3. Overview of the Racing Industry

3.1 Introduction

The preceding chapter considered the scale of the racing industry in Victoria, trends in wagering in Victoria and Australia and reviewed publicly available data on gambling expenditure in Victoria. The researchers also considered the impact of the introduction of EGMs into hotels and clubs and the establishment of casinos around Australia and their impact on wagering expenditure. The research indicates that wagering in Victoria has continued a path of decline from the level of expenditure in the mid-1970s, and that the introduction of the EGM and casino industries has contributed to a further decline in the popularity of traditional forms of wagering.

The racing industry continues to respond to longer-term trends and more recent changes occurring within the industry. Two important challenges for the industry arise from the development and application of new technology and changing consumer preferences.

In this chapter the researchers report the views of industry stakeholders who were invited to participate in this study and who were interviewed by members of the research team. In Section 3.3 we summarise the views of industry stakeholders and consider developments arising from the review of the *Interactive Gaming Act 2001* by the Commonwealth.

3.2 An Industry Perspective: Summary of Interviews

A study of this type would not be complete without seeking the views of the racing industry. Senior managers from peak bodies representing all facets of racing in Victoria were invited to take part in face-to-face interviews. All who agreed to an interview were asked to sign a statement of consent in accordance with normal ethics requirements, and full anonymity was assured. Of the thirteen organisations contacted, nine accepted, one declined, while one agreed only on the condition that the interview was not taped. One agreed to participate only on the condition that they answer the questions in written form only. All except these two interviews were taped and the tapes subsequently transcribed. Interviews lasted for approximately one hour, and were conducted in a semi-structured way with thirteen people participating. Appendix D and E record those interviewed and the general topic covered. In addition, a second group of interviewers spoke with TABCORP (Vic), government agencies and companies offering internet wagering facilities.[1] Interviews were held during November and December 2003.

When the project began, the intention was to focus the questions around innovations in wagering, including internet betting, corporate bookmakers, and betting exchanges. The researchers were also interested in other innovations at the retail end of the wagering market, such as the co-location of gaming and wagering facilities. In the week leading up to the start of the interviews, TABCORP (Vic) revealed its intention to bid for TabLimited (NSW), which was ultimately successful and press speculation turned to the possible emergence of a truly national wagering industry dominated by a single, privately owned TAB.

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1 SA Centre for Economic Studies and Swinburne Institute for Social Research (SIRS), Swinburne University.

Questions were therefore added to ascertain industry views concerning this development and possible outcomes from the Commonwealth's review of the *Interactive Gambling Act 2001*. Questions were structured around three core themes:

- Views and strategic responses concerning the most significant changes facing the racing industry;
- Innovations in wagering; and perceptions about how these changes are affecting both the industry and punters, particularly problem gamblers; and
- Potential issues for government policy.

Responses

Significant changes

All of those interviewed drew attention to the enormous changes that have affected both wagering and racing over the last decade. Without exception those within the industry felt that the wagering and racing industries were much stronger now than ever before and that commercialisation, liberalisation and privatisation had been beneficial. As evidence of this they cited the overall financial strength of the three codes, the success of the TABCORP (Vic) joint venture, and the introduction of various proactive measures to help ensure the social reproduction of the industry into the future, including education and training programs for those interested in working in the industry. The most significant changes identified were:

- Privatisation of the TAB(s);
- The establishment of the Joint Venture Agreement with TABCORP (Vic);
- The rapid spread of EGMs and the resultant high revenues they generated; and
- Liberalisation of the rules governing racing, including the number and timing of races.

Also significant were changes to wagering, including:

- Commercialisation of wagering and the opportunities this offers for new products;
- The growth of off-course betting, and the relative and in some cases absolute decline in on-course betting;
- The emergence of new technologies and their application to wagering, particularly the internet and betting exchanges; and
- The globalisation of wagering.

These changes are neatly captured by the Chairman of Racing Victoria Limited[2]:

> *'The wagering market is undergoing rapid change with the entry of new betting exchange operators, the continued growth of corporate bookmaking both locally and overseas, and the progressive commercialisation and amalgamation of Australia TABs. Many wagering operators are exploiting information and communication technology so effectively that it is inevitable that there will be even greater levels of revenue leakage and free riding on the suppliers of the wagering product — the Australian Racing Industry.'*

All of these changes have helped to establish a far more dynamic and forward-looking industry, with a strong focus on innovation, both within the racing industry and wagering. There is also a view within the industry that privatisation and liberalisation had created an

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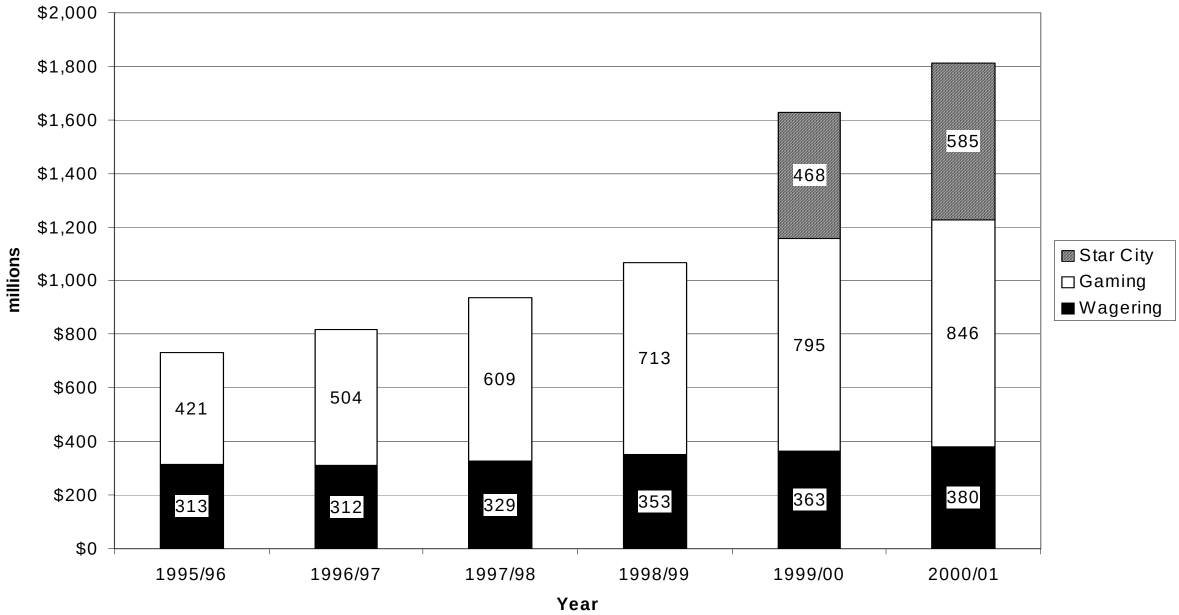
2 Mr Graham Duff, Racing Victoria Limited, 2002-03 Annual Report, p. 5.

