

# **The Sport of Thoroughbred Horseracing**

## **HORSERACING SOUTH AFRICA (PTY) LTD**

### **Response to the Gambling Review Commission's report**

*"Horseracing is a well-established and reasonably well-managed industry in South Africa. Although it is clearly facing major challenges, it appears set to ride out the economic downturn as well as declining on-course and off-course betting on horseracing. Horseracing is a major employer in South Africa, and for this reason alone, it is hoped that the industry prospers. In order to survive, the horseracing industry has to modernise itself and become more attractive to new, especially younger, punters. This requires a combination of two things: modernising existing venues and race formats, and developing new business models more closely integrated with other forms of gambling. Both of these changes are in line with world trends."*

*The horseracing sector is a declining sector, which is struggling to modernize and transform itself. The current ownership and funding arrangements do not provide sufficient impetus for modernization. Furthermore, the sector seems constrained in its ability to make commercial decisions by its licensing conditions. The Commission therefore offers the following recommendations:"*

- 1. "Market forces should be allowed to dictate the number and location of tracks, as well as the number of races. Consideration should be given to separating the ownership of the tracks and the tote. The tracks could be funded through a combination of a levy on the gambling tote, bookmakers and online betting operators, as well as commercial rights, such as broadcasting rights for races."*
- 2. "The current funding models for the industry should be reviewed to ensure that the tax rates and levies paid to the industry are standardised across the board to create a level field."*
- 3. "The horseracing industry should be enabled to integrate its operations with other forms of gaming, especially slots."*
- 4. "Current proposals that the former Jockey Club, now known as the Horseracing Authority, should become a statutory regulator should be considered. What is required is a more complete review of the horseracing sector, particularly the integration of the ownership of the tracks and the tote, as well as the competitive challenges of the future, and an appropriate industry and regulatory structure should be researched and developed."*

## BACKGROUND

Based on the last census performed in 2004, there are thought to be over 280 000 horses in South Africa (see Figure 1 below), of which at least 60 000 are thoroughbreds. Of that total, 20 000 are registered thoroughbred racehorses that make up the Sport of Thoroughbred Horseracing, the balance being absorbed by the sport horse and informal sectors after their racing careers had ended.

There are 10 000 registered sport horses and 50 000 registered breeding horses which leaves the vast majority of horses in South Africa in the ownership of the informal and mostly rural communities. At all times, man is employed to maintain the well being of the horses in their care.

The relationship between man and horse is an ancient one, man’s relationship with the horse having evolved over the ages from economic dependency through work and transport to one of leisure, horseracing emerging as a significant global sport.

Throughout the world, the Sport Of Horseracing is also the business driver of all other equine disciplines, generating significant economic benefits for the host country. Where utopian funding models exist in countries like Japan, Hong Kong and Singapore to name a few, a Tote monopoly forms the basis of their respective models with the emphasis on employment, reinvestment into the sport and the financing of social investment programmes.

