



CHAIRMAN'S REPORT - MR GEOFF WANT

HRA ANNUAL GENERAL MEETING 10 OCTOBER 2011

The past year has been one of fluctuating fortunes for many participants in the Australian harness racing industry. Anyone associated with racing is aware of the uncertainty faced by connections of horses during their careers and the range of emotions experienced, including unbridled hope, crushing despair and euphoria.

Whilst there have been many highs during the year there have been some devastating lows. Every state of Australia was affected by floods, cyclones, heatwaves or bushfires during the year with the Queensland floods in January claiming the life of former Harness Racing New South Wales steward James Perry. Some horses also were lost in the floods, particularly at Cold Mountain Stud.

Harness racing participants suffered in varying ways from the wild weather in Australia, but all were shocked by the earthquake which destroyed so much life and property in Christchurch. Many in the Australian industry have close personal and business ties with New Zealand, especially in the harness racing stronghold of Christchurch, and rallied to provide support.

This included a \$100,000 donation to the earthquake appeal by HRA, on behalf of all in the Australian industry, with a proportion of this coming from the finalists in the 2011 Inter Dominion championships.

Outstanding Racing

The terrible damage in Christchurch forced the New Zealand Metropolitan Trotting Club to move the championships from Addington to the Alexandra Park facility in Auckland and patrons witnessed some outstanding racing in both the pacing and trotting finals.

It is indeed unfortunate that the euphoria over the success of the championships has been dulled by the winner of the pacing division, Smoken Up, returning a positive swab to the anti-inflammatory drug dimethyl sulfoxide (DMSO).

Regardless of the circumstances, the winner of our most prestigious race testing positive to an illegal substance is a sickening blow to all administrators – and participants – who work so hard to protect the integrity of harness racing. It has rightly been pointed out that the positive swab is a clear indication that the integrity system works, but the fact remains our industry's reputation has been tarnished in the eyes of many people.

The interests of justice must be properly served but it is extremely disappointing it has taken so long for this matter to be dealt with by New Zealand authorities.

Obviously, the integrity situation worsened with the recent developments in New South Wales, but more on that later.

The brilliant West Australian pacer Im Themightyquinn was a closing second in the Inter Dominion. The Gary Hall trained Im Themightyquinn had an outstanding season culminating in being declared the Barastoc Australasian Grand Circuit Pacing Champion. The tough Victorian Sundons Gift, trained by Chris Lang, was crowned the Barastoc Australasian Grand Circuit Trotting Champion for the second straight year.

Misfortune dogged Sundons Gift during the Inter Dominion series in Auckland, injury curtailing his campaign for a third Inter Dominion championship. I Can Doosit gave the home fans something to cheer with a fine win in the trotters final.

Trans Tasman rivalries were cast aside in Auckland as all fans acknowledged Natalie Rasmussen and her brilliant champion Blacks A Fake, competing in his sixth Inter Dominion final. He didn't win but he came ever so close, being third across the line in a thrilling contest.

"Blackie" bowed out of the Inter Dominion with the incredible record of six starts in our greatest race for four wins, a second and a third, which could be further improved by the outcome of the Smoken Up inquiry in New Zealand.

Natalie Rasmussen drew the curtain on Blacks A Fake's racing career after a gallant second in the SEW Eurodrive Winter Cup at Albion Park in Brisbane in July 2011. Fittingly, the crowd sent him off with a standing ovation.

Arguably the greatest standardbred to have raced in Australasia, Blacks A Fake was retired after winning more than \$4.5-million in 105 starts, with 72 wins and 24 minor placings.

The Inter Dominion uncertainty aside, Smoken Up was responsible for two of the most outstanding performances of the year on our tracks, both at Tabcorp Park Menangle. The Lance Justice trained horse won the Miracle Mile in November against a quality field, then blitzed similar opposition in the Len Smith Mile in April when he became the first pacer in the southern hemisphere to break the magical 1:50 mark, rating an astonishing 1:48.5.

