



The NSW Greyhound Breeders, Owners & Trainers' Association

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Proposed Welfare and Integrity Levy

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Background

GRNSW has proposed, in correspondence dated March 12, 2015 that a Welfare and Integrity Levy be considered or introduced in order to “subsidise the introduction of new welfare initiatives and integrity measures to meet the serious challenges presently faced by the greyhound industry”.

The proposed Welfare and Integrity Levy will aim to raise funds of approximately \$2M via prize money levies and increased fees. The modelling is as follow:

Prize Money

(a) Prize Money	\$756,253
(b) Pup Registration (generated via \$100 per litter registration)	\$125,000
(c) Naming Registration (generated via \$70 per named greyhound)	\$370,000
(d) Travel Subsidy (generated via \$10 per runner levy)	\$700,000
Total	\$1,951,253

Further detail on the prize money levels as they impact on the various categories of racing is as follows:

FY14	PM Less Trav Sub	Levy %	Total Levy	Standard	New	5 th G Spr.1 st	New
Group 1	\$1,109,375	8	\$88,750				
Group 2	459,850	7	32,190				
Group 3	542,125	6	32,528				
A1	3,656,150	5	182,808	66,120	62,814	4,350	4,133
A2	2,347,290	4	93,892	44,500	42,720	3,300	3,168
B	8,576,476	3	257,294	15,890	15,413	1,080	1048
C	2,569,000	2	51,380	7,565	7,414	540	529
Non TAB	1,741,091	1	17,411	6,202	6,140		
Total	\$21,001,357		\$756,253				
% of Total PM			3.60%				

Current Industry Profile

The NSW greyhound industry currently comprises 34 greyhound clubs.

A total of 15,852 persons are employed or participate in the NSW Greyhound Industry¹.

The NSW greyhound industry employment level amounts to 2,781 full time equivalent positions².

Funding arrangements

The NSW greyhound industry receives the vast majority of its funding via various product and wagering incentive fees from TABCorp and Race Fields legislation fees from other wagering operators.

The NSW greyhound industry is a major player in the Australian greyhound industry but trades with comparative disadvantage to other States on three funding fronts as follows:

- **Intercode Deed**

Payments made to the NSW racing industry from TABCorp are based on an agreement known as the Intercode Deed. The Intercode Deed distributes racing industry returns on 70% thoroughbreds, 17% harness racing industry and 13% greyhounds. This is despite the NSW greyhound industry generating approximately 20% of wagering turnover. As a consequence of this, the NSW greyhound racing industry receives \$14m per annum less than it would receive if a market share, performance based distribution system applied³.

- **Cap on Race Fields Legislation Fees**

The Race Industry (All Codes) in NSW are able to charge fees for wagering activity undertaken on their product by wagering operators other than NSW TAB. Currently regulations within the Race Fields Legislation cap the fee that is able to be charged at 1.5% turnover. The NSW greyhound industry has proposed that the cap should be removed and the racing industry should be able to use market forces to determine the appropriate fee. GRNSW has previously advised industry stakeholders that if the NSW greyhound industry was able to charge fees in line with that charged by their interstate counterparts then returns would increase by \$6m per annum⁴.

- **Taxation Disparity**

The wagering taxation rate applied by the NSW State Government on the NSW racing industry is higher than that applied by any other State Government.

The following table outlines racing industry returns and the State Government tax returns for every \$100 invested with TABs in the respective States.

State	Racing Industry Share	State Government Tax
NSW	\$4.70	\$3.22
Victoria	\$7.90	\$1.28
Queensland	\$7.25	\$0.82
South Australia	\$8	\$0
Western Australia	\$6.67	\$2

Special Commission of Inquiry

The NSW State Government has put in place a Special Commission of Inquiry to investigate welfare, integrity and governance issues and to provide advice to Government on future regulatory models.

The Special Commission can be expected to evaluate current approaches to animal welfare and integrity. It may determine the need for additional actions but it may also suggest that current practices need to be changed.

GRNSW expenditure on Animal Welfare and Integrity (excluding corporate overheads) was \$4,564,726 in 2014, up from \$4,207,749 in 2013⁵.

The NSW GBOTA does not and cannot support an increase of a further \$2m per annum to the Animal Welfare and Integrity spend without the Special Commission's findings and recommendations being tabled and considered.

Prize Money and Travel Subsidy

(a) Industry reliance on prize money

The NSW greyhound industry currently trades at competitive disadvantage with the other major racing States of Victoria and Queensland. The NSW greyhound industry average return per starter is substantially lower than in both Victoria and Queensland.

It is simply not reasonable to suggest that a further reduction in prize money (via a prize money levy) can be put in place without cascading impact on breeding levels, participation levels and impact on the current contribution made to the State's economy.