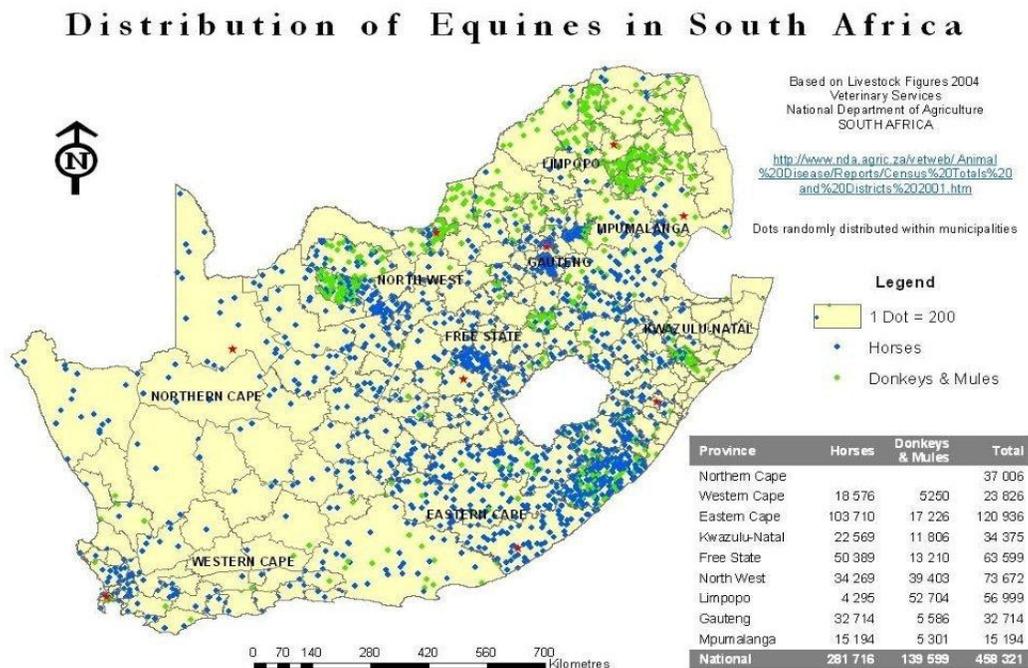


Figure 1 - Horse Population

## **HORSERACING SOUTH AFRICA t/a RACING SOUTH AFRICA**

In 2005, Horseracing South Africa (Pty) Ltd, trading as Racing South Africa, was founded to look after matters of national and international interest on behalf of its equal third shareholders:

### **BREEDERS**

Thoroughbred Breeders Association of SA 50 shares (33,33%)

### **OPERATORS**

Gold Circle Racing & Gaming 25 shares (16,66%)

Phumelela Gaming & Leisure 25 shares (16,66%)

### **OWNERS**

Gold Circle Owners 25 shares (16,66%)

Racing Association 25 shares (16,66%)

### **FUNCTIONS**

- To facilitate debate on matters of national importance to the Sport of South African Horseracing as well as to provide equitable funding solutions for approved projects
- To fund and direct the work of the Equine Research Centre whose focus is a broad-based investigation into African horse sickness (AHS) including its epidemiology, alternative vaccine technology and diagnostic testing capability
- To fund and direct the work of the Import Export Working Group with a view to improving South Africa's horse export protocol
- To manage Kenilworth Quarantine Station, South Africa's official pre-export quarantine
- To fund and direct the work of the African Horse Sickness Trust, an organisation established to raise awareness of AHS and to provide SA Veterinary Services with an early warning system
- To fund and direct the work of the South African Equine Trade Council, officially recognised and supported by the DTI to promote South African horses of all breeds to the global markets.

## **INTERNATIONALISATION OF SOUTH AFRICAN EQUESTRIAN INDUSTRY**

Up until the outbreak of African horse sickness (AHS) in the Middle East in the late 1950's, it was thought that South Africa had exported (by sea) close to 350 000 horses, largely in support of the war effort during the first and second World Wars.

The Middle East outbreak raised global fears of AHS and the international community deemed Africa to be endemic with a resultant embargo on the movement of horses out of Africa for the next four decades. The exception was the USA which accepted horses from Africa on the basis of a 60-day post arrival vector-proof quarantine.

Following a combined initiative of the broader equestrian industry, scientific and veterinary sectors, the EU ratified the South African Horse Export Protocol in 1997 and South Africa has since exported close to 1000 horses from Kenilworth Quarantine Station in the AHS Free Zone in Cape Town worth an estimated R250 million per annum.

However, this does not reveal the fact that in the 13 years since the decision was passed into law by the European Commission, there have been four outbreaks of AHS in the AHS Controlled Area. Every time this led to the temporary suspension of imports from South Africa to the EU, clearly an unsatisfactory scenario and one that is presently impacting the international ambitions of South Africa's horseracing fraternity and our 2012 London Olympic bid.

Two issues have a bearing on South Africa's ability to grow its equestrian business, AHS and International Trade:

#### **1. AHS**

The 1980's Spanish outbreak of AHS proved that the disease was not confined to within African borders. In fact a recent study of emerging diseases (Re-emergence of Blue Tongue, AHS and Orbivirus Diseases – <http://creativecommons.org/licenses/by-nc/3.0/>), clearly predicted that outbreaks of vector-borne diseases like AHS are likely in the near future and that non-infected countries should be developing safeguards to defend against future outbreaks.

The following is a brief description of AHS in the South African and International contexts.

