

Size and Scope of the
VICTORIAN
RACING
INDUSTRY

PREPARED BY IER | APRIL 2022



**Racing
Victoria**



GRV
GREYHOUND RACING VICTORIA







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KEY FINDINGS

Value Added Contribution	Total FTE Employment Sustained
Direct \$1.6 billion Indirect & Induced \$3.1 billion Total \$4.7 billion	Direct 15,693 Indirect & Induced 19,207 Total 34,900
Taxes Generated by the Victorian Racing Industry	Total Household Income Generated
Total \$501.5 million in taxes generated for the Victorian Government	Direct \$1.0 billion Indirect & Induced \$1.6 billion Total \$2.6 billion

DIRECT SPENDING IMPACTS

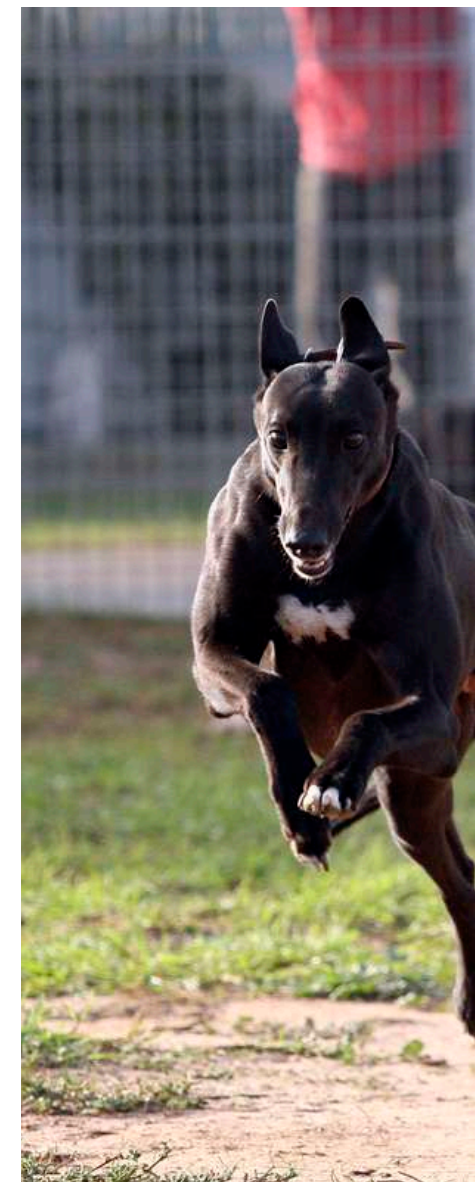
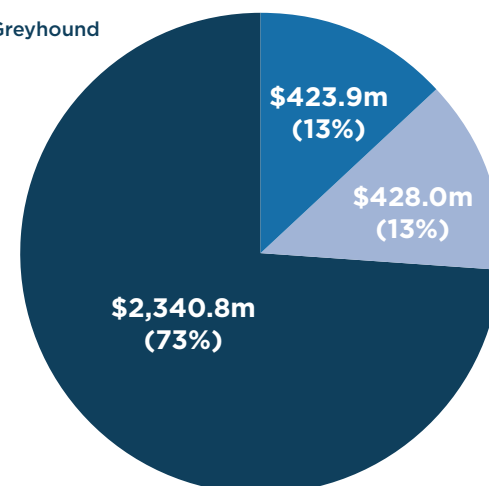
	2004-05	2011-12	2016-17	2018-19
Total Direct Spending	\$1.8 bil	\$2.2 bil	\$2.8 bil	\$3.2 bil

DIRECT SPENDING BY CODE

	Thoroughbred	Harness	Greyhound	Total
Production of racing horses and greyhounds (Breeding)	\$197.5 mil	\$68.9 mil	\$24.4 mil	\$290.9 mil
Production of racing horses and greyhounds (Training)	\$365.0 mil	\$154.5 mil	\$48.9 mil	\$568.4 mil
Racing & wagering activities	\$1,628.8 mil	\$172.3 mil	\$343.6 mil	\$2,144.7 mil
Non-raceday activities	\$149.5 mil	\$28.2 mil	\$11.0 mil	\$188.7 mil
Total	\$2,340.8 mil	\$423.9 mil	\$428.0 mil	\$3,192.7 mil

DIRECT SPENDING BY CODE (\$MIL)

- Thoroughbred
- Harness
- Greyhound





The VRI contributes **nearly \$4.7 billion** in real gross value added to the **Victorian economy**

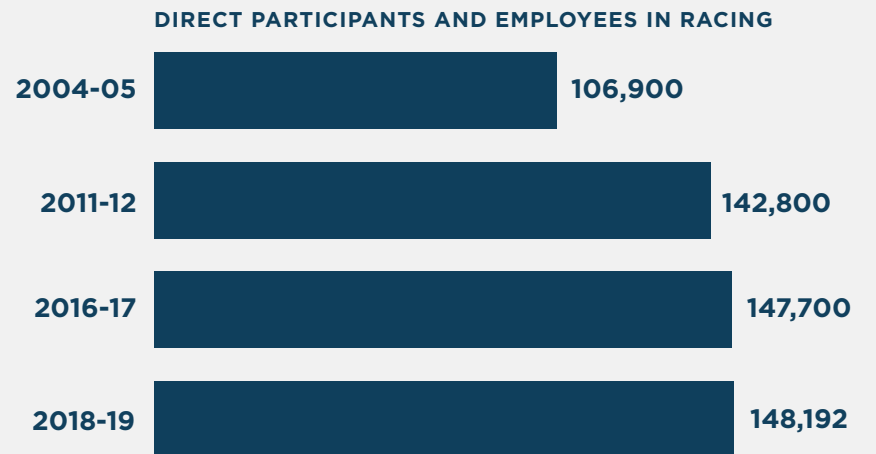
ECONOMIC IMPACTS

	2004-05	2011-12	2016-17	2018-19
Real Gross Value Added	\$2.1 bil	\$2.8 bil	\$4.3 bil	\$4.7 bil
Total Full Time Equivalent (FTE) Employment	18,700	26,900	33,826	34,900
Household Income	\$1.1 bil	\$1.6 bil	\$2.3 bil	\$2.6 bil

ECONOMIC IMPACTS BY CODE

	Thoroughbred	Harness	Greyhound
Real Gross Value Added	\$3,434.5 mil	\$613.5 mil	\$643.2 mil
Total FTE Employment	25,705	4,469	4,726
Household Income	\$1,878.4 mil	\$326.5 mil	\$357.1 mil

1. Value-added is defined as the value of sales less the value of inputs used in production, ie it is equal to the income (wages, salaries and profits) generated in production. 2. Household Income is defined as being wages and salaries (before tax) earned from employment generated by the racing industry. 3. Full Time Equivalent Employment is defined as being the jobs that are created (both within and outside the racing industry) to meet the demand created by racing industry activity



JOBS AND PARTICIPANTS SUPPORTED BY RACING

	Thoroughbred	Harness	Greyhound	Total
Participants in Racing				
Breeders	1,458	2,026	451	3,935
Trainers	956	958	1,455	3,369
Owners	71,388	4,784	7,232	83,404
Volunteers	4,741	2,394	1,459	8,594
Total Participants in Racing	78,544	10,162	10,597	99,302
Employed Directly in Racing				
Employed by Racing Clubs & Principal Racing Authorities	6,660	1,753	1,591	10,004
Employed in Wagering Jobs	2,746	298	553	3,597
Employed by Participants	5,275	2,197	910	8,383
Total Directly Employed in Racing	14,682	4,248	3,055	21,984
Total Directly Participants and Employees in Racing	93,225	14,410	13,651	121,286
Total Employed in Support Industries	17,969	5,199	3,739	26,906
Total Jobs & Participants Supported by Racing	111,194	19,608	17,390	148,192

^ There is some level of duplication in some of the participation categories resulting from an inability to de-duplicate individual databases.



THE PEOPLE

3,935 Breeders

THOROUGHBRED	1,458
HARNESS	2,026
GREYHOUND	451

3,369 Trainers

THOROUGHBRED	956
HARNESS	958
GREYHOUND	1,455

83,404 Owners & Syndicate members

THOROUGHBRED	71,388
HARNESS	4,784
GREYHOUND	7,232

898 Jockeys, Drivers & Apprentices

THOROUGHBRED	318
HARNESS	580

More than 121,000 people are **directly employed, volunteer or participate in racing industry**

activities (including non- raceday business entities)

5,399 Stablehands/ Kennel Employees

THOROUGHBRED	3,730
HARNESS	1,002
GREYHOUND	667

7,489 Racing Club Staff

THOROUGHBRED	5,493
HARNESS	851
GREYHOUND	1,145

8,525 Volunteers

THOROUGHBRED	4,741
HARNESS	2,394
GREYHOUND	1,390

THE ANIMALS

20,957 Horses/ Greyhounds in Training

THOROUGHBRED	8,948
HARNESS	5,746
GREYHOUND	6,264

9,121 Broodmares/ Females Covered

THOROUGHBRED	4,873
HARNESS	3,568
GREYHOUND	680

10,188 Foals/Pups

THOROUGHBRED	3,128
HARNESS	2,527
GREYHOUND	4,533

The economic activity **generated by the Victorian Racing Industry** is directly responsible for **sustaining 34,900 full time equivalent (FTE)** jobs in Victoria

RACING ACTIVITY

128 Racing Clubs

THOROUGHBRED	70
HARNESS	45
GREYHOUND	13

108 Race Tracks

THOROUGHBRED	67
HARNESS	28
GREYHOUND	13

2,164 Race Meetings

THOROUGHBRED	548
HARNESS	440
GREYHOUND	1,176

22,054 Races

THOROUGHBRED	4,420
HARNESS	3,857
GREYHOUND	13,777

86,627 Racing Club Members

THOROUGHBRED	72,611
HARNESS	12,685
GREYHOUND	1,331

1,897,389 Attendances

THOROUGHBRED	1,386,112
HARNESS	243,876
GREYHOUND	267,401

INTRODUCTION

The Victorian Racing Industry (VRI) commissioned IER to undertake a study into the size and scope of the three codes of racing in Victoria. This study represents an update to the previous report completed in 2018 and uses racing industry data from the 2018/19 racing season. The VRI encompasses the thoroughbred, harness and greyhound racing industries in Victoria.

PURPOSE OF THE STUDY

This study aims to quantify the economic, employment and social contribution that the VRI generates in Victoria. The report focuses on State impacts as well as looking at specific outcomes for regional areas. The key focus of the study is to investigate the following outcomes attributable to the racing industry:

- ✦ The total direct expenditure contribution that the industry makes, in its current form, to the Victorian economy
- ✦ The full-time equivalent employment generated by racing industry activities in Victoria
- ✦ A headcount of the total number of participants (i.e. trainers, breeders, employees etc.) in the industry
- ✦ The value added contribution that the industry makes to the Victorian economy
- ✦ The social and community importance of thoroughbred, harness and greyhound racing - particularly in regional parts of the country
- ✦ The taxation revenues generated as a result of racing industry activity in Victoria

This study has been undertaken with a consistent approach to the previous study (2016-17). Both of these studies included impacts associated with corporate bookmaker business activity (in Victoria) as well as the impact of non-racing businesses owned by the racing industry. In this way, the last two studies are broader in scope and a more comprehensive measure of the industry impact than any undertaken prior. It should be noted though that the racing industry's activities as they pertain to non-core business and corporate bookmakers have also grown by magnitudes compared to when the previous study (2011-12) was undertaken.

STUDY METHODOLOGY

In assessing the size and scope of the racing industry, the study will report on a number of the traditional measures adopted by the racing industry (such as breeding and training activities, attendance and wagering) as well as calculating a number of economic measures. For the purpose of this study, the racing industry is defined as covering all racing and non-racing activities undertaken by racing clubs and peak racing bodies, as well as the customers, owners, breeders, trainers & wagering service providers in the industry.

From an economic impact perspective, the aim is to measure the expenditure that is generated as a result of racing industry activity and the way that it impacts on the State economy. The data that underpins this study has been gathered from a number of sources. These are outlined below:

- ✦ The three codes of racing provided data related to financials, racing activities and participant registrations
- ✦ Racing clubs provided financial data as well as data relating to their club and raceday operations. They also provided data on the social and community impacts that they have as well as the extent of their diversification of business interests and activities (to the extent that they add to the measured economic or social impact)
- ✦ IER also interviewed a number of breeders, trainers and owners in order to build a profile of the cost of production and preparation of racing horses and greyhounds.
- ✦ Racing clubs were asked to complete a survey aimed at gathering more information relating to their community and social involvement as well as any other business entities that they have an involvement in
- ✦ A number of the large wagering service providers detailed financial activity (both in Victoria and in other States). IER has included data related to activity in Victoria funded by Victorian racing industry activity
- ✦ Various bodies provided data on racehorse and greyhound registrations and activity

This study also provides an estimate of the number of people involved in racing as a licensed participant, volunteer or employee. There is some level of duplication in some of the participation categories resulting from an inability to de-duplicate individual databases. Conversely, it is widely acknowledged that there is a significant cohort of individuals, are involved in racing, who

are not accounted for in any official database (i.e. members of micro syndicates, members of companies or trusts which have ownership in racing animals). As such, when the report presents a sub-total of the participants in racing, these factors above should be considered.

Throughout the report, data has been presented at a State and regional level. The regional level analysis is based on nine key regional areas taken from the Australian Statistic Geographic Standard (ASGS) SA4 framework. The SA4 framework contains the largest sub-State regions in the Main Structure of the ASGS, and has been designed for the output of a variety of regional data, including data from the 2016 Census of Population and Housing.

They are specifically designed for the output of ABS Labour Force Survey data and therefore have population limits imposed by the Labour Force Survey sample. These areas represent labour markets or groups of labour markets within Victoria.

ECONOMIC METHODOLOGY

The development of an economic model of the Victorian racing industry requires a strong understanding of the internal and external flows of money. Through the model, duplicate expenditures have been identified within this monetary framework and excluded from the total expenditure calculations. In this regard, the key is to identify the final expenditures - ensuring not to count the same expenditures as they flow between internal racing industry transactions.

An example of this relates to the training of racehorses. Owners pay a training fee to trainers to prepare their racehorses (owners also incur expenses outside the training fees of their own). Trainers, in turn spend money into the economy on goods and services related to their training activity. If both of these expenditures were counted within the model, this would constitute an overstating of impacts due to the fact that same money has been counted twice.

This study measures the economic contribution made by the racing industry in Victoria. The final expenditure profile of the racing industry is based on the following key inputs:

- + Breeding activity- the expenditure made by breeders in the process of producing foals and pups and caring for broodmares and stallions, sires and dams
- + Training activity - the expenditure made by owners in the preparation of their racehorses and greyhounds for racing. This includes spending on training services as

well as other non-training related expenses such as major veterinary, transport etc.

- + Racing & wagering activity – the expenditure made by racing’s customers in the following areas:
 - + Purchases of raceday products and services
 - + Non-raceday functions
 - + Revenues from other racing club operated activities (i.e. gaming)
 - + Off-track spending related to attendance at the races (i.e. fashion)
 - + Sponsorship and membership products
 - + Broadcast fees

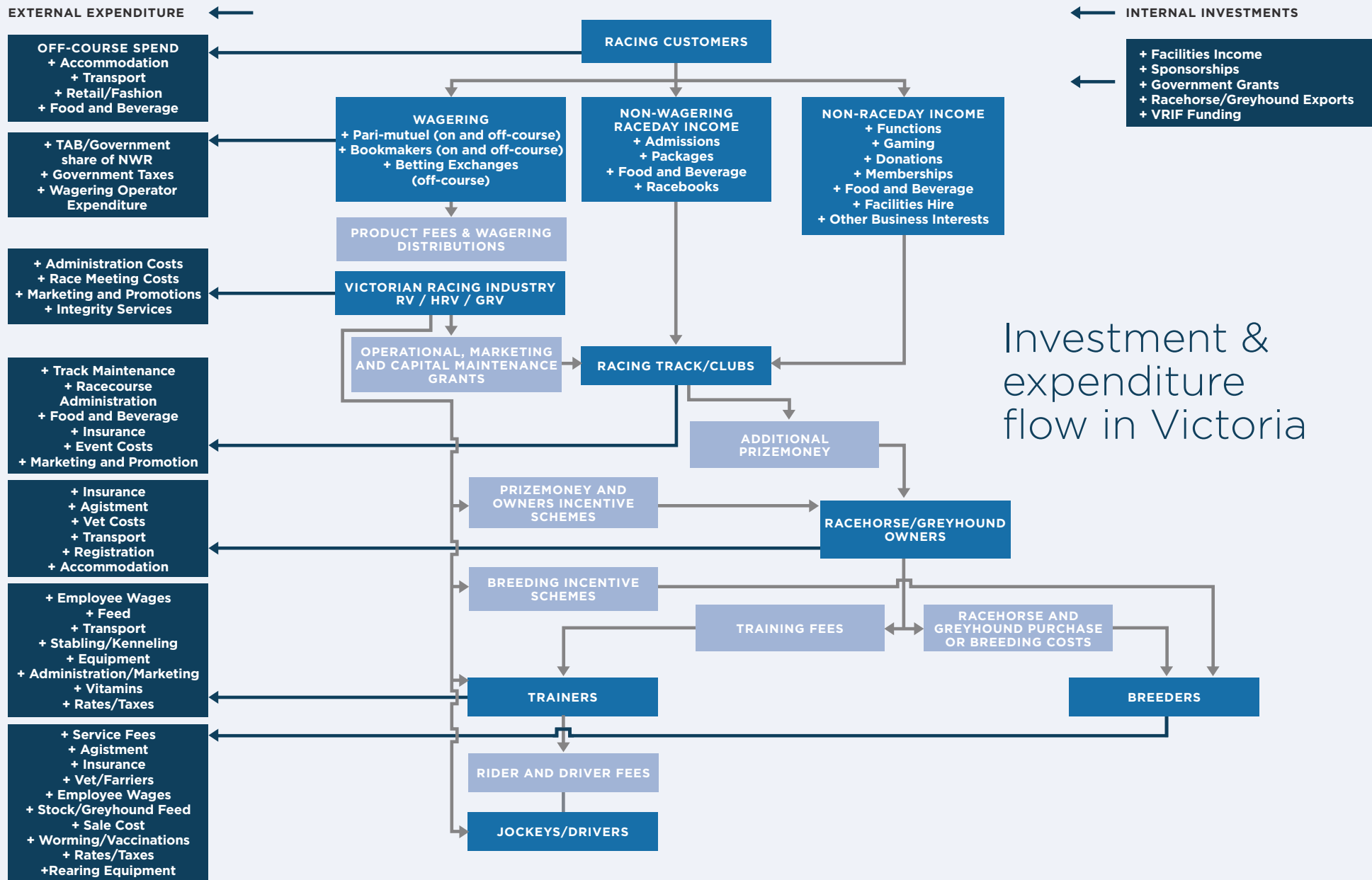
Whilst racing and wagering are separate components of the industry, they are inextricably linked within the industry financial model and are therefore assessed together (ensuring that monies are not counted more than once within the inter-industry transactions).