Positive Signs

Tabcorp Park Menangle was also the venue, in March, for one of the year's highlights away from the racing action, when the New South Wales Harness Racing Club and Harness Racing NSW announced a raft of business initiatives. These covered funding of significant prizemoney increases and plans for the further development of the Menangle facility.

The announcement followed the Club's sale of Harold Park to developers for \$187-million. The final race meeting at the iconic inner Sydney track in December provided the opportunity for thousands of harness racing fans to bid an emotional farewell to Harold Park.

In another positive sign for our industry, Harness Racing Victoria is continuing to develop Tabcorp Park Melton and has exciting plans for the future of the precinct.

The exciting development plans for Menangle and Melton, and a number of other initiatives around the nation, are a positive sign for our industry but also tend to mask some of the critical issues. Despite its economic standing and appeal to many thousands of enthusiasts, harness racing is losing relevance in the Australian sporting landscape and there are pressing funding and governance issues which need to be addressed.

Industry Funding

The leakage of wagering turnover from the licensed pari-mutuel operators in each state to corporate bookmakers and betting exchanges has continued in the past year, although the industry has had moderate success in extracting a fee from some operators.

The results of two court cases which will have a profound affect on industry funding are eagerly awaited. The full bench of the Federal Court ruled in favour of Harness Racing NSW and Racing NSW in November 2010, in the latest round of the legal battle over the New South Wales race fields legislation. Betfair and Sportsbet were later granted leave to appeal to the High Court, which occurred in late August.

The court's judgement is expected to be handed down next month.

Harness Racing Victoria has also been involved in Federal Court action over race fields legislation, whereby Sportsbet challenged the validity of both the Victorian Act and the 1.5 per cent turnover fee imposed by HRV. The case began in Darwin in March 2011, and was finalised in August when the judge reserved his decision.

The deregulation of the Australian wagering market in recent years has been achieved with scant regard being paid to the well-being of the racing industry.

Advocates of deregulation have often used British racing as an example of how Australia's funding model should work. They might care to note that in recent months British administrators have been unable to finalise the fixture list for 2012 because of grave concerns over funding, which could cause drastic cuts to prizemoney and race meetings.

British thoroughbred racing's primary source of income is a levy scheme, whereby bookmakers pay 10% of gross profits. The total from the levy for 2011 is forecast to be A\$89-million, about half what it was three years ago. The drastic reduction has been brought about by the major wagering companies moving their operations offshore to avoid paying the levy.

Harness Racing Australia advocates federal legislation as the only effective means of dealing with this critical funding issue.

The leakage of wagering revenue was dealt with extensively in the 2010 report of the Australian Government Productivity Commission's Inquiry into Gambling. HRA strongly supported the Commission's recommendation to develop a national funding model for the racing industry, underpinned by national legislation.

HRA continued to advocate this approach in its submission to the Joint Select Committee On Gambling Reform, lodged in July 2011, and will lobby federal and state authorities on the issue at every opportunity.

HRA also submitted to the Joint Select Committee that wagering must continue to be exempt from the Interactive Gambling Act 2001, but that steps must be taken to strengthen the Act to prevent exploitation by wagering operators who were not approved by Australian regulators.

Internet Service Providers should be forced to block access to the sites operated by unapproved operators and the Act should also have provisions to prohibit financial institutions from processing transactions from such sites. Similar legislation has existed in the USA for the past five years.

Whilst the IGA currently provides a mechanism for regulations to be made relating to financial agreements involving illegal gambling services, to date nothing has been done to draft any regulations.

The HRA submission also supported the establishment of a national gambling regulator, with powers to license betting providers and ensure adherence to strict integrity, problem gambling, harm minimisation and financial measures. Racing bodies however must retain the right to determine which betting providers are permitted to bet on their product and what product fee they pay the industry in return.

On a related matter, HRA has long advocated the creation of a single national TAB pool. While the opposition to such a move is understood, the shift in consumer behaviour, particularly to fixed odds bet types, continues the disintegration of pari-mutuel pools, which need strengthening to provide value and remain relevant.

