pdf				
4	GRV (Victoria) Strategic Plan 2011-2020				
5	Number of starters not found for Vic Y2012 however, calculated as follows:				
	Meetings Y2009	835	Known starters		71,643
			Therefore AVG per meeting		85.80
	Meetings Y2012	944	Therefore assumed starter #s @ Y09 AVG		80,995
6	GRV (Vic) Annual Report Y2012 - http://grv.bsiq.com.au/?xml=GRV_Annual_Report&iid=69287				
7	GRNSW Revenue Y2012 was \$48,510,233; the figure shown is after deduction of 'deferred revenue realised' \$6,913,157				
8	WA statistics for Y2007 are in fact Y2006 as Y2007 figures have not been identified.				
9	Average return/starter for Y13 assumes same starter numbers as Y12.				
Ownership Model Y2007					
		NSW	VIC	WA	QLD
Revenue		\$ 2,568	\$ 5,181	\$ 4,801	\$ 3,318
Total costs		\$ 15,534	\$ 15,534	\$ 15,534	\$ 15,534
Net cost of ownership until retirement		\$ (12,966)	\$ (10,353)	\$ (10,733)	\$ (12,216)
Return as a Percentage of cost		17%	33%	31%	21%
Trainer Model Y2007					
		NSW	VIC	WA	QLD
Costs		\$75	\$ (7,800)	\$ (7,800)	\$ (7,800)
Part reimbursement		\$50	\$ 5,200	\$ 5,200	\$ 5,200
Prizemoney		50%	\$ 1,284	\$ 2,590	\$ 2,401
Net profit/loss per greyhound		\$ (1,316)	\$ (10)	\$ (199)	\$ (941)
Estimated current training costs per week					
Meat	0.6	\$3	\$ 13		
Kibble	0.2	\$52/ 20 kilos	\$ 4		
Vitamins, worming, hydration	\$1		\$ 7		
Trial costs	1 per week		\$ 15		
Vet check	1 per week		\$ 35		
Travel			\$ 38		
Total			\$ 111	148%	
Comments. Minimum vet check costs generally \$22 per visit plus injury management costs. Meat was \$2.40 per kilo in Y2007-08 (checked with a Riverstone pet food supplier). Travel assumes weekly: 20 km for vet check, 30 km for trial, 100 km to race but assuming share with 3 other dogs sharing the same trip. Costs at ATO per km rate 75c / km http://ato.gov.au/Individuals/Income-and-deductions/In-detail/Deductions-for-work-related-expenses/Claiming-a-deduction-for-car-expenses-using-the-cents-per-kilometre-method/?default=&page=3					
Ownership Model Y2013					
		NSW	VIC		
Revenue		\$ 4,041	\$ 7,931		
Total costs		\$ 22,990	\$ 22,990		
Net cost of ownership until retirement		\$ (18,949)	\$ (15,059)		
Return as a Percentage of cost		18%	34%		
Trainer Model Y2013					
		NSW	VIC		
Costs		\$110	\$ (11,440)	\$ (11,440)	
Part reimbursement		\$75	\$ 7,800	\$ 7,800	
Prizemoney		50%	\$ 2,021	\$ 3,965	
Net profit/loss per greyhound		\$ (1,619)	\$ 325		

Appendix B – Preparation of Submission & Suggested Persons to be Invited to Inquiry

Available for further questions arising from this submission:-

John Tracey – Honorary Information Officer Greyhound Action Group Inc (historical research)

Dennis Carl – President

Michael Eberand – CPA, Owner/breeder/trainer – financial analysis, economic comments, State Significant Project/ centre of excellence/ funding concepts.

Suggested Persons to be Invited to the Inquiry

To be advised.

Attachments

A	310708 GRNSW Submission to the Independent Review of Wagering in NSW
B	Alan Cameron AM report titled "Correct Weight. A review of wagering and the future sustainability of the NSW racing industry".
C	Document showing market share around 1998
D	Document showing prior revenue arrangements set at 15% of growth
E	Minister approval of Trade Practices exemptions to a hierarchy of documents including Intercode
F	Document showing 1998 board was newly appointed government board
G	GRNSW Annual report extract 1997 showing impasse over Inter Code negotiations as well as other information
H	Standard Minister's response to participant requests to change Inter Code
I	ACCC rejection of appeal to review Inter Code
J	Intercode Growth Provision Clause
K	GRNSW Role under the Act.