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WAGERING AND BETTING LICENSING PROJECT

Future licensing arrangements for wagering and betting in Victoria, aimed at promoting consumer enjoyment of wagering and betting, would benefit from requiring betting operators to disclose summary indicators of the quality, integrity and fairness of races and race betting.

The recent evolution of the conduct of racing and related betting has unfortunately unfolded in ways that unfairly disadvantage most punters and, similarly unfairly, enrich others unduly.

What has unfolded may have been well intentioned, and only inadvertently unfair, but the situation now prevailing for racing's commercial interests has hallmarks of 'institutional corruption' – corruption of the quality and fair conduct of racing in ways that compromise consumers getting a fair deal.

Put more sharply, there are elements of a de-facto cartel in the (mis)alignment of commercial interests associated with the governance of racing and an apparent subordination of the consumer protection role of the State government.

Are the regulatory requirements for wagering and betting licensees appropriate and ....if not, what changes could be made to the regulatory requirements for the wagering and betting licensees?

Is the link between racing industry funding and the racing wagering and betting licences appropriate?

Answering these questions **NO** is addressed with a primary objective of ensuring an appropriate regulatory framework exists. Unless the fundamentals are sound there are risks to the value of racing to the State and the viability of the Victorian racing industry.

How did this situation unfold?

Those wondering if there is a problem and whether it needs to be addressed might ponder the thought that a truly independent inquiry, akin to the banking royal commission, would very likely uncover things that would disturb the entrenched complacency.

'rough results'

A starting point is to draw attention to 'rough results' routinely characterising the outcome of races run in Melbourne: concise illustrations being 'lotto like' and otherwise 'excessive' TAB dividends too often declared for First4 and Quadrella bets.

It is a short step back to assess the 'acceptances' on Wednesdays and reliably anticipate rough race outcomes on Saturdays. A key to these assessments is the numbers of acceptors, especially when a field is inflated with runners generally considered to have no reasonable expectation of being in the finish.

One can only wonder about the commitment of the racing industry to product quality control – what happens at RVL on Mondays in terms of reviewing race outcomes on Saturday as a guide to the quality of the product presented?

inflated fields

The risk with inflated fields (more than 10) rises when the barrier draw is important -- 1400m races run at Flemington and Caulfield with inflated fields are reliably likely to defy the form guide and the market -- 'straight races', inexperienced 2yro and 3yro runners and low-benchmark events, et al, compound the risks with capacity fields.

Inflated fields are conducive to congestion and interference.

Paying 'prize-money' down to 10th is one explanation for inflated fields not conducive to a fair race.

The administrators' quest for capacity fields is only underwritten by having no qualifying filter on eligible runners and then generously covering participation costs for almost all runners.

inflated turnover

The routine conduct of races with capacity fields presumably reflects state racing administrators' maximizing betting turnover and industry revenue then distributed to their racing industry.

Normally aiming to maximise profit and expand a business is consistent with good outcomes for the community.

This consistency is now eroded in the racing industry. Racing administrators are misusing protected monopoly power against a loyal customer base, one fairly assessed as culturally addicted. This is not fair trading.

As well, 'too-much racing is never enough', is not a good mantra for the wider community. The funding model entrenched allows racing to directly raise, and spend, government-protected 'taxes' earmarked for racing – this as distinct from industry funding allocations from consolidated tax revenue as a part of normal budgetary disciplines. Accountability is lacking in the disbursement of revenue taken at the point of a government-gun and earmarked for the racing industry.

My concern is that the racing business model has gone bad – that racing under current administrative management is now 'institutionally corrupt'.

Unlimited quantity and funding objectives, mocking product quality control, is a formula for a bloated racing industry and too-much racing -- especially 'unwanted' race meetings never covering costs.

The wider community would likely benefit greatly from disconnecting betting tax and levy collections from racing industry funding -- the racing industry should be subject to a separate annual budget allocation for which it would present an open and transparent case for funds and the racing program on which they would be spent.

an unholy alliance

Natural alliances of industry interests ranged against the freight-paying customers are not generally well understood.

Key players, and allies, are state governments; TABs and corporate bookmakers; industry participants (and their 'agent' administrators) and captive print, internet and broadcast media, industry-owned or subsidized with racing industry funds.

This allied circle is impenetrable – impervious to sober reflection.

The ringmaster role is played by state governments. Alliances of state governments with racing are political – very welcome, off-budget, flows of city taxes into rural racing communities neutralize the racing vote. Conversely ever less taxes collected by the racing industry end up as consolidated revenue spent on the general community.

