

FUNDING THE INFRASTRUCTURE

- The Sport requires certain critical infrastructure.
- The operators (Gold Circle and Phumelela) fund this infrastructure:
 - racing;
 - prize moneys to owners;
 - racecourses (cost of maintenance and ownership);
 - horse training centres
 - the national regulator;
 - the SA Jockey's Academy;
 - grooms training;
 - corporate social investment;
 - remuneration of jockeys;
 - data collection and publication;
 - the national database for statistics;
 - the National Racing Bureau;
 - racing publications;
 - capturing audio visual content and broadcast;
 - Racing South Africa;
- Totalisator and racing operators are the only ones who fund the infrastructure. This is not fair. Bookmakers who leverage off the Sport do not fund this infrastructure.

CONSEQUENCES OF DECLINING SPORT

Employment

- The Sport is extremely labour intensive. 24 times more so than casino operations.
- Skills are very specific and not easily transferable for example farrier, grooming, jockey, equine veterinary and chiropractic, breeding, specialist transportation, turf supply, stabling, horse feed specialists etc.
- A decline in the Sport will result in a permanent loss of jobs and skills.

Transformation and corporate social investment

- Gold Circle and Phumelela contribute and execute transformation policies and programmes.
- A decline in the Sport would see a lost or diminished opportunity for transformation as well as a loss of the value of transformation capital that has already been transferred or generated.
- Gold Circle has embraced the challenge of the KZN Premier in 2006 to help to bridge the gap between informal and formal horseracing

Taxation

- In 2009 the Sport generated R694 million in taxation.
- A declining Sport will see a reduction of a substantial tax base.

Fiscus

- In 2009 the Sport contributed R2.71 billion to the gross domestic product.
- A declining Sport will see a reduction in the gross domestic product.

THE GAMBLING REVIEW

YAHS

- A complete review of the horseracing industry is necessary.
- Market forces to regulate the number of racetracks .
- Consider statutory recognition and fairer funding mechanism for the National Horseracing Authority.
- The ability to integrate horseracing tracks with gaming.
- Modernise and launch new products

NAYS

- Separation of racing and totalisator operators.
- National regulation for telephone and internet betting.
- Review racing participation in sports pools.
- Control cell phone usage for betting purposes.

THE GAMBLING REVIEW

FUNDAMENTAL ERRORS

- Two companies who uniquely hold licenses to run tote betting (page 65).
- Phumelela runs the tote for both companies (page 66).
- 3% collected from bookmakers (page 66).
- Tax not shared with other sports bodies (page 66).
- Operators derive revenue from stakes paid (page 66).
- The Sport will survive the economic downturn (page 67).

OMISSIONS

- Failure to recognize unfair practices within the industry.
- Failure to recognize the sporting aspect of the industry.
- Failure to recognize the international successful horseracing jurisdictions and their models.

THE SOLUTIONS

RECOGNIZE RACING AS A SPORT

- Sport defined by Sport and Recreation South Africa, Recreation SA, White paper: Getting the Nation to Play, 2003, Sport is defined as:

“any activity that requires a significant level of physical involvement in which participants engage in either a structured or unstructured environment for the purpose of declaring a winner, though not solely so;

or purely for relaxation, personal satisfaction, physical health, emotional growth and development.”

- Unlike other sports, on which sports betting is conducted, thoroughbred horse-racing is the only Sport which is regulated primarily under gambling regulations.
- Its treatment as a gambling related industry (as opposed to a Sport on which gambling takes places) has resulted in:
 - measures designed to limit rather than expand its growth;
 - onerous operating conditions which increase operating costs and limit its ability to evolve its funding model; and
 - the erosion of its traditional funding sources as a result of the liberalisation of gambling activities.

.... the solutions

FUNDING MODEL REQUIRES OVERHAUL

- In South Africa mainstream sports are typically funded by a combination of:
 - government (grant funding, contribution to administration costs, tax relief);
 - participant contribution;
 - commercial revenue sources (sponsorships, television rights, merchandising etc).

- Horseracing is not funded in this way. It is funded by the operations as set forth earlier. It has a unique funding model which was, but is no longer relevant or sustainable.

.... the solutions

IMPROVING FUNDING OF THE SPORT

What is needed:

- Participant funding (by all participants).
- Government Assistance.
- Commercial revenue streams improved.
- Revenue diversification.
- Sports betting more appropriately regulated.

... the solutions

PARTICIPANT FUNDING

- There is an unhealthy and unsustainable reliance on owners to fund the Sport.
- Owners are disincentivised to participate by sustained and expected financial losses.
- Punters betting is being diverted from the sport:
 - firstly, because of the myriad of other more convenient and accessible forms of gambling; and
 - secondly, because the regulatory environment facilitates totalisator-type betting through bookmakers, thereby robbing the Sport of income which it would otherwise have received through totalisator betting.
- A new regulatory environment is required where all those who trade off the Sport are required to contribute to its operations in an equitable manner.

.... the solutions

GOVERNMENT ASSISTANCE

- A sustainable funding model should place as little reliance on the fiscus as possible. Gold Circle accepts that proposition.
- However, in the short term, the Sport faces a crisis and requires Government's assistance, including:
 - emergency grant funding to see the Sport through the crisis in the Western Cape;
 - emergency interim funding of horse-racing's regulatory body, either directly or through a fair contribution by bookmakers;
 - greater recognition by and co-operation with the Department of Sport and Recreation to ensure the Sport is treated like other major sporting codes;
 - the removal of restrictive legislation which unnecessarily increases the cost of operating the Sport or prevents the Sport charging commercial rates for intellectual property;
 - the adoption of measures to ensure the prevention and reversal of the erosion of the Sport's ability to leverage sports betting funding;
 - a change of legislation to protect the intellectual property of horseracing operators, totalisator operators and lottery operators.