The economic model used within this study follows three key steps:

1. Gathering Industry Expenditure - This has been explained in more detail previously; however, this is the most important step as a failure to accurately generate the expenditure profile of the industry only leads to a multiplication of this error throughout the latter parts of the economic methodology.

2. Categorisation of industry expenditures into sectors - the racing industry (as a whole sector) does not exist within standard industry classifications. A 26 sector industry table was used to allocate Victorian racing industry expenditures. This allows for a detailed analysis of the impact of certain expenditures as they flow through the economy.

3. Economic modelling - IER has utilised an input/output methodology for the calculation of economic impacts associated with the racing industry in Victoria. The input-output model provides direct and indirect impacts in relation to value added, income and employment. Specifically, the input-output model is a derivation of the publicly available input-output table that is produced by the ABS. Manipulation by IER’s economist ensures that the input-output table is useful for the purposes of this study.





Community & Social Impacts

The three codes of racing in Victoria play an important role in the development and preservation of social capital within regional and metropolitan communities. These social and community impacts are initiated through the racing industry's activities on both raceday and non-racedays. This contribution to community social benefit enhances both individual and community well-being throughout regional and metropolitan Victoria.

The development of social and environmental initiatives has had a positive impact within the communities where racing exists in terms of family socialisation, and with regard to supporting health, education, employment and environmental practices. However, maintaining and building the trust and respect of the communities in which racing clubs operate is also extremely valuable.

Racing clubs contribute to their communities through the following areas:

- + **Capacity building** – Sharing and hiring out facilities to other organisations requiring function or meeting space that may otherwise be in short supply, particularly in regional Victoria
- + **Charitable support** – Provide direct, financial and in-kind fundraising support for more than 1,200 charities across the State
- + **Education** – partnering with education institutions to provide placement, work experience, internship and excursion opportunities
- + **Volunteerism** – The racing industry is supported by a strong volunteer base in a mutually beneficial way. Many volunteers provide their support because of their love of the sport and, in turn, build capacity and skills that translate into aspects of a career or life in general





CAPACITY BUILDING

80% of racing clubs hire out on-course facilities for private or corporate use.

CHARITABLE SUPPORT

More than 1,200 charitable organisations supported by the racing industry. The charities received more than \$3.4 million in funds, in addition to the in-kind support provided



EDUCATION

Nearly one third of Victorian racing clubs have partnerships in place with education institutions



VOLUNTEERISM

More than 8,500 individuals provide their skills, time and support to the racing industry as a volunteer



FACILITY SHARING

More than 650 community and not-for-profit organisations share racing club facilities in Victoria



COMMUNITY

Racing clubs provide an important community for more than 86,000 members who are actively engaged in their club. More than 1.8 million attendances are recorded at Victorian race meetings. Clubs located in more densely populated areas of the state add valuable green space to communities



The three codes of racing in Victoria have each adopted practices that engage with individuals and build strong partnerships with organisations within their communities. This is particularly visible in terms of supporting charitable organisations, engaging volunteers and building community partnerships.

The survey results highlighted the following positive outcomes demonstrated by clubs:

- + Around 650 not-for-profit organisations who benefit by being able to share in the use of racing club facilities
- + More than 1,200 organisations who benefit from charitable partnerships with racing clubs
- + Racing clubs currently engage more than 2,500 volunteers who assist in various raceday and non-raceday roles
- + More than 86,000 people who are members of their racing club - a community of like-minded people who are connected through their racing club

Racing plays an important role in fostering a sense of worth and belonging to the more than 8,500 people who provide volunteer time and services to racing clubs and participants. Socially, volunteering is recognised as a means of enhancing the quality of life, particularly among the aged, whilst making an important contribution to the community.

Volunteers in racing assume roles in areas such as:

- + Promotions and fundraising (e.g. selling raffle tickets)
- + Timekeepers, judges and barrier attendants
- + Preparing and maintaining the track and grounds
- + Administration (e.g. raceday secretary)
- + Plumbing and electrical work
- + Hospitality for attendees and officials (food and beverages)

- + Racing operations (parking, gate attendants, selling racebooks etc.)
- + Cleaning and gardening duties
- + Supporting trainers, breeders and other industry participants
- + Conducting horse and greyhound trials
- + Medical services

IER found that racing clubs financially assist and support 1,215 organisations and charities. Club-organised functions raise significant funds for community organisations and charities through activities such as raffles and auctions. Furthermore, many clubs engage local community organisations and charities to undertake activities such as supplying food and beverages, operational duties (e.g. gate attendants) and racecourse cleaning - sometimes in exchange for a share of revenues from those activities.

Just some of the charitable organisations supported by racing include:

- + Health-charities (Royal Children’s Hospital, Blue Ribbon Foundation, Breast Cancer Network Australia, Beanies for Brain Cancer)
- + Children’s charities (Ronald McDonald House, Mirabel Foundation, Give Me 5 for Kids)
- + Sporting clubs (Football, Fishing, Netball, Soccer, Karate, Cricket, Sports Associations, Jockey’s Association, Surf Life Saving)
- + Schools, colleges and libraries
- + Rotary, Lions Club, RSL, Probus and Apex
- + Hospitals and health organisations
- + General charities (Salvation Army, Action Groups, Police, SecondBite,)
- + Emergency services, bushfire appeals
- + Regional show societies
- + Riding for the Disabled
- + Rural Fire Services and St. Johns Ambulance
- + Community churches



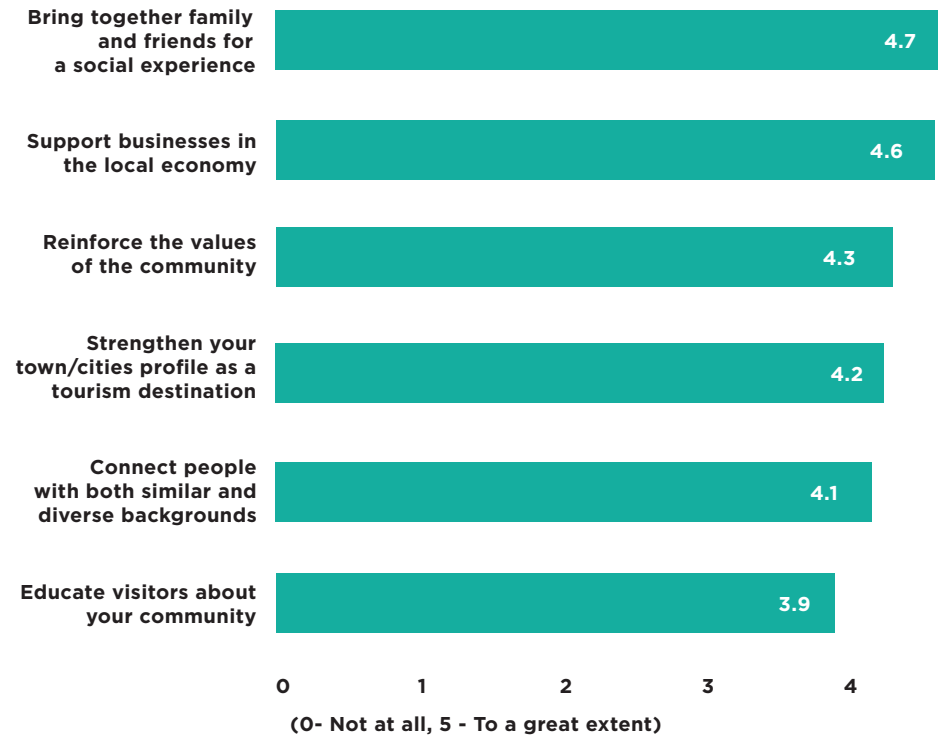
Racing plays an important role in fostering a sense **of worth and belonging** to more than **8,500** volunteers



The economic research in this study clearly demonstrates how racing supports businesses in the local economy, from both the production and preparation of racing horses and greyhounds through to consumer spending. In addition to this, attendee research conducted at many metropolitan and regional racing events supports the concept of the racing industry's ability to bring people together for a social experience. The research demonstrates that a key motivation to attending racing events is the chance to socialise with friends and family.

The social impact survey asked clubs how much they believed racing in their town or city has the ability to engage with the community from a social cohesion, education and business perspective. As the chart illustrates, all indicators were positive. This is particularly significant in the areas of racing's ability to 'bring together family and friends for a social experience' (4.7), to 'support businesses in the local economy' (4.6) and to 'reinforce the values of the community' (4.3). These indicators illustrate the role that racing clubs see themselves as holding within the fabric of the local community.

COMMUNITY ENGAGEMENT WITH THE VICTORIAN RACING INDUSTRY



SUPPORTING CULTURAL & LINGUISTICALLY DIVERSE COMMUNITIES

Victoria is home to one of the most multicultural societies in the world and is among the fastest-growing and most culturally and linguistically diverse states in Australia. Close to half of all Victorians were born overseas or had at least one parent born overseas. About a quarter of Victorians speak a language other than English at home. Despite increasing cultural and linguistic diversity in Victoria and in Australia, it is widely recognised that people of culturally and linguistically diverse (CALD) backgrounds experience barriers such

as limited or lack of English language skills, and institutional barriers that can prevent people of CALD backgrounds participating in the civic and political processes that shape the society we live in.

Growing recognition of this issue over the last decade has seen many racing clubs providing a sharper focus on the role that they play in helping to facilitate opportunities to bridge this gap. A recent survey illustrated that around 35 racing clubs in Victoria now have a defined and specific focus on playing a positive role in improving the connection with those from CALD backgrounds.

Some specific examples of racing clubs focus on this challenge include:

- + Themed race meetings highlighting specific countries and/or cultures
- + Growing acknowledgement of traditional land owners in all communications
- + Providing employment opportunities for local schools with indigenous and CALD students
- + Seeking charity partnerships with minority groups that can often be overlooked for higher profile organisations
- + Recognition of, or involvement in, broader programs (such as NAIDOC week) aimed at supporting indigenous and CALD diverse communities

EDUCATION & LEARNING

Racing Clubs also play an important role in providing opportunities for employment or work experience the youth in their community. Around 25 racing clubs across the state have formal partnerships in place with primary, secondary or tertiary institutions.

In 2018/19, across the three codes of racing, more than 120 young people had the opportunity to gain valuable real-world work experience at their local racing club. Some of the roles that they were able to access included:

- + Food & beverage service
- + Cleaning
- + Marketing
- + Gate staff
- + Hospitality
- + Racebook sales
- + Information booth
- + Office administration





Direct spending generated by the VRI

The direct spending profile of the Victorian Racing Industry relates to the expenditure generated by racing through its customer and business to business transactions. This study, unlike others before it, also takes into consideration expenditures generated in relation to non-racing business interests (owned by the racing industry) and non-TAB wagering service providers in Victoria.

In 2018/19, the Victorian racing industry generated nearly \$3.2 billion in direct expenditure. The calculation of direct expenditure is based on the final expenditures of the racing industry – or put another way – the point at which the expenditure leaves the internal racing industry and hits the broader economy. For instance, a raceday attendee who spends money at the bar is generating expenditure within the racing industry.

However, this expenditure is used by the racing club to fund its operations and it is at this level where final expenditures are captured (i.e. the customer funds the racing club's expenditure on wages, advertising and operations).



The Victorian Racing Industry is responsible for **generating nearly \$3.2 billion** in expenditure in Victoria

The breakdown of final expenditures is outlined below:

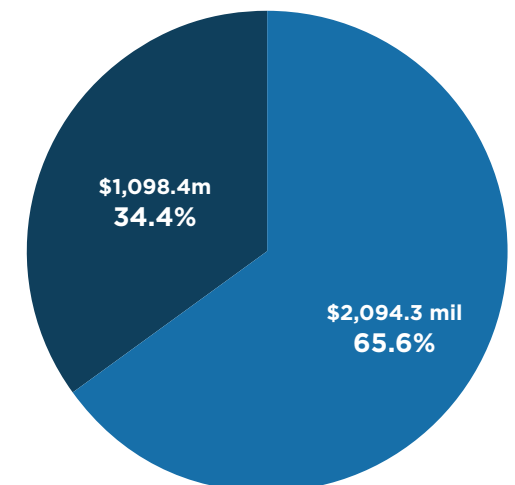
Sources of Final Expenditure	Funded by	Amount	% of Final Expenditure
Production of racing horses and greyhounds (Breeding)	+ Private investment + Service fees revenue + Industry bonuses & incentives	\$290.9 mil	9.1%
Preparation of racing horses and greyhounds (Training)	+ Private investment + Prizemoney + Industry bonuses & incentives	\$568.4 mil	17.8%
Racing & wagering activities	+ Wagering product fees + Raceday revenues + Sponsorship & Membership + Nominations + Racing customers spend + Taxation on wagering revenue + Expenditure by WSP on operations in Victoria	\$2,144.7 mil	67.2%
Non-raceday activities	+ Revenues from other (non-racing) business interests + Non-raceday revenues generated at racing clubs	\$188.7 mil	5.9%
Total		\$3,192.7 mil	

^ Some totals may not add due to rounding

Whilst racing and wagering are separate components of the industry, they are inextricably linked within the industry financial model and are therefore assessed together (ensuring that monies are not counted more than once within the interindustry transactions).

TOTAL DIRECT SPENDING (METRO V REGIONAL)

Metro
 Regional



Thoroughbred racing is responsible for generating more than 73% of the final expenditures. The greater Melbourne region is responsible for generating more than 72% of this amount whilst the Hume region is responsible for 6.8%.

Harness racing is responsible for generating more than 13% of the final expenditures. The outer Melbourne region (37.1%), Shepparton (13.5%) and Ballarat (10.6%) regions make up nearly two-thirds of this expenditure impact.

Greyhound racing is responsible for generating 13% of the final expenditures. Close to 61% of this expenditure impact occurs in greater Melbourne with the Latrobe-Gippsland region (12.9%) contributing the largest regional impact.

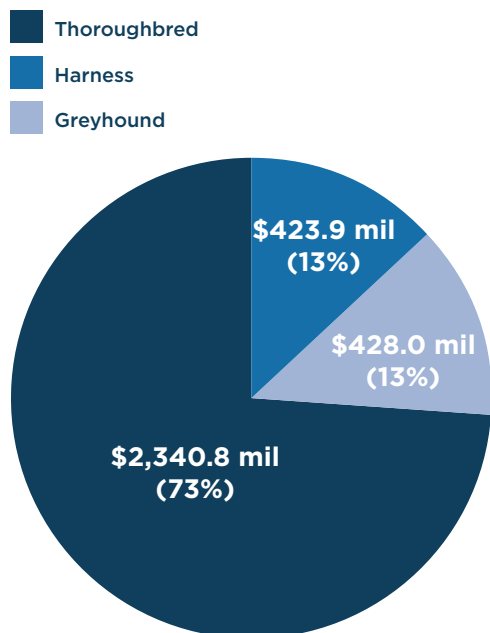
Overall, 67% of the industry's expenditure impact is driven by wagering & racing activities, including:

- + Raceday racing club revenues
- + Racing attendee spending in the community
- + Wagering service provider operational expenditure
- + Other racing business revenues

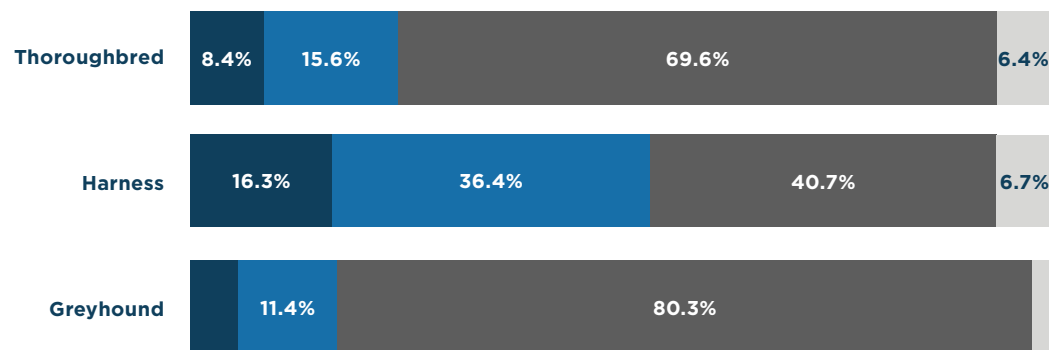
In addition to this, the breeding (9.1%) and training (17.8%) aspects of the industry contribute nearly 27% of the expenditure impact, whilst customer spending on nonraceday activities makes up the remaining 5.9%.