Importantly, state government – a normal refuge of exploited consumers -- is compromised about intervening to protect fair play and fair racing.

Nor is any unfairness likely to be investigated and exposed by the industry-owned and otherwise captive media – there is no 'free press' serving the punting and wider community about the racing industry. This is no good.

Similarly, owners and connections, likely to be disadvantaged, are largely captive under industry rules precluding 'disreputable' remarks. Perversely, most owners and connections may be inclined to favour racing conducive to 'rough results' randomly benefiting runners in races likely to be unfair.

Some integrity offences may be reflecting fairly felt but unresolvable grievances.

corporate bookmakers prefer 'rough results'

The advent of 'off course' bookmakers led to TABs offering 'fixed odds' betting. The recent consolidation of bookmaking into fixed-odds TAB options and a couple of local corporates, leaves predators protected.

Corporates offering marginally better odds erode TAB revenue and tote betting pools, taking mug-punter money, invite professional plunder unfairly subsidized by rebates on big-bets.

The current racing gambling environment is not conducive to either fair racing or a fair go for most punters. Corporates (including TABs) writing 'fixed odds' tickets have a strong preference for 'rough results' – for 'taking the lot'.

It is no wonder that corporates sponsor 'inflated field' racing and advertise prominently, subsidizing racing media.

This is not a good look at all.

crushed totes and plundered pools

Most punters placing small bets are betting into tote pools – also attracted to tote pools are better informed insiders denied access to fixed-odds bets.

With tote pools as a last resort it is common for smart money coming late to crush dividends paid to most punters.

One illustration of this is fate of the biggest tote pools, especially quadrella bets (the main Melbourne quadrella on Saturdays is typically the most popular bet, nationally).

Coupling a big tote pool on the Victorian quadrella – some $5 million nationally – with the prospect of even one rough result, is an attraction for syndicate betting – large bets 'covering the field'.

Coupling rough results with big-bet rebates is not a good look either.

take-outs become takealls – and still they bet

It is quaintly nostalgic to recall off-course, government-owned, 'tote only' betting operations with overall take-out limited to 16%. This at a time when nomination fees were paid to run in races -- and, mostly, only horses with a chance of placing accepted.

This hardly benign arrangement to begin with has been comprehensively overturned leaving a cultural pastime in disarray and no prospect of relief from transparent exposure of the way it is being corrupted.

TAB punters now have little chance of a winning day on the punt – corporates and syndicates are almost guaranteed to win.

The racing game goes on – apparently oblivious to a revolution leaving TAB punters at a fatal disadvantage.

TAB punters deserve better

However inadvertent the run of events outlined above may have been, things got out of hand nonetheless. Moreover, known to have got out of hand, things went from bad to worse as 'fixing' one poor outcome only presaged another.

The industry needs to take stock and restore a fair and sound framework.

It is simply not correct that racing administrators are, or were ever, entitled to corrupt the conduct of races by inflating the fields – covering the costs of runners content with 10th but otherwise only likely to boost turnover unfairly and impairing the chances of horses there to win.

Running big fields in the 'cups races' and 'black type' events is sometimes problematic -- accepted on the basis that there are entry-costs and qualifying conditions limiting the fields in these races to credible contenders.

The complaint about inflated-field racing is the converse – runners 'paid' to inflate fields and boost turnover mainly disrupt race outcomes unfairly. This disadvantages most punters and owners (the 'punters' betting most) denied a fair go.

Victorian racing routinely ranks with the worst in terms of the disparity of race outcomes from market expectations. Making form guides irrelevant is no portent of a prosperous future.

'who wins' and 'who loses'.

Ideally for each race the publication of TAB dividends would also show a couple of simple % indicators of the fate of different classes of bets placed.

Just what may be eventually agreed as required 'quality control' disclosures will benefit from professional advice.

Obviously useful indicators would include the relative fate of bets placed 'early' and 'late' and for 'big bets' and 'small bets' and 'complex syndicate bets'.

TABs would program software to show, for each class of bet, the % of the amount wagered returned as dividends.

Bets placed late and big bets would, sensibly, fare better reflecting market developments and better judgement guiding big bets. The focus is on small bets.

Beyond a pilot scheme, a more general program would bring other bet types into the disclosure ring – including quadrellas offering rebates to syndicate bets.

There would be resistance to such initiatives but, hopefully, pleas of 'commercial confidence' would get short shrift against fair-trading concerns.

There would likely be wide support for such disclosures likely to put in train well founded restructuring of racing industry policy in the interests of all committed to fair racing as well as the general community.

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