##### **a. Virus description**

- i. Non-contagious virus transmitted by culicoides midge
- ii. 9 sero-types
- iii. High mortality in unprotected horses (90%)

##### **b. AHS in South Africa**

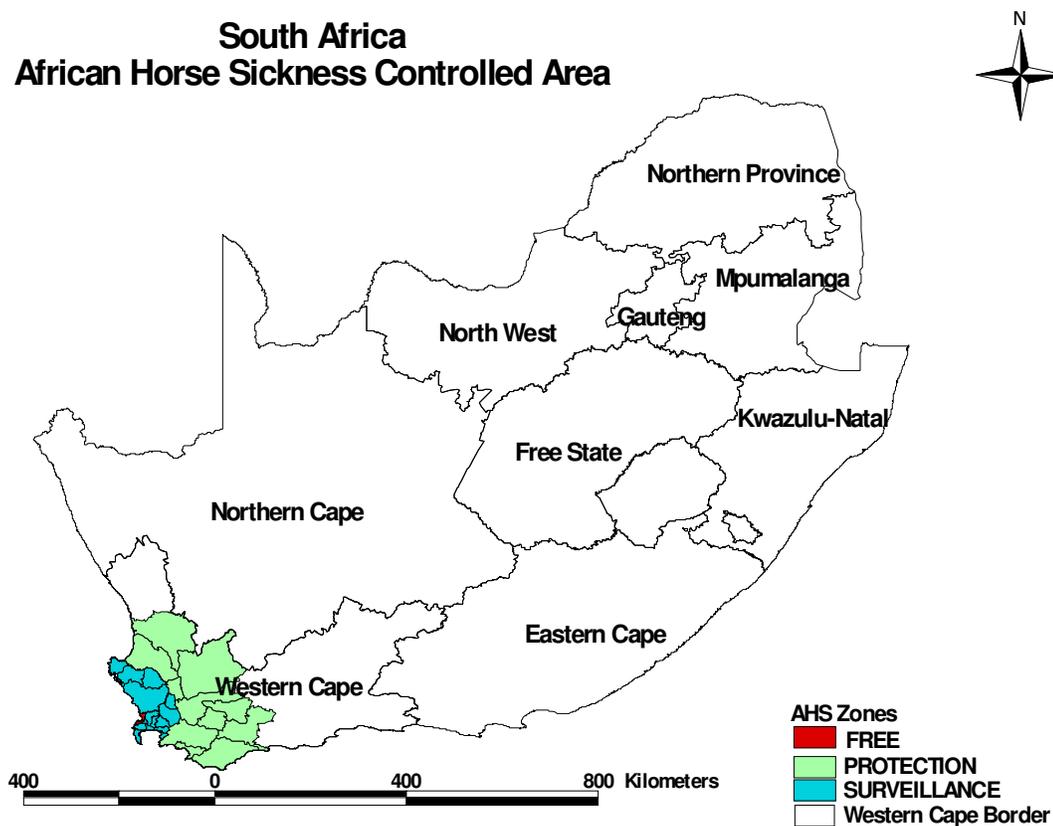
- i. +-300 000 horses in South Africa
- ii. During summer months (November/December – May/June), outbreaks of AHS occur annually (endemic) in the North-eastern provinces (Limpopo, Mphumalanga, Gauteng, KZN and Eastern Cape) - >1000kms from Cape Town
- iii. During winter months (June/July – October/November), AHS disappears when culicoides midge is killed off
- iv. Since 1960, only 6 outbreaks of AHS in AHS Controlled Area in Western Cape due to climate (hot dry summer), distance from endemic areas (>1000kms) and geographical barriers (mountain range + Atlantic and Indian Oceans)

c. AHS outbreaks since 2005 (AHS Trust data – unofficial\*)

Outbreak Year	Total Cases Country	First Case	Province	Last Case	Province
2005/2006	311	15 Nov. 2005	KZN	10 May 2006	Gauteng
2006/2007	74	08 Nov. 2006	S/E Cape	02 June 2007	East Cape
2007/2008	343	18 Sept. 2007	Limpopo	30 June 2008	East Cape
2008/2009	150	24 Oct. 2008	KZN	23 May 2009	North Cape
2009/2010	77	02 Dec. 2009	Gauteng	09 June 2010	Gauteng
2010/2011	604	01 Nov. 2010	Limpopo	24 June 2011	KZN

\* Official data can be found on the Department of Agriculture, Forestry and Fisheries website: [www.nda.agric.za](http://www.nda.agric.za). It is thought that the percentage of under-reporting is 50% of the official total.