important power shift, with TABCORP (Vic) becoming more powerful and wagering opportunities expanding largely through the application of new technologies. It was acknowledged that during the late 1990s there was a concern in some quarters that TABCORP (Vic) was more interested in promoting its gaming interests than its wagering division, as reflected in the relative decline in percentage contribution to net revenues made by wagering (Figure 11). Others pointed out that while the changes have certainly made wagering much more dynamic, the Joint Venture Agreement (JVA) between TABCORP (Vic) and the racing industry meant that racing still benefited from improvements in TABCORP (Vic)'s performance irrespective of its source and that the JVA meant that racing had a strong voice at the wagering table.

Figure 11: Operating Revenues by Division, 1995–96 to 2000–01 TABCORP (Vic)



Source: TABCORP (Vic) Annual Reports.

The Joint Venture Agreement (JVA) which runs until 2012 was established as part of the privatisation of the Victorian TAB when it became the publicly listed company TABCORP (Vic). The three codes formed a joint venture with TABCORP (Vic) to operate the wagering and gambling licences that were sold as part of the privatisation process. Each of the three codes enjoys a revenue stream partly based on their share of the wagering market. TABCORP does not make the distribution to individual codes, but instead makes one payment to the Victorian Racing Industry.

The JVA provides for 25 per cent of profit from TABCORP's (Vic) wagering and gaming to the racing industry. Thus, in the annual accounts of TABCORP (Vic) this is treated similar to an 'operating expense' such that they record only 75 per cent of final profit. The distribution paid from the JVA excludes other payments to the racing industry such as product, program and marketing fees.[3] The final distribution is paid to the racing industry and is then allocated by the industry itself across the three codes. Tables 24 and 25 show the final distribution for 2001–02 and 2002–03.

3 See Appendix I for summary of JVA between the Victorian Racing Industry and TABCORP (Vic).

Table 24: TABCORP Distributions to Each Code, 2001–02

	Total income ($m)	TABCORP Distribution (Per cent)
Harness Racing Victoria	40.6	16.5
Greyhound Racing Victoria	28.1	11.4
Racing Victoria Ltd	176.9	72.0
Total*	245.6	

* This figure reflects the full amount received from TABCORP (Vic) and includes a racing program fee, a product supply fee, a marketing fee and the profit share as per VRL Annual Report (p. 72). It appears that JVA revenue received by the other codes is also split up in this way but is not identified as such in their annual reports.

Source: Annual reports.

Table 25: TABCORP Distributions to Each Code, 2002–03

	Total income ($m)	TABCORP Distribution (Per cent)
Harness Racing Victoria	40.6	16.7
Greyhound Racing Victoria	28.0	11.5
Racing Victoria Ltd	175.1	71.9
Total*	243.7	

* This figure reflects the full amount received from TABCORP (Vic) and includes a racing program fee, a product supply fee, a marketing fee and the profit share as per VRL Annual Report (p. 72). It appears that JVA revenue received by the other codes is also split up in this way but is not identified as such in their annual reports.

Source: Annual reports.

Table 26: TABCORP Operating Revenues ($ million) by Division —1995–96 to 2002–03

	Wagering	Gaming	Star City
1995–96	313.0	421.0	
1996–97	312.0	504.0	
1997–98	329.0	609.0	
1998–99	353.0	713.0	
1999–2000	363.0	795.0	468.0
2000–01	380.0	846.0	585.0
2001–02	403.6	917.6	611.9
2002–03	421.3	848.1	631.2

Source: TABCORP Annual Reports.

This has had two important effects. First, it has encouraged each code to be as commercial and wagering-focused as possible in order to increase their revenue share. Greyhound racing in particular has been spectacularly successful in increasing its share of wagering turnover, with a consequent beneficial impact on its revenue stream. Second, the JVA has given the racing industry a strong economic interest in other TABCORP (Vic) activities; the more profitable that TABCORP (Vic) becomes, the more revenue that flows to the racing industry. TABCORP Holdings' successful $2.3 billion bid for TabLimited (NSW) suggests that the company believes there is scope to improve revenue streams through a much enlarged wagering pool. Ultimately a much larger wagering pool will need to increase returns to punters to compete against bookmakers offering higher returns and who are aggressively utilising the new technologies available to them.

There is one other important economic inter-relationship between the racing industry and TABCORP (Vic). A number of racing clubs operate EGM venues, the profits from which are used to subsidise the club's racing activities. Rapid growth in EGM revenues over the decade to 2002–03 benefited the individual clubs enormously, although in aggregate (as discussed in Section 2) wagering would have been higher in the absence of EGMs. The introduction of smoking bans,[4] led to a significant and unexpected decline in EGM revenues. Mooney Valley for example ran an operating loss of approximately $600,000, which was almost solely due to an unforeseen decline in EGM revenues (Mooney Valley 2002–03 Annual Report).

