



The Community Impact

Speaker:

Dr. Alan Jackson

Chairman of TVN

A Possible Model to Generate Economic Surplus

Dr. Alan Jackson

May 2014



Contents

A

The basis of business strategy

B

Securing comparative advantage (regulatory environment)

C

Building competitive advantage (business model choice)

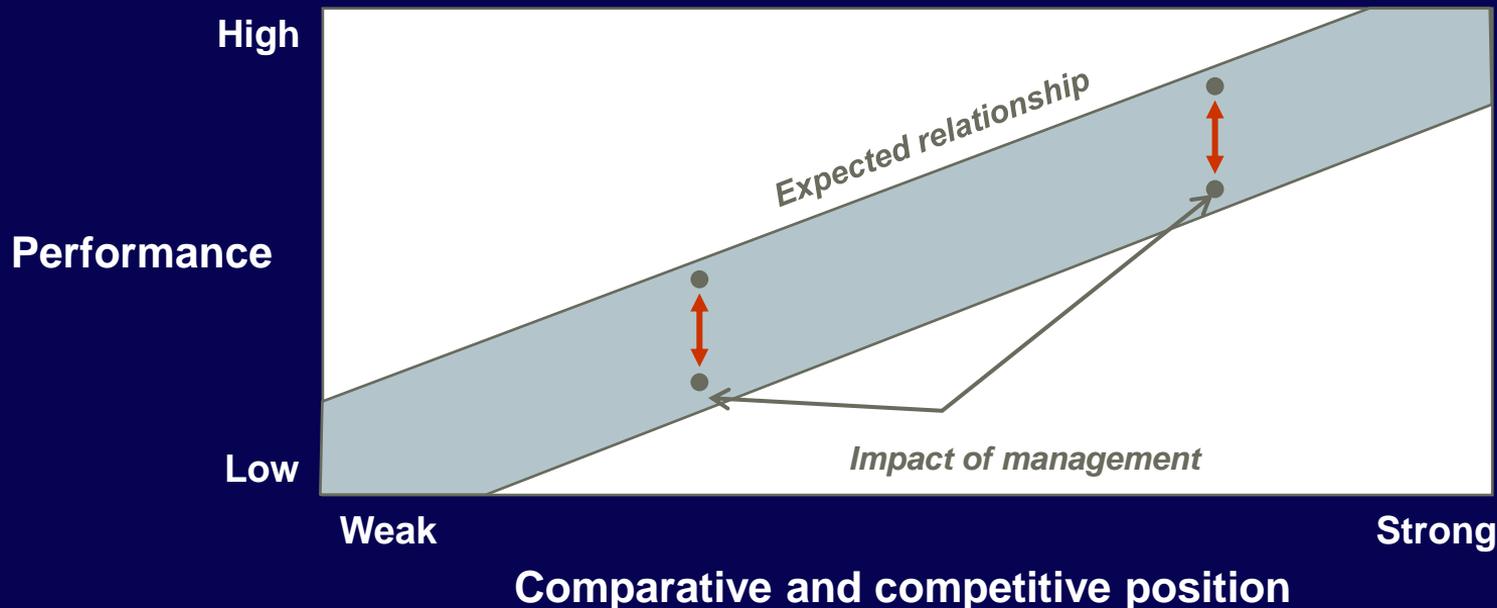


**Ability to generate economic surplus leading
to entertainment, community benefits**



The basis of business strategy – not economic theory!

Drivers of performance of a business (or competition)



Comparative advantage = Evenness (Fairness) of regulatory rules defining competition
Comparative advantage = The strategies adopted by the organisation/industry to compete