**South Africa  
African Horse Sickness Controlled Area**



#### **d. Scientific Strategy**

##### **i. Development of New Vaccine**

The current live modified vaccine was developed in the 1930's and modified in the 1970's to improve its efficacy. From an international perspective, it is deemed unsafe to use given the potential to transmit virus to the vector and the Equine Research Centre, Faculty of Veterinary Science, Onderstepoort (ERC) is developing a new vaccine with the following characteristics:

- Recombinant technology
- Inherently safe
- Proof of concept (Serotype)
- World wide patent

Four of the nine serotypes will have been trialled within the next 18 months under existing funding arrangements provided by the ERC's funding partners, Horseracing South Africa (Pty) Ltd and the Thoroughbred Racing Trust. Thereafter, the cost of completing the balance of the serotypes is anticipated to cost between €3-6 million according to the ERC's main international collaborator.

The broader equestrian industry, none more so than the huge informal rural sector, is a mutual beneficiary of the outcome of this work. However, the current funding demands lie exclusively with the Sport Of Horseracing which is clearly unsustainable given the prevailing funding crisis that exists in the sport and unreasonable given the ultimate benefit to the equestrian communities in South Africa.

##### **ii. Development of New Diagnostic Test**

The ability to quickly and accurately detect virus following an outbreak has both local and international impacts. From an international trade perspective (OIE Manual), the existing serology-based (ELISA) test is time-consuming and subject to interpretation. The Real Time PCR test is able to provide a "yes" or "no" answer within hours of receiving a sample.

The Equine Research Centre has also developed a RT PCR for AHS which is in the final stages of being validated with the OIE as an alternative test for international trade. This project too is being funded by the Sport Of Horseracing for the greater benefit of all equestrian sectors.

## 2. International Trade

The EU protocol (97/10/EC) was developed on the principles described in the 1995 World Organisation for Animal Health (OIE) AHS Code.

The OIE is the inter-governmental organisation established in 1924, currently consisting of 178 members. It is mandated by WTO to safeguard World Trade by publishing health standards for international Trade in animals and animal products.

Much progress has been made in amending the AHS Code to more correctly address the risk posed by AHS to importing countries. The last revision to the AHS Code was in 2008, but further far-reaching changes are likely to be adopted at the 2012 OIE General Assembly which will introduce the following principles:

- Official OIE recognition of AHS
- South Africa to define own control measures as accepted by OIE
- Pre-export quarantine to be significantly reduced with testing (RT PCR)
- If outbreak occurred in AHS Controlled Area (Containment Zone), it will be possible to resume exporting 80 days after the last case of AHS was confirmed.

South African sport horses of all breeds have excelled overseas and trade at approximately 20% of the value of other major bloodstock producers such as Australasia, Europe and the USA.

Consequently, South Africa has enormous potential to grow market share of the global horse trade which will impact positively on the developing economy and, grow employment, skills development and wealth creating opportunities especially in the historically disadvantaged rural communities.

International horseracing and other equestrian events including the Olympic Games are also very much on the agenda for South Africa which will significantly contribute to the South African economy. This is supported by the numerous examples from around the world, perhaps the most relevant to South Africa being Australia's horseracing industry whose success story is described below:

"Since the Melbourne Cup Spring Carnival in Australia first attracted international runners in 1993, attendances at the race meeting have doubled from 200 000 to 400 000. The tourism income from these attendees is estimated to be in the region of AUS\$14.5 million (R72.5 million) per year. According to data provided, at least AUS\$200 million (R1 billion) of Victoria's income per annum is due to the participation of international horses in the Melbourne Cup. The economic impact of the Melbourne Cup Carnival is higher annually than that of the Australian Open and the Australian Grand Prix. It even surpassed the economic impact of the 2006/2007 Ashes Cricket Test and One Day Series. The public relations value of media coverage for the 2007 Carnival was estimated to be AUS\$95 million (R475 million).

International participation is estimated to have contributed more than 50% of this value. The International horses have also attracted new sponsors to the Spring Carnival, e.g. Emirates Airlines. The Melbourne Cup Business Network, in conjunction with Austrade (the equivalent of the trading division of South Africa's Department of Trade & Industry), is estimated to have generated AUS\$20 million (R100 million) in gross output in 2007."

## **CONCLUSION**

The broader equestrian industry can play a significant role in contributing towards South Africa's social and economic objectives. The Sport Of Horseracing has shown itself to be more than willing to drive and carry much of the burden in this regard, but requires the playing field to be level in order to achieve this on behalf of South Africa.

Therefore, Racing South Africa supports the core proposals of its shareholders which are outlined in their respective submissions.

**Peter Gibson**

**CEO**

**07 September 2011**