At the time of interview, there was some uncertainty surrounding the merger of the TABs and the role that TABCORP (Vic) might play in the future. All felt without exception that a national TAB would be a beneficial development for the racing and wagering industries. As one participant explained:

> *'… national consolidation can be expected to generate additional industry revenue though TAB cost savings; higher quality service delivery; improved product innovation and promotion; and a foundation for increased penetration into the global wagering market.'*

TABCORP's wagering business now includes New South Wales, Victoria, Tasmania, the ACT and Western Australia. Queensland's UniTAB still controls Queensland, South Australia and the Northern Territory. It is likely that some form of new Joint Venture Agreement will be developed to protect the interests of the racing industries in New South Wales and Victoria; respective State Governments have a role to play if only because of their desire to protect tax revenue streams and possibly to maintain differential State tax rates.

However, at the time of interview the racing industry, and hotels and clubs, were concerned about any takeover, particularly the implications for broadcasting of race meets. Broadcast rights are currently held by Sky Channel, which is owned by TabLimited (NSW). Essentially, the concern centred on TABCORP (Vic) as the owner of Sky Channel, controlling wagering and distribution of racing coverage, thus weakening the negotiating position of ownership of the 'racing product' which resides with the racing clubs/or associations.[5] Access to content is the key issue; the 'real jockeying' relates to the interaction of digital television, wagering using digital television/technology and broadcast rights. For example, TabLimited (NSW) has launched a two-way interactive betting channel to compete with pay TV Foxtel and Sky Channel's Sky Racing that will be able to accommodate TV betting as digital television is introduced. A particular concern was the tension between the forces unleashed by the commercialisation of wagering on the one hand and the historical and cultural roots of the racing industry on the other. One participant described this tension as being between 'economic rationalism and the social structure of racing'. The CEO of Greyhound Racing Victoria explains it this way:

> *'…the Board of Greyhound Racing Victoria has had to balance sustainability and financial responsibility, our dynamic environment and maintaining the 'social fabric' or culture that is our industry.'* (Greyhound Racing Victorian 2002/3 Annual Report, p. 4).

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[4] Smoking bans in gaming areas were introduced on September 1, 2002.

[5] ThoroughVision is the company that holds the rights (the intellectual property or product to sell) on behalf of the Victorian thoroughbred racing industry, the Australian Jockey Club and Sydney Turf Club.

Declining attendances are well documented in relation to the greyhounds, harness racing and at country racetrack meetings. However, racing attendances have increased in the last five years as shown in Table 27, while attendance figures for greyhound race meetings declined throughout the 1990s, although they appear to have stabilised over the last few years (see Figure 12). Attendance by persons at dog racing in Victoria were estimated by the ABS at 75,900 and for Australia at 232,000 in 2002,[6] as shown in Table 5 (p. **Error! Bookmark not defined.**). They show a turnaround in attendances in Victoria in 2002 and this direction or trend is consistent with the trend illustrated in Figure 12, which is based on total attendance and gate receipts data supplied by the Victorian greyhound racing industry. Industry estimates of attendances include all persons and repeat attendances. This explains why industry attendance figures (i.e., gate money) are approximately twice the number of persons reported by the ABS who 'have attended a dog racing meeting in that year'. Gate money receipts in this case reflect a slight increase in people attending, but attending on fewer occasions.

Victoria's share of race meetings (metropolitan and non-metropolitan) is approximately 21 per cent of all race meetings and for every race meeting in metropolitan areas, there were 3.4 race meetings in non-metropolitan areas in 2000–01. In Victoria and throughout Australia, there continues a trend to close/shut down minor country tracks and race meetings so that non-metropolitan meetings now represent 76 per cent of all meetings down from 81 per cent in 1988.

In Victoria, the non-metropolitan share of all racing attendances has declined from 27 per cent to 24 per cent over the last five years; however, in 2003 attendances increased by almost 10 per cent on the previous year.

The decline in attendances has had several spin off effects, including loss of gate receipts that go directly to the clubs, the end of on-course bookmaking at particular venues, rationalisation of tracks, training facilities and country track management. For country towns, these trends are particularly challenging, given the significance of race meetings and country racing clubs as important social and cultural institutions. There are usually localised employment impacts associated with a reduction in country race meetings.

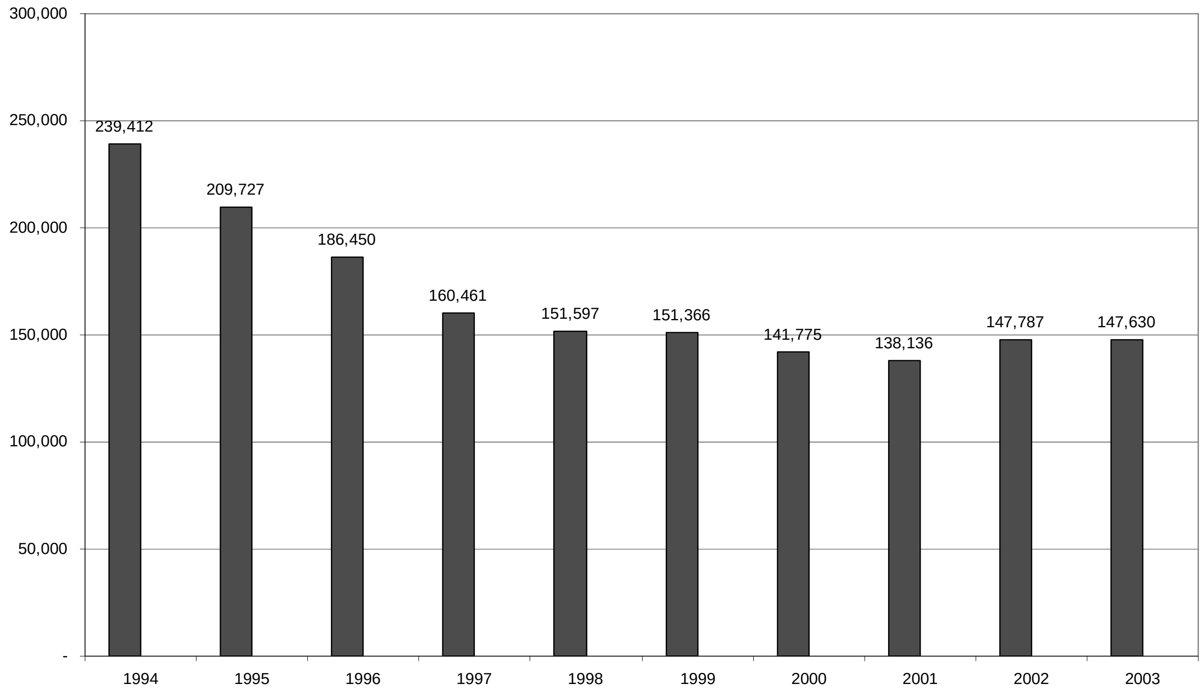
Table 27: Racing Attendances, Victoria: 1999–2003

