

T.R.O.A.
ABN 31 275 260 731

GPO Box 1233
Hobart
Tasmania 7001

Telephone: (03) 6247 8350
Facsimile: (03) 6272 1226
Email: aussitas@netspec.net.au
Web: www.boc.info



Tasmanian Racehorse Owners Association

The Owners Voice

LEGISLATIVE COUNCIL

ATTENTION RUTH FORREST MLC.

**SUBMISSION IN RELATION TO
TASRACING INQUIRY**

**SUBMITTED BY TASMANIAN
RACEHORSE OWNERS ASSOCIATION**

1ST June 2011

INDUSTRY IN CRISIS:

BACKGROUND

As Owners of the product that drives turnover, we not only deserve to have a reasonable return on our investment. It is essential for the well being of racing in Tasmania.

A recovery on training costs in 90% of cases, of less than 3% return on investment is not reasonable nor sustainable and is the key driver of the current exodus of owners from the Industry.

Much of the problem has to be laid at the door of Government and its administration arm Tasracing and the outmoded system it underpins is exploited to the hilt and simply not fit for the purpose of overseeing the racing industry in Tasmania. Hence the Industry Rally in Launceston.

Government while paying lip service to supporting us, has never appreciated racings worth to employment and the rural economy and done nothing about modernizing ROI so that it delivers a fair return to owners who keep the thoroughbred industry afloat.

A racing funding crisis continues to deepen as income diminishes. Prizemoney values for the coming season will not increase and stakemoney for most races, especially in lower classes which represents approx. 60% of horses will struggle to match the previous year.

Go behind the glamour and glitz of major Cups and you find a different world where trainers, jockeys and breeders are struggling to stay in business, stable employees and associated industry stakeholders in which racing plays such an important part is feeling the cold winds blowing on the Industry.

So yes, its time for owners to get radical. Horseracing is still the core product of gambling. Of course we have a dimishing market share as the Gambling Industry - (est 14%) diversifies, but you only have to look in on any betting agency to know where the passion of most punters continues to be.

RACING AT MOWBRAY ON THURSDAY NIGHTS

(SEE ATTACHED SWOT ANALYSIS)

Executive Summary:

This decision was made by Tasracing and Tasmanian Turf Club in isolation. Never at any stage was TROA consulted.

There was little if any research behind this decision (seems like a good idea) appears to be the key driver in this instance.

The forecast sale of the product overseas has never eventuated, simply because of different time zones and suggested major players not conducting racing on this night.

Through an inability to come to some agreement with SKY – telecasts of racing bounce from SKY 1 to SKY 2 and with the latter not even shown in Tasmanian betting agencies let alone intrastate or overseas.

Media exposure intrastate is non existent.

Lack of continuity in racing dates causes confusion, uncertainty and declining interest.

Trainers duped into accepting Thursday night racing on the basis of prizemoney being paid first to tenth to offset additional costs involved. This decision was again taken without any consultation with TROA.

Trainers have now learnt from Tasracing that this decision would only apply to first four meetings. Owners now have to pick up this additional cost from existing allocated stakemoney.

In conclusion we see no evidence of a plan for gaining international exposure.

Decision to race on Thursday nights:

What benefits are there in racing on Thursdays? Day or night

Background

- For Industry to move forward there has to be changes.
- Reason for installing lights was to increase exposure for product.
- If product is to grow – have to look at other options. e.g. positioning Tasmanian product from wagering perspective.
- Find a niche market – may not produce results overnight
- Immediate outcomes:
 1. Provide for enhanced profile of product on mainland and beyond
 2. Provide opportunities to position product for access to overseas markets
 3. Build liquidity in national and international pools
- One year of SKY agreement remaining. Their objective is to fill channels with product. Customers decide what they want to wager on.

Rationale:

- Owners being ignored in decision making process.
- Tasracing had discussions with Jockeys who have stood by their decision not to race in winter months at night.
- Meeting with Tasracing and TTC – it was decided to keep door open in hope jockeys reconsider their position. Option was to consider twilight meetings as a possibility. (start 3.00 finish at 6.00 pm). Reason Tasracing supported TTC decision. Option not canvassed with any other stakeholder as at 21/4/10.
- Application came from Club (TTC). Tasracing supported application and TTC decision to apply to SKY for a Thursday timeslot.

Against

- No Research
- Thursday is main day for Provincial racing
- Sky send only top 2 meetings (therefore should race on Monday). Meetings subject of SKY approval.
- T/O is down. Betting thru TOTE reasonable for 2 of 3 meetings. (Unitab and NSW TAB down 50%)
- Future depends on Product Fee (Calculated against T/O). Therefore worse off than racing on Sunday
- Night Meetings not telecast internationally – (1st meeting not beamed anywhere)
- Where is plan for gaining international exposure

- Increased competition from other states installing lights – need to have binding contracts in place
- Where are we at with negotiations with exposure of product to Asian and beyond markets
- Need ONLINE presence
- Relegation of product to Sky 2. T/O is shocking.
- Night racing not acceptable to all parties
- Provides no incentive for existing and new members to join.
- Find a niche market – may not produce results overnight

For

- Running midweek slot not a new initiative – Devonport race Wednesday and more recently major venues on a Monday. Only involves a small percentage of total race meetings.
- Thursday racing preferable to Monday
- A small opportunity may exist for these meetings.
- Current proposal to SKY seeks to minimize no. of days outside Sunday

Conclusions

- Learning that transmission by SKY into other countries is only one piece of the puzzle.
- Whole range of issues to be resolved to market product and make it attractive to customer
- Negotiate with SKY where we position ourselves for the future. Try and keep options open. Their attitude has changed with the second channel.
- Pressure is on to ensure our product remains competitive.
- Ensure Owners are regarded as key stakeholders as they provide the Product.