States comparison of prize money/starter returns 2014:

State	Starters	Prize Money	Prize Money per Starter Return
NSW	95,732	\$23,237,004	\$243
Qld (pre increase)	41,217	\$10,800,000	\$262
Qld (post increase)	41,217	\$16,200,000	\$393
Victoria	96,390	\$41,767,000	\$433

Calculation Methodology

Victoria: GRV Annual Report (2014) confirms prize money paid at \$41,767,000. 1,071 race meetings were conducted. Starters assumed at 7.5 per race over 12 races programmes or 93,390 starters. Prize money per starter average of \$433.

Queensland: Racing Queensland Annual Report (2014) confirms prize money paid at \$10,800,000. 581 race meetings were conducted with total starters at 41,217. Prize money per starter average return in 2014 was \$262. In July 2015, Racing Queensland advised of a prize money increase, taking prize money to \$16,200,000. Assuming the same race/starter statistics from 2014 apply, the prize money per starter average increases to \$393.

NSW: GRNSW Annual Report (2014) confirms prize money paid at \$23,237,004. 1,282 meetings were conducted with 95,732 starters.

The relationship between prize money and continued involvement in the greyhound industry cannot be underestimated. The IER Size and Scope of the NSW Racing Industry made the following observation:

“Previous research in a number of jurisdictions has shown that most owners of horses and greyhounds do not necessarily expect to achieve a 100% return on their investment. In racing circles, this is often referred to as the ‘acceptable loss’. The fact that an ‘acceptable loss’ concept exists within the industry, is mostly a recognition that ownership is often driven by a combination of business and leisure motivations. It is important however that owners have the ability to generate a considerable return on investment to ensure their continued involvement in the industry⁶.”

(b) Economic Contribution

The economic contribution of the NSW greyhound industry has been measured at \$336m per annum⁷. This contribution included direct expenditure of \$241.5m and flow on value added impacts of \$94.5m

The NSW greyhound industry also employs the equivalent of 2,781 people². The sustainability of the industry’s economic contribution and employment capacity is driven by current prize money levels and the costs incurred by participants.

A prize money reduction and increased breeder/owner changes proposed within the levy will have impact. The NSW GBOTA would in the circumstances, propose that GRNSW seek the consideration of IER as to the impact that the proposed levy would have prior to any further consideration of the Animal Welfare and Integrity Levy should an increase in funding in fact be required, as opposed to the impact of other alternatives as proposed later in this submission.

(c) Comment re: Weighting of Proposed Reductions

Whilst the NSW GBOTA does not support the prize money levy, it can accept that GRNSW has attempted to weight the prize money levies with fairness. However, ultimately it remains the NSW GBOTA position that other funding options for any increased welfare or integrity initiatives need to be explored.

(d) Comment re: Travel Subsidy Proposed Reductions

The NSW GBOTA finds the proposal to reduce the travel subsidy as particularly unacceptable.

This fee is invariably a crucial component of training fees and is a core factor in trainer viability.

For a variety of reasons, including migration of NSW bred greyhounds to States paying higher prize money, more greyhounds can be expected to race for longer periods and more often in NSW going forward. This will be a challenge for the industry without making it even more unviable for trainers to justify keeping the more moderately performed greyhounds in the racing pool by reducing the travel subsidy.

Litter and Naming Levies

The NSW GBOTA would again refer to the fragile relationship that currently exists in NSW between participation levels and prize money returns. The IER report makes reference to this point:

“Breeders kick-start a chain of activity which leads to the production of a racing product that is consumed by audiences on most days of the year. Owners provide much of the investment from which the chain of activity follows⁸.”

Owners are only prepared to invest, however, in proportion with the prize money returns on offer. It follows that demand for pups declines whenever the prize money return ratio becomes unacceptable.

Clearly, those are the circumstances (refer per starter returns, page 3) that apply in NSW at the current time.

To further disturb this sensitive situation with further costs to both breeders and owners would seem fraught with danger.

Reaction of Other States

A number of States have announced their intentions to form welfare and integrity findings.

Only Queensland, at this stage, have proposed to finance such funds via a levy system.

Racing Queensland has announced its intention to raise \$1.5m funded totally by prize money levies. This decision, however, must be tempered against the fact that the Queensland greyhound industry received a \$5m per annum prize money increase in July 2015.

The Victorian greyhound industry is funding its welfare and integrity fund via GRV reserves and Government funding.

The South Australian greyhound industry has announced that it will fund initiatives costing \$500,000 without any reduction in prize money.

On the Ground Feedback

Leading Trainer – Anthony Azzopardi

“NSW greyhound racing participants are doing it tough. My major owner is Victorian based but I am doing my best to remain loyal to NSW. There is no doubt though that any further erosion of prize money in NSW will hasten the interstate relocation of greyhounds and trainers.”