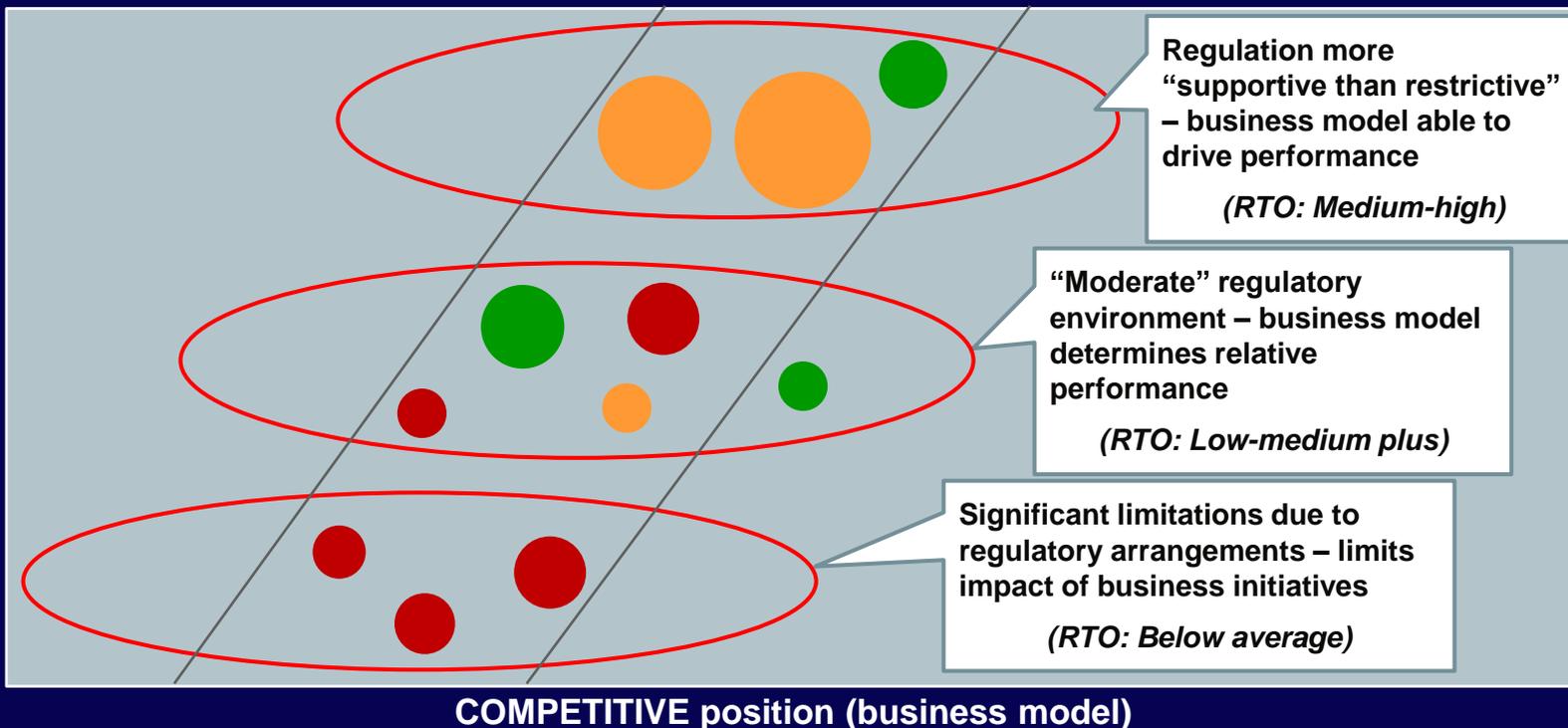
Comparative firstly, and secondly competitive position determines racing industry performance

Illustrative positioning of National Racing Industries

COMPARATIVE (regulatory environment)

Supportive

Restrictive



Laissez-faire

Managed



A. Securing comparative advantage – or at least minimising disadvantage, is the first priority

The regulatory challenge

The following points are essential to meet sustainable development of horseracing and should therefore appear in legislative frameworks:

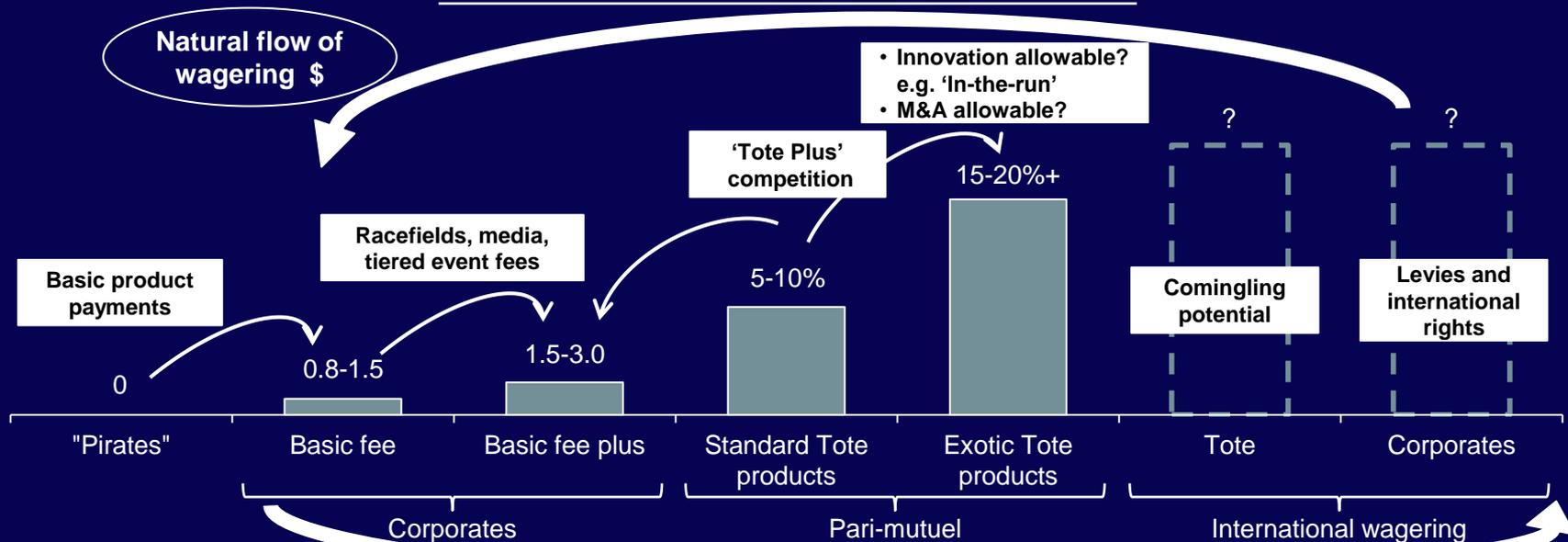
- **All agreed forms of betting must compete on equal legal grounds as far as tax and horseracing funding are concerned. As demonstrated in our study, regulation that discriminate betting operators that financially support horseracing can lead to a rapid decline of the horseracing industry**
- **The level of return to players should not be a competitive tool (and therefore should be upper limited) to protect players and match funding requirements**

These requirements are consistent with the conclusions of the European Parliament Report adopted in March 2009 on the integrity of online gambling that asks governments to take steps to regulate online and offline gambling with the objectives to protect consumers and sport competitions



In practice this means organisational effort on many fronts

The chain of regulatory challenges



Levers – Taxation
 Channel, access and product restrictions
 Industry payments enforced
 Cross subsidisation rules
 Regulatory enforcement, etc.



Different priorities may exist at any one time

Topic

International
wagering



Example

France
UK
Ireland

Example of current initiatives

Point of consumption
Licensing regime

Product fees



New Zealand

Secure product fees on
wagering with offshore
Corporate Bookmakers

Taxation levels



Different across
Australian states

Tax equivalence between
NSW and other states

... most importantly remember it is regulatory equality to deliver sustainable income,
not a grab from the health budget that is being sought