	Metropolitan	Country	Total	Country share (per cent)
1999	435,293	161,361	596,654	27
2000	495,815	135,322	631,137	21
2001	468,242	152,962	621,204	25
2002	495,483	142,664	638,147	22
2003	502,150	156,525	658,675	24

Source: Racing Victoria Ltd.

[6] Australian Bureau of Statistics (2003), *Sporting Attendances, Australia: 2002*.

Figure 12: Greyhound Total Attendances, Victoria: 1994–2003



Source: Unpublished data supplied by Greyhound Racing Victoria. Actual number of attendances includes repeat attendances by all persons.

In summary, interviewees expressed a range of views concerning changes across the racing industry. It is generally acknowledged that the racing industry was doing better than ever financially. However, there were stakeholders within the industry who were disappointed with declining attendances at some venues and the end of the 'old way' of doing business. Record prize money might be good, but for many people with a longstanding attachment to a particular code it is just as good to have a large crowd to watch the winner home.

Attitudes toward innovation and new technologies of wagering

Generally, racing industry stakeholders were cautiously optimistic about the opportunities made possible by new technologies in wagering. In addition to the internet, the next wave of innovation is likely to centre on digital TV, and the online wagering which this will support, further encouraging the trend toward off-course betting. Although acutely aware of concerns such as the effect on attendances of new forms of off-course betting, participants were of the view that there is a certain inevitability about new technologies being introduced. The racing codes have demonstrated a flexibility and willingness to accommodate new technologies and it is the researchers' assessment that the industry's generally positive experience of the last ten years of rapid change has left them relatively open to further change down the track.

One immediate challenge referred to by those we interviewed in the racing industry was internet-based betting exchanges, a form of 'borderless' wagering in which punters can bet on both winners and losers organised by an intermediary. Two principal concerns were raised by racing industry stakeholders at the time of interview. (See Section 3.3 for discussion on outcome of review of the *Interactive Gambling Act 2001*. Foremost was the possibility that internet-based betting could lead to revenue leakage away from the racing industry by diluting the profits of the TAB (estimated at five per cent over two years) thereby, reduce payments (dividends) from the TAB back to the industry. The industry stated that by not having to pay their share of industry costs,[7] the betting exchanges could offer better returns to punters, thereby lowering revenues to the TAB and by implication the industry through the joint venture. Most felt that the best way to deal with this was not to prevent these operators from offering betting services. Rather, they would be required to purchase commercial rights to racing content and thereby contribute to the development of the racing industry. At the time of interview at least one UK-based operator, Betfair, had approached State and Territory governments to licence it and had proposed to backdate product fees and to pay taxes to jurisdictions which licence its operations.[8] On this score, betting exchange operators are endeavouring to satisfy the concerns of the racing codes. The researchers note that betting exchange offer better returns to the punter for a number of reasons, the principal factor being lower cost per dollar wagered using new technology platforms.

The second concern about betting exchanges expressed by those interviewed related to probity. Interviewees argued that the long-term viability of the racing industry in an increasingly globalised racing world depended on it being perceived to be 'squeaky clean'. Offering punters the option of backing losers could expose the industry to organised crime and other forms of unscrupulous behaviour. The argument proceeded that a loser is much easier to effect than a winner, and the opportunities for corruption could increase.

One interviewee acknowledged that it might be possible to set up effective regulator regimes, especially given the high quality systems that are now in place. But they believed reforms would be expensive, and someone would need to pick up the extra cost which the industry could not afford. Others did not believe the setting up of regulatory systems would be that problematic.

The overall view of the industry was summarised by one of the participants this way:

> *'Betting exchanges — and the capacity to bet on horses losing races — raise an inherent risk to the probity and integrity of racing. The Australian racing industry is following the UK experience closely, where the British Horse Racing Board has recently introduced monitoring systems to detect suspicious betting exchange transactions. (We) acknowledge that betting exchanges are a growing world-wide phenomenon and that realistically it is not possible to prevent companies such as Betfair from offering services on Australian racing. In short, regulation not prohibition is regarded to be the most appropriate path.'*

This view has proven to be insightful.

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7 Generally, the situation in Australia is that betting exchanges have traditionally not paid content fees or access rights to intellectual property generated and owned by the racing industry.

8 Following the decision on the IGA (2001) Betfair has offered the Australian Racing Board the same percentage of the profit it makes from Australian racing as TABCORP.

However, the Betting Exchange Taskforce established by the Australasian Racing Ministers reported (July 2003) that no licence be granted in Australia for the conduct of a betting exchange on racing or sport. The taskforce identified two significant issues identified with betting exchanges:

- The enhanced level of risk (both real and perceived) to the integrity of the Australian racing product; and
- The likelihood of substantially diminished commercial returns to the racing industry and all governments.