The following chart illustrates the proportional breakdown of direct expenditure generated by the Victorian Racing Industry:

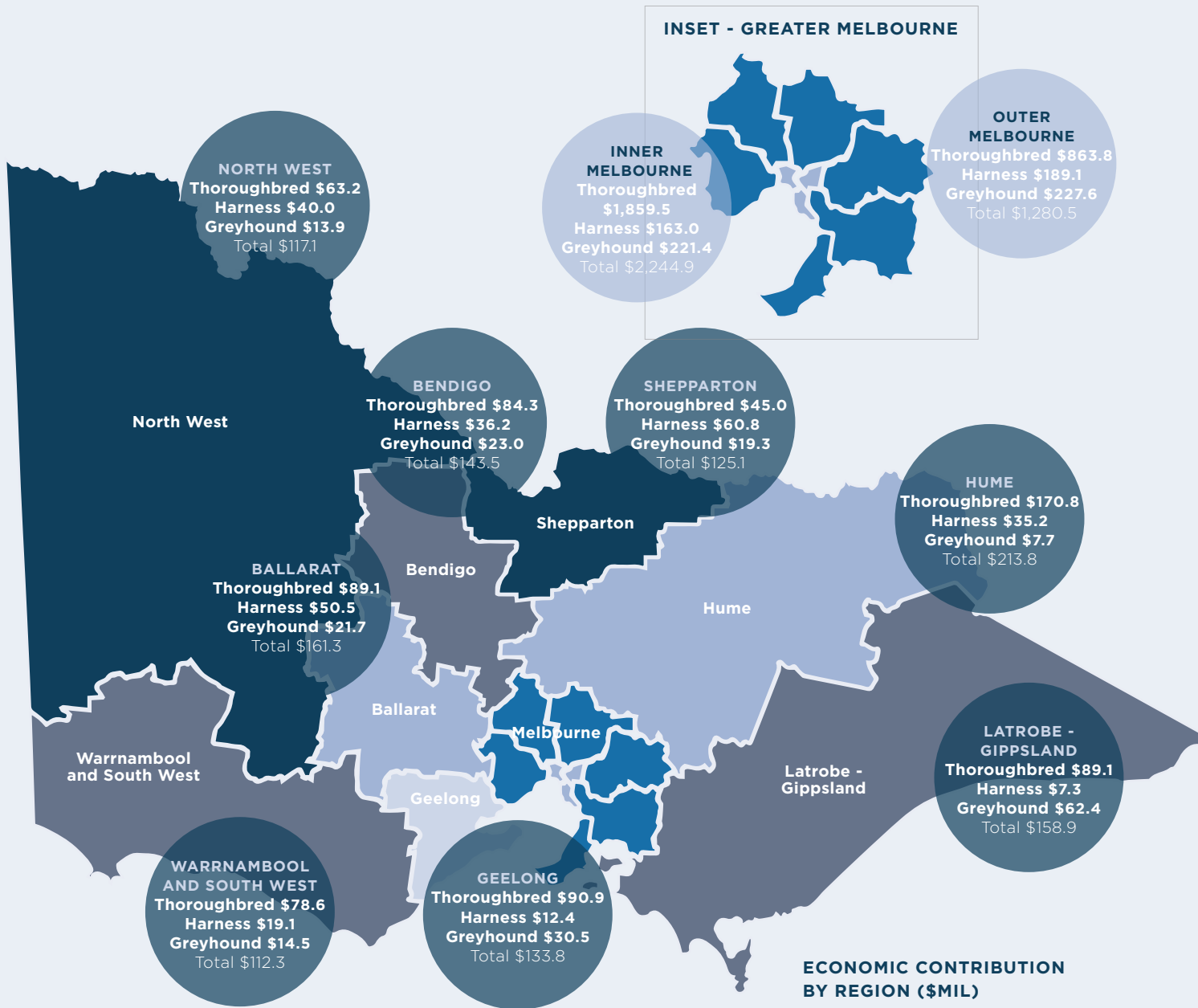
DIRECT SPENDING BY CODE (\$MIL)



PROPORTION OF EXPENDITURE BY CODE







^ Some totals may not add due to rounding

Economic contribution of the VRI

The Victorian racing industry is responsible for generating a real gross value added contribution of \$4,691.2 million for the Victorian economy. Real gross value added is the generally accepted measure of the value of production from economic activity. It is the sum of value added by all industries in a region (in this case, regions of Victoria). In any period of time, the value added contribution in an industry equates to the value of sales less the value of inputs used in production. This means value added is equal to the income (wages, salaries and profits) generated in the course of production.

The real gross value added calculation uses constant prices (prices in a selected year), hence it does not allow for general price level changes (inflation). Also, the calculation makes no allowance for capital used in production (depreciation).

Generally, the level of economic activity will not always proportionally follow the final expenditures, as regional areas generally have higher import penetrations than metropolitan areas - i.e. a lot of the expenditure is on product imported from the metropolitan area. As such, the model takes into consideration these leakages between regions.

When considering the value added contribution of \$4,691.2 million generated by the Victorian racing industry, it is important to note that it is made up of:

- + Direct Value added (\$1,559.2 million) - this represents the amount of income included in the direct in-scope expenditure. It is the amount of gross wages and salaries in the racing industry and the direct provision of services to racing activity, plus the gross operating surplus (profits, interest payment and direct taxes) directly created in supply these services and product. This is also equal to the direct in-scope expenditure less the purchases that the provider of the goods and services makes in providing the goods and services (both supplied from within the region, as well as externally (i.e. imported)

- + Indirect (Induced) Value added (\$3,132.0 million) - represents the value added activity (wages, salaries and gross operating surplus) generated to support the purchases made in providing the inputs to the providers of the direct services, along with the value added impact in providing households with goods and services as they spend their wages, and the trickle on effect of this

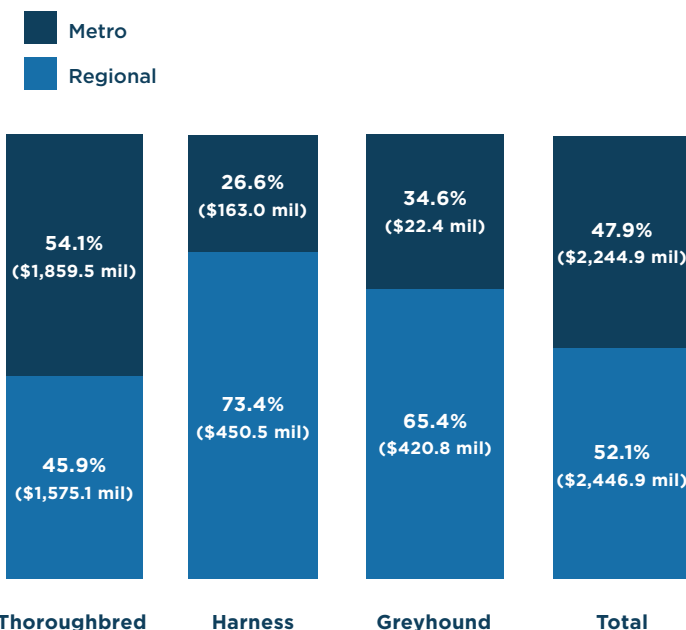
The direct value added impacts are calculated using the ratios within each of the relevant industry sector classification sectors identified within the input-output table. The calculation of the indirect (induced) effects, which are allocated to the industry in which the impact occurs, is undertaken by running an impact assessment, and tracing the whole of economy effect of the expenditure patterns linked to the racing industry

When the direct value added impacts are assessed by industry sector, the Victorian racing industry generates its most significant impacts within the following sectors:

Industry	Direct Value Added Impact (\$mil)	Proportion of industry impact (%)	Sources of Impact
Professional, scientific & technical services	\$353.7	22.7%	+ Veterinary + Breeding Activity + Integrity
Other gambling services	\$153.5	9.8%	+ Online Bookmakers + Totalisators
Retail trade	\$149.3	9.6%	+ Equipment + Personal Shopping + Stock
Sport & Recreation	\$114.8	7.4%	+ Racing administration

Overall, the **Victorian racing industry** contributed just under **\$4.7 billion in value added impacts to the Victorian economy**. More than 52% of this impact occurred in **regional areas of the State**

TOTAL VALUE ADDED BY CODE (METRO V REGIONAL)



Overall, the **Victorian racing industry** generates more than **\$501.5 million in taxation revenue to the Victorian economy.**

Taxation Impact

The activities of the Victorian Racing Industry are responsible for generating more than \$501.5 million in taxation revenue for the State Government.

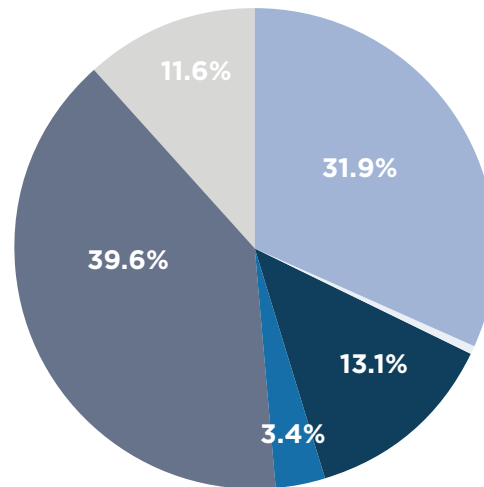
Taxation impacts are generated through the following sources: -

- Gaming activity at venues run by racing clubs
- Direct taxes such as payroll tax, PAYG withholding taxes and GST* levied on Victorian business activity resulting from thoroughbred, harness and greyhound racing

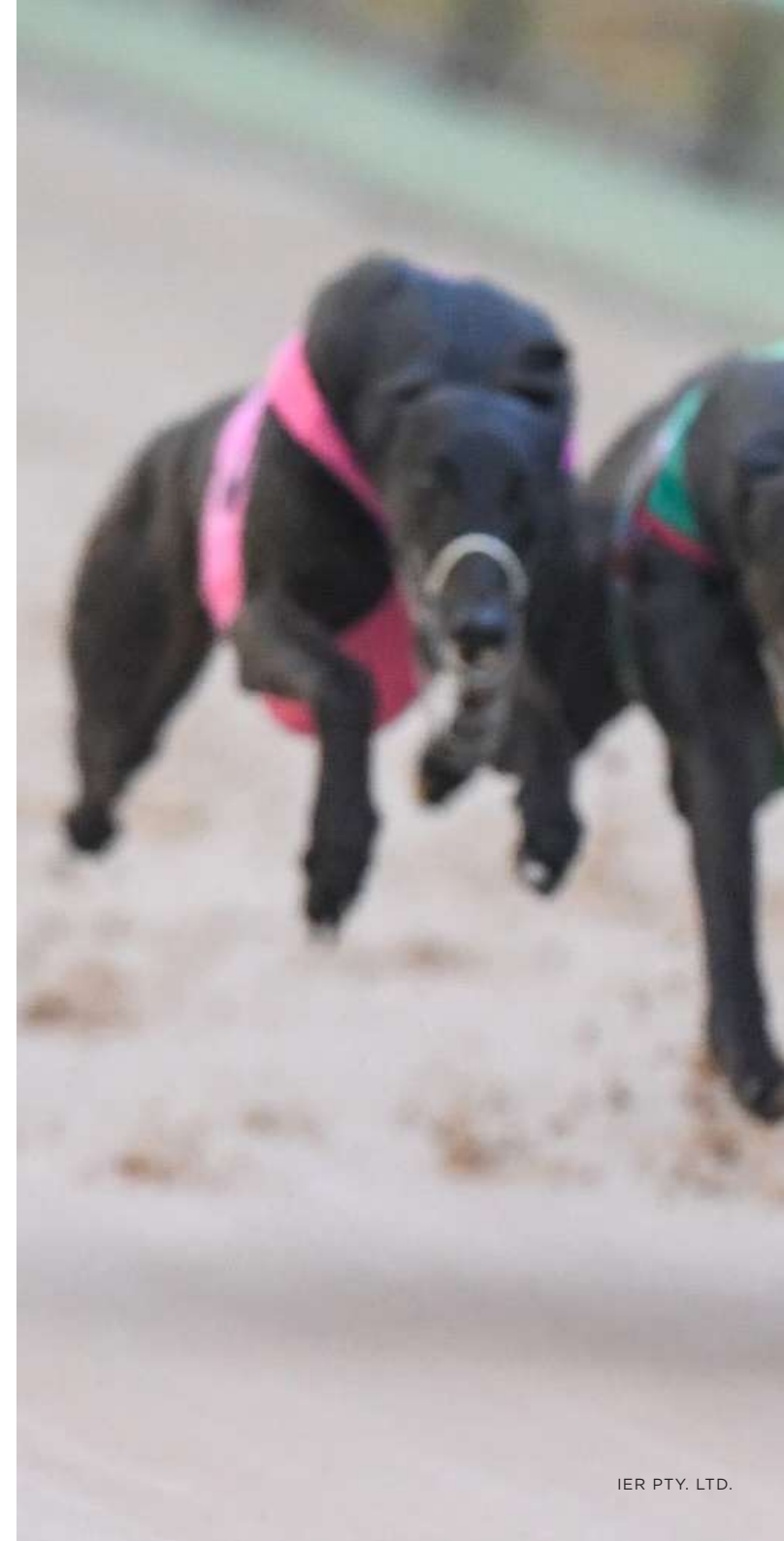
- Wagering taxes levied on Victorian betting activity with both totalisator and sports bookmaking service providers by Victorian residents
- Other indirect taxes paid by racing clubs, peak racing associations and affiliated bodies.

Taxation data was sourced from direct data requests made to betting companies, racing clubs, peak racing associations and was also supported by data provided by Responsible Wagering Australia and from annual reports.

TAXES GENERATED FOR THE STATE GOVERNMENT



* Includes estimated GST receipts returned to Victoria under the horizontal fiscal equalisation policy





Participants in Racing

The concept of 'participation in racing' is broader than simply considering those employed in the industry. Participants include employees, trainers, breeders, contractors and volunteers who are involved in varying levels of engagement from occasional to full-time.

Participants are the lifeblood of the racing industry. A large portion of the industry's participants are involved in racing as a hobby. Their passion for the sport is a major driver to their involvement in racing - particularly amongst owners who provide the capital investment which underpins the production and preparation of racehorses and greyhounds.

The breeding and training sector also relies upon a mix of those motivated by professional and hobby pursuits. Many participants, and their employees, find gainful employment of their specific skillset through the racing industry where they may find it difficult otherwise. This is especially true in relation to the trainers, breeders, stable/kennel staff and particularly for supply businesses for whom the racing industry provides the market for which to sell their goods or services.

More than 90,700 breeders, owners and trainers provide the capital and the skills to produce and prepare racehorses and greyhounds for racing. These participants drive a chain of activity

which leads to the production of a racing product that is consumed by audiences on most days of the year in Victoria.

In addition to these participants, nearly 22,000 individuals are employed directly within the racing industry. These individuals are employed in a variety of full-time, part-time and casual positions. Nearly 8,400 of these people are employed in roles that are hands-on with the animals (i.e. working for trainers and breeders) whilst the remainder are responsible for the administration of the sport, racing clubs and in other non-racing businesses.

Finally, there are nearly 8,600 individuals who volunteer their time and skills in a variety of roles within the industry. A significant portion of these volunteers support breeders and trainers with their activities. Additionally, most racing clubs are supported by volunteer boards and by volunteers in a variety of on-course raceday roles, which increases their skills base as well as providing an important function for the racing industry.

In total, it is estimated that there are up to 121,286 individuals who participate in the Victorian racing industry as a participant, employee or volunteer. More than 78% of these participants are in regional areas of Victoria.

	Thoroughbred	Harness	Greyhound	Total
Breeders	1,458	2,026	451	3,935
Breeders Staff	1,545	1,195	243	2,984
Owners & Syndicate Members*	71,388	4,784	7,232	83,404
Trainers	956	958	1,455	3,369
Stable/Kennel Employees	3,730	1,002	667	5,399
Racing Club Staff	5,493	851	1,145	7,489
Wagering Service Provider Staff**	1,761	245	545	2,551
Bookmakers & Staff	985	53	8	1,046
Volunteers	4,741	2,394	1,459	8,594
Jockeys, Drivers & Apprentices	318	580	0	898
Other Racing Business Staff	401	51	71	523
Peak Racing Body Staff	448	271	375	1,094
Total	93,225	14,410	13,651	121,286

* Some totals may not add due to rounding

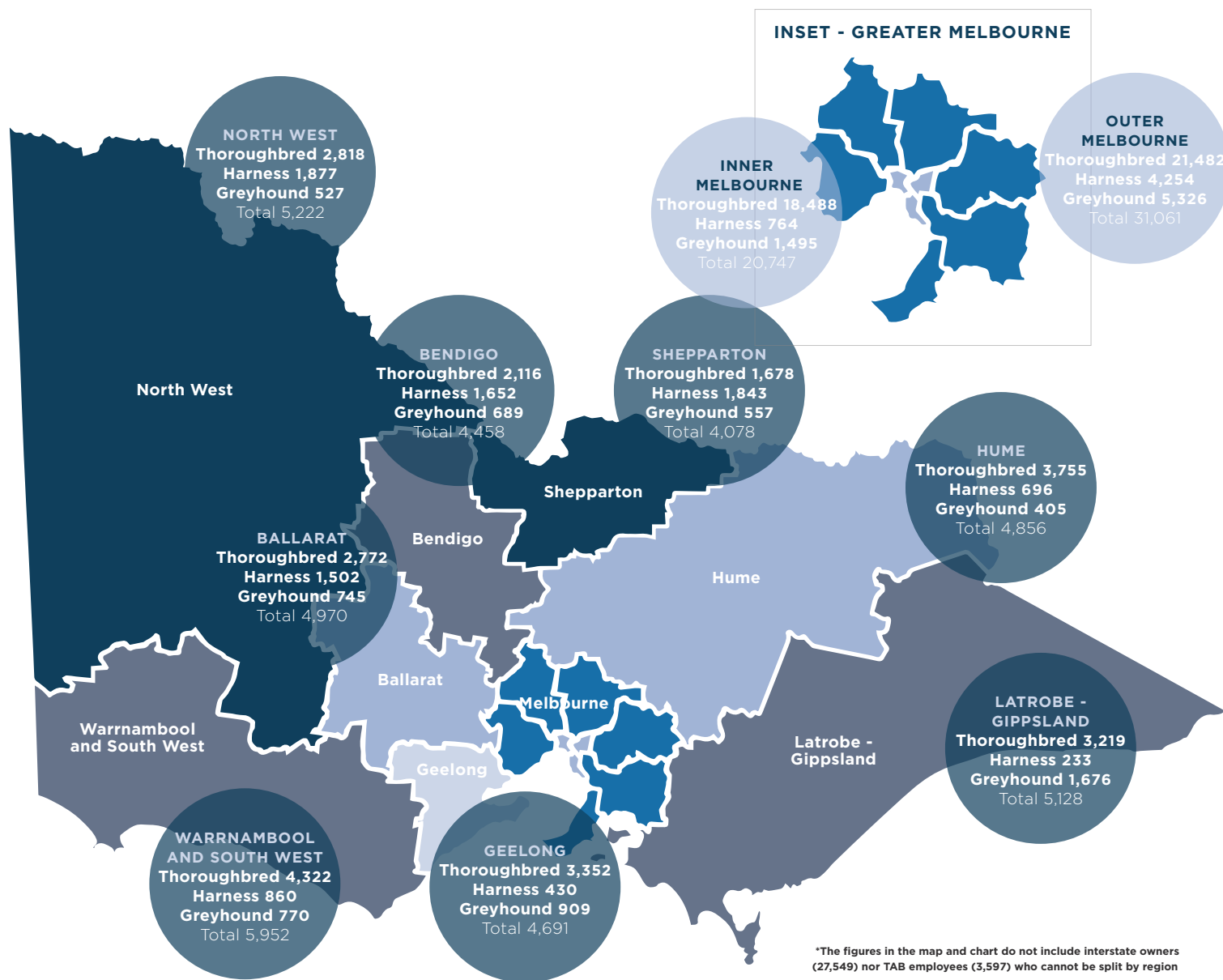
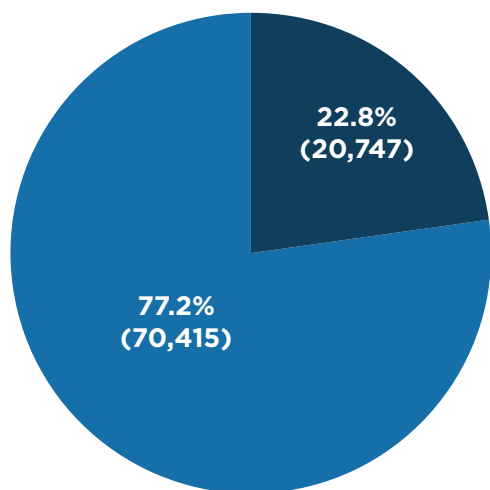
** There is some level of duplication in some of the participation categories resulting from an inability to de-duplicate individual databases

* Thoroughbred owners include all individual Owners Gold Card holders for the racing season

** Individual code values based on share of turnover

PARTICIPANTS IN RACING BY REGION

- Metro
- Regional



*The figures in the map and chart do not include interstate owners (27,549) nor TAB employees (3,597) who cannot be split by region

^ Some totals may not add due to rounding

Case Study

2019 SPRING RACING CARNIVAL

The nexus between the racing industry and tourism has been established over many years. At a regional level, racing events are an important part of driving both intrastate and out-of-state visitors to regional parts of Victoria. From a State-wide perspective, major racing events have the ability to generate economic impacts for the State, not only from visiting attendees, but also from visiting participants.

