

Our Ref: HRA – Kairn
Your Ref: Consultation Paper 242 – Remaking ASIC Class Orders

15 January 2016

Mr James Graspas
Senior Lawyer
Investment Managers and Superannuation
Australian Securities and Investment Commission

By email: James.Graspas@asic.gov.au

Dear Mr Graspas 

I refer to your email of 17 December and earlier information inviting Harness Racing Australia to make submission to ASIC in relation to the remaking of ASIC Class Orders on Horse Racing and Horse Breeding Schemes.

Harness Racing Australia is the peak organisation for Harness Racing within Australia. We handle such things as national rules, stud book, insurance and international liaisons. We also do lobbying on behalf of the states in relation to national and international matters relating to the industry. This remake fits clearly into the category of the HRA roles.

For further details consult our website at:

www.harness.org.au

Our submission will look at the specific areas of:

- Compliance Costs
- Competition
- Costs and Benefits to the Harness industry.

I will also provide some other over-arching comments that relate specifically to the Harness Racing industry.

Please feel free to call me on 03 9227 3003 if you require any additional information.

Yours faithfully



Gary Kairn
Operations Manager
Harness Racing Australia

Background:

Harness Racing Australia Incorporated is the peak organisation for the promotion and administration of Harness Racing with in Australia. With a membership consisting of each of the State Controlling Bodies and Principle Racing Clubs in each state it is truly reflective of the industry.

The members of Harness Racing Australia are:

- Harness Racing Victoria
- Harness Racing New South Wales
- Racing Queensland
- Tasracing Pty Ltd jointly with the Office of Racing Integrity
- Harness Racing South Australia
- Racing and Wagering Western Australia
- HRV Management Ltd
- New South Wales Harness Racing Club
- Albion Park Harness Racing Club
- Tasmanian Pacing Club
- South Australian Harness Racing Club
- Gloucester Park Harness Racing

Harness Racing is a significant contributor to the Australian Economy. A study undertaken for Harness Racing Australia by IER Pty Ltd in October 2012 found that following spending occurred:

\$113 Million in the Production of Racing Horses;
\$398 Million in the Preparation of Racing Horses;
\$963 Million in Direct Expenditure;
\$1,421 Million in value added expenditure

In addition to this the study found that there are over 13,000 full time equivalent employees in the Harness Industry.

ASIC Proposal:

Harness Racing Australia support the ASIC sunset clauses and the remaking of the legislative instruments as it allows for freshening up of processes and ensures that they remain effective in achieving the stated objectives. We support the continuation of the relief as set out in CO 02/319 and the changes outlined in the consultation paper.

In the Consultation Paper there is reference at paragraph 21 that "Racing Australia, as a representative of all the lead regulators". Harness Racing Australia would like to comment that Racing Australia is the representative of the Thoroughbred Industry. Harness Racing Australia is the representative of the Harness Racing Industry to this end.

Harness Racing Australia enjoy a healthy relationship with Racing Australia but on industry matters Harness Racing Australia are best placed to comment on these.

We further support the rewrite of Regulatory Guide 91 as a result of this review and would welcome being included in that document as a lead regulator.

Lead Regulator:

Harness Racing Australia has discussed this with the members and agree that for cost benefit reasons, as well as consistency, compliance and registration is well placed to assume this role given the expertise in harness racing matters that exist within the current structure.

The role of lead regulator is key to the success of syndication. Harness Racing Australia would welcome the formalisation of co-regulatory arrangements with ASIC and the entering into a memorandum of understanding and also to ensure that content for any PDS is consistent in all racing jurisdictions.

Harness Racing Australia agrees that relief should continue for horse racing syndicates that are small scale in commercial terms which are mainly operated for the enjoyment of the members and give a taste of horse ownership. We further agree that costs need to be kept to a minimum and barriers to entry need to be reduced where possible.

Harness Racing Australia would work with the respective State Controlling bodies in the promotion, compliance and registration, whilst also working with ASIC to ensure that all regulatory requirements are met.

This would not preclude the State Controlling bodies also being recognised as lead regulators as a number of these are tri-code in structure.

Harness Racing Syndicates.

Harness Racing Australia has discussed syndication with its members as being a real way to increase ownership within the industry. Syndicates allow for people to enter ownership in a way that reduces cost but still allows for the thrill of ownership. The current level of 20 owners can have some level of limiting ownership so the proposed increase to 50 members is certainly supported and even further expansion into the future would be welcomed. The only inhibition on numbers is the use of syndicates for larger promotions where all members of a racing club are invited to have ownership of a horse. These are generally more promotional ownership initiatives as distinct from a true syndication but do give exposure to the thrill of racing which is important.

The cost increase from \$250,000 to \$500,000 has minimal effect for Harness Racing Syndications unless there are multiple horses within the one syndicate but is still welcomed nevertheless.

