



CHAIRMAN'S REPORT - MR GEOFF WANT

HRA ANNUAL GENERAL MEETING 21 NOVEMBER 2008

Now is the time for all good men to come to the aid of the party

This quote would be familiar to anyone in the room who ever had formal typing lessons, along with “*the quick brown fox jumped over the lazy dog*”.

“*Now is the time for all good men to come to the aid of the party*” was first used in 1867 at a demonstration of one of the earliest model typewriters and became a key phrase in typing training and speed tests. It also was regularly modified to illustrate points, and has been used as a rallying call in everything from corporate sales training days to war time recruiting drives.

Today, it is apt to modify it to “*Now is the time for all good administrators to come to the aid of harness racing*”.

The typewriter has been relegated to the annals of history and virtual oblivion by technological advances. We must ensure harness racing does not suffer a similar fate.

I’m sure some – if not all – of you feel this is alarmist and melodramatic.

I agree, it is, but I make no apology. Everyone involved in our wonderful and important industry needs to be aware of the critical issues we are facing and work together to overcome them.

Harness racing in Australia is facing its biggest threat in decades.

- In the past year wagering turnover with the TABs and on-course bookmakers has fallen by \$218-million, or about 12.5 per cent.

- There has been a further fall in the standardbred foal crop.
- The world is experiencing the greatest financial disaster in more than half a century.

The international financial meltdown is beyond our control, but we have to deal with the ramifications of it such as a loss of consumer confidence and a reduction in sponsorship dollars.

We can however work to overcome the downturn in wagering revenue and the reduction in breeding activity.

If we do not tackle these issues and reverse the trends it is inevitable that there will be considerable cuts to prizemoney, which will only accelerate the demise of our industry. Already, it appears we have lost market share – critical to the distribution of funds in some states – to greyhound racing.

The greatest threat to the funding of the three codes of Australian racing is the leakage of turnover from the state totalisator operators. Some of the downturn in wagering turnover in the past year can be attributed to the outbreak of equine influenza, but there is evidence a considerable amount has been diverted to the corporate bookmakers and betting exchanges.

What started as a trickle of money from the TABs when the first corporate operators began in the Northern Territory a dozen or so years ago has become a flood in recent times, as the services offered by them have become more accessible. TABs have struggled to address this problem while state governments, major beneficiaries from wagering through “soft” taxes for many decades, have been unable to stem the flow.

The only weapon used in this battle to date has been the race fields legislation. Western Australia’s legislation was successfully challenged in the courts while the NSW race fields legislation is also to be challenged.

NSW authorities, despite being unable to enforce a 1.5% turnover charge on major unauthorised users of industry data, have imposed the charge on interstate harness racing bodies. Apparently, this is to avoid being accused of discrimination under the Trades Practices Act.

It is difficult to comprehend how legislators could not have overcome this ridiculous situation.

Every fair minded person must applaud the endeavour to extract a fee from every organisation which bets on Australian racing, or profits from the industry's information. It is difficult however to find justification for billing other state bodies, all of whom contribute to the national good of racing.

We now have the unpalatable situation of NSW imposing a 1.5% turnover charge on other states, while unable to extract anything from the unauthorised users. Other states are planning similar action which will inevitably lead to so-called exporters of racing product benefiting financially from racing bodies in states which are net importers.

At least NSW imposed a fee with a fair return to the industry. Only this week, Racing Victoria announced a different product fee – 10 per cent of gross profits, rising to 15 per cent during the Spring Carnival months of October and November.

I'm told this equates to no more than half of one per cent of turnover.

Not surprisingly, the corporate bookmakers applauded the decision. To most of us however it is an act of bastardry by RVL, displaying an arrogant disregard for the rest of the Australian racing industry.

HRV has still to announce its policy but has advocated 1.5 per cent of turnover in the past.

Some TABs have decided to absorb the additional NSW fee for the time being, presumably while they watch developments unfold in other states, although Unitab is passing it on to the industry in Queensland and South Australia.

