

Racing NSW CEO addresses the key issues in 2010

THE NSW THOROUGHBRED INDUSTRY HAS CONFRONTED A NUMBER OF CHALLENGES INCLUDING EQUINE INFLUENZA AND CAME OUT THE OTHER END. WHAT DOES 2010 HOLD FOR THE INDUSTRY?

In an interview with The Daily Telegraph's racing editor Ray Thomas, Racing NSW chief executive Peter V'landys details his thoughts on a wide range of issues confronting the sport this year.

The year ahead

What is the biggest challenge facing NSW racing in 2010?

Quite clearly for racing in NSW to remain viable we need to increase returns to participants and we won't be able to do that unless everyone who profits from racing pays their way.

The funding model at the moment is not sustaining racing in NSW by providing an adequate return to participants.

What do you mean by not providing an adequate return to participants?

The racehorse owners in NSW subsidise the industry to the tune of \$100 million per annum that's the difference between their training bills and prizemoney they receive. That loss doesn't even include the initial cost of buying the horse. We need to minimise the gap between owners' costs and prizemoney. Because owners are losing as a group means that income levels of other participants in the industry remain low ie returns to trainers, strappers etc.

Eventually it may get to a point when owners decide not to invest any more so we must close that gap and make investing in racing more attractive.

Any chance of the State Government providing some overdue wagering taxation relief?

We have some proposals with the

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government for taxation relief but realistically this money has to come from wagering operators who are now making substantial profits out of the participant's efforts in NSW.

They should realise they can't get that for nothing, they can't get it for free. They need to pay for the right to profit from the labour and skill of participants in NSW racing.

The participant's put on the show and anyone who makes a profit from that show should have to pay for it.

The analogy I've always used is that this is no different from movie makers who are having their opportunity to earn money from their production reduced because others are copying the movie and selling it, without paying for any of the cost of making the movie.

Turnover fee

This is all about the turnover fee issue – so what is the latest with the court case?

I think the biggest decision racing has faced in the last 50 years – and probably the next 50 years for that matter comes when the court hands down its decision on this issue in late February or early March because without a sustainable funding model, the racing industry will contract dramatically.

Are you confident of a successful outcome for Racing NSW in the courts?

We are very confident. At the end of the day, what Betfair and the corporate bookies are saying is that because they have a low-margin operation, they should be paying less.

These wagering operators are responsible for their own business models. If they didn't allow for enough to pay the producers of the show that is their problem, not ours. In fact Sportsbet are asking the Court to find that they should not have to pay anything.

How much money is being held in



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trust pending the outcome of the court case?

About \$60 million.

So, if Racing NSW gets a favourable outcome in the court case where will that money be directed?

Look, I can't release too much at this point as this is all detailed in our Strategic Plan.

Put it this way, the Strategic Plan looks very pretty if Racing NSW wins the court case – but it looks very ugly if Racing NSW loses in court.

If you do win the court case, will that money go into prizemoney?

A: This money will be used to increase returns to participants through prizemoney but we are also looking at injecting substantial money into the improvement of NSW racecourses.

We want NSW racecourses to be conducive to competitive racing and that may come by introducing cambered turns, lengthening the straights, better track surfaces, things like that. We also want to ensure training facilities are world class because that increases the longevity of a racehorse's career. There is nothing more frustrating to an owner or trainer than to have their horse breakdown due to inferior training tracks.

What about introducing an artificial racetrack in NSW?

We are looking at this closely but I don't know if there is an artificial racing surface that is proven in all weather conditions. It's not a priority in NSW as we are very happy with turf racing, and using synthetic tracks for training. I should also point out that in NSW we don't lose that many race meetings due to track conditions.

If some of that money being held in trust is used for prizemoney, is it true that Sydney racing could soon have minimum Saturday prizemoney of \$100,000 per race?

Those details are in the Strategic Plan which we intend to release before the court case is finalised to show everyone in NSW racing what can be achieved when everyone pays their way.

If we win the court case, NSW racing has a magnificent future. There is some very positive indicators for the sport right now but that will mean nothing if the court rules against Racing NSW.

What happens if the court finds in favour of Betfair and the corporate bookies?

It won't...but if it does then we have other measures like copyright which protects the rights of the Industry. Also, the State Government is totally committed to this legislation and the Racing Minister has already indicated he will take any measures necessary to ensure the legislation stands up.

There is a school of thought that perhaps by embracing competition it may actually increase wagering

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turnover and returns to the racing industry. What is your opinion?

The misconception is that we haven't embraced competition. We have. Part of competition is that there is a level playing field for all. A turnover based fee helps ensure a level playing field as it requires all wagering operators to pay the same fee based on their use of race field information rather than a fee which simply fits their particular business models. The Corporate Bookmakers and Betfair argue that their low-margin operation will generate more turnover to the industry. That's an argument that has been put forward many times but no one has been able to substantiate it. You don't have to be Einstein to realise that under the bookies model, they want to pay 50c in every \$100 bet. The legislation requires them to pay \$1.50 for every \$100 bet while the TAB pays around \$5 for every \$100.

So, if we were to adopt the bookies model, in order for the racing industry to maintain the same revenues we do through the totalisator, there would have to be a 10-time increase in wagering turnover from \$4.5 billion to around \$45 billion a year just to keep the existing revenue...where is this additional turnover going to come from especially considering the total Corporate Bookmakers turnover is \$5 billion.

This is the old chestnut always put forward by bookmakers and Betfair but you only have to look at England to see that it just doesn't work.

Court case

What about the argument a compromise could have been reached on the turnover tax fee before it went to court?

I don't think that is feasible – but one of the good things that will come out of the court case is that we will have certainty.

Let's say we negotiated a price with the corporates tomorrow, then in six months

another wagering operator comes into the market and wants to negotiate a lower price.

