

... the solutions

COMMERCIAL REVENUE STREAMS

- A sustainable Sport requires more than just participant funding and government assistance.
- The sale and licencing of intellectual property and broadcasting rights is a major source of revenue for successful sporting codes such as soccer, rugby and cricket.
- Under certain operator's licence conditions, horse-racing operators are prohibited from charging commercial rates for the sale and licencing of intellectual property.
- There is urgent need to lift these restrictions.
- Existing infrastructure and betting expertise within the Sport can effectively and efficiently be utilised in the operation of casino licences at horse-racing tracks, reducing the Sport's reliance on sports betting funding as a prime source of funding.

... the solutions

SPORTS BETTING MORE APPROPRIATELY REGULATED

- The reliance by the Sport on betting revenues is still not fully understood.
- The Sport and Recreation South Africa's Case for Sport, 2009:

“sport contributed R41 billion to the economy and employed 40 700 and 6 900 part-time jobs.

- By comparison, Economic Information Services (March 2011) report:

“horse-racing contributed R2.71 billion to the South African economy and provided approximately 16 000 direct and indirect jobs.”

- Thus it is evident that whilst horse racing constitutes one twentieth of all sports' contribution to the economy, it employs one third of all those employed in sport.
- The reliance by the Sport on betting is an efficient and desirable methodology of funding.
- The current regulatory environment inhibits rather than enhances the Sport's funding model by:
 - providing an environment in which the gambling industry has diversified to include more efficient and convenient gambling activities unrelated to Sports; and
 - providing the gambling industry (particularly the bookmakers) with opportunities to avoid funding of underlying Sports on which betting revenues are generated.

.... the solutions

INTERIM MEASURES TO REGULATE THE SPORTS BETTING MORE APPROPRIATELY

- The grant of horse-racing totalisator licences must be limited to horse-racing operators.
- The cost of totalisator operations must be reduced by simplified regulatory requirements and taxation.
- Measures must be adopted to ensure equitable funding of the Sport by all participants (including bookmakers).
- A prohibition must be imposed on the appropriation by bookmakers of the totalisator results for the purpose of offering the “open bet”.
- Fair and expeditious procedures should be introduced for the opening and regulation of totalisator agencies so as to reduce their costs and administration to be not inconsistent with the (less onerous) provisions applicable to bookmakers.
- The streamlining of approvals for new bet types or rule changes for totalisator betting so that the process is not inconsistent with the (less onerous) provisions applicable to bookmakers.
- The delay (pending proper analysis) of the proposed withholding tax on punters winnings (as recently suggested by the Minister of Finance in his budget speech) so as to avoid manipulation of bets and further migration to bookmakers

CONCLUSION

- Gold Circle considers that the Sport has a funding crisis and there is no guarantee that it will survive the economic downturn without urgent intervention.
- A new facilitative approach to the Sport is justified in the short term to avoid a decline in the Sport.
- Gold Circle does not support the separation of the operation of racing from the totalisator. Other successful jurisdictions suggest the opposite approach.
- In all jurisdictions which return more money to participants than they are obliged to contribute to the Sport (where a profit is made), a single totalisator is imposed (for example, India, Singapore and Hong Kong).
- Gold Circle agrees that a further investigation of proposals to make the NHA a national regulator should be undertaken. In the interim, other industry participants must be obliged to contribute to the funding of NHA.
- It is Gold Circle's submission that at present the Sport supports approximately 16 000 direct and indirect jobs, excluding upstream and downstream job creation opportunities.
- The potential of these upstream and downstream opportunities of the Sport is vastly underestimated.
- For example, the Sport generates approximately 40 000 thoroughbred horses which pass to the leisure industry and the employment associated with those horses alone is in the region of 100 000 persons.
- Gold Circle supports the Commission's recommendation that further investigation of the Sport should be conducted urgently and tenders its full support and co-operation to that process.