The South Australian Government late last year announced it was passing on millions of dollars to the racing industry from wagering tax reform measures. It has been estimated that most of this additional money, designed to assist a struggling racing industry, will be absorbed in payments to other states.

It is inevitable that various state TABs will become selective in operating on interstate race meetings, rather than the full national program for each code as at present, to minimise the impact of turnover fees. This in turn will lead to further punter disenchantment and frustration, driving them away from harness racing or forcing them to find an alternative betting avenue.

HRA will be proposing two courses of action at next month's Australasian Racing Ministers' conference in Melbourne.

All Ministers will be urged to liaise on framing legislation in each state which will be effective in extracting a 1.5% turnover fee from corporates and betting exchanges, but which does not cannibalise racing industry wagering revenue from the licensed off course operators in each state.

Furthermore, and subject to ratification at today's meeting, HRA will be requesting that the Ministers investigate, as a matter of urgency, approving the merging of all totalisator wagering pools throughout Australia.

It is HRA's firm view that this would result in an increase in wagering turnover with the TABs, especially on harness racing. It would also effectively remove one of the greatest attractions of several corporate operators – best tote price!

Harness racing needs government support, but we also need to become more focused in tackling this issue. The corporates are astute marketers but they are not smarter operators – they are however more focused on achieving their objectives.

While our regulators have many important issues to deal with, the corporates and their lawyers have only one.

While racing administrators are concerned with staging race meetings, ensuring the integrity of the industry, organising insurance cover and dozens of other necessary tasks, the corporates are focused only on how they can profit from our endeavours.

While we spread our available funds across prizemoney, administration and venue maintenance, the corporates spend money on lobbyists, public relations consultants and lawyers.

We need to become just as single minded as we address the issue of ensuring that anyone who trades on our product pays a fair price for the privilege.

Race and venue sponsorship is fool's gold ... it is good advertising for the corporates and uses our product to promote their services to our customers, while bolstering their argument that they are supporting racing.

There is a session devoted to the race fields legislation at today's meeting and a presentation by Unitab. I also urge Members to put forward their views on how we can best tackle the wagering leakage issue.

Apart from the issues which have caused a fall in turnover and reduced funds for the industry, Harness Racing Victoria is gravely concerned that it will be adversely affected by new funding arrangements to be implemented by the Victorian Government post 2012. The scheme whereby racing receives a share of gaming revenue in Victoria is to be discontinued, but a satisfactory alternative is still to be negotiated.

In most jurisdictions – Victoria has been the exception because of the gaming revenue – wagering is responsible for more than 90 per cent of industry funding. The recently formed HRA Wagering Committee has identified issues to pursue, including getting greater control over our brand, and I am hopeful we can make some meaningful progress in the coming months.

The effects of the drought, equine influenza and rising costs, especially for fodder and fuel, have all had an impact on industry participants in the past year.

The breeding sector has been particularly hard hit and foal numbers continue to fall, a trend that may continue for the next year or two.

In 2007-2008 there was a foal crop of 5,038 – down by almost a thousand on the previous year. The number of services this year was only marginally below last year, so it is to be hoped the slide in foal numbers will be halted next year.

The Breeding Committee is continuing to look at ways to address the problem.

The disruption and damage caused by the outbreak of equine influenza has been well documented throughout the year and there is a full report on latest developments in the Agenda papers. The best news during the year was the declaration that Australia was EI free. The true cost of the equine influenza outbreak, in both financial and social terms, will probably never be known.

HRA commissioned Pricewaterhouse Coopers to work with all state controlling bodies on a national study into the financial impact of the EI outbreak on harness racing participants. The findings have been evaluated and there will be a report to today's meeting on the recommendations of the sub-committee appointed at the mid-season meeting in Melbourne to review the matter.

There have been some positive signs for the Australian industry however in the past year.