Does this mean that they take us to court if we don't reach a resolution? If so, then we start all over again.

What this court case does do is provide certainty but I can't believe we are even in court because what other industry in Australia can't set its own price?

No one is forcing them to bet on NSW racing. We haven't got a monopoly, there is racing in every state of Australia every day plus racing in other international jurisdictions so if they don't want to pay what we are charging then bet on something else.

What do you say to criticism that Racing NSW is spending too much on these court cases?

That's a little unfair because remember we didn't instigate these court proceedings. What are you suggesting we do just cop it and watch the industry contract, people lose their jobs?

This is legislation enacted by the State Government after all and it does have bi-partisan support.

I feel the investment is worth it because the whole future of the racing industry is at stake here. Like any responsible controlling authority, we have to be doing everything possible to ensure the racing industry remains viable in NSW which is why this court case is so vital.

Are you disappointed Racing Victoria did not form a united front with Racing NSW on this issue?

What Victoria does is a matter for them, I can't dictate terms to them like they can't dictate terms to Racing NSW.

Racing Victoria has made a decision and I respect that – in years to come one of us will be right and one will be wrong.

Breeders levy

Well, apart from corporate bookmakers, what about imposing

a levy or fee on breeders or stallion owners who also profit from the racing industry?

One state can't unilaterally charge stallion owners a fee or another state could take advantage of the situation and become a "tax haven" for breeders.

Look, this is the same sort of thing as what has happened with the corporate bookmakers – an opportunistic state government could decide it won't charge a fee or significantly reduces taxes to entice stallions owners and major breeders to shift their operations away from NSW.

Have any discussions on a national basis been held on this issue?

No, but I agree it does need to be addressed and Racing NSW is doing this as part of its new Strategic Plan.

The merger

Does Racing NSW have a position on the proposed merger of the AJC and STC?

No, not at all. Racing NSW at all times has said it has a neutral position on this issue. This is a matter for the clubs to determine if there are significant benefits to Sydney racing if they merge.

We are not going for force them.

Is there any truth in the criticism that Racing NSW is in favour of a merger as a power grab?

Totally inaccurate – the Minister for Gaming and Racing Kevin Greene asked for an analysis of the benefits of a merger. We just facilitated the Minister's request.

To give the Minister due credit, I should point out that NSW racing has for years gone to government looking for wagering taxation cuts.

The first thing Treasury says to the Minister is has the racing industry got the best business model in place before any tax cuts are considered? We have to show that racing has its own backyard in order before expecting Government to provide financial assistance to the industry.

The racing industry can't keep knocking on the door for taxation cuts if we haven't got best commercial practices in place. Let's work out if best commercial practice is having one or two race clubs in Sydney.

Promoting racing

Do you agree not enough is being done to promote the sport to a new generation of punters and owners?

I disagree with that because I feel the race clubs have done a fantastic job attracting a new audience to the races.

Going to the races has some real status about it, everyone gets dressed up and enjoys the day. Once these people are on the racetracks, then it is up to the racing industry to educate them about punting and make a day at the race such an enjoyable experience that they will want to return to the track.

Sydney Autumn Carnival

Is the partnership with Events NSW working to the benefit of the Sydney autumn racing carnival?

We have a very healthy relationship with Events NSW as racing is one of the founding partners for that organisation.

They believe there is enormous potential in the Sydney autumn carnival and we believe in partnership with Events NSW, the Sydney autumn carnival can be transformed into one of the state's major attractions.

With their assistance and the joint co-operation of the clubs, Racing NSW, TAB and William Inglis, I believe the Sydney autumn carnival can do as good if not better than the Melbourne Spring Carnival.

How long will the Sydney autumn carnival dates remain fixed or will the AJC regain Easter?

It's fixed for the next three years and then we will review it.

Can we get international racing back to Sydney?

One of the objectives of Events NSW is to have international racing in Sydney over autumn.

If the funding model is sustainable, and wagering operators pay their way, then NSW racing in my view could be the strongest racing centre in Australian racing in three years.

Racing nsw initiatives

How close is the Loyalty program to being introduced in NSW racing?

This will happen later this month. The

beauty of the Loyalty program is that when we are racing for \$70,000 per race on a Saturday, there is up to 70,000 bonus points per race available that be can be redeemed to pay training fees, buying another horse, paying stallion fees and etc.

Further, there are \$2.5 billion worth of unused reward bonus points and Racing NSW board member Kim Harding has negotiated with Mastercard, American Express and Visa – which has the majority of these reward points – and people can now transfer these bonus points across to Racing NSW's Rewards program. These points then can be used to buy a horse at an Inglis Sale, pay your training fees, pay for your stallion fees and etc. Hopefully a portion of the \$2.5 billion unused point may find its way into the NSW racing industry.

How has the Benchmark and Programming System been received since its introduction in October?

One thing I've learned in this job is that silence is golden because I have heard very little criticism of the system.

What it does do is that it sort of makes the trainer become a handicapper. If he or she believes a horse can compete with 60–61kg, it will run in a suitable race. Otherwise they can set the horse to carry a lower weight in a high benchmark race. This system helps to get horses out of the stables and onto the racetrack.

The other big advantage is it is giving the apprentice jockeys a new lease of life and more rides.

One of the biggest things holding back NSW racing was the compressed race weights and this mental block trainers had when a horse was given 60kg or more.

Now they are backing their judgment and running their horse with bigger weights and it provides a great spread of weights, making for competitive racing.

Finally, why don't we have Friday night racing at Canterbury Park?

We are sure that commonsense arrangement will be reached with the NSW Harness Racing Club and there will be a resolution to this matter. I'm confident we will have Friday night racing in Sydney next summer. **RNSW**