The Victorian Spring Racing Carnival is one of the pinnacles of the Victorian sporting and events calendar. Over nearly three months from September to November, it captures the attention of racing and non-racing fans alike, peaking with the running of the time honoured Melbourne Cup on the first Tuesday in November. Referred to as 'the race that stops a nation', and the first live sporting event broadcast on Twitter, the Melbourne Cup continues to expand its national and international footprint thus delivering continued growth in its economic value to the Victorian economy.

In 2019, the Spring Racing Carnival was directly responsible for bringing more than 82,000 out-of-state visitors to Victoria. For these people, the decision to travel to Victoria was driven by a desire to experience the world-renowned Spring Racing Carnival. In total, the 2019

Spring Racing Carnival attracted attendances of more than 617,000. Remarkably, nearly 22% of these attendances were made by out-of-state visitors.

The internationalisation of the Spring Racing Carnival has been heavily driven by the Victoria Racing Club (VRC) through the promotion of the Melbourne Cup. Over the last two decades, the VRC has been successful in attracting increasing numbers of world class horses to run during their four-day Melbourne Cup Carnival. During this period more than 220 international horses have competed in the Melbourne Cup (excluding NZ). Many of these horses also run in lead-up races meaning that their (and their connections) length of stay in Victoria is expansive.

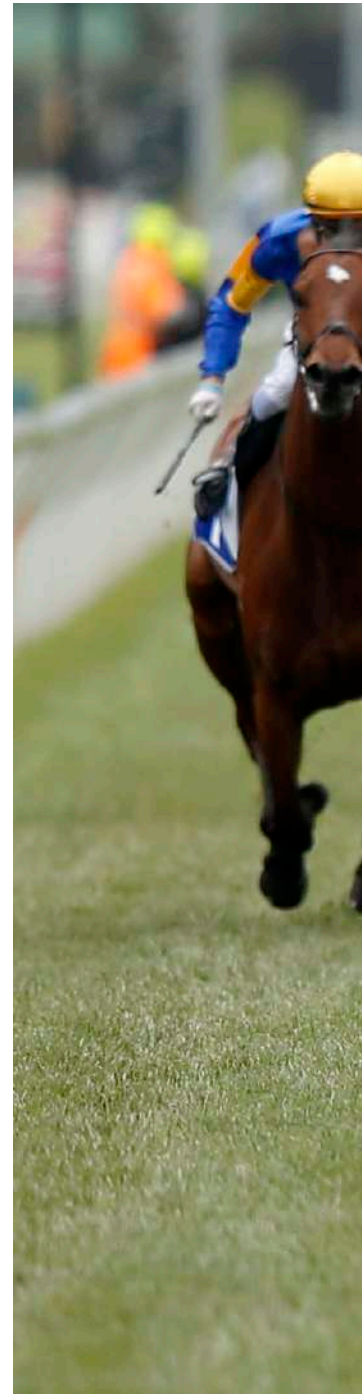
It is estimated that the economic value generated by the internationalisation of the Spring Racing Carnival was around \$41 million in 2019.

The tourism impact of the Spring Racing Carnival includes:

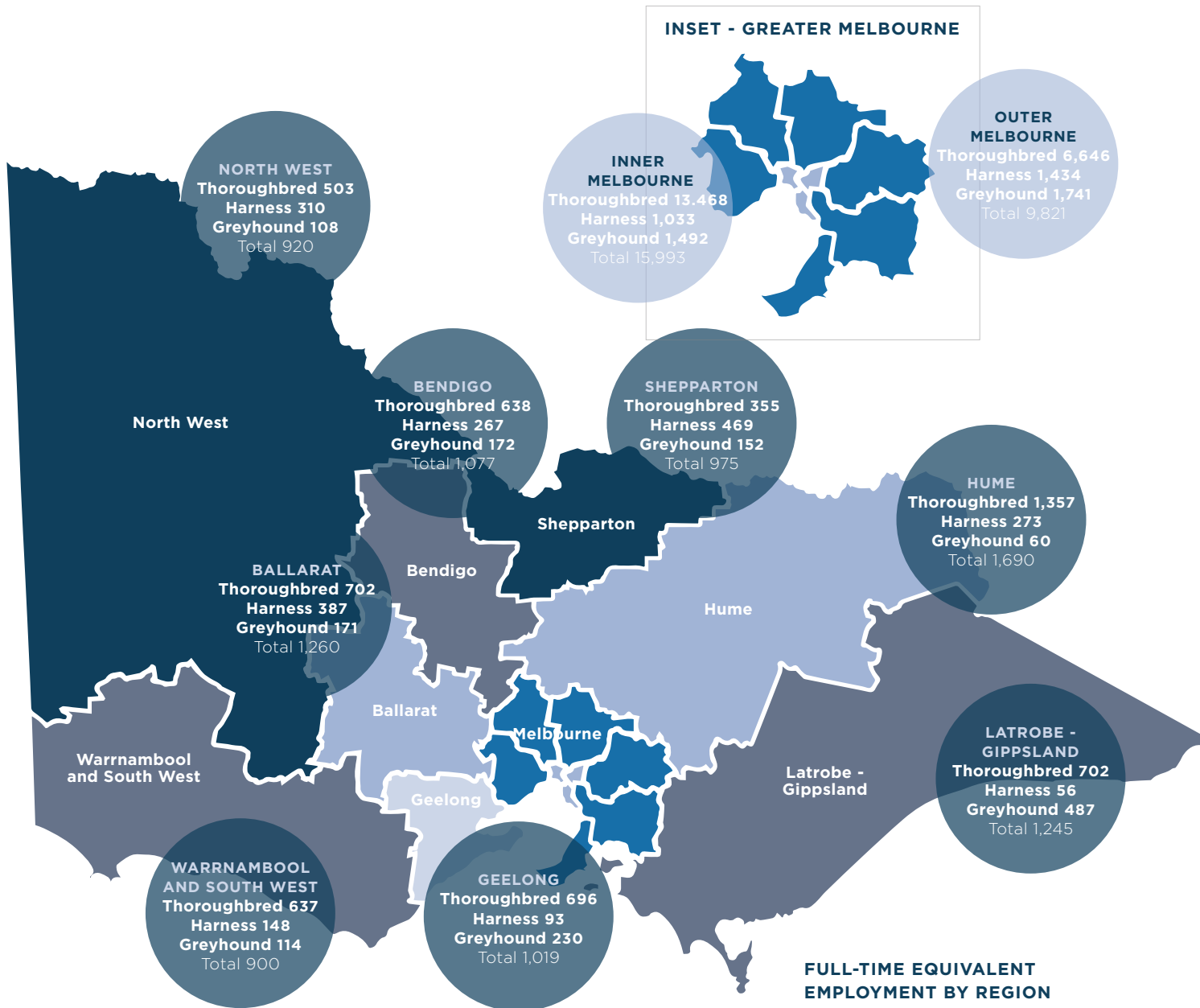
- + Motivating more than 133,200 attendances by out-of-state visitors who travelled to Victoria primarily to be part of the Spring Racing Carnival
- + Delivering more than 301,000 visitor nights in Victoria in commercial accommodation

- + Generating more than \$45.1 million in spending in the accommodation sector and nearly \$60 million on fashion items

In the first year of the Spring Racing Carnival, 1993, it was estimated that the gross impact on the economy was approximately \$132 million. In 2019, the Carnival now generates a gross economic benefit of more than \$743 million. However, the most telling measure of the Carnival's importance to the Victorian economy lies in the extent to which out-of-state investment is generated by the Carnival. This investment, by way of participants, punters and visiting tourists, leads to the Victorian economy being 'better off' to the tune of close to 280 million. This is the growth in Victorian economic output that is attributable to the Spring Racing Carnival.







^ Some totals may not add due to rounding





Full-time equivalent employment

There are more than 121,000 participants directly involved in the Victorian racing industry. As outlined earlier, this is a statistical construct that takes into consideration participants, volunteers and employees (full time, part time, casual and contractor).

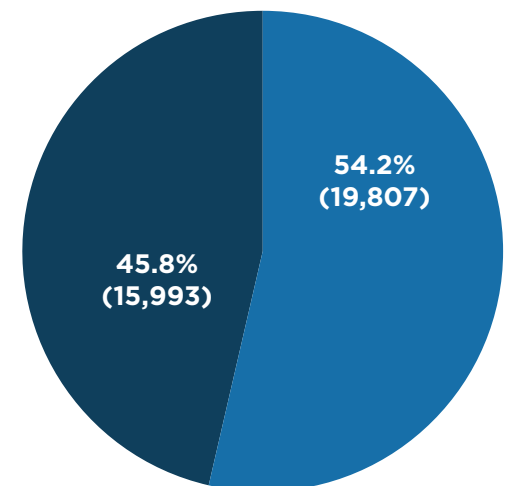
The direct impact on employment, generated specifically by the activities of the racing industry, sustains 15,693 FTE jobs each year. When the indirect impacts, generated by the flow-on of economic benefits to other industries are taken into account, the total employment impact rises to 34,900 FTE positions.

The Victorian racing industry, like racing industries all over Australia, relies on a large amount of part-time and casual labour. Further to that, it employs a large number of people in roles that are not plentiful in the marketplace (such as horse care). It is important to note that the FTE job creation does not necessarily directly follow direct spending within the Victorian economy. This is because some regions have a higher need to import labour (due to supply side constraints) than others.

The FTE positions that are sustained by the Victorian racing industry result in close to \$2,562 million in wages and salaries for the

people employed in the racing industry as well as those employed in other down-the-line industries that receive increased demand as a result of racing. Some examples of the other industries that are stimulated by racing include; veterinary, feed, retail, tourism, accommodation, transport, entertainment & fashion.

■ Metro
■ Regional



The Supplier Network

SUPPORTING AN ENTIRE NETWORK

The Victorian Racing Industry supports, and is supported by, a large supplier network in a mutually beneficial way. For many suppliers of goods and services, a strong racing industry forms an important part of the critical mass of their client base. Many offer specific skills, and customised products that are relevant only to this industry. The supplier network broadly contains those providing a direct service or product to the industry as well as those down-the-line businesses who provide the raw materials and manufacturing that drive the products on offer.

The direct suppliers to the Victorian racing industry provide goods and services that are specifically developed for the sport. A functioning and thriving racing industry provides those suppliers with the opportunity to also prosper. Some of the key sectors include:

PROFESSIONAL & TECHNICAL SERVICES

Veterinary services, integrity and breeding activities all help to support the professional & technical services sector. In total, this sector generates more than \$729.8 million in direct and indirect value added and supports 5,354 direct & indirect jobs in Victoria.

RETAIL TRADE

The retail sector is supported by the Victorian Racing Industry in a number of ways. Racegoers, particularly around major racing carnivals, generate considerable spending on fashion. Participants also invest significant amounts in products developed to help in the breeding and training process. Overall \$335.5 million of direct and indirect value added is generated from retail trade – sustaining as many as 4,010 direct and indirect FTE jobs in Victoria.

FOOD SERVICES

Food & beverages and catering is a significant sub-industry within Victorian racing. There are more than 2,160 race meetings requiring catering. Additionally, racing has been continuing to diversify its operations to include other food services businesses such as restaurants and pubs. The result of this is that more than \$170.8 million of direct and indirect value added is generated in the food services sector – sustaining more than 2,450 FTE jobs in Victoria.

ROAD TRANSPORT

There are 128 racing clubs in Victoria and racing on nearly every day of the year. Overall, the Victorian Racing Industry is responsible for close to \$143.3 million of direct and indirect value added generated in the Road Transport sector. Transporting horses and greyhounds makes up a large proportion of this, as does the travel of participants and racegoers. This direct and indirect value added impact is responsible for sustaining 1,891 FTE jobs in Victoria.

The Victorian racing industry was responsible for supporting as many as **5,354 direct and indirect FTE jobs** in the professional & technical services sector.



Case Study

GOOD FORM GRASSROOTS GOLD PROGRAM SUPPORTS COMMUNITY CLUBS THROUGHOUT VICTORIA

All regional Victorian towns are home to a wide range of community organisations, from the Country Fire Authority (CFA), pony clubs to football, netball and cricket clubs, that continually require ongoing funds to support their efforts. With over 27 harness racing clubs across regional Victoria, Harness Racing Victoria and TAB.com.au saw a partnership opportunity to support these hard-working community groups and set about establishing the Good Form Grassroots Gold program.

Each of the harness racing clubs made available a \$500 Good Form Game Plan to a local community group, which was invested in its annual Country Cup with the assistance of the expert analysts at Good Form.

Members, family and friends of the community groups were on course at the Country Cups to cheer on their chosen pacer, bringing both an old and new audience to the excitement of the harness racing experience.



Over \$10,000 was provided to community groups across Victoria in the 2018/19 financial year, from the Swan Hill Bike Riders Group in the north-west to the Yarra Valley-Wandin Seniors Football/Netball Club in the north-east. The Football/Netball Club in the small town of Laharum (population 196) was a major beneficiary when pacer Buster Brady got up to win the Horsham Pacing Cup, transforming their \$500 into almost \$1,500 enabling them to undertake much needed maintenance at the club.

RAISING VITAL FUNDS FOR MOTOR NEURONE DISEASE (MND)

Harness Racing Victoria's HERO Program and the harness racing industry in Shepparton came together on April 26, 2019 to support a fundraiser to benefit Motor Neurone Disease (MND) Victoria in its tireless work to care and support people living with MND and to fund research.

The fundraiser impetus grew from the sad passing of John Brain from MND. John was part-owner of champion pacer Smudge Bromac. Smudge, known as the small horse with a big heart, is now retired but lends a hand as an Ambassador to the Harness Education & Rehoming Opportunities (HERO) program as well as MND Victoria.

MND is the name given to a group of diseases in which the nerve cells (neurons) controlling the muscles that enable a human to move, speak, breathe and swallow, fail to work normally and gradually weaken and waste. The MND message was clearly visible to all on the night with each number 1 horse in all 11 races wearing MND promotional colours and the MND motto 'Until there's a cure, there's care' emblazoned on the back of their silks. And



the importance of the MND cause was heard throughout the night promoted by the evenings race caller.

And Smudge, along with fellow HERO Ambassador Waikare Aristocrat, was there to help out with patrons able to purchase an exhilarating ride in their double-seater sulky's with all proceeds to MND.

As a result of the enormous generosity of the Shepparton trotting community on that evening, through the double-seater sulky rides, gold coin donations on entry and a major raffle, a total of \$2,629 was raised. With around 400 people in Victoria affected by MND at any one time and with no known cure these funds will be vital to continuing to provide care for sufferers and vital and urgent research.

RACING PARTICIPANTS AND ANIMALS

NUMBER OF BROODMARES/FEMALES COVERED

	Thoroughbred	Harness	Greyhound	Total
Ballarat	285	209	39	533
Bendigo	337	213	51	601
Geelong	418	47	69	534
Hume	1,926	709	17	2,652
Latrobe - Gippsland	182	13	145	340
North West	71	135	28	234
Shepparton	346	1,403	46	1,795
Warrnambool and South West	130	161	59	350
Outer Melbourne	1,172	678	218	2,068
Total Regional	4,867	3,568	672	9,107
Inner Melbourne	6	0	8	14
Total	4,873	3,568	680	9,121

NUMBER OF REGISTERED STALLIONS & SIRES

	Thoroughbred	Harness	Greyhound	Total
Ballarat	9	16	6	31
Bendigo	7	6	3	16
Geelong	8	2	13	23
Hume	58	17	2	77
Latrobe - Gippsland	7	0	6	13
North West	5	3	1	9
Shepparton	1	35	2	38
Warrnambool and South West	8	6	3	17
Outer Melbourne	28	10	45	83
Total Regional	131	95	81	307
Inner Melbourne	1	3	4	8
Total	132	98	85	315

NUMBER OF FOALS BORN & PUPS WHELPED

	Thoroughbred	Harness [#]	Greyhound	Total
Ballarat	183	148	217	548
Bendigo	216	151	314	681
Geelong	268	33	538	839
Hume	1,237	502	106	1,845
Latrobe - Gippsland	117	10	935	1,062
North West	46	96	211	353
Shepparton	222	993	286	1,501
Warrnambool and South West	83	114	395	592
Outer Melbourne	752	480	1,468	2,700
Total Regional	3,124	2,527	4,470	10,121
Inner Melbourne	4	0	63	67
Total	3,128	2,527	4,533	10,188

[#] The figure provided for foals in this study relates to all foals born in Victoria in FY19