The increase is however supported as it does have effect on others operating within the Racing industry and given the life of the Regulatory guides it is important that a figure is provided that allows for future growth and expansion.

The 2015 Australian Pacing Gold Sales, which is one of the premium auction sales for the harness industry the following figures were achieved:

Melbourne 2015:

Average Price:	Colts	\$29,138
	Fillies	\$20,258
Highest Price:	Colts	\$130,000
	Fillies	\$51,000

Brisbane 2015:

Average Price: Colts \$19,833
 Fillies \$16,917

Highest Price: Colts \$45,000
 Fillies \$48,000

Sydney 2015:

Average Price: Colts \$32,942
 Fillies \$22,197

Highest Price: Colts \$130,000
 Fillies \$130,000

It would take a number of horses to be purchased before the \$500,000 threshold is reached so Harness Racing Australia is comfortable with this limit. At the absolute it is a \$10,000 commitment from each one of 50 participants in a fully subscribed syndicate.

Benefits that arise will allow for greater participation in Harness Racing at affordable costs, lower levels of costs for the industry, and the chance to promote ownership, which therefore has a direct benefit to breeding, and other ancillary industries that contribute significantly to the Australian Economy.

Practical Problems:

Harness Racing Australia do not see any significant issues or problems with these proposals.

Benefits:

We see that the promotion of ownership is a key plank in growing the industry. Well-regulated and supported syndicates are a way to help with growth. In addition with Harness Racing Australia being a lead regulator we can envisage significant savings to the industry in terms of compliance, registration and administration.

Additional Costs:

Any additional costs to operate as a lead regulator and to introduce the changes as outlined in this consultation paper would be minimal and clearly outweighed by the advantages gained. The increase in requirements of PDS will actually offset some of the costs that presently exist.

Other situations:

We do not foresee any other issues that arise out of these proposed changes.

Transition period:

We do not see any need for a transition period. Given that the sunset clauses expire on 1 October 2016 we would envisage that any memorandum of understanding or agency agreements required would be in place by that date.

Formalising arrangements between ASIC and lead regulators:

Harness Racing Australia is in full support of entering into an agreement with ASIC to achieve the registration and compliance goals of the Consultation paper. We are also able to enter into Deeds of Agency with any State Controlling body, where applicable if we are to act on their behalf.

Disclosure, compliance, expertise and integrity are paramount to any undertaking of the lead regulator. It is important that members of syndicates are protected and that syndicates operate in a consistent manner regardless of the jurisdiction in which they operate.

Harness Racing Australia are comfortable with the minimum regulatory requirements as set out in paragraph 36 of the consultation paper and would be able to comply with these.

Harness Racing Australia have agreement with all members to act in their best interest in this area of ownership.

Standard PDS requirements:

Harness Racing Australia fully support the increase disclosure requirements of the PDS. The more information contained therein allows for a much better and informed decision, notwithstanding that many of the members of syndicates are doing it for the enjoyment of racing rather than the disclosures in the PDS.

The proposals as set out in paragraph 44 of the Consultation paper are fully supported and we do not see that they will add any significant cost to the preparation or promotion of a syndicate or PDS.

The racing industry is built on integrity measures and this increased disclosure is a step in having full and transparent measures in place.

There is full support for the PDS to include all fees paid to the trainer and syndicator as well as a listing of any potential conflict of interest.

Consolidation of private broodmare and stallion schemes:

Harness Racing Australia do not have any objection to the relief being extended to a period beyond 1 October 2017 in relation to CO 02/172 and CO / 178. The consolidation of the two schemes appears to be a reasonable objective.

Summary:

Harness Racing Australia, as the peak organisation for Harness Racing in Australia are pleased to be able to supply comments to this consultation paper as the representative body for Harness Racing within Australia.

Harness Racing Australia is supportive of the proposed amendments as outlined in Consultation Paper 242. We are of the opinion that any additional costs of compliance (if any) are offset by better levels of disclosure and integrity. The expanded numbers allowed for in the changes in each syndicate mean permit more people to participate in ownership in an industry that is a large contributor to the economy.

The changes as outlined bring benefits through more integrity measures, consistency in disclosure in the PDS, increased participants, higher racing and breeding stock and maintenance of employment levels that currently exist.

There may also be increased competition between syndicators which may also drive down the costs of syndicate management, however these costs may also be driven lower through more detail being required in the PDS. The additional disclosure is a key outcome from this review in an industry where cost management is vital to the ongoing growth and success of the industry. It will also ensure that any potential syndicator act in a way that is of benefit to the industry.

We also believe that a central lead regulator will further assist in this as well.

Harness Racing Australia are willing to contribute further to this discussion if required and welcome any further correspondence on this matter.

Gary Kairn
Operations Manager
Harness Racing Australia
Melbourne Jan 2016