These points were all stressed in HRA's presentation to the Australasian Racing Ministers' Conference in Perth late last month.

Betting on harness racing in Australia exceeded \$2-billion in 2010 with estimates that another \$600-million was placed with corporate bookmakers and betting exchanges.

There is still much work to be done – primarily by state and federal legislators – to ensure racing gets its rightful financial return from this wagering activity.

Integrity

Harness racing was rocked in early August to learn of allegations that swab testing information had been leaked by stewards to the connections of horses prior to races in NSW. This came soon after the chief steward's car was set on fire outside his home one night.

This issue has attracted considerable media coverage and I'm sure we all lament the fact our industry is in the news for all the wrong reasons.

While these events are extremely disappointing, the swift and uncompromising approach by the management of Harness Racing New South Wales to address the matters raised should assure both the racing and wider community that behaviour of this nature will not be tolerated, with every effort being made to investigate, expose and suitably penalise those involved.

Public confidence is our lifeblood. Improvements and amplification of efforts in this area over the past decade have lifted our integrity and animal welfare model to among the most rigorous in the world - so we are acutely aware that these events are particularly harmful and show how quickly so much good work can be undermined.

Appropriately, a police taskforce has been established to conduct its own investigation into these events. Traditionally police have shown a reluctance to become involved in racing matters, but the presence of police provides further confidence that justice will be served with the potential of criminal charges being laid.

Hopefully, the eventual outcome of the investigation will see penalties imposed to anyone found guilty of wrongdoing which will be an effective deterrent for future activities which attempt to influence the outcomes of a race.

Integrity is the cornerstone of our industry and HRA would welcome the formal adoption of a national approach to deal with race-fixing – in line with recent outcomes of the Sport &

Recreation Ministers' Council meeting where it was agreed to develop criminal provisions to deter and deal with match fixing.

The same meeting agreed to actively participate in international efforts to combat corruption in sport. To this end, HRA are close to establishing an information and intelligence exchange agreement with the Ontario Racing Commission and other international racing jurisdictions. It would be advantageous to have formal law enforcement and customs support of such an agreement in relevant circumstances.

We also raised this issue at the Racing Ministers' Conference in Perth, pointing out our industry needed government support to be able to deal swiftly and effectively with any persons who breached our integrity code.

Industry Issues

We can lobby for legislative change to help resolve the wagering funding problems, but there are other areas where decisive action should be taken by administrators to address critical industry issues.

Administrators must explore ways to make the harness racing product more appealing from a wagering perspective, and need also to take an aggressive approach to growing the fan base. Competition for the leisure dollar will continue to become tougher and harness racing needs to develop a new generation of fans and broaden its support base.

A positive step towards achieving this would be to change the governance model for harness racing, akin to what has happened with other sporting industries in recent years. I have no desire for HRA to usurp the roles or powers of clubs and state controlling bodies, but there are aspects of the harness racing industry which would benefit from a more unified, national approach.

Sports such as the four football codes have encountered significant growth since abandoning petty parochialism in favour of a dedicated national approach to rules and marketing.

In the past decade there have been two extensive reviews of HRA's governance structure, by Laysell Consulting in 2003 and the Incorporation Working Party chaired by Ross Cooper in 2007. The latter resulted in a name change for the organisation and the expansion of the

Executive to provide a representative from each Member state, but other recommendations were ignored.

One recommendation was for the national body to mandate rules, similar to the powers of the Australian Racing Board and Greyhounds Australasia. Two states rejected this on the grounds that it somehow undermined their “sovereignty” – a concern that the representatives of their states on both the ARB and GA apparently do not share! The result is that we continue to have the ridiculous situation where states can impose local rules.

Marketing is another area that would benefit considerably from a co-ordinated national approach. The first national market research exercise conducted for harness racing was undertaken more than two years ago, with the objective of diagnosing the present and future health of our product.

