



**GOLD CIRCLE**  
HORSERACING AND BETTING

**SUBMISSIONS TO THE PORTFOLIO  
COMMITTEE OF THE DEPARTMENT OF  
TRADE AND INDUSTRY**

**BY**

**GOLD CIRCLE (PTY) LTD**

**ON**

**THE GAMBLING REVIEW**

28 OCTOBER 2011



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## THE GOLD CIRCLE PRESENTATION TEAM

- Expression of appreciation for opportunity to present.

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## GOLD CIRCLE'S SUBMISSIONS

- Gold Circle was invited to comment upon a paper prepared by the Gambling Review Commission entitled "Review of the South African Gambling Legislation and its Regulation" which was published in July 2011.
- Gold Circle filed with the Chairperson of the Portfolio Committee a detailed 22 page submission document dated 6 September 2011.
- Gold Circle intends in this forum to provide a succinct oral
- presentation of its submissions which will last approximately 25 minutes.
- Gold Circle invites comments and queries from the committee.
- Documents before the committee (copies of which are available on request)
  - Gold Circle's 22 page submission document;
  - Gold Circle's summary of this oral submission.

## GOLD CIRCLE EXPLAINED (STRUCTURE)

- Gold Circle's roots can be traced back to horse racing as early as 1802.
- Today Gold Circle is a private company owned in equal shares by the following turf clubs:
  - Durban Turf Club;
  - Pietermaritzburg Turf Club;
  - Clairwood Turf Club;
  - Western Province Racing Club.
- Gold Circle remains a non-proprietary business.
- Gold Circle is prohibited by its Articles of Association from distributing profits. Any profits are ploughed back into thoroughbred horseracing.
- Gold Circle will restructure in the near future but will not deviate from its non-proprietary status and its philosophy to be a stakeholder company

## GOLD CIRCLE EXPLAINED (MANAGEMENT)

- The composition of the Board of Gold Circle is a product of voting by members of the 4 Clubs.
  
- Gold Circle's Board currently comprises :
  - 8 non-paid non-executive electees of the Clubs;
  - 2 executive directors (co-opted by the electees);
  - 1 invited external director (co-opted by the electees).
  
- All Board Members are obliged to be registered participants in the sport of horseracing.
  
- Gold Circle's business is steered and directed by the non-paid non executive electees, who provide their time and expertise free for the benefit of the Sport.

## GOLD CIRCLE (BUSINESS)

- Gold Circle's *raison d'être* is the promotion, execution and maintenance of the Sport of thoroughbred horseracing.
- Gold Circle operates:
  - thoroughbred horseracing in KwaZulu Natal and Western Cape;
  - totalisator betting in KwaZulu Natal and Western Cape.
- Gold Circle employs 2500 people (including tote agents).
- Gold Circle's income streams stem primarily from:
  - betting as to 80%; and
  - other business activities (hospitality, catering etc) as to 20%.



# THE STATE OF THE SPORT OF HORSERACING

## GOLD CIRCLE'S STAKEHOLDERS' PRECARIOUS FINANCIAL POSITION

- Gold Circle has not been able to increase prize money to owners and returns to stakeholders since 2008. In fact prize money was decreased in 2010.
- Participation to the sport is stimulated by the level of prize money.
- Gold Circle's Western Cape operation in particular is not sustainable and will collapse unless fundamental reorganisation of its business is facilitated, which the Gold Circle Board hopes to execute as soon as possible.



## THE SPORT'S PRECARIOUS POSITION

- The Sport is administered by Gold Circle in KwaZulu Natal and the Western Cape and by Phumelela Gaming Limited in other provinces and is in serious decline.
- The Sport is ultimately funded by:
  - race horse owners as to 25%;
  - punters as to 75%;
  - sponsors/concessionaries as to negligible percentages.
- For example, owners in South African can expect to be paid an average R4 800 in prize money for every R10 000 spent on owning and training. There is accordingly a disincentive to own horses. Owners and Breeders have dropped significantly in number since 2001, Breeders by 51%.
- The gap between what owners invest every year and the prize money paid by racing operators is widening alarmingly.
- This funding model is not sustainable.
- By comparison, in Singapore, India or Hong Kong, the owners profit from the investment.
- A number of racecourses have closed down eg. Gosforth Park, Newmarket, Bloemfontein, Milnerton and Clairwood (the latter is in the process of being sold for alternative development).