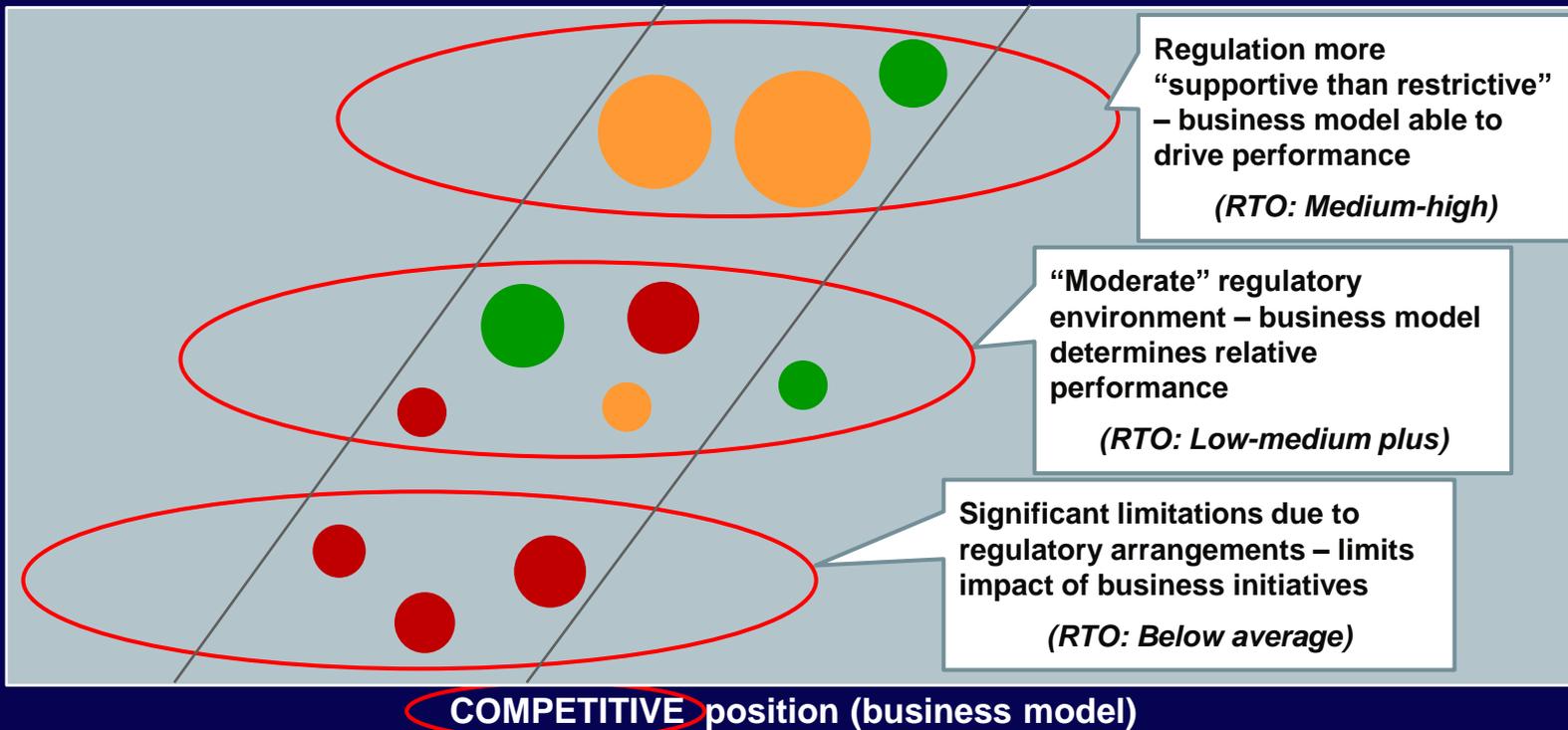
Secondly **competitive** position determines racing industry performance

Illustrative positioning of National Racing Industries

COMPARATIVE (regulatory environment)

Supportive

Restrictive



Laissez-faire

Managed



Can racing learn from two successful sporting competitions?



Media comment on equalisation in the NFL



*... by luck or genius, and probably by some happy mixture of both, Commissioner Pete Rozelle recognised early on that NFL owners must be restrained from behaving like swashbuckling entrepreneurs. They must not bid up the price of raw material (that is players). They must not invade each other's markets. **They must not actually compete, except on the field. And most important, they must share the wealth ...***

... The success of this formula is why businessmen across the land speak of Pete Rozelle in tones of unabashed awe. Devout capitalists all, they marvel at the peculiar brand of revenue sharing that keeps NFL owners fat and happy ...