The integrity issue centres on the ability to 'profit from the knowledge that a particular runner is likely to lose'. This relates to the integrity of the conduct of races — not the betting exchange operator or the punter. In fact, betting exchanges provide the ability to create an audit trail via client accounts, unlike the anonymous cash-based betting with a TAB, the tote or a bookmaker. The Northern Territory was the sole dissenting voice on the Taskforce, perhaps because of their experience with the Alice Springs-based Centrebet and experience in the regulation of internet-based gambling. There is some force in the argument of the betting exchange that 'the punter' could benefit from more options than those currently made available by the TAB operators. However, we consider this debate as outside our terms of reference. At the most recent meeting of Racing Ministers[9] it was resolved that the 'Australian Racing Board would submit to the Commonwealth Government review of the *Interactive Gambling Act 2001* that there be a complete and total prohibition on the offering of betting exchanges services to Australians'.[10] This position in favour of prohibition, is in contrast to many in the racing industry who felt regulation was more appropriate. This recommendation was designed to prohibit offshore betting exchanges accepting bets from Australians, as well as the on-shore operation of such exchanges. In addition, corporate bookmakers and on-course bookmakers are to be charged a fee of 1.5 per cent of turnover in the form of a national product fee. This measure was designed to establish a national product fee framework (which could apply to betting exchanges if they were to be allowed to operate sometime in the future) and to ensure that interstate corporate bookmakers paid a product fee to the racing industry.

3.3 *Interactive Gaming Act 2001* and the States

During the course of this study the Commonwealth was reviewing the *Interactive Gaming Act 2001* and various States, the racing industry and TABs were lobbying to retain the ban on interactive gambling service providers (e.g., Betfair and others). Racing clubs were generally more realistic in that (see Section 3.2) they believed it was 'not possible to prevent companies offering exchange services and that regulation not prohibition was the appropriate path'. Racing Ministers and the Australian Racing Board, following a review by the Betting Exchange Taskforce sought a prohibition on the offering of betting exchanges, a position supported by TAB operators.

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9 March 12th, 2004.

10 *Western Australian*, 16 March 2004, p. 56.

However, the Commonwealth decided that no federal intervention on betting exchanges was warranted. The Minister reported that the review found:

> *'No compelling evidence to suggest that betting exchanges were likely to contribute to an increase in the level of problem gambling [and] noted the potential for enhanced consumer protection measures to be introduced in an online gambling environment'.*[11]

The decision by the Commonwealth is consistent with the history of the States and Territories implementing their own regulatory regimes, including the granting of licences for interactive wagering and betting. The way is now clear for betting exchanges to negotiate with each jurisdiction for a licence to operate.

The Commonwealth acknowledged that each State has a long history of development of its own unique regulatory regime and that this should continue in regard to betting exchanges. Gambling regulation has always been the responsibility of State and Territory governments. The recent foray by the Commonwealth into gambling regulation was sparked by the use of the internet, whereby online internet wagering services could be offered to Australian residents by international, offshore operators. The *Interactive Gambling Act 2001* was introduced specifically to prohibit the offer of interactive gambling services to Australian residents. However, it excluded the traditional forms of gambling including wagering, sports betting and lotteries. Online internet wagering involves the placing of a wager on an event which is not under the control of the punter (i.e., purchase of a lottery ticket or wager on a horse race), whereas interactive gaming involves the 'player actively interacting and making choices that influence the outcome of an event'. The use of the internet for wagering is regulated by State and Territory legislation, so that individual jurisdictions retain the power to issue interactive gaming licences.

The *Interactive Gaming Act 200)* specifically excludes telephone betting services from the meaning of 'interactive gambling service' and also excludes betting on horse, harness and greyhound races. However, the *Act* does exclude micro-betting or 'in-run' betting after a sporting event has started.

The *Act* specifically 'targets the providers of interactive gambling and not their potential or actual customers'. The *Act* does not prohibit Australian companies from providing access to online gambling facilities into foreign jurisdictions. Given this limitation the *Interactive Gaming Act 2001* cannot be interpreted as a full commercial ban on interactive or online gambling. This reinforces the policy view that prohibitions are unsustainable; ultimately regulation of providers, regulation of the types of bets allowed and audit trails to minimise fraud and provide early warning of illegal activities will need to be implemented (see Section 4.2).

The decision of the Commonwealth potentially challenges the monopoly position of the TAB operators, and of course, the financial relationship they have with the industry through Joint Venture Agreements (JVA).[12] Licensing more providers will introduce competition and expand the market. The Victorian Government will need to consider these issues in the context of renewal of the 2012 JVA, including the period of extension, the licensing of additional 'exchange' operators and the tax-take from all forms of wagering.

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11 Minister for Communications, Information Technology and the Arts, 'No Federal Intervention on Betting Exchanges', 12 July 2004.

12 PBL and Betfair: PBL was seeking to take a half share in Betfair's Australia and New Zealand business, posing a real challenge to the TAB business model for wagering (as at 22 July 2004).

The racing industry, which effectively has had access to a predetermined fixed share of race betting (25 per cent), will be challenged by these developments. At the very least, the Victorian Government will seek to maintain its ‘tax-take’ paid from turnover; the racing industry will need to provide a much stronger commercial argument for the current level of racing activities (e.g., the number of country races will need to be closely scrutinised).

The researchers’ assessment (based on overseas experience where betting exchanges were licensed) is that the wagering market will expand. One of the principal reasons for this is the medium or platform of the internet is more appealing to younger participants (under 40 years of age), while competition will also increase in horse and race wagering and sports betting.