It was an extremely worthwhile project and there have been numerous benefits flow from it, but marketing remains a largely neglected concept in much of our industry. There are few people in harness racing dedicated to marketing, unlike similar sports industries. It is not uncommon for similar organisations to have as many as 7 to 10 people dedicated to marketing, comprising promotions, sponsorship, brand awareness, event management, membership and media/communications.

There are some very good and enthusiastic people in harness racing, who need to be encouraged to develop a national marketing plan which will be supported by all members. This should include making progress with the media and communications project which has been discussed in several forums in recent years.

We need to get closure on some of these matters, to determine a path and get on with the task of implementing the many good ideas which have been put forward. An early project should be turning Trots TV, launched by HRNSW in July, or live streaming by HRV in August, into a national undertaking.

These are commendable initiatives which could provide excellent exposure for all HRA members and enable the industry to better communicate with fans and participants.

One industry initiative which has demonstrated the benefits of a collaborative approach has been the national insurance scheme. The insurance business was reviewed this year and put out to tender, attracting an excellent response.

After an exacting process, Jardine Lloyd Thompson was successful in retaining the business with a far superior proposal which will continue to provide HRA members with a strong insurance program. It is extremely disappointing however that Harness Racing NSW has decided not to rejoin the national program.

Working Together

HRA members demonstrated during the year how effectively they can work together by undertaking a lobbying campaign with state and federal politicians to oppose the proposal for voluntary vaccination of horses against equine influenza.

The lobbying, and much determined work by HRA chief executive Andrew Kelly, were key factors in the lengthy campaign for the equine industry to become a signatory to the Emergency Animal Disease Response Agreement (EADRA), which occurred in March 2011.

HRA was prepared to sign the EADRA prior to the 2007 outbreak of equine influenza, but unfortunately the debate was hijacked by political squabbling, uncertainty in some recreational equine groups and a push by thoroughbred breeders for voluntary vaccination.

The Australian Standardbred Breeding Panel, which was established to determine the current health and trends of the standardbred breeding industry and to develop a plan to stimulate future growth of breeding and ownership of broodmares and racehorses, submitted its report to the HRA Executive in July 2011 after almost a year of painstaking work.

My congratulations to Panel chairman John Bagshaw and members Glenn Burns, David Sharpe and Harvey Kaplan, as well as secretary Andrew Kelly, for their exhaustive deliberations which have resulted in a comprehensive and innovative report. It is an outstanding body of work which I have no doubt will serve our industry well, although there will be opposition to some of the recommendations.

The report was released for industry comment in July and the Panel has released a Supplementary Report, in which some of the recommendations have been revised. Both reports

are available for discussion at the annual meeting, after which the Executive will consider how to proceed with implementing some or all of the recommendations.

Acknowledgements

There are many other projects and issues which are deserving of mention but these will be covered elsewhere in the annual report. I cannot finish my report however without paying tribute to the many people who work so hard to ensure that HRA continues to function in an effective manner.

Andrew Kelly is an outstanding chief executive and leads his small but dedicated and professional team in the Melbourne head office in exemplary fashion. All are deserving of thanks, along with HRA's legal counsel, Dean Cooper and integrity consultant, John Schreck.

Many thanks also to the members of the Executive for their contribution and support and to all those people who give so generously of their time to serve on the various HRA committees. Special thanks to Grant Goodall for his contribution to HRA during his eight years as chairman of Harness Racing South Australia – and welcome to Graham Taylor, who has recently succeeded him.

HRA also has an excellent working relationship with Harness Racing New Zealand. The two organisations have much in common and face similar issues, and the regular exchange of information between them is extremely beneficial. My thanks to all involved, especially HRNZ chairman Pat O'Brien and the chief executive, Edward Rennell.

Harness racing is a wonderful industry which provides a livelihood for many thousands of people and entertainment and wagering opportunities for many thousands more. It is beholden on everyone involved in harness racing to protect the integrity of the industry and for administrators to address the regulatory and marketing challenges we face.

If we do, the future will be bright indeed.

Geoff Want
Chairman