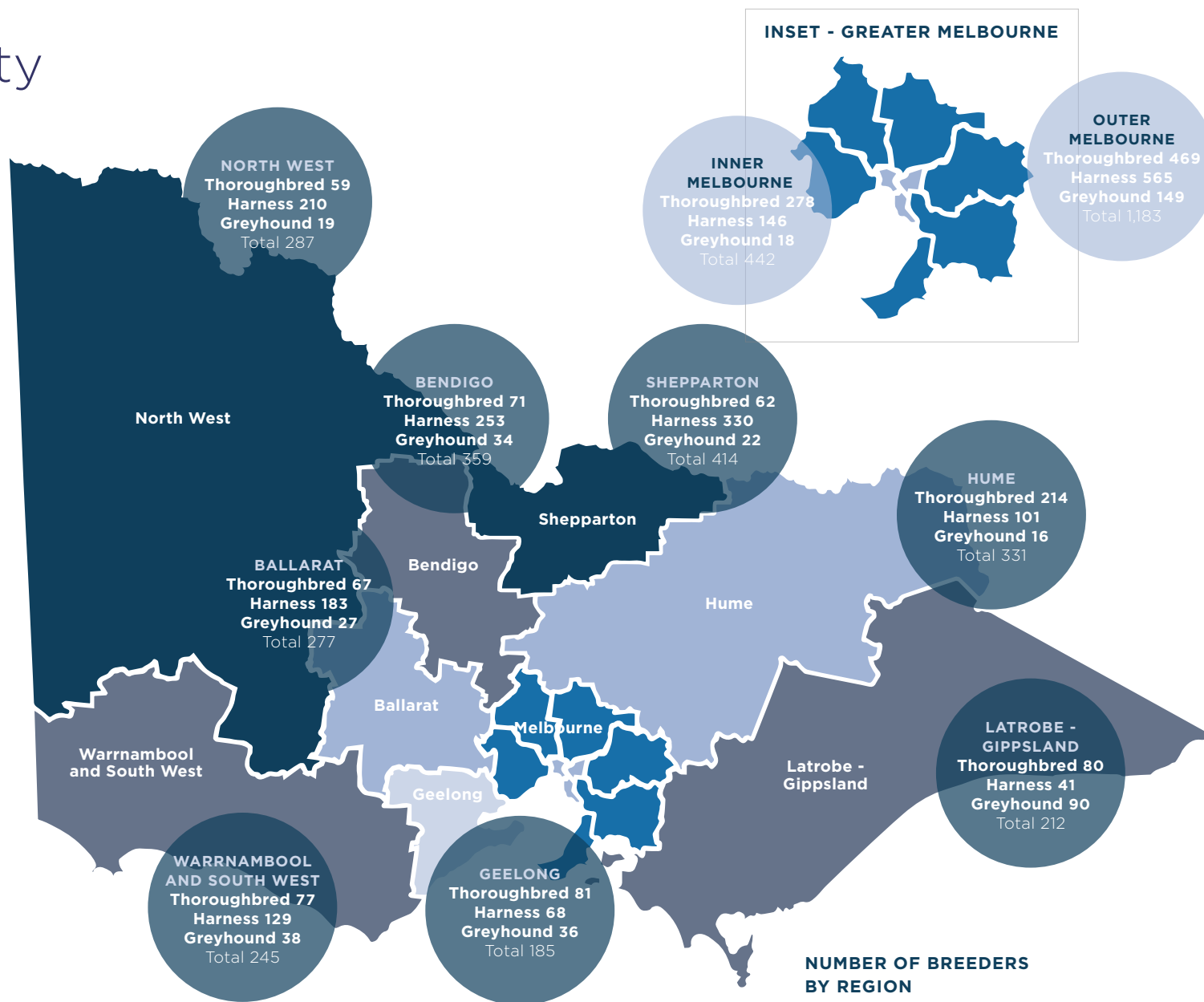


Breeding Activity

The breeding sector provides and replenishes the racing animals for the Victorian racing industry. There are 3,935 registered breeders in Victoria across the three codes of racing.

At the top end of the breeding sector, large stud farms employ many staff and produce large numbers of foals each year. They operate as service providers for those with an ownership interest in a broodmare, female, stallion or stud dog and provide the facilities, experience and expertise to breed with these animals. At the other end of the scale, there are a large number of hobby breeders also producing foals and pups, both for sale and for racing.

Breeders derive the majority of their income from the public and private sale of their stock. This particular sector of the industry has great potential to generate economic impacts for the State, as breeders often sell their stock to interstate and overseas buyers, at sales events. This process leads to significant opportunities for foreign investment to flow back to the State as a result of non-Victorian buyers buying Victorian breeding stock. The opposite is also true as owners invest money outside the State purchasing non-Victorian bred racehorses and greyhounds. The relative strength of the breeding sector in Victoria can dictate whether the State is generating a net surplus or deficit from the sale of racehorses and greyhounds. Additionally, the ability for a jurisdiction to entice a standing stallion to remain can have a significant impact for that jurisdiction with value being derived from the broodmare population (both local and those who travel across into Victoria to be served by these stallions).

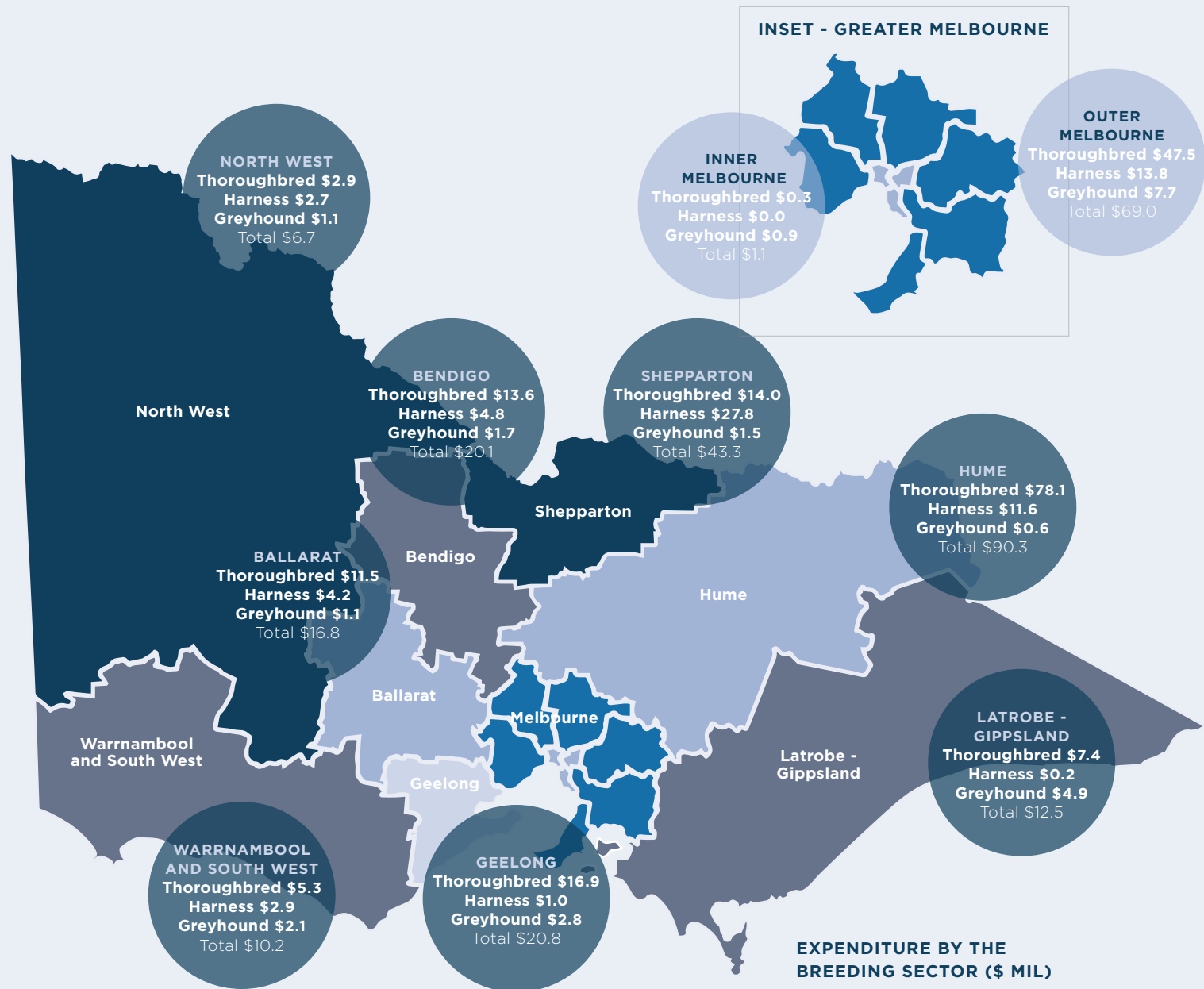


^ Some totals may not add due to rounding

In 2018/19, thoroughbred, harness and greyhound breeders spent more than \$290 million, in Victoria, on the maintenance and production of racing stock. In calculating the expenditure incurred by breeders, a number of factors must be considered. Essentially, breeders incur costs on the maintenance of mares, sires, pups and foals in the following areas:

- + Feed
- + Veterinarian
- + Breeding costs (i.e. artificial insemination)
- + Travel and transport
- + Infrastructure and maintenance
- + Foaling, weaning, rearing
- + Landcare
- + Salaries and wages

In some instances, breeders incur all of these expenses themselves, whilst in other situations, breeders may send their horses or greyhounds to professional service providers (such as those who provide specialised breeding services). The expenditure figures outlined in this section have been derived from a combination of industry level consultation, and primary research amongst racehorse and greyhound breeders in Victoria. From an industry perspective, it is important to acknowledge that breeders may not breed their animals every year. Despite this, there is still the ongoing care and maintenance of these animals that requires ongoing investment.



^ Some totals may not add due to rounding

EXPENDITURE BY THE BREEDING SECTOR (\$ MIL)

In total, breeders in the **Victorian Racing Industry** spent almost **\$290.9 million** on producing horses and greyhounds for racing

THOROUGHBRED BREEDERS

The thoroughbred breeding sector is responsible for generating close to \$197.5 million in the production and care of racing stock. The Hume region is responsible for close to 40% of this amount, followed by the Outer Melbourne (24.0%) and Geelong (8.6%) regions. In 2018/19, 4,873 mares were covered in Victoria, producing 3,128 foals.

HARNESS BREEDERS

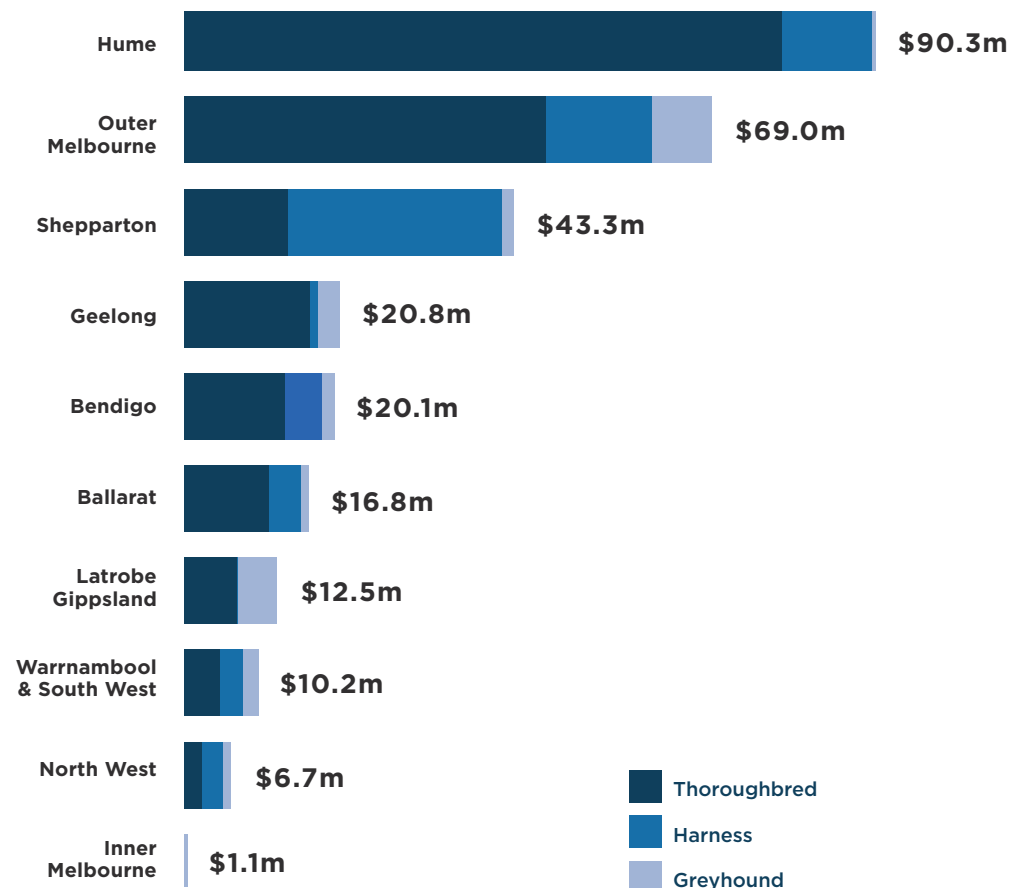
The harness breeding sector is responsible for generating more than \$68.9 million in the production and care of racing stock. The Shepparton region is responsible for more than 40% of this expenditure impact, with the outer Melbourne (20.0%) and Hume (16.9%) regions making up the majority of the remainder. In 2018/19, 3,567 mares were covered in Victoria, producing 2,526 foals.

GREYHOUND BREEDERS

The greyhound breeding sector is responsible for generating more than \$24.4 million in the production and care of greyhound racing stock. The Outer Melbourne region is responsible for close to 32% of this expenditure, followed by the Latrobe-Gippsland (20.2%) and Bendigo regions (11.6%). In 2018/19, 4,528 pups were registered in Victoria from 698 litters.

The chart (opposite) illustrates the total expenditure, by region, on thoroughbred, harness and greyhound breeding activities generated in Victoria.

PROPORTION OF BREEDING EXPENDITURE BY REGION



Case Study

THE TAB GREAT CHASE COMMUNITY DAYS

The TAB Great Chase Community Days are one of Australia's most successful community support initiatives by a sporting code, delivered as a partnership between Greyhound Racing Victoria (GRV), Victoria's greyhound racing clubs and the TAB.

Since 2003, hundreds of community groups have shared in over \$600,000 in cash prizes to buy equipment and to pay for excursions and activities, had a great time at the races and got to meet the sport's athletes, the greyhounds.

Each racing club invites local community groups that care for the intellectually and physically disabled disability groups, including their staff, clients, their families and carers, to a day or night out at a TAB Great Chase race meeting. During this Community Day, they enjoy entertainment, prizes, gift bags and lunch or dinner. Each group is matched with greyhounds racing on the day to share in a prize pool of \$2,000 if their greyhounds win or place.

All participating groups are invited to the Great Chase Final at The Meadows where eight are randomly selected to draw greyhounds running on the day for a share of \$24,000. The group with the winning dog takes away the grand prize of \$10,000 with the other seven groups each receiving \$2,000.

More than 500 people from 50 Victorian groups turned up for the TAB Great Chase Grand Final at the Meadows on 26 October 2018 where they enjoyed a great day of racing, entertainment and a gala lunch and shared in \$24,000 in prizes. Thanks to a huge upset win by Go Commando to claim the \$47,000 first prize on the track, Broadmeadows Disability Services landed a \$10,000 cheque which is going towards



upgrading disability support equipment and buying a bus. Broadmeadows Disability Services' Acting CEO, Simon McDowall, said "Our people always enjoy the experience of the Great Chase days. They really feel like they are part of the greyhound racing community for the day and are often getting on the stage with the band and singing and dancing. We often come across initiatives for the disability sector that end up being a flash in the pan and they disappear very quickly, so the commitment from GRV for the past 16 years to the Great Chase is quite admirable."

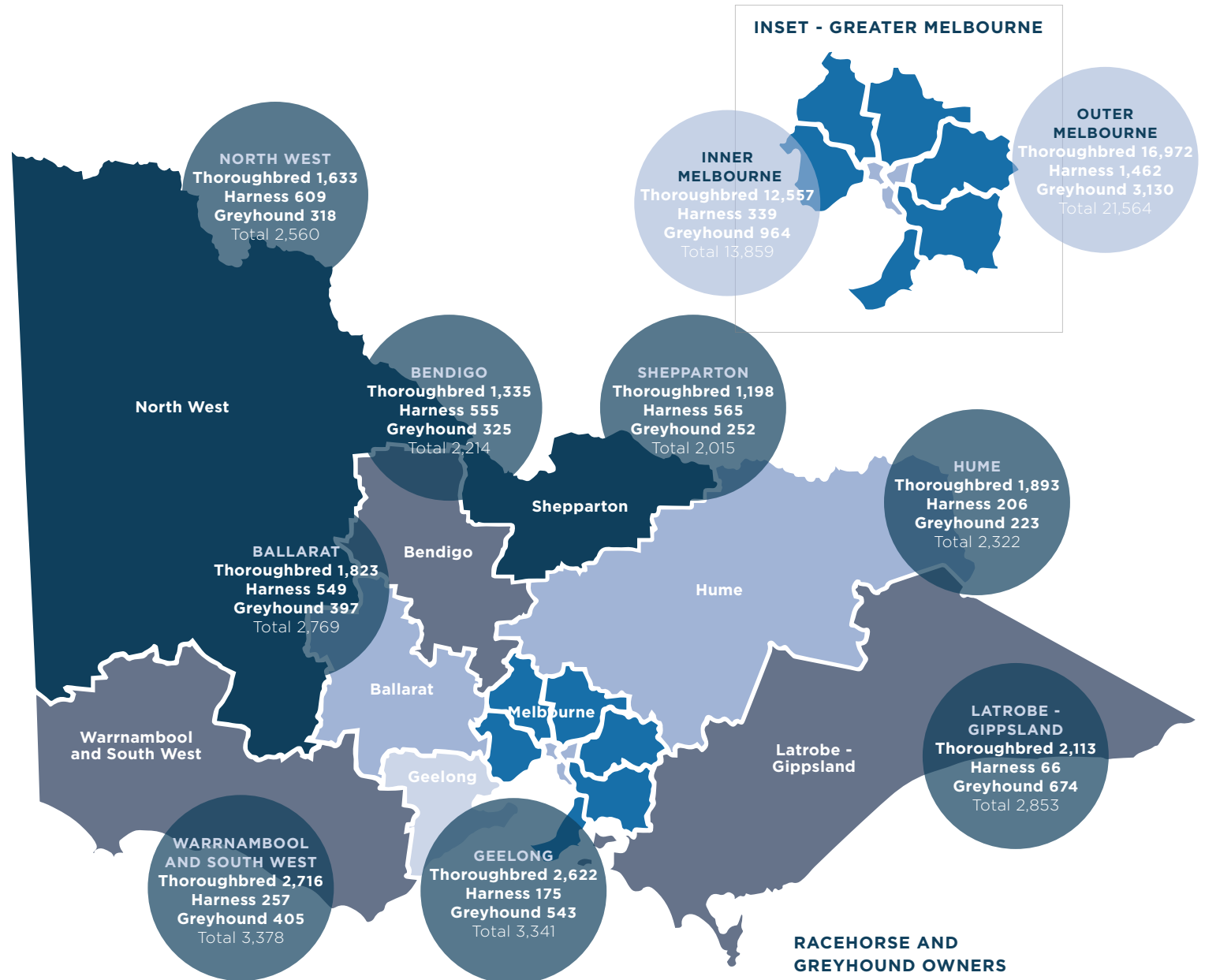
Ownership and Training Activity

Owners play a significant role in the funding model of the racing industry. They provide much of the capital outlay and day-to-day funding for the preparation of racehorses and greyhounds. In 2018/19 there were more than 56,800 individuals in Victoria with an ownership interest in thoroughbred, harness and/or greyhound racing. Additionally there were also 26,527 non-Victorian thoroughbred owners who raced their horses in Victoria.