These successful competitions have been built on common, inter-related principles:

1. Develop a “premier” competition supported by appropriate feeder or secondary competitions (that the jurisdiction can afford)
2. Even up the competition in such a way as to ensure exciting contests to watch and wager on, financial stability, interest and participation
3. Adapt the presentation of the sport to build attendance audiences, participation and wagering interest and loyalty
4. Develop governance structures that reconcile the increasingly complex issues between individual clubs, regions and other stakeholders and the industry at large

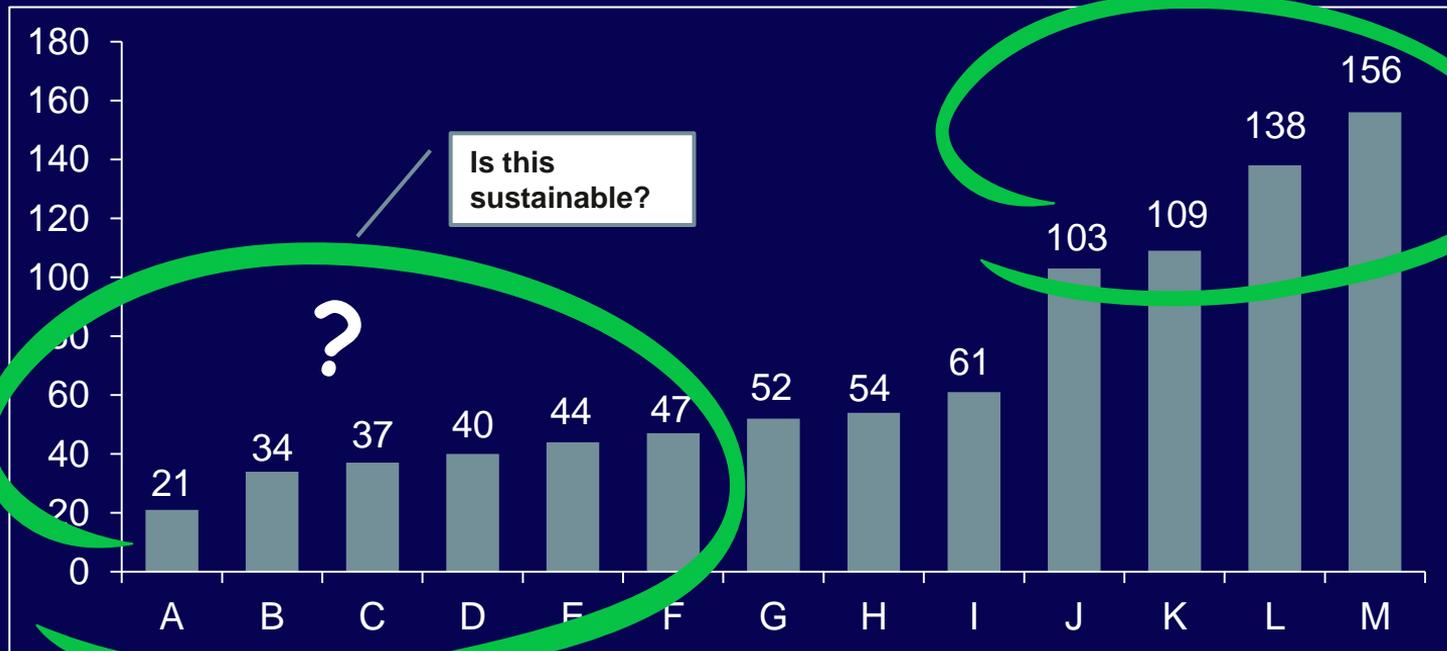
... can they, in some form be adapted to racing?



1. Develop an industry model that delivers adequate returns to the racing sector participants

Prize money vs. expenses, thoroughbreds 2011*

(%)



Is this sustainable?

?

Discretionary income to invest, innovate and grow



2. Even up the competition in such a way to ensure exciting contests to watch and wager on, financial stability, interest and participation

Evidence from major sporting competitions around the world suggests:

- While is it possible to have an even competition which is financially unstable; there is no example of a financially stable competition which is uneven
- Even competitions attract greater public interest and build *participation*

The levers for ensuring evenness and financial stability in sport are:

- Large centrally sourced revenues distributed across clubs
- “Player payment caps” (and controlled list sizes); sharing players

In racing, do opportunities exist?:

- Continue with revenue centralisation and distribution where possible whilst incentivising and rewarding performance at club level
- Focus racing on a managed number of tiered venues
- Moving from measuring RTOs to number of “profitable” owners (vs a hurdle?)
- The funding allocation by level of racing and relative “tilt” in stakes money?