Niche Trainer – Mick Player

“I keep a large team of greyhounds in work for battling owners. The greyhounds in my operation are Category C and low class TAB B greyhounds. They are part of the racing supply chain but being part of that relies on the travel subsidy. Muck around with the travel subsidy and the supply chain will be dramatically affected. GRNSW has to fund the animal welfare and integrity needs by other means. Pruning the unacceptable costs at the top of the tree is the place to start.”

Country Trainer – Cherie Rosier

"I have only a small team in work and there is only non-TAB racing in my area (Gunnedah). The return trip to my nearest TAB track is six hours and it will be even more unviable if the travel subsidy is reduced."

Leading Breeder/Trainer – Ruth Matic

"I am not in favour of the welfare levy. The travel subsidy is the greatest welfare protection GRNSW currently has in place as the money is used for feeding the greyhounds. The subsidy allows the trainers to keep the slower greyhounds because they know they will at least receive an amount that covers the costs of their feeding with the hope that the greyhound may at some stage finish in a place or even win a race. With a reduced subsidy it is less likely that trainers can afford to keep these lesser performed greyhounds with the flow on effect of less product to fill up the fields."

"From a breeding perspective it seems unfair to charge a figure of \$100 for a litter whether there be 1 pup or 11 pups. A fairer fee scale would be \$50 for a litter up to 6 pups then \$10 per pup over the 6. However, I feel that any increase in costs and/or loss of revenue such as the reduction in travel subsidy will lead to a reduction in breeding and therefore a loss of business for my family."

Alternative Opportunities

In 2008 a report titled, *"The Cameron Report, an independent review of the wagering regulations and sustainability of the NSW racing industry"* prepared by Alan Cameron AM determined that, without reform to the funding model, the greyhound industry was uncompetitive and unsustainable.

In 2014, the second report arising from a Parliamentary Inquiry into greyhound racing proposed funding relief via a reduction in wagering taxation rates. The report, however, also made the following recommendation:

That the current management and operational model under which the industry operates needs substantial review and structure.

In 2015, GRNSW is now proposing to introduce a \$2m per year levy that will, by any reasonable observation, only add further to the sustainability doubts raised in the Cameron Report and the Parliamentary Inquiry.

Rather than accepting a path of ongoing decline, the NSW GBOTA would argue that an alternative path is open to GRNSW.

The taxation disparity, the unfair cap on Race Fields Legislation fees and the Victorian Government's pro-active support for animal welfare funding must surely present GRNSW with the opportunity to lobby the State Government for financial support.

At the very least, the State Government must accept that its current wagering taxation revenue is connected to greyhound racing continuing and that appropriate animal welfare and integrity funding must be in place if this revenue flow is to continue.

The second option before GRNSW is to consider an external strategic review of the industry and, as a first step, an operational review of its own activities.

The Strategic Review should have terms of reference determined in consultation with industry stakeholders.

The anticipated outcome of the review would be to propose an alternative structure to that currently in place and one that maximised efficiencies and was sustainable for the long term.

Recommendations

1. That GRNSW not further consider the Animal Welfare and Integrity Levy until such time as the findings of the Special Commission of Inquiry have been tabled and considered.
2. That the impact on the economic contribution able to be made by the NSW greyhound industry in the event that the Animal Welfare and Integrity Levy was introduced be modelled by IER.
3. That GRNSW consider the immediate implementation of an industry Strategic Review, coordinated and undertaken by an external consultant, and to terms of reference determined in consultation with industry stakeholders. Further, that the first component of such review be an operational review of current GRNSW activities.
4. That GRNSW immediately approach the NSW Government regarding the funding requirements with a view to securing direct funding once animal welfare and integrity needs are determined or indirect support via adjustments to the wagering taxation rate and/or lifting of the Race Fields Legislation fee cap.

Reference

1. Page 18 – IER Report 2014 – Size and Scope of NSW Racing Industry
2. Page 9 – IER Report 2014 – Size and Scope of NSW Racing Industry
3. Page 4 – Joint Submission by Greyhound Racing NSW, NSW Greyhound Breeders Owners and Trainers Association, Metropolitan and Provincial Greyhound Clubs Association, Greyhound Racing Clubs Association, Greyhound Action Group to Select Committee re: Greyhound Racing Industry 2013
4. Page 3 – GRNSW Chaser Magazine, February 2015
5. Page 32 – GRNSW Annual Report 2013-14
6. Page 33 – IER Report 2014 – Size and Scope of NSW Racing Industry
7. Page 9 – IER Report 2014 – Size and Scope of NSW Racing Industry
8. Page 19 – IER Report 2014 – Size and Scope of NSW Racing Industry