One was the fantastic promotion by Harness Racing Victoria of the Watpac Inter Dominion Championship and another the opening in late June of the outstanding 1400 metre track at Menangle. It was fantastic to see plenty of positive publicity in the Sydney media prior to the event – and even better to see almost 16,000 people at Menangle on the opening day.

It has been a mixed year for the NSW Harness Racing Club. It started with the disruption of EI, although they kept the Harold Park faithful entertained with camel racing, then they battled atrocious weather to complete Menangle. It has ended with the Club receiving approval from members to sell the Harold Park facility which will, when completed, provide a massive boost to the industry in this state.

In Victoria, HRV is preparing for the opening of their impressive \$45-million Melton Harness Racing and Entertainment Complex. The commercial facilities, which include a motel, will be operating in February/March and the first races should be conducted at Melton in July 2009.

Queensland harness racing had a setback mid-year when structural problems caused the closure of the grandstand at Albion Park. The Albion Park club plans to totally rebuild the facility, while we may also soon see major redevelopment projects at Globe Derby Park and Gloucester Park.

There are many matters I could cover in this presentation, but we will be touching on most of them as the meeting progresses. These include the Inter Dominion Event Committee and planning for the 2009 Watpac Pacers Championship on the Gold Coast ... the excellent work of the Integrity, Rules and Handicapping Committee on the national handicapping review ... governance reviews in several states ... the national marketing group's market research exercise the multi-jurisdictional database project, due for completion in April ... and the push for taxation reform.

I also draw to your attention the report which has been prepared for the Australasian Racing Ministers' Conference, to be held in Melbourne on the 5th December. This covers much of our activity in the past year and I thank everyone who contributed the compilation of the report.

It would be remiss of me not to thank everyone who contributes to the work of the various HRA committees. We have many dedicated people who devote considerable energy to these committees.

Likewise, sincere thanks also to the team at HRA in Melbourne who make such a valuable contribution to the industry.

We paid tribute to Rod Pollock last night and I would again like to record my appreciation for Rod's eleven years of service to HRA.

Welcome also to Andrew Kelly and his first annual meeting as chief executive. A major priority for Andrew is to prepare a strategic plan for HRA for approval by Members at the mid-season meeting to be held on the Gold Coast next March.

One of the saddest moments of the past year was the untimely death of John Penney, chairman of Harness Racing New Zealand, who was well known to most of you here today. HRNZ was indeed fortunate to have a man of the calibre of Pat O'Brien to move into the chair and I'm pleased to welcome Pat, and his popular chief executive Edward Rennell, to the meeting today.

HRA enjoys an excellent relationship with HRNZ and Edward is going to provide an update on happenings across the Tasman later in the meeting.

It is also appropriate that we welcome Mike Godber to his first HRA annual meeting as an Aussie. New Zealand's loss is certainly Queensland's gain!

Many thanks also to Rex Horne, Ray Sharman, John Dumesny and all at the NSW Harness Racing Club for allowing us to use this excellent facility for our annual meeting and, in advance, for their hospitality tonight.

It has been a demanding and challenging year and there are some significant issues to be addressed in the months ahead. It has not been my intention today to be pessimistic. But I believe quite strongly that we need to work together to tackle the critical matters that threaten our industry.

I'm reminded of a slogan I saw on a T-shirt in America many years ago: "*When you're up to your ass in alligators, it's too late to remember the first priority was to drain the swamp*".

Let's get our priorities right and not be distracted by peripheral matters.

Thank you – and best wishes for a productive annual meeting.

Geoff Want
Chairman

Please Note: On 1st March 2008 Harness Racing Australia Inc (HRA) replaced Australian Harness Racing Council Inc (AHRC) as the organisation's name. All AHRC's formal structures, rules, regulations, policies, processes etc., now pertain to HRA, and any reference to Australian Harness Racing Council Inc, AHRC, Council or The Council shall mean Harness Racing Australia Inc or HRA.