3. Adapt the presentation of the sport to build attendance audiences, participation and wagering interest and loyalty

There are two generic types of attendees and wagerers – “theatre-goers” and “tribals”

The successful competitions have built attendance and interest by:

- Attracting theatre-goers more often to events
- Building TV and digital audiences (and wagering loyalty)
- Not upsetting the “tribals” – this isn’t easy!

Additional initiatives include:

- Wagering products, facilities and technologies are attuned to respective customer segments and events
- Coordinated comprehensive marketing/presentation of the industry e.g. via branding ‘Cup Weeks’, Royal Ascot, ‘Christmas at the Races’ and ‘Summer Series of Racing’ (New Zealand) etc.
- Leveraging new media and telecasts to achieve optimal attractiveness to fans and complement wagering operations

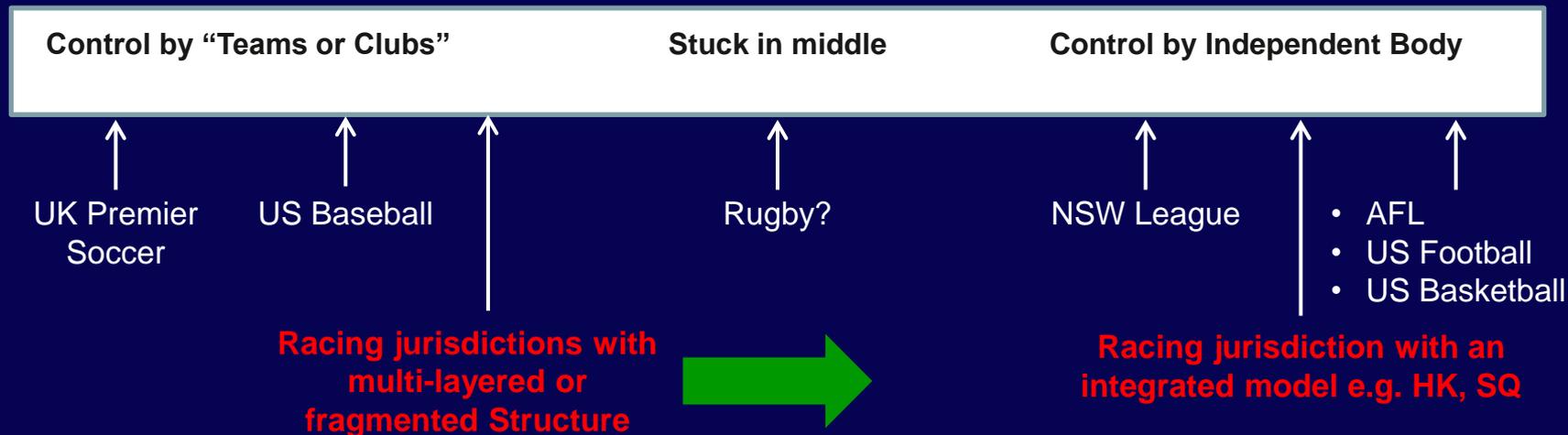


4. Develop governance structures that reconcile the increasingly complex issues between individual clubs, regions and other stakeholders and the industry at large

All competitions/sports industries face increasingly complex issues between individual clubs, regions and the competition at large

In the trade-off between regional/club control and control by an independent body

- There are a number of different models available
- Competitions have increasingly moved towards independent structures