Across the three codes, close to 51.6% of the owners in the racing industry reside in regional parts of the State. Thoroughbred racing has almost 28% of its ownership base residing in metropolitan Victoria.

During the 2018/19 racing season, the Victorian racing industry provided racehorse and greyhound owners with the opportunity to share in more than \$324.4 million of available prizemoney and bonuses. Whilst the majority of prizemoney is shared by owners, it is important to note that trainers, jockeys, breeders and drivers also receive financial benefits for various elements of their involvement in racing horses and greyhounds.

In total, thoroughbred owners raced for more than \$236.3 million in prizemoney and bonuses, whilst harness racing owners race for \$41.6 million and greyhounds for \$46.5 million.



* Some totals may not add due to rounding

NUMBER OF OWNERS

	Thoroughbred	Harness [#]	Greyhound	Total
Ballarat	1,823	549	397	2,769
Bendigo	1,385	555	325	2,214
Geelong	2,622	175	543	3,341
Hume	1,893	206	223	2,322
Latrobe - Gippsland	2,113	66	674	2,853
North West	1,633	609	318	2,560
Shepparton	1,198	565	252	2,015
Warrnambool and South West	2,716	257	405	3,378
Outer Melbourne	16,972	1,462	3,130	21,564
Total Regional	32,304	4,445	6,268	43,018
Inner Melbourne	12,557	339	964	13,859
Interstate/Overseas	26,527			26,527
Total	71,388	4,784	7,232	83,404

[#] The figure provided in this report is for all owners whether their horse raced or not in the year of assessment.

NUMBER OF HORSES & GREYHOUNDS IN TRAINING BY REGION

	Thoroughbred	Harness	Greyhound	Total
Ballarat	845	847	441	2,134
Bendigo	563	709	566	1,838
Geelong	467	149	836	1,452
Hume	1,057	445	253	1,754
Latrobe - Gippsland	351	91	1,277	1,718
North West	390	796	279	1,465
Shepparton	144	842	499	1,485
Warrnambool and South West	665	425	326	1,416
Outer Melbourne	3,049	1,438	1,746	6,233
Total Regional	7,532	5,743	6,222	19,496
Inner Melbourne	1,416	3	43	1,462
Total	8,948	5,746	6,264	20,957

NUMBER OF REGISTERED JOCKEYS & DRIVERS

	Thoroughbred	Harness	Greyhound	Total
Ballarat	24	71		95
Bendigo	10	85		95
Geelong	8	18		26
Hume	31	42		73
Latrobe - Gippsland	10	11		21
North West	18	69		87
Shepparton	3	102		105
Warrnambool and South West	12	41		53
Outer Melbourne	141	136		277
Total Regional	257	575		832
Inner Melbourne	61	5		66
Total	318	580		899

[^] Some totals may not add due to rounding

In 2018/19, owners of racehorses and greyhounds trained in Victoria spent more than \$568 million on the preparation of their animals for racing.

The calculation of expenditure on the preparation of racehorses and greyhounds takes into account the various training and non-training related expenditures incurred by owners. The development of expenditure profiles within each region is based upon the number of racehorses and greyhounds in

training. It also takes into consideration the differing training costs at various stages of the lifecycle of the animal. For instance, expenditure on a young horse is different to expenditure on an established 3 year-old and up racehorse. It is also important that this assessment takes into consideration non-Victorian owned horses and greyhounds which are trained in the State. Developing expenditure profiles on a 'per horse/greyhound in training' basis, ensures that they are also included in the assessment.

The expenditure figures outlined in this section have been derived through a combination of industry level consultation and surveying of a sample of owners and trainers in Victoria. The analysis of the expenditure on the preparation of racehorses and greyhounds includes items such as training fees, agistment, insurance, vitamins and supplements, veterinarian fees, gear hire/purchase and racing/trialling fees, amongst others.

NUMBER OF REGISTERED TRAINERS

	Thoroughbred	Harness	Greyhound	Total
Ballarat	64	110	105	280
Bendigo	80	131	111	322
Geelong	46	26	123	195
Hume	106	68	70	243
Latrobe - Gippsland	86	14	279	379
North West	54	137	63	254
Shepparton	31	145	76	252
Warrnambool and South West	93	62	97	252
Outer Melbourne	332	252	514	1,099
Total Regional	892	945	1,438	3,275
Inner Melbourne	64	13	17	94
Total	956	958	1,455	3,369

^ Some totals may not add due to rounding

NUMBER OF STABLE/KENNEL EMPLOYEES

	Thoroughbred	Harness	Greyhound	Total
Ballarat	324	146	47	517
Bendigo	190	130	60	379
Geelong	217	27	69	312
Hume	412	50	30	492
Latrobe - Gippsland	222	25	101	348
North West	114	155	23	292
Shepparton	84	119	31	235
Warrnambool and South West	353	80	48	481
Outer Melbourne	1,319	245	246	1,810
Total Regional	3,235	978	653	4,866
Inner Melbourne	495	24	14	533
Total	3,730	1,002	667	5,399

Case Study

RACING - AN INTEGRAL PART OF LOCAL COMMUNITIES

Victorian racing clubs play a pro-active role in community building within their local communities. The extent of their positive impacts is particularly visible in terms of supporting charitable organisations, providing facilities for use by community and private use and by building community partnerships.

A survey of Victorian racing clubs highlighted the following positive outcomes generated in Victorian communities:

- + Across the racing industry, 80% of racing clubs hire out on-course facilities for private or corporate use. In some communities, racing club facilities provide an important part of the local infrastructure capacity building where otherwise there may be a lack of facilities available.
- + More than 1,200 charitable organisations supported through direct fundraising, charity racedays or agreements to share in racing club revenues. The charities supported by the Victorian racing industry received nearly \$3.4 million in funds, in addition to the in-kind support provided by many racing clubs
- + Nearly one-third of Victorian racing clubs have partnerships in place with education institutions. Racing club support varies from donations of funds, goods or services, traineeship programs, excursion opportunities and opportunities for racing industry specific employment

In addition to this, there are more than 1,200 non-raceday events held at racing clubs around Victoria. Christmas parties, exhibition and expo events, university exams, weddings, conferences, birthdays, festivals, sporting club functions and school functions are just some examples of the types of events held.



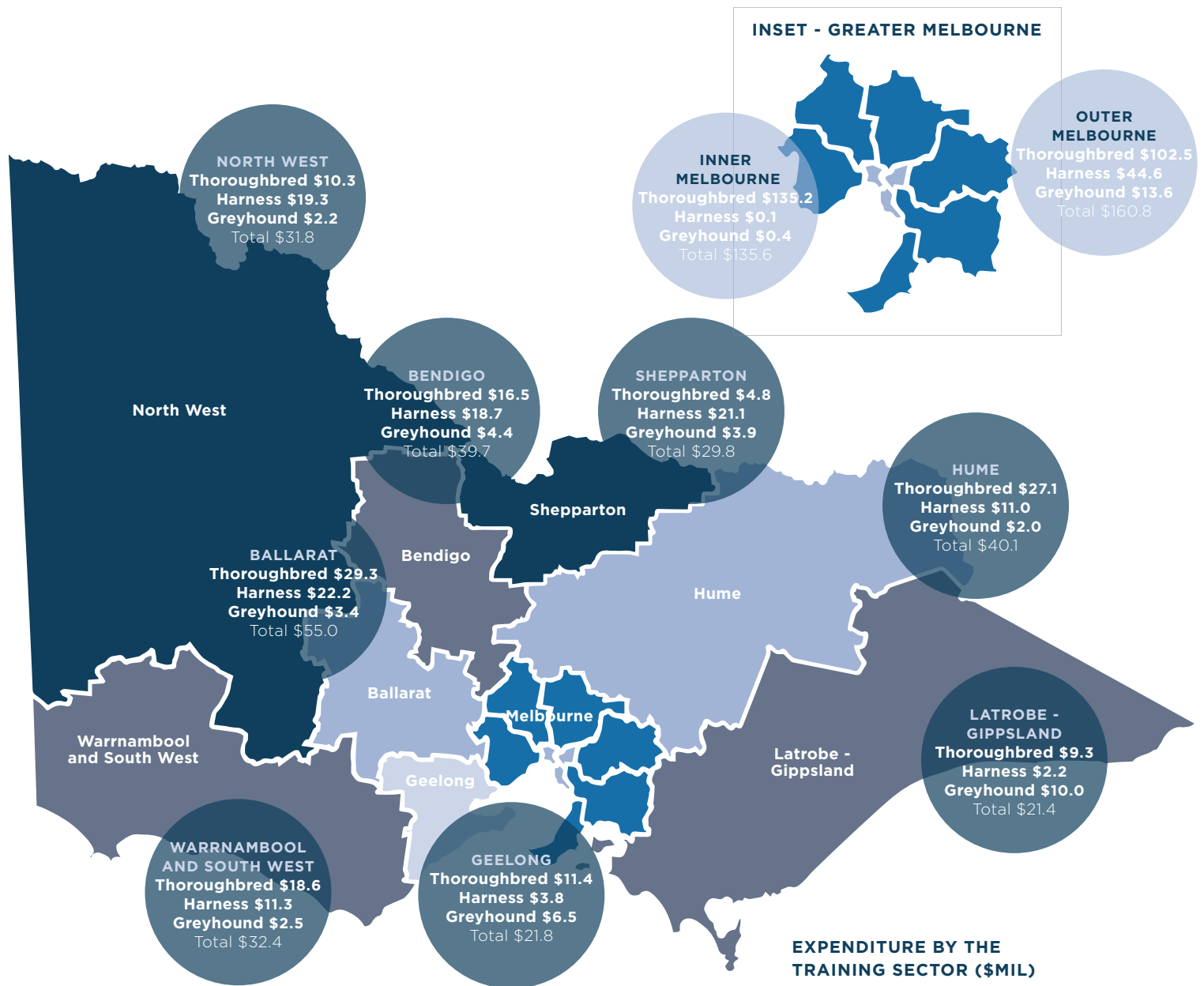


Training fees often cover a proportion of the expenditure incurred by the owner in the preparation of their animal, however there are a number of expenses that are either billed separately, or borne separately by owners (particularly in thoroughbred and harness racing). As such, only using the training fees as a measure of the cost of racing, would understate the true impact.

The arrangements between greyhound owners and trainers are different to their thoroughbred and harness counterparts. Greyhound owners and trainers employ a number of different payment structures, the most popular being where the trainer retains 50% of stakemoney and forgoes any training fee. In this case, it is important that all greyhound trainer expenditure is captured to determine direct expenditure.

Generally, ownership in the industry delivers economic impacts through expenditure on the following items:

- + Training/trialling fees
- + Farriers
- + Feed & supplements
- + Veterinary bills
- + Transport costs
- + Agistment
- + Transport
- + Accommodation

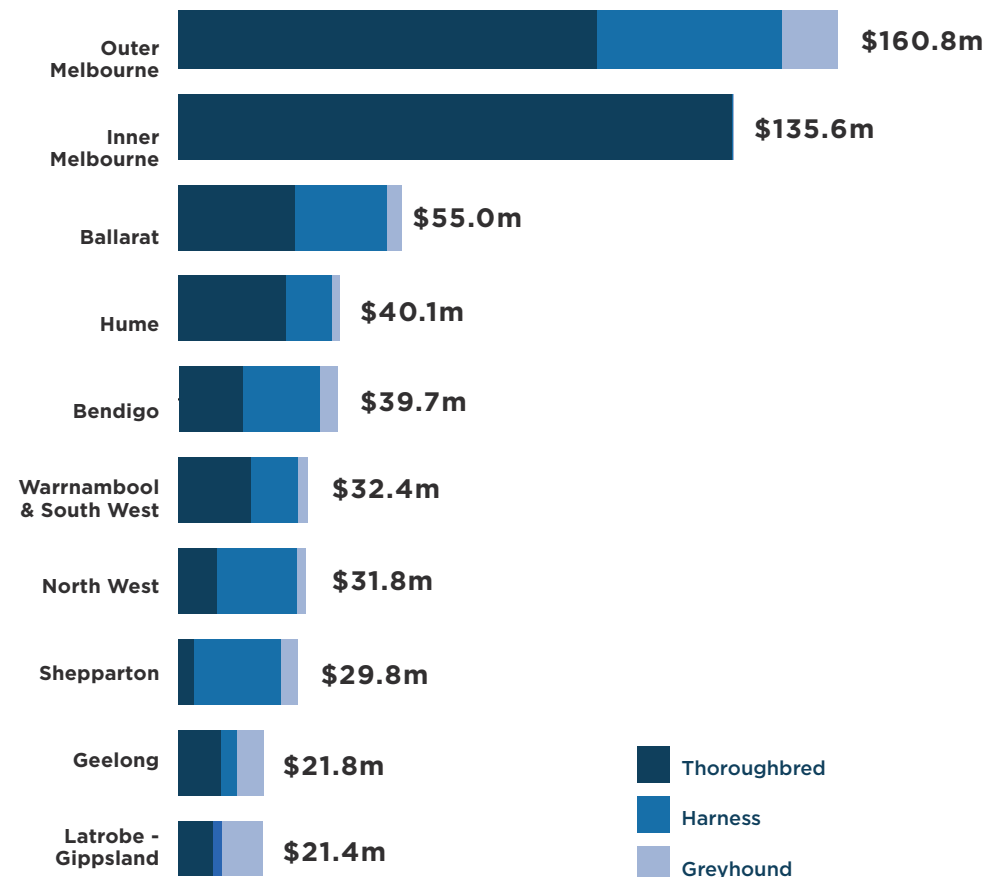


^ Some totals may not add due to rounding



In total, **owners and trainers** spent **more than \$568 million on preparing horses and greyhounds** for racing in 2018/19

PROPORTION OF TRAINING EXPENDITURE BY REGION



THOROUGHBRED TRAINING

The thoroughbred training sector is responsible for generating more than \$365.0 million in the preparation of racehorses for racing. More than 65% of the training activity occurs in the greater Melbourne region, with the Ballarat (8.0%) and Hume (7.4%) regions making up the largest regional areas.

HARNESS TRAINING

The harness training sector is responsible for generating more than \$154.5 million in the preparation of racehorses for racing. The Outer Melbourne region is responsible for more than 28.9% of this expenditure impact, with the Ballarat (14.4%) and Shepparton (13.7%) regions making up the most active regional areas.

GREYHOUND TRAINING

The greyhound training sector is responsible for generating more than \$48.9 million in the preparation of greyhounds for racing. The Outer Melbourne region is responsible for close to 27.9% of this expenditure, followed by the Latrobe-Gippsland (20.4%) and Geelong regions (13.3%).

The chart (opposite) illustrates the total expenditure, by region, on thoroughbred, harness and greyhound training activities generated in Victoria



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FARRARD'S
HORSE AND HOUND

RACING CLUB ACTIVITY

NUMBER OF RACING CLUBS

	Thoroughbred	Harness	Greyhound	Total
Ballarat	3	3	1	7
Bendigo	2	9	1	12
Geelong	3	1	1	5
Hume	12	4	0	16
Latrobe - Gippsland	10	1	3	14
North West	17	10	1	28
Shepparton	3	6	1	10
Warrnambool and South West	11	5	1	17
Outer Melbourne	6	5	4	15
Total Regional	67	44	13	124
Inner Melbourne	3	1	0	4
Total	70	45	13	128

NUMBER OF RACETRACKS

	Thoroughbred	Harness	Greyhound	Total
Ballarat	3	2	1	6
Bendigo	3	4	1	8
Geelong	1	1	1	3
Hume	11	2	0	13
Latrobe - Gippsland	10	1	3	14
North West	15	9	1	25
Shepparton	3	4	1	8
Warrnambool and South West	10	2	1	13
Outer Melbourne	8	3	4	15
Total Regional	64	28	13	105
Inner Melbourne	3	0	0	3
Total	67	28	13	108

TOTAL RACE MEETINGS BY REGION

	Thoroughbred	Harness	Greyhound	Total
Ballarat	30	71	114	215
Bendigo	39	39	109	187
Geelong	29	18	109	156
Hume	58	29	0	87
Latrobe - Gippsland	56	8	233	297
North West	56	78	60	194
Shepparton	22	60	102	184
Warrnambool and South West	46	21	50	117
Outer Melbourne	140	116	399	655
Total Regional	476	440	1,176	2,092
Inner Melbourne	72	0	0	72
Total	548	440	1,176	2,164