FUTURE DIRECTION

What (if anything) is Tasracing going to do to encourage owners to remain involved. We see no evidence of any cost savings and efficiencies being addressed.

What we do see are the Chairman and CEO travelling overseas:

- a 4 day visit to Singapore costing \$10,000
- By the Chairmans own admission there are problems in South East Asia
- France and the UK are happy to talk with no outcomes.
- Competition is intense.
- Sitting Fees paid to Directors is exorbitant. Numbers should be reduced along with remuneration. TROA sees no value in having an intrstate representative on the Board, who has never had any contact with us. Whilst he is well respected we feel he is not 'streetwise' in addressing local issues. Much better to have a local.

To date we have not seen one red cent ROI. Nor is this likely to occur in the near future, yet we see no revision of Tasracings[' 5 year plan to offset this. (now into year 3).

TROA suggests it would be more beneficial in the short term to get our own house in order:

- Negotiate and firm up a planned program of racing for Tasmania with SKY channel 1.
- If unable to do so then negotiate with TVN (as per the N.T. model)
- Develop a system in which race replays can be accessed.
- Negotiate with inter and intrastate media for publishing of programs, exposure of product. (offset cost with scaled down brochure productions etc.,)

Tasracing plan for the future is pitched at a very strategic and conceptual level and does not provide the level of detail that the industry would like.

TROA sees a clear conflict of interest in the operations of 3 Clubs and Tasracing competing for sponsorship. We see no evidence of any growth or introduction of new players or initiatives in this area. Nor is this issue addressed in the Plan.

On line gambling is now the fastest growing product in the world. Gambling on racing has declined to less than 14% of the turnover. What initiatives do we have in place to compete?

Generation X and Y numbers continue to decline, yet we see no evidence of trying to retain and increase there betting dollar. Of more concern is a lack of focus on Generation Z. (under 35's) who are our future.

Whilst the Minister for Racing has responded positively on our future, TROA remains sceptical of the faith he has in the Tasracing paradigm to deliver. Track upgrades at Mowbray and Devonport are welcome. The news that Hobart is to also to be resurfaced has been refuted by Tasracing? No decision has been made.

It is this lack of transparency from Tasracing and lack of Industry consultation that is most worrying.

Financially the sale of TOTE remains a sticking point. What is its future if current agreements with Tabcorp are 'nul and void' based on outcomes with the Victorian Gaming Licence.

TROA suggests that a component of dividend - 85% of pool returned to punter, then 0.5% of pool be retained and directed into the racing industry. (as is the case with poker machines).

All other income from Nominations, fines etc., be returned direct to the Industry Prizemoney and not used to offset administration as is the case at present.

Government Industry Income should be delivered back to the industry and not placed in Consolidated revenue.

Government Administration Committee "A"
Inquiry into Tasracing Performance

TERMS OF REFERENCE

To inquire into and report upon:

1. The financial performance of Tasracing taking into account their half yearly financial position

(See comments under 2 below)

2. Update matters of noted by the Auditor General (see report No. 2 of 2010 Vol. 3 pp. 130 – 134

- Overall the Auditors- General's Report begs the question if it were a private sector organisation , would it still be operating
- In terms of its compliance with section 11 of the Act it does appear that it has not met any of the first four dot points, and there does not appear any evidence that there has been any major sponsorship deals done since it took over, apart from TOTE's naming rights at Mowbray
- There is no indication it has forward plans with any meat in them to demonstrate that it can fund itself adequately into the future
- It appears to be totally reliant on government to fund its operations as a going concern.
- Reference to a cash neutral position relative to the drawdown of the loans is something that has implications for the public budget so the real issue is what is being extracted for this underwriting and how does this affect the efficiency of Tasracing, but more importantly, its ability to increase the funding for stakes money (not just maintain it) noting the Deed was still not signed at the time of the audit.

3 Factors impacting on the ongoing profitability and sustainability of Tasracing

- It is a mendicant organisation, dependant on holding a position in an over stretched budget and trying to sell all codes of racing into national and international markets with a product that is going to decline in quality,
- Being pushed into time slots that suit Sky Channel and not being connected to a TAB its product has no natural deep pool into which bets can be pooled by those who are prepared to pay a product fee to bet on it.

- It has had to duplicate all the administration functionality that TOTE has so it is top heavy and costly to administer.

4 Review of the respective roles of the Department of Infrastructure, Energy and Resources *DIER) AND Tasracing in relation to the administration of the Tasmanian racing industry

- It is questionable if DIER really understands the industry. An area such as Probity that was previously an integral part of the previous PRA structure was moved to the DIER leading to a number of issues

Additional comment

The major issue is to not sell TOTE and hope it can stay in one of the two big pools after the Victorian licence is announced as if it is not invited in by the winner (likely to be Tabcorp), then it is of concern what Tatts would do if they were to be convinced to take them in, Possibly it would be only on the basis they buy out the Government. The worst case of all is that neither pool would want The Tote as punishment for them taking business off them by rebating to the professionals, that would mean close up shop and turn out the lights.