2006 – 20 years since principals rigorously applied

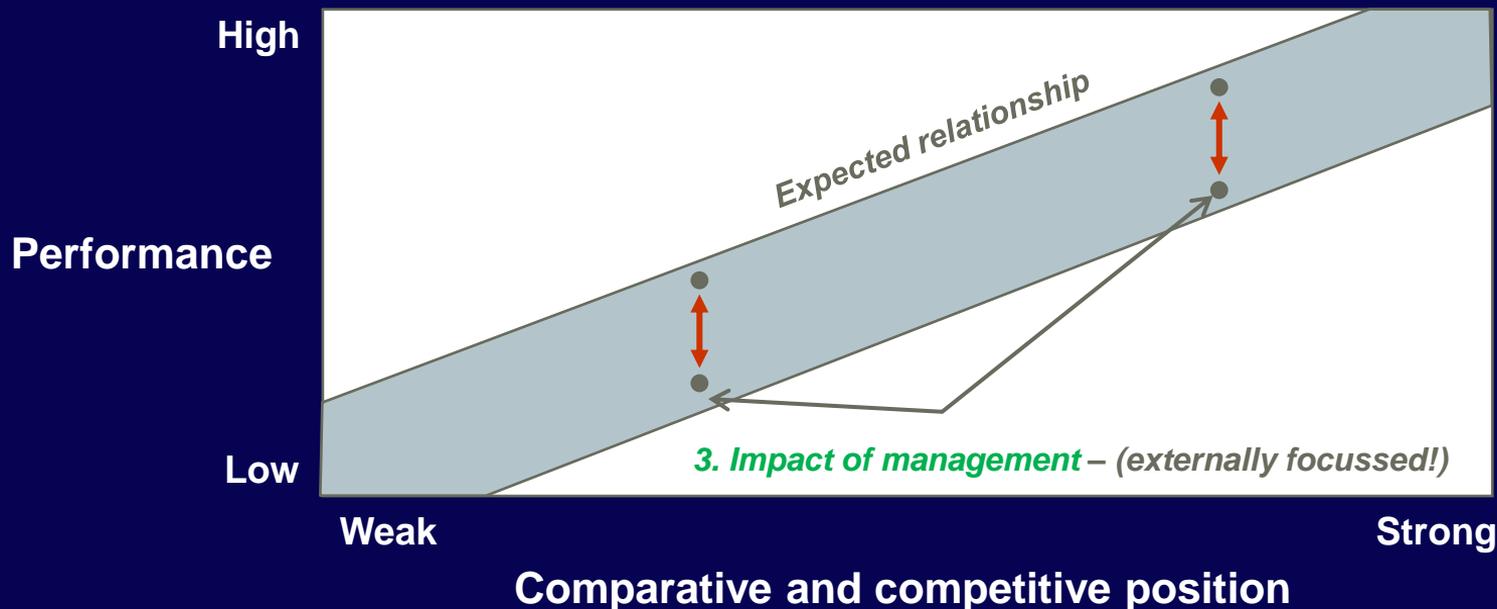


Key measure	1987	2006
AFL revenue	\$23.2m	\$215m
Annual distribution to clubs	\$12.8m	\$97.4m
Club memberships	71,000	519,000
Premiership season crowds	2.9m	6.2m
Stadiums	Whitten Oval, VIC Park, WACA, Waverley Park, Moorabbin, Carrara	Over \$1.8bn spent on stadiums: Telstra Stadium; Telstra Dome; Subiaco; AAMI; MCG; York Park
Total distributions to players	\$15.2m	\$132.5m
Players average wage	\$22,000	\$220,000
Sponsors	Sportsplay, Speedo	Toyota, NAB, Fosters, Coca Cola, Qantas, Telstra, Sony
Media rights	\$5m (TV and radio)	\$85.8m (TV, new media, radio)



The priorities of business strategy in racing

Drivers of performance of a business (or competition)



1. **Comparative advantage** = Constantly strive to even the regulatory playing field

2. **Comparative advantage** = The four principles (size, equality, appeal, governance)



35th ASIAN
RACING
CONFERENCE
HONG KONG 2014

Thank You



The Community Impact



The Community Impact

Speaker:

Michael Lynch CBE AM

Chief Executive Officer of West Kowloon Cultural District Authority



The Community Impact



The Community Impact

Moderator:

Barrie Cassidy

Panelists:

**Dr. Koji Sato, The Hon. Mathew Cheung Kin-chung GBS – JP,
The Hon. John Brumby, Dr. Alan Jackson & Michael Lynch CBE AM**