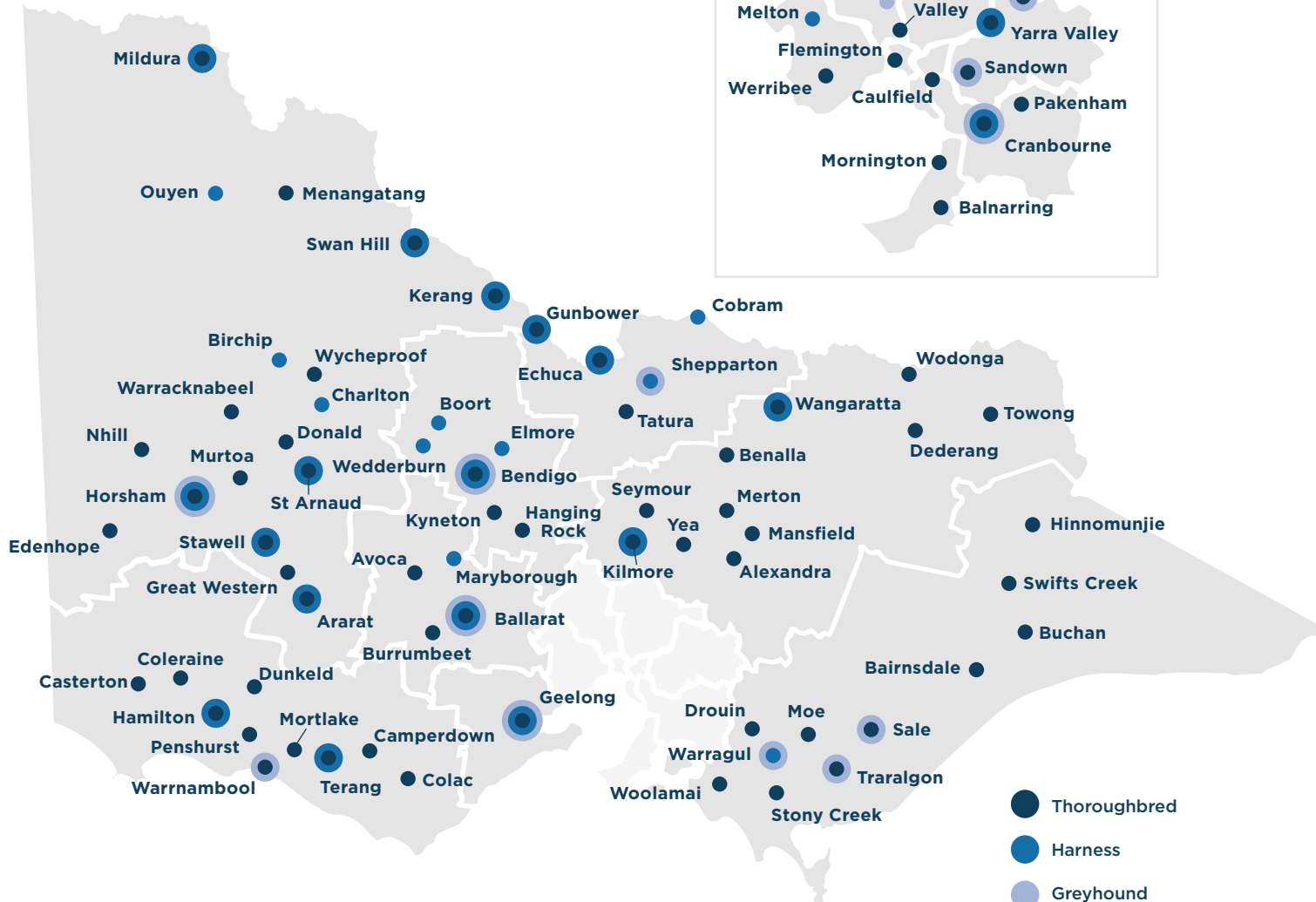
TOTAL RACES

	Thoroughbred	Harness	Greyhound	Total
Ballarat	245	607	1,360	2,212
Bendigo	319	366	1,284	1,969
Geelong	241	143	1,262	1,646
Hume	444	262	0	706
Latrobe - Gippsland	436	62	2,775	3,273
North West	432	665	681	1,778
Shepparton	180	540	1,218	1,938
Warrnambool and South West	379	166	554	1,099
Outer Melbourne	1,116	1,046	4,643	6,805
Total Regional	3,792	3,857	13,777	21,426
Inner Melbourne	628	0	0	628
Total	4,420	3,857	13,777	22,054

^ Some totals may not add due to rounding

The Victorian Racing Industry

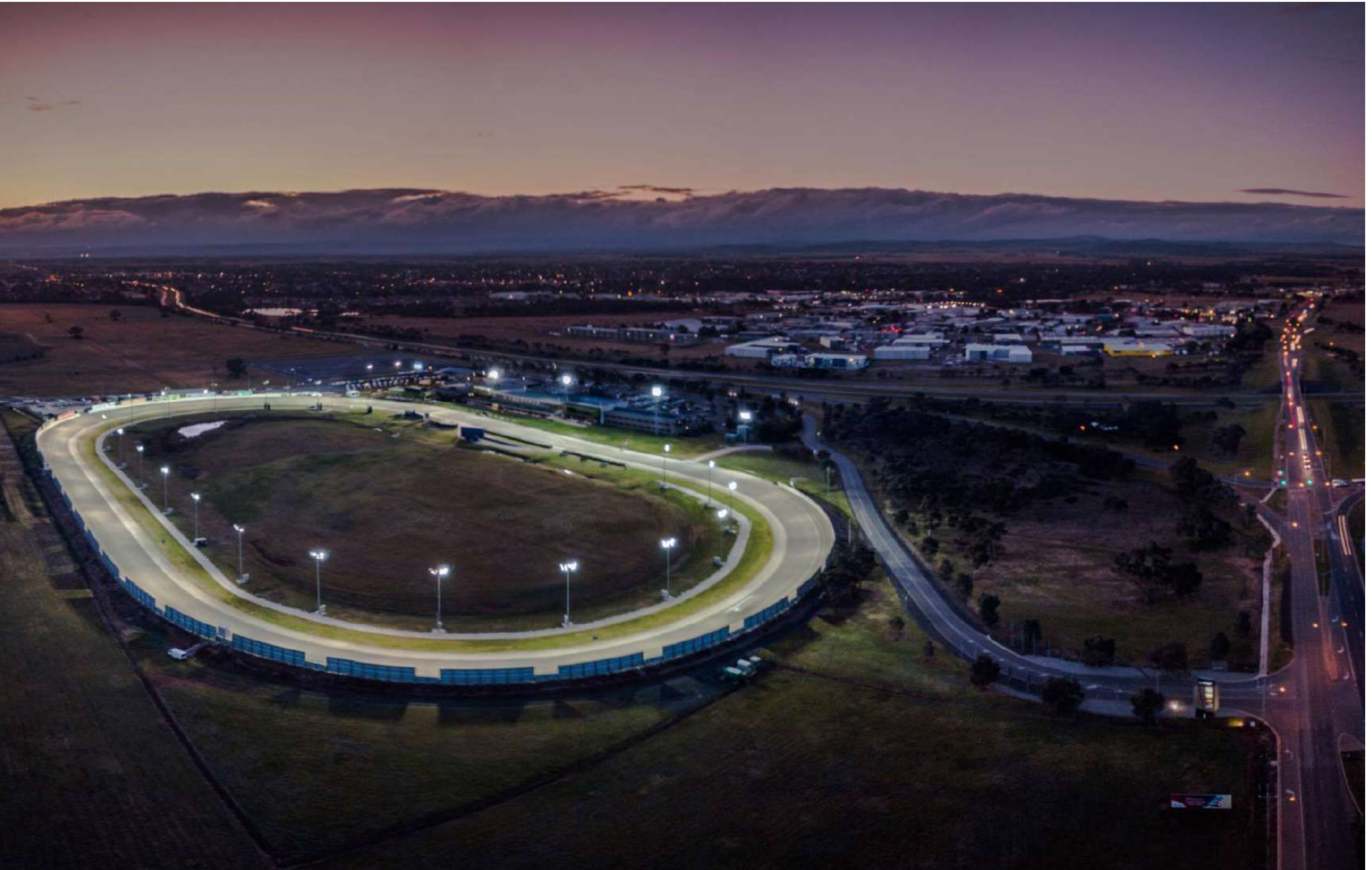
conducts over **2,100 race meetings** annually



Racing Clubs & Tracks

There are 128 racing clubs, racing at 108 racetracks, across the three codes in Victoria. In 2018/19, these racing clubs were responsible for hosting 2,164 race meetings.

In addition to hosting race meetings, a number of racing clubs also hold trials for the purposes of providing opportunities for racehorses and greyhounds to prepare under race-like conditions. Additionally, a number of tracks also operate as training tracks where trainers can take their horses and greyhounds to prepare for racing.





Case Study

GAP ADOPTION WEEKEND

GAP holds regular adoption events so that prospective adopters can meet the beautiful greyhounds that are available for adoption. Cynthia and John Burns were excited to go to the GAP Adoption Weekend. They drove out to Seymour the night before from the Mornington Peninsula so they could be some of the first in line to find their greyhound.

The couple have owned big dogs all their lives but were a little apprehensive about getting a greyhound. They simply never had anything to do with the breed before. Cynthia is 78 and John is 80, so they didn't want to get a big dog or a puppy. Friends of theirs told them that greyhounds are wonderful dogs and suggested they consider adopting a dog from GAP, so they did.

They said they were really impressed by the GAP Adoption Weekend. The first volunteer they spoke with told them Merlot was the dog for them. When they chatted to a few other staff members and volunteers, they also recommended the same greyhound. The couple said that they must have known Merlot well because they were right – she is the perfect dog for them.

Once they picked their greyhound, they went through the adoption process with Daniela from GAP. She was incredibly helpful and spent ages answering all their questions. Cynthia and John decided to call the greyhound by her racing name, Tilly.

They had bought Tilly a special bed at the adoption day and to help acclimatise her to her new surroundings, Cynthia put a treat in the bed and placed it at the foot of their bed, and Tilly quickly learned where to curl up to sleep. Not only is she a quick learner, but Tilly is a well-trained dog who takes herself outside when she needs to toilet. She loves walks and is very chilled and friendly. They said a little dog snapped at her once during a walk, and she just sniffed it.

"It's lovely seeing her become a pet," Cynthia said. "She's started to show little signs of going back

to puppy-hood. Bouncing around and running after us – we couldn't have picked a better dog. We made the right move and it couldn't have gone better."

Cynthia and John say it feels like Tilly has been with them forever. They are so pleased and happy to share their experience, and everyone just adores Tilly. Thanks to her the couple would now highly recommend greyhounds to anyone thinking about getting a dog and would adopt another one in a heartbeat.

"We're really in awe of her!" Cynthia enthused.





NUMBER OF RACING CLUB MEMBERS

	Thoroughbred	Harness	Greyhound	Total
Ballarat	705	428	132	1,265
Bendigo	976	451	85	1,512
Geelong	623	80	74	777
Hume	1,676	230	0	1,906
Latrobe - Gippsland	4,742	60	255	5,057
North West	1,518	1,151	70	2,739
Shepparton	595	186	96	877
Warrnambool and South West	2,895	165	77	3,137
Outer Melbourne	1,857	9,934	542	12,333
Total Regional	15,587	12,685	1,331	29,603
Inner Melbourne	57,024	0	0	57,024
Total	72,611	12,685	1,331	86,627

^ Some totals may not add due to rounding

TOTAL ATTENDANCES

	Thoroughbred	Harness	Greyhound	Total
Ballarat	36,917	36,200	22,750	95,867
Bendigo	42,944	16,324	17,000	76,268
Geelong	36,568	5,150	8,000	49,718
Hume	69,525	12,412	0	81,937
Latrobe - Gippsland	55,173	200	75,905	131,278
North West	59,306	33,907	5,139	98,352
Shepparton	18,250	23,683	16,867	58,800
Warrnambool and South West	83,099	11,292	12,660	107,051
Outer Melbourne	193,719	104,708	109,080	407,507
Total Regional	595,501	243,876	267,401	1,106,778
Inner Melbourne	790,611	0	0	790,611
Total	1,386,112	243,876	267,401	1,897,389



Racing Customer Expenditure

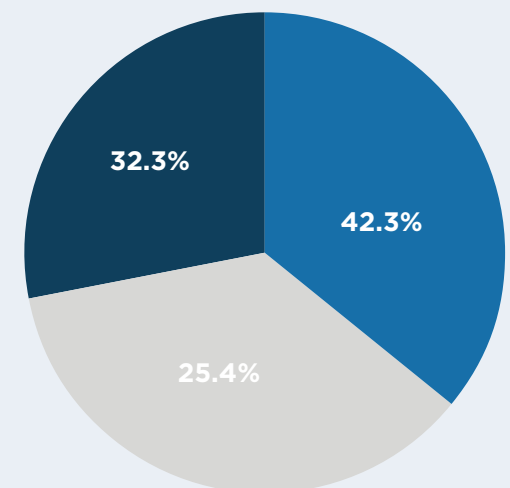
Race meetings not only provide the opportunity for participants to race their horses, they also provide an important social destination for racing enthusiasts and in many regions, are an important part of the social fabric of the community. It is estimated that thoroughbred race meetings in 2018/19 attracted more than 1.8 million attendances. In 2018/19, racing customers, including sponsors, members, raceday attendees and non-raceday customers, were responsible for the generation of more than \$743 million in expenditure. This expenditure is made up of the following elements:

- + Racing customer spending on raceday and non-raceday racing club products
- + Racing customer spending off-track related to their attendance at the races
- + Other non-wagering related revenues generated by racing clubs

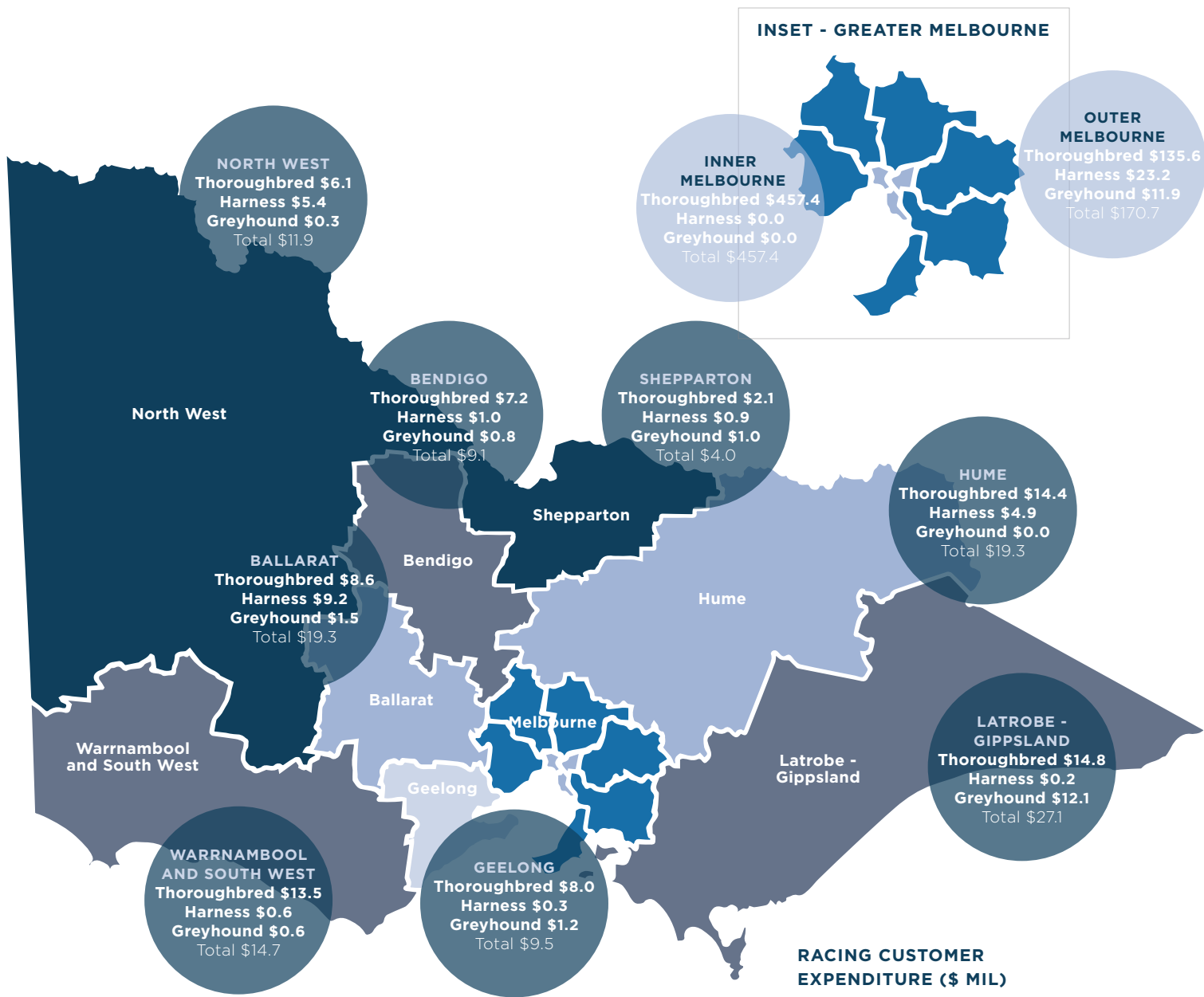
Across the three codes, racing customers spend more than \$239.6 million (32.3%) on off-course products and services related to their attendance at the races. This is most significantly driven by spending associated with attendance at the thoroughbred Spring Racing Carnival along with other major event days. In addition to this, \$314.6 million (42.3%) is spent on racing related goods and services with racing clubs whilst \$188.7 million (25.4%) of revenue is generated by racing clubs on non-raceday business activities. This spending occurs with this racing clubs who have gaming facilities, cafés, pubs and other diversified businesses.

BREAKDOWN OF RACING CUSTOMER SPENDING

- Off-Course Customer Expenditure
- Racing Club Raceday Revenues
- Racing Club Non Raceday Revenues







^ Some totals may not add due to rounding

Racing customers are responsible for generating **more than \$743.0 million in expenditure.** Raceday related spending (on-course and off-course) **contributed 74.6% of this amount** whilst non-raceday spending contributed the remainder (25.4%)

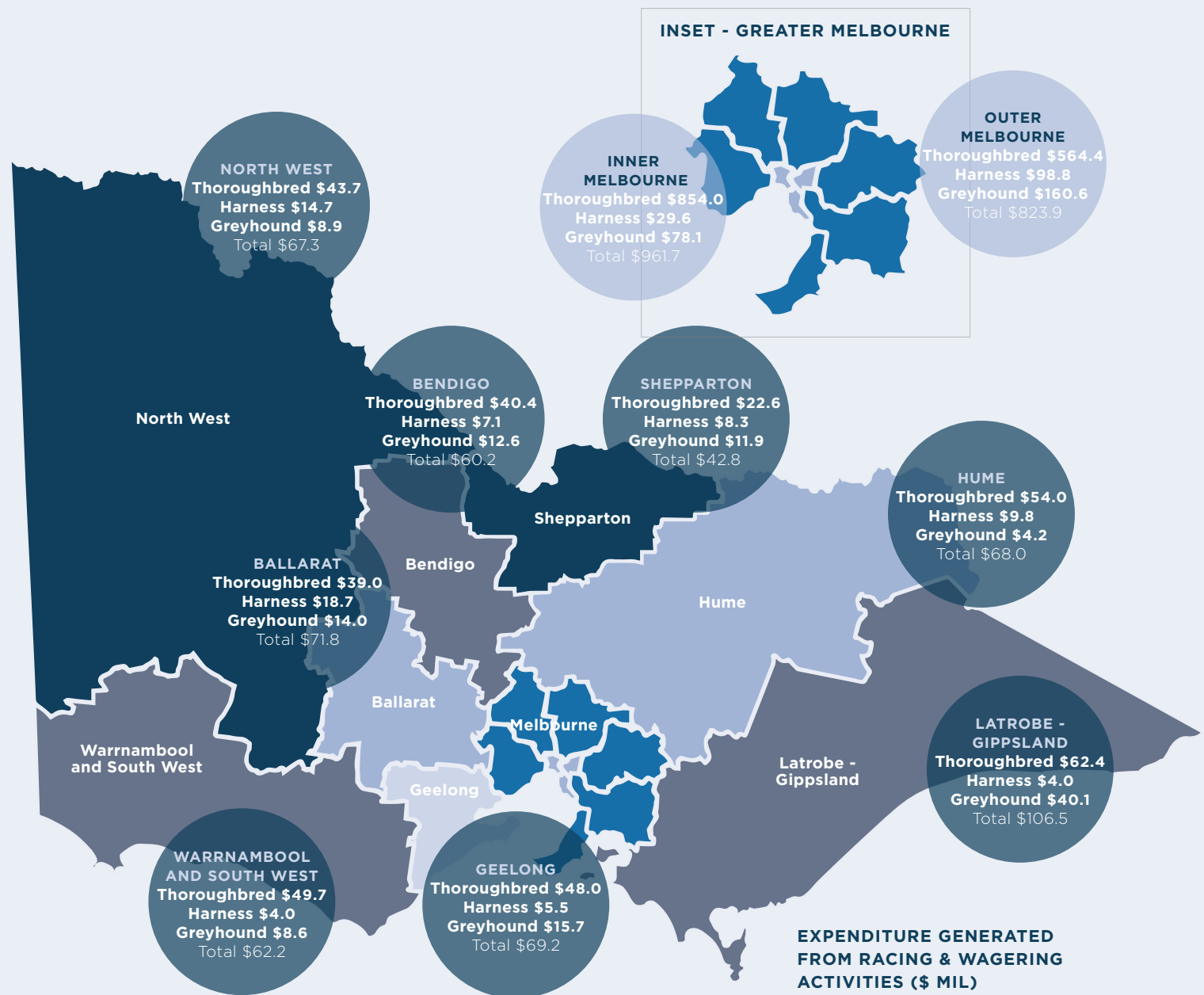
RACING CUSTOMER EXPENDITURE (\$ MIL)

Racing & Wagering

In 2018/19, racing and wagering activities were responsible for the generation of more than \$2,333.5 million in expenditure. This expenditure is made up of the following elements:

- + Racing customer spending on raceday and non-raceday racing club products
- + Product fee payments made by wagering service providers to principal racing authorities
- + Wagering taxes paid by wagering service providers
- + Operational expenditure incurred in Victoria by wagering service providers
- + Racing customer spending off-track related to their attendance at the races
- + Other non-wagering related revenues generated by principal racing authorities and racing clubs

Note: the inclusion of wagering service provider expenditure impacts is based on the operational expenditure that is funded out of wagering activity, on Victorian racing product, in Victoria and is based on data provided by Pari-mutuel Agency Boards (TAB'S) and select corporate bookmaker organisations in Australia. Additionally, where a wagering service provider has an office in Victoria, their operational expenditure has also been included in this analysis.