What protections will be offered to those who wager? Credit-based internet gaming provides an audit-trail, the 100 points identification check remains in place as do the restrictions on pay-out until proof of identity is established, while a condition of licence should stipulate official access to betting records. On balance, the principal concern is the offering of new products such as spread betting.

It is our view that the wagering market will be shaped through the types of bets allowed rather than through determining the media by which wagering and gaming opportunities are provided. The National Guidelines for Responsible Wagering Practices provide guidance in this area, but it is likely that regulators will be more involved in considering the ‘types of bets allowed’ to enforce responsible wagering patterns and behaviours.

3.4 Punters, Problem Gamblers and Target Audiences

Industry stakeholders acknowledge that punters and punting itself had altered dramatically over the last decade. Previous research indicates a long-term decline in the proportion of Victorians participating in horse racing gambling activities, from 19 per cent in 1992 to 17 per cent in 1996 and 14 per cent by 1999.[13] There has been a similar decline in the proportion of people betting on harness racing, which climbed during the early to mid-1990s to six per cent, then fell to three per cent by the end of the decade. The most recent data, based on a sample of 13,000 respondents, suggests that participation in wagering is sitting at around 16 per cent of the total population of Victorians who are 18 years and over (Roy Morgan Research, 2003). This was comprised of 13 per cent who bet via the TAB, two per cent through a bookmaker and one per cent who use the internet to access the TAB and bookmakers (see Table 3.5).

The proportion of those reporting gambling activity who stated horse racing was their favourite activity was nine per cent; this group were reported as predominantly male, full-time workers, particularly tradespersons and clerks, with a significantly higher proportion of committed heavy gamblers among this group (VCGA 2003, p. 201). This profile is supported by problem gamblers who access Gambler’s Help services. Over the period 1997 to 2003 the proportion of all clients stating the principal source of problem gambling was the TAB and/or race meetings was 9.6 per cent of all clients; the profile was overwhelmingly male (88 per cent), employed (64 per cent), in the trades, clerical or production occupations (65 per cent).

Table 28: Wagering Participation in the Last Three Months (2003)

Place a Wager ...	Of Those Wagering (per cent)	Estimated Number of Adult Victorians
With TAB	13.0	483,000
With Bookmaker	2.0	80,000

[13] Seventh Survey of Community Gambling Patterns and Perceptions, VCGA, p. 203.

Through the Internet	1.0	36,000

Source: Roy Morgan Research, Wagering Analysis, 2003.

Table 29 summarises the 'profile of the horse racing gambler', who has gambled in the last twelve months or who gambles once a month or more. It was further estimated that those with a SOGS score for problematic gambling in the range 5 to 20 (VCGA, 2000) was 0.9 per cent for those gambling in the last twelve months and 2.2 per cent for the regular gambler. Applying these proportions to the number of 'committed heavy gamblers' only,[14] while excluding controlled but extensive gambling activities in syndicates, the researchers estimate that some 2,500 persons engaged in wagering could be classified as problem gamblers (see Section 5.2).

Table 29: Horse Racing Punters — A Snapshot, 2000

	Horse Racing Gamblers (Last 12 months) 14% of Population Aged 18 Years and Over	Regular Horse Racing Gamblers Once a Month 6% of Population Aged 18 Years and Over
Male	62	82
Female	38	18
Equates to (Persons):	504,200	216,085
Market segment		
Disinterested gambler	11	11
Occasional gambler	33	19
Social gambler	15	9
Acknowledged heavy gambler	4	7
Committed heavy gambler	37	55

Note: Table was incorrectly labelled in VCGA publication.

Source: VCGA, 2000: Table 11.1. Rounding discrepancies in original data.

While EGMs and casino tables are the forms of gambling most prone to problem gambling behaviour, racing on key measures is third, reflecting the large core of punters who are committed, heavy gamblers. The Productivity Commission, for example, found that the proportion of punters scoring 5 or more on a problem gambling scale was 4.46 per cent, only slightly lower than for EGMs at 4.67 per cent (see Table 30). Those scoring 10 or more accounted for about the same proportion (0.74 per cent) as EGMs (0.76 per cent).

In summary, estimates of problem gambling arising from wagering vary from as low as 0.9 per cent of weekly racing gamblers who score 10+ on SOGS to as high as 3.1 per cent. However, each of these estimates does not discount for those who engage in 'corporate wagering' for a living (often in syndicates) who are 'acknowledged or committed heavy' gamblers.

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14 That is 55 per cent of 216,035 times the proportion of population with SOGS of 0.9 and 2.2 per cent provide a range of 1,100 persons up to 2,600 persons.

Another perspective on wagering is provided by industry figures supplied by TABCORP. In Table 31, of the total wagering turnover, 71.3 per cent is sourced from off-course TAB agencies and pub-TAB facilities. Telephone and/or internet accounts for 22.5 per cent and is the favoured mode of the 'corporate syndicate', while on-course wagering represents only six per cent of turnover. More interestingly, some five per cent of the total adult population (i.e., approximately 180,000 persons) are regular gamblers, wagering at least once a week, accounting for 78 per cent of wagering turnover. This translates, of only those who wager, to some 15 per cent of wagering customers (again, approximately 180,000 persons) that account for 78 per cent of turnover. A further five per cent of 'occasional gamblers' account for a further 13 per cent of turnover. This profile is very similar to the six per cent of Victorian adults who play EGMs and who account for 57 per cent of EGM losses as reported by Tattersalls[15]: that is to say, a relatively small number of committed players who account for the largest proportion of turnover and net gaming revenue.

