

GOVERNMENTS CAN LEARN FROM HISTORY

The Good Oil

With **BRUCE
TEAGUE**



TWO things emerged during the last frenzy of the TAB takeover deals.

First, it's been throwing up stuff that's long been simmering in the background. Second, a TAB monolith points to future risks for raceclub income, trainers' pay packets and returns to owners.

Maybe for the Treasury, too, as Governments would quickly discover if they studied Australian corporate history.

TABs, remember, were set up to provide services to the racing industry, just like the local meat pie kiosk, and also to rid Governments of the embarrassing presence of illegal SP bookies in the corner pub. Yet now those TABs have become monsters in their own right and are barely manageable.

Here's some recent evidence of that from TAB Ltd in NSW, admittedly when in its death throes.

First, in late March gung-ho CEO Warren Wilson publicly derided the efforts of two of the biggest raceclubs in the country (Sydney's STC and AJC) and ordered SKY to switch off its cameras until they toed the TAB line on contracts.

Then, on Saturday May 8, he cut off the sound as well. Out-of-staters might not have noticed but that left NSW punters with nothing for the Rosehill meeting that day. Bet blind!

Second, just the day before that, TAB Ltd's wagering boss, Peter Kadar, committed a basic marketing sin - knocking a competitor - when he told the local paper that UK betting exchange company Betfair was "leeching" on the industry. He forgot to mention that Betfair provides a new and different service and also has offered to pay fees to raceclubs. It's been rebuffed on all counts.

Third, Kadar claimed Betfair would "destroy the funding base" and "tarnish the integrity and reputation" of racing. Ads on SKY trumpet the same thing.

But the evidence suggests the opposite.

In practice, a \$1000 cash bet (say) with Betfair is fully attributable and easily audited while the same bet with the TAB or a bookmaker would disappear without a trace.

Importantly, money now flowing through Betfair's system is earning the industry nothing.

Were Betfair's fee-paying offer accepted, the industry's funding base would almost certainly grow.

As a further example, on one memorable occasion TAB Ltd leant on the Cessnock greyhound club after it sold advertising space on the catching pen gate to a bookmaker.

TAB Ltd wrote to complain although both the ad and the bookie were quite proper and legal.

The ad was eventually removed - a change which happened to coincide with the addition of TAB logos to racing rugs.

Regardless of the background to these arguments, TAB Ltds attitude has been typical of a monopolist. It's being aided by a State Government which shows an astonishing commitment to wiping out potential competition.

Off - course bookmaking is banned.

Phone betting with bookmakers is severely restricted. Radio broadcasting of bookmakers' prices is illegal.

Betting with interstate or overseas bookmakers is banned. Advertising by interstate bookmakers is banned.

And they all want to ban Internet betting, although they don't know how to do it.

THE GOOD OLD DAYS?

Of course, history tells us what happens when companies rely on monopoly powers and market domination.

Go back to Sir Robert Menzies' time.

Up to the 1970s, banks were tightly licensed and new entrants banned; only two trunk airlines were allowed; you had a choice of one phone only; and foreign exchange controls and import tariffs kept out overseas suppliers and so raised local prices.

Following policy changes during the 1980s, mostly by Federal Labor Governments, new banks sprung up and you no longer had to get down on your knees to beg the manager for a housing loan.

Air fares halved and flights became more frequent and more varied. (Ansett disappeared, not because of deregulation, but bad management).

You no longer had to wait three months to get a phone on, you could choose other colours than black

and it was much cheaper to use. And so on. Knock down the fences and activity suddenly increases, prices drop and consumer choices improve. And the new banks, airlines and telcos are very profitable (if they are any good).

So what does this mean for greyhound racing?

It's a battle.

Queensland is getting by for the moment, thanks to a recent surge in turnover and some track rationalisation.

But be careful - UNiTAB is now the bit player on the scene and will still be a takeover target. Its betting pools will pale beside the monster down south. Only a shared national betting pool would overcome that threat.

The two biggest greyhound states are already in strife.

According to recent statements from their authorities, NSW is "in crisis" and is worried about "the dilapidated state of our industry's assets", while Victoria can't see how it will be able to put aside enough to cater for all the major jobs on its list. Victorian racing is also facing a probable decline in its lucrative poker machine bonuses as state gaming policies are updated.

Can traditional TAB turnover grow sufficiently to cover these needs? Above CPI levels, that is.

It's doubtful, given that wagering's share of the Australian gambling market has already dropped below 17% from a high of over 30%.

Yes, the TABs did a good job of improving service quality and quantity up to the early 1990s but the calendar is now full and they have run out of gas. Racing must therefore find some way of achieving long-term growth in its customer base - the everyday punters.

Since they don't have the pressure of real competition, TAB corporate cultures will revolve

around building a nice house to live in and making sure their fences are high enough to keep out the intruders.

They won't admit to that but it's inevitable. Every monopolist suffers from the same disease.

In the end, two elements will dominate racing's future: the potential for more betting competition and the way the greyhound code organises itself (more at another time).

WHERE THE BUCK STOPS

State Governments have created the TAB monster. They wrote the rules and they alone can change them.

A few of the destructive barriers will remain so long as existing contracts are in force. But others are easily capable of change - for example, phone betting with bookmakers or approval of certain Internet betting. Even off-course bookmaking. It's time for governments to sit back and think through this question because their future income depends on it.

For over 70 years (since the Royal Commission on proprietary greyhound racing in NSW - then run by "Judge" Swindell at Harold Park), the states have piled regulation on top of regulation with the admirable intention of stamping out any possible underworld influence on racing and betting. That may have been necessary in the 1930s. It's not now.

It's time for Governments to break out of this mindset and let the industry loose.

Racing is no longer a boisterous kid who needs nurturing but a mature adult who is being strangled for no good reason.

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