^ Some totals may not add due to rounding

EXPENDITURE GENERATED FROM RACING & WAGERING ACTIVITIES (\$ MIL)

Sources of Racing & Wagering Industry Expenditure

The activities of the peak racing bodies, racing clubs and wagering service operators in Victoria, is responsible for generating more than \$2,333.5 million in direct expenditure. This expenditure impact is delivered through the following sources:

Source	Amount	Description
Wagering revenues to racing	\$519.9 million	The Victorian racing industry receives funding through the joint venture agreement with Tabcorp and through product fees from non-TAB wagering service providers who bet on Victorian racing product
Wagering operator expenditures	\$914.7 million	Wagering operators contribute to the industry expenditure profile through the taxes that they pay in Victoria as well as the operating expenditure that they incur in the State. Over the last decade, there has been significant growth in the business activity in Victoria by wagering service providers and changes to taxes (such as POCT) see increased Government revenue accruing from Victorian resident betting (on local and imported product)
Racing club raceday revenues	\$314.6 million	Racing clubs generate on-course revenues (related to raceday activity) through a variety of sources including; dining & hospitality products, admissions, sponsorships, food & beverages and race book sales
Other Industry Revenues	\$344.6 million	Racing clubs and peak racing bodies generate non-raceday revenues from a variety of sources. Over a long period, many racing clubs have generated revenue from non-raceday utilisation of facilities for hire to other community and business organisations. Regionally, a number of clubs have also generated revenue through farming and agricultural activities. Additionally, over the last five years, there has been significant growth in the diversification of racing business interests. Hotels, bakeries, media businesses, property development and catering operations have provided an expansion of the racing industry footprint and expenditure impact
Racing customer off-course raceday expenditure	\$239.7 million	Major racedays in Victoria have long been shown to generate significant economic stimulus in local communities as retailers, businesses and customers come together to leverage the 'celebration' of these occasions. The Spring Racing Carnival is the most significant generator of these impacts, with more than \$200 million of off-course spending generated during this period. This spending occurs on items such as accommodation, retail, food & beverages and transport and is maximized when events are responsible for bringing out-of-state visitors to Victoria
Total	\$2,333.5 million	

* Some totals may not add due to rounding

WAGERING

Wagering customers represent one of the key funding sources for the Victorian racing industry. In 2018/19, economic impacts were generated through the following sources:

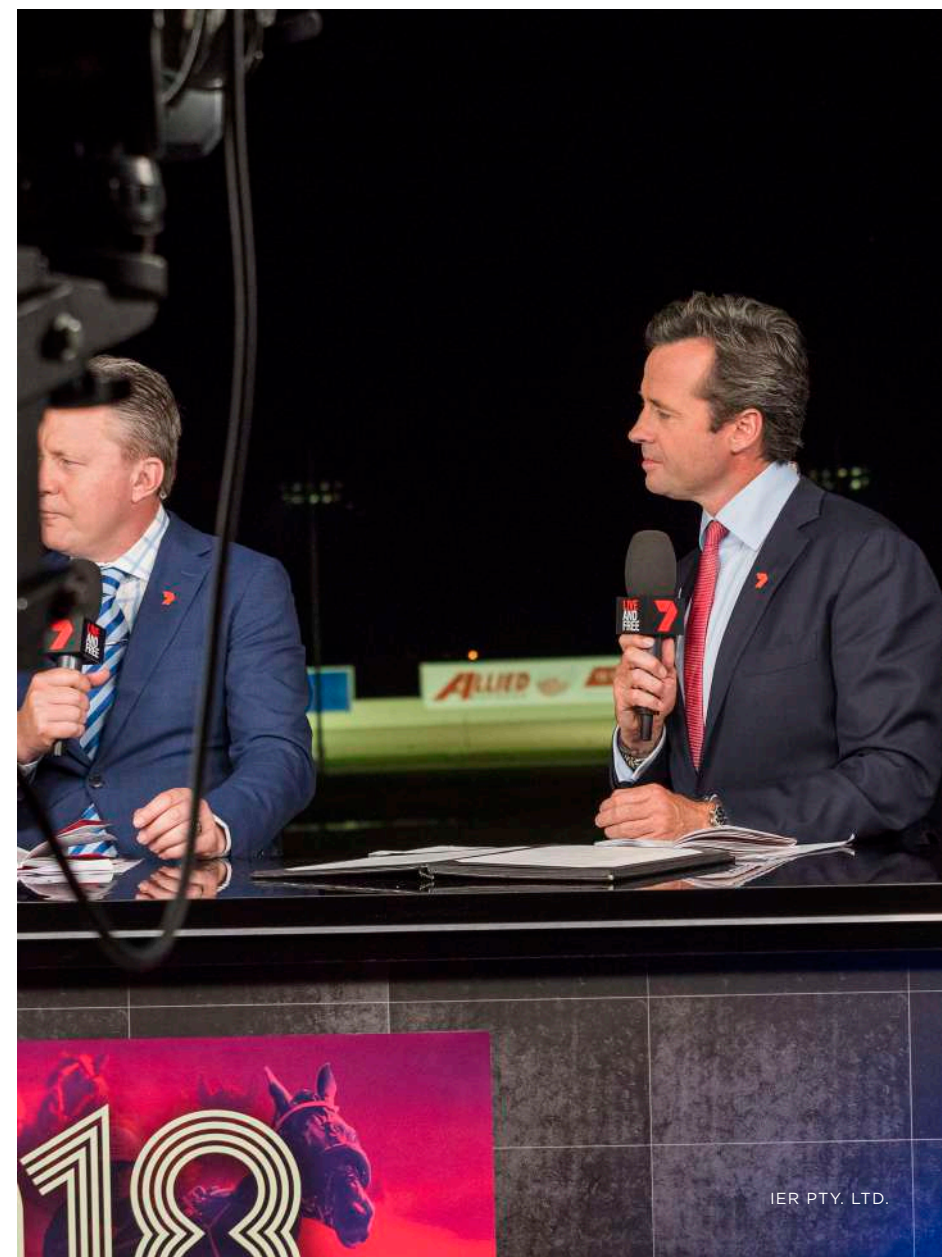
- + Wagering, by Victorian residents, on Victorian racing product through the VICTAB (both oncourse and off-course betting). The net wagering revenue (punter losses) remain in Victoria and are used to fund racing, wagering operations and to pay wagering taxes to the Victorian Government.
- + Wagering on racing product through Interstate/Overseas TAB's. As a result of this wagering activity by non-Victorian residents, product fees are paid to the Victorian racing industry for the use of their product.
- + Wagering on Victorian product through various non TAB wagering service providers (WSP) including corporate bookmakers, and betting

exchanges. For the wagering activities that occur in Victoria, wagering taxes are generated for the Victorian Government through the recently introduced Point of Consumption (POC) Tax. For all betting activity in other jurisdictions, product fees are paid to the Victorian racing industry for the use of their product. Additionally, corporate bookmakers spend a portion of their operating expenditures in Victoria in order to generate wagering revenues and grow their business. These expenditures relate to wages & operating costs (where they have offices in Victoria) and marketing of their products.

WAGERING TURNOVER ON VICTORIAN RACING PRODUCT

(\$ mil)	Thoroughbred	Harness	Greyhound	Total
TAB - Local residents on Vic product	\$1,259.1	\$153.5	\$351.3	\$1,763.9
TAB - Interstate residents on Vic product	\$1,961.5	\$252.5	\$742.0	\$2,956.0
Total TAB on Vic product	\$3,220.6	\$406.0	\$1,093.3	\$4,719.9
Corporates (incl. Exchanges) on Vic product	\$3,696.8	\$435.0	\$1,276.0	\$5,407.8
International Turnover	\$103.0	\$79.9		\$182.9
Total Turnover on Victorian Racing Product	\$7,020.4	\$920.9	\$2,369.3	\$10,310.6

^ Some totals may not add due to rounding



Case Study

THE GAP CAFE

The GAP Café has been a revelation for greyhound welfare in Victoria. As the first of its kind in the world, the café was established with the clear purpose of providing an interface for greyhounds and the community.

As part of the 'Paws for Thought' marketing campaign, the intention was to give prospective adopters a chance to get to know the breed and see that greyhounds are perfect pets. GAP knew from the experiences of greyhound owners, that most people had a false perception of the breed. They perceived the dog would require a lot of exercise, that they needed a lot of space and, given they were sometimes seen with a muzzle, they could be a scary breed.

Taking the dog to meet the people was the ideal method to change those perceptions and, given Melbourne's 'coffee culture', the GAP Café was born.

With a permit for dogs on site, an indoor, and extensive outdoor were built from scratch to ensure excellent food and coffee preparation areas, retail sales opportunities and ability to separate diners and dogs, should they prefer. The outdoor area was equipped with seating for people, but most importantly facilities to ensure the dogs were safe and comfortable. These facilities include a secure kennel, gates, hitching posts, dog beds and shade.

The outcomes have certainly met the objectives. People from the West and North Melbourne areas frequent the café regularly, and local office workers have come to enjoy the unique ambience, good food and the canine company (it's worth noting the café is not for greyhounds

exclusively, all breeds are welcomed). It's also a destination Café for dog lovers, with people travelling regularly from all over to come to the Café and joins its community of dog lovers. A recent survey of dog ownership in Melbourne suburbs indicated the greyhound is the most popular breed in North Melbourne, which can, no doubt, be attributed to the impact of the GAP Café.

The Café is located adjacent to two parks, including the Flagstaff Gardens, providing the perfect area for greyhound walking groups that often assemble at the café, including for the GAP Café's monthly city walks that are hosted by Fleur and Horse, the Café's resident greyhounds.



About IER

IER is a leading strategic consulting business specialising in the tourism, events and entertainment industries. For over twenty years, IER has provided economic impact evaluations for both private and Government clients.

In particular, IER has specialised in consulting on a variety of projects related to the racing industries in Australia and New Zealand over this time.

This study constitutes an economic and social impact evaluation of the three codes of racing in Victoria.

It has been developed utilising the following source data:

- + Current year registration data relating to participants and animals
- + Breeding and Training expenditure data captured during in-depth with racing participants
- + Expenditure and taxation data provided by wagering operators throughout Australia
- + Data provided by the three codes of racing and racing clubs

An understanding of the intricate and sometimes complex flow of money in the racing industry underpins this assessment. IER has recently prepared similar studies for:

- + Australian Thoroughbred Racing Industry
 - + New Zealand Racing Industry (3 Codes)
 - + Western Australian Racing Industry (3 Codes)
 - + NSW Racing Industry (3 Codes)
 - + Queensland Racing Industry (3 Codes)
 - + Northern Territory Thoroughbred Racing Industry
 - + Tasmanian Racing Industry (3 Codes)
 - + South Australian Racing Industry (3 Codes)
- + Size and Scope of the South Australian Racing Industry (2012)
 - + Economic and Social Impact Study of Harness Racing in Australia (2012)
 - + Analysis of economic impact (CGE modelling exercise) of 2006 Commonwealth Games on the Victorian economy (with KPMG, 2005)
 - + Pre-event evaluation of impacts of the Sydney Olympic Games on NSW - with KPMG
 - + Size and Scope study of the Victorian Racing Industry (2012)
 - + Annual assessment of the Adelaide Fringe, WomAdelaide and Clipsal 500 (over the last 5-10 years)
 - + Size and Scope Study of Racing Industry in NSW
 - + Size and Scope of the New Zealand Racing Industry (2014)

The economic modelling for this study was undertaken by Associate Professor Barry Burgan (B Ec (Hons), FINSIA (Fellow). Barry is a director of Economic Research Consultants Pty Ltd and has extensive experience in the area of economic and financial assessment and policy advice. He has a background in the public and private sectors, academia and has worked on various projects in the area of economic policy, including in the area of economic modelling.

In particular, Barry has extensive experience in the use of both computable general equilibrium and input-output models, regional economic development and cost/benefit analysis. He has undertaken a number of these studies and projects with the Sustainable Tourism Cooperative Research Centre.

Barry has undertaken a significant range of studies on special events, with some specific examples being:

Barry provides the economic modelling and advisory services to IER

Economic Methodology

The purpose of this study is to measure the contribution made by the three codes of racing towards the Victorian economy. In this way, it is a generalised measure of the industry's contribution to the State's economy.

BASIS OF EVALUATION

This study is based on a consistent methodology to that used by IER in the evaluation of the contribution of racing industry's in other states and regions. The modelling is based on assessing the way in which expenditures that underpin the racing industry impact in a 'whole of economy context' through the creation of jobs and incomes.

More specifically, the economic contribution of an industry, to the region in which it operates, represents the contribution that the industry makes in terms of the generation of gross state (or regional product), household income and the employment these incomes support. The racing industry does this in two ways

- + Through the employment and activity, it supports directly within racing (including the impact on the industries that depend on it as a customer); and
- + The flow on effects of that which filters through the economy as a result of this activity

The importance of the expenditures generated by an industry, in the production process, is that they will sustain turnover in local industry, and specifically this will support local jobs and incomes. It is the jobs and incomes that are taken to be the measure of economic impact or benefit, netting out leakages such as expenditure on imports etc.

In addition to the jobs created with direct suppliers of services to the racing industry, economic activity produces a broader effect throughout the community, due to supply chain linkages and the impact of the spend of wage - extending the spend effect and the impact through various layers of the economy. This is known as the flow on or induced impact.

The result of an unconstrained whole of economy or general equilibrium model underpinned by input output tables, is a prominent process for translating direct created expenditure (a final demand stimulus) of industries or projects into jobs and incomes, and for establishing the extent of the flow on impact. There is some level of academic argument about appropriate models for converting increases in external expenditure (final demand) into regional economic impacts. The critics of using unconstrained models such as input output tables often argue that they overstate the value of an industry - and reference that "multiplier" impacts are taken as method of

ratcheting up the stated value (noting that this study uses an impact assessment rather than multipliers per se). This criticism would be valid when analysts applied turnover multipliers but is not the case with the more appropriate use of value added multipliers - which translate the expenditure estimates to national accounting framework measure with a whole of economy context. Indeed, value added multipliers (the value added impact (direct and induced) relative to a dollar of created expenditure) are often less than 1. It is further noted that the constraints that are applied in more complex economic models do not tend to be substantial as they state and regional level in a longer term context (labour flows from state to state and region to region and capital can also flow freely).

Used correctly, a whole of economy approach provides a more appropriate measure of economic impact than expenditure. In short, use of input output based models allow for reporting with respect to the estimated outcomes of the industry in terms of:

- + The effect of expenditure or turnover on value added or incomes across a State/ regional economy; and
- + In terms of job creation

These measures ensure that the analysis is consistent with national accounting frameworks. It should be emphasised that this methodology includes the identification and inclusion of local (Victoria) expenditure associated with racing. The economic impacts determined by this approach do not represent the value that would be lost to the State if the industry did not exist. Generally, when considering expenditure by locals it is often held that substitution is a significant factor in whether that spending would be lost to the economy. Taking the racing industry as an example, it is likely (under a scenario where it no longer existed) that much of the local resident spend would substitute to other activities. Depending on where this spending occurs the overall economic impact of that spending could be higher or lower than what it was when spent on racing.

What this study calculates is the level of direct and induced employment and income that is linked to people choosing to spend their entertainment dollar on racing (after allowing for imports which are used in the production process). This could be considered the gross economic impact of the sector and is therefore a measure of its significance generally. If a similar gross impact was calculated for every other sector of the economy, then the sum of the impacts would be considerably greater than the size of the economy in total. An alternative

methodology would be to measure the net economic impact. Such a study would represent the extent to which this industry expenditure is supported by revenues that can be considered new to the state or region. This would include the supply of services by the local industry to racing activities interstate. It would also include the spending made by tourists or visitors to the state whose main reason for visiting is to attend/participate in the races and wagering by out-of-state residents on local racing product. Finally, it would include industry revenues that locals spend where they would not spend it in the state but for their involvement in the activities of racing. It would also reasonably be expected that some race attendees would attend events interstate if they were not available in Victoria, and that some operators would base their operations interstate if this was the case. The information required for this assessment is not available, and as such is out of the scope of this analysis.

ESTIMATES OF EXPENDITURE BY THE INDUSTRY

This study