Table 30: Percentage of Players Who are Problem Gamblers by Favourite Gambling Mode

All players	SOGS 5+ (per cent)	SOGS 10+ (per cent)
EGM players	4.67	0.76
Racing	4.46	0.74
Instant scratch tickets	2.83	0.39
Lotteries	2.75	0.34
Casino table games	6.12	1.06
Other commercial games	5.60	0.92
All commercial gambling	2.55	0.41
Weekly players		
EGM players	22.59	3.77
Racing	14.72	3.10
Instant scratch tickets	5.49	1.32
Lotteries	2.48	0.35
Casino table games	23.84	8.03
Other commercial games	13.31	2.30
All commercial gambling	4.62	0.88

Note: SOGS means South Oaks Gambling Screen and is a measure of problem gambling, defined in terms of agreement with statements indicating a pathological commitment to gambling.

Source: Productivity Commission, 1999, Table 6.15.

Table 31: TABCORP (Vic) Turnover: Financial Year 2002–03

	Turnover ($ million)	Total Turnover (per cent)
Standalone Betting Shops (No. 105) (TAB Agencies)	810.5	24.5
PubTAB Facilities (No. 460) (In Hotels/Clubs)	1,552.3	46.8
Retail	2,362.8	71.3
Telephone/internet, etc	744.9	22.5
On-Course (At Racetracks)	207.1	6.2
Total Wagering Turnover	3,314.8	100.0

Source: TABCORP (Vic), Victoria.

Table 32: TABCORP (Vic): Customer Profile

	Percentage of Population	Percentage of Turnover
Regular (bet at least 52 days per annum)	5.0	78.0
Occasional (bet between 12–52 days per annum)	5.0	13.0
Infrequent (bet less than 12 days per annum)	24.0	9.0
Non-Wagerers	65.0	0.0
	100.0	100.0

Note: This profile is not split by Retail, Telephone or On-course. Does not add to 100 per cent due to rounding.

Source: TABCORP (Vic), Victoria.

15 'What Have we Learnt', Corporate Marketing Division, CRM Group, a report prepared for Tattersall's, September 2002.

The most significant development in wagering over the last decade has been the shift to off-course betting, made possible by telephone accounts first introduced in the early 1970s, Sky Channel's Sky Racing and Radio Sport 927 (dedicated radio). Sky Racing has made it possible to punt at home or at the pub (since mid 1980's), while watching or listening to the race live, and pub venues have emerged which cater specifically for this activity.

Greyhounds in particular saw this transformation early and capitalised on the opportunities made possible by these developments. A decade ago the greyhounds racing industry decided that there future lay in off-course betting and Sky Racing. On course attendances have declined as a result, and it is difficult now to find an on-course bookie. In 1994 average attendances at a metropolitan greyhound meeting were 832 but have since declined to 176 people in 2002–03. The greyhound wagering market has shifted decisively off-course — in 2002–03, for example, $430m of the $445m wagering turnover was off-course. The greyhound market share of off-course betting has climbed from 8.8 per cent in 1994 to a record 14.6 per cent in 2003, which in turn has ensured the code is doing very well financially thereby enabling prize monies to be increased significantly[16].

Changes to the times in which greyhound race meetings are held, principally to the 'twilight race meeting' before 4.30pm and 7.30pm has enabled increased coverage of race meetings on Sky Racing. This has resulted in a sustained growth in racing revenue in the period 1999–2003, with TABCORP (Vic) reporting an increase of seven per cent in 2002 (relative to 3.5 per cent from thoroughbreds; five per cent from harness) and 6.7 per cent and 16.5 per cent increase respectively for NSW TAB and UniTAB (Queensland). These recent changes in the fortunes of greyhound racing illustrate the importance of television coverage and the 'convenience wager' conducted in hotels/clubs. Described recently in the *Australian Financial Review*, the 'typical greyhound meet has a race every 15 to 18 minutes, compared with about 40 minutes between horse races'[17] providing 'instant entertainment or "lotto on legs"'.

Those interviewed were aware of the significance of the big-spending punters who account for a large share of wagering expenditure and who decreasingly attend trackside in order to pursue their business. They work increasingly off-course, exploiting state-of-the-art technology to keep abreast of and analyse in some detail the latest news concerning horses and greyhounds. For these punters, telephone accounts, the internet and Sky Racing are the main tools of trade.

Racing clubs have responded to declining weekly attendances by becoming 'event managers', focused around a high-profile cup or particular meeting. The Spring Racing Carnival is a series of meetings that focus heavily on social racegoers and fashion, with a view to encouraging a new, broader racing audience. Country clubs similarly run their own cup meetings, which have become major annual social events in their country towns attended by a large proportion of the local population. This switch to 'event management' appears to have been successful. Attendances at major events and at country event meetings have shown a small but upward trend.

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16 Data in this paragraph are from the 2002/3 Greyhound Racing Victoria Annual Report.

17 *Australian Financial Review*, 'Dogs are on track for hip status', (5th August, 2003).

Over the last three years (2000–03) attendances are approaching the half million mark for the ten major metropolitan events conducted in the October/November racing carnival but total turnover per patron has remained relatively stable. The racing clubs have been successful in marketing these major events but there is no cause to suggest this had any negative impacts on gambling behaviour.

A special effort has been made to maintain attendance levels at country clubs. Harness Racing Victoria did so successfully in 2001–02 courtesy of a well-planned marketing campaign which lifted country cup attendances by 18 per cent. The effort that went into this particular effort is described in HRVs annual report:

> *' … (this) was the result of an unprecedented state-wide marketing campaign…(with) each Cup meeting promoted extensively through print and electronic media in the weeks leading up to each event. For the first time, HRV also co-ordinated a package of on-course attractions and activities to serve as a focal point at each of the 25 venues. The entertainment package included a Master of Ceremonies, live Sky Channel hosting, big screen coverage, an HRV merchandise stand, Junior Harness Club activities, pony trot races, the virtual reality harness racing experience and Camp Australia for children'* (Harness Racing Victoria 2002 Annual Report, p. 6)

The shift in the nature of on-course punters has in turn presented the industry with new challenges. Unlike the crowds of old, 'the new on-course punter' is likely to be less interested in racing and much less knowledgeable about the sport. Whereas people who used to go to the track did so regularly, the new punter is likely to do so irregularly and with a broader social day out in mind than simply following the horses and wagering.

