

Submissions
made by
The NSW Greyhound Breeders, Owners & Trainers' Association
on Industry Issues

Submission
to
Greyhound Racing NSW
regarding the
On-Course Totalisator Rebate Scheme
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1. Introduction

GRNSW is currently in the process of considering changes to the on-course totalisator rebate.

Currently, the on-course rebate scheme is considered an incentive scheme which encourages clubs to drive on-course activity, particularly totalisator wagering activity.

Under an arrangement agreed to by the then controlling body and all NSW greyhound clubs, clubs receive a rebate of 7.38 cents for every dollar of turnover. This is despite NSW GRNSW only receiving .6 cents for every dollar of turnover via TAB earnings.

GRNSW is proposing to reduce the rebate over four years to 3.5 cents in the dollar. The remaining 3.88 cents would, under the GRNSW scheme, be re-directed into a prizemoney incentive scheme. The prizemoney scheme would be repayable only to clubs able to pay prizemoney above the GRNSW minimum standard and payments to clubs would be driven by the club to club ratio of such 'overs'.

2. Current Scheme

The current scheme returns 7.38 cents in every dollar of on-course turnover to all NSW greyhound clubs conducting an on-course totalisator service.

It is one of three primary forms of revenue received by clubs from GRNSW. These revenue streams are (a) prizemoney allocations, (b) administration subsidies and (c) on-course totalisator rebates.

In reality, the majority of TAB clubs use all or the majority of the revenue received from the totalisator rebate to offset various operating costs. Only the Dapto Greyhound Racing Club (which has a unique high secondary income capacity) and Casino Greyhound Racing Club (which has a unique low cost operating structure) are currently able to fund prizemoney above the GRNSW operating minimum.

The current scheme does encourage clubs to promote on-course activity and is the only division of funds paid by GRNSW to clubs that allows a club to be rewarded for operational activity.

The current scheme, however, does present an opportunity for clubs to stimulate wagering activity via high valued wagering customers who, in the majority of cases, also expect a return on turnover.

Although GRNSW receives only .6 cents for every dollar turned over on-course, the incentive paid to clubs is 7.38 cents. This creates a situation whereby a club may choose to 'incentivise' high valued customers to wager at their club in return for a rebate on turnover.

If, in the above scenario, the incentive paid to the high valued wagering customer is above .6 cents in the dollar, then the arrangement in place is financially positive for the club but financially negative for the wider Industry.

3. Proposed Scheme

GRNSW proposes to reduce the rebate over a period of four years from 7.38 cents to 3.5 cents for every dollar of wagering turnover.

The difference between 7.2 cents and the reduced rebate will be re-directed into a prizemoney pool. The totalisator rebate pool and the new prizemoney incentive pool will be capped at \$2.5m annually, no matter what growth in wagering turnover occurs in the future.

The prizemoney incentive pool will be available only to clubs that trade profitably and fund prizemoney above the GRNSW standard. The formula which calculates the return for clubs will be based on the proportion of prizemoney a given club is able to pay above the minimum for its sector.

4. Observations

On face value, the review of the on-course totalisator rebate scheme is, from a GRNSW perspective, being driven by a desire to increase Industry focus on prizemoney improvement.

The NSW GBOTA supports the merit associated with this objective.

However, the review of the totalisator rebate scheme also presents the opportunity for GRNSW to remove the potential for the Industry negative practice of 'incentivising' high valued wagering customers.

The NSW GBOTA would argue that a vast proportion of TAB tracks currently rely on all or the major proportion of the on-course totalisator rebate revenue to cover current operating costs.

In addition, some clubs do have an advantage over others in terms of their capacity to increase prizemoney. They either have high secondary income opportunities (which are unique and therefore not available to all clubs) or they have a low cost operating structure (which is not able to be entirely duplicated elsewhere).

Accordingly, the NSW GBOTA believes that the review of the proposal does not have regard for the fact that virtually all clubs currently use the vast proportion of their on-course totalisator rebate to cover operating costs. Unless drastic changes are made to current operating procedures, the majority of clubs currently receiving on-course totalisator rebate payments will not be able to participate in a new prizemoney incentive pool.

Though the process of incentivising high valued customers will be more difficult, the proposed scheme will still provide sufficient funds for this practice to continue.

Given the above, the NSW GBOTA believes a more effective review of the on-course totalisator rebate would be achieved by allowing clubs to continue claiming the 7.38 cents rebate up to a certain level of turnover so to ensure clubs are still able to meet operating costs.

Turnover above this amount would only receive a small incentive – say 2 cents – and the remainder would be placed into a prizemoney pool which would be small in the first instance but would grow over time.

5. Recommendations

- That GRNSW maintain the current on-course totalisator rebate level at 7.38 cents in the dollar for wagering turnover generated by NSW greyhound clubs, capped at approximately the following levels:
 - Metropolitan Club Race Meetings: Wagering turnover up to \$80,000 per meeting.
 - TAB Club Race Meetings: Wagering turnover up to \$45,000 per meeting.
 - Non-TAB Club Race Meetings: Wagering turnover up to \$35,000 per meeting.
- That the on-course totalisator rebate be altered to 2 cents in the dollar of wagering turnover above the thresholds in Point 1.
- That the remaining 5.38 cents in the dollar of wagering turnover above the thresholds in Point 1 be directed into a prizemoney incentive pool.
- That the prizemoney incentive pool be based on prizemoney payments paid by clubs in each pool above the minimum standard. That clubs eligible to compete in the prizemoney incentive pool be solvent and Operating Standard compliant. (Some consideration may need to be granted to clubs with high depreciation levels due to GRNSW GIDF funding of projects).