The emergence of the social punter is mirrored by trends at TAB betting shops. The old TAB corner shop attracted a more specialised and a more diverse cross section of punters, according to the racing industry, who knew a lot about racing and horses, but were weighted toward the less affluent. TAB shops have gone upmarket in search of a more affluent market to be found at PubTAB venues. The standalone betting shops have also been extensively renovated. The new punter is likely to be less sophisticated in betting terms, and less likely to be familiar with the finer points of racing. For this group, greyhound racing shown on Sky Racing in which bets can be placed on colours while enjoying a meal or a beer is a particularly attractive option, in part accounting for the success of the greyhounds over the last decade or so.

There are two important observations about the PubTAB structure and the televised coverage of racing. The first is that the 'full PubTAB' is the growing segment of the market, centred on entertainment involving co-location of EGMs with wagering options (approximately one half of the PubTABs have EGMs). The hotel meets the cost of space for wagering facilities and labour costs, but is seeking to provide an entertainment experience including meals, drinks, music, gaming and wagering. The co-location of facilities provides for a different clientele than those who use telephone, internet, on-course or stand alone TAB betting shops. The second observation is that televised race meetings — with a race somewhere every two to three minutes — has the potential to change 'wagering' to 'gaming'.

Without exception, those interviewed were keenly aware of problem gamblers and the need to have in place appropriate safeguards. For example, the adoption of codes of responsible wagering practices was cited as one instance of the industry's proactive response to the issue. All were fully aware that the transformations within racing and in particular wagering were attracting a younger and more technologically savvy consumer group. This group could avail themselves of a larger array of betting techniques and mechanisms than had ever before been available. Nevertheless, participants were keen to draw a distinction between racing and gaming and in particular EGMs. Unlike the latter, racing did not involve the rapid-fire expenditure pattern characteristic of problem gamblers using EGMs. The relative slowness and more purposeful nature of racing and wagering, generally made them less prone to the emergence of problem gamblers. Some expressed concern at the way that a more commercial approach to wagering had led to the emergence of 'products' designed for the less discerning punter and those keen to have spontaneous bets. Digital racing in which computer-generated horses race against each other was pointed to as an example, as was greyhound racing, with its shift toward identification of the dogs by colour rather than number. The greyhound racing industry, however, argues that while their code might have simplified betting and opened it up to regular punters wanting to have a small 'flutter' or 'mystery bet', the risk of problem gambling is very low and this will remain so no matter what the technological innovations simply because of the nature of the activity. It will never be the same as 'button pushing'. It should be pointed out that these views appear to sit uneasily next to the available data on problem gambling, which suggests it to be a bigger issue for racing than the interviewees acknowledged.

In support of industry claims the researchers report that real per capita gambling expenditure for adult Victorians in 2001–02 was:

- Total racing $142.39;
- Total lotteries, lotto, instant money, pools $90.32;
- Total casino $246.26; and
- Gaming machines $692.63.

When real per capita gambling expenditure is $142.39 for racing and $1,030 for total gaming (i.e., 7.2 times that for racing) combined with the element of skill and more purposeful consideration in wagering, then more 'natural protections' could be said to exist in wagering relative to gaming.

It should also be noted that upwards of 85 per cent of those who seek gambling counselling, in environments where EGMs are available, report problems with EGMs. Comparatively, in Western Australia, approximately 50 per cent of problem gambling clients are due to TAB betting; 50 per cent related to the casino.

While some of the interviewees pointed to new technology as potentially a problem, others suggested a more complex picture:

> *'It is difficult to predict the impact of changes in wagering on problem gamblers. For example, while the trend toward online wagering products creates easer access, it also provides greater capacity to deliver harm minimisation measure such as displaying information about the chances of losing, personal transaction summaries, imposing limitations on losses and offering linkages to counselling services.'*

Industry trends and government policy

While all of those interviewed were aware of the effect of globalisation on racing and wagering as well as the likely emergence of a national wagering company, some also pointed to the development of national codes. All codes now have or are close to having, well-maintained national peak bodies that are responsible for advocacy and co-ordination of State-based clubs and associations, as is the case with the bookmakers. Those interviewed saw this trend toward a national racing industry as a logical outcome of the commercialisation trends unleashed a decade ago, and which are increasingly national in flavour. They also without exception saw these developments as beneficial developments.

The shift toward national peaks and representative bodies in racing to match a national wagering market raises important questions about regulation, which remains for the most part State-based. These questions are especially challenging given the degree to which State Governments have become dependent on gambling revenue, a development which some suggest has made it more difficult to regulate the gambling industries as independently as they might otherwise do. The researchers posed the question: would it be better for the regulation of racing and wagering to progressively shift to the federal level in the same way that some are suggesting should happen with the regulation of the electricity industry?

Those interviewed were unanimous in opposing such a suggestion. Their main concern was racing and its associated industries would continue to be State-based, as would most wagering. Protecting local industries and punters would by necessity have to remain a State-based responsibility, who were the best placed to deal with cultural and regional issues which have sensitive local considerations that a national government would not be able to attend to.

Most participants felt on balance that the State Government had done a very good job in overseeing the Victorian racing and wagering industries. Over the last decade the industries have been transformed, and while there were many over that time who were critical of the government policy, history had proven the critics wrong. Industries which for decades had been mired in the past had been modernised. An inflexible regulatory regime had given way to a more liberal policy framework, which in turn had broadened the range of options available to those who would like to have a punt, while simultaneously opening up wagering to a broader market than had previously been the case. The challenge for the future was to continue to balance the economic imperatives with the social structure of racing, and the cultural history on which this is based. State-based regulatory regimes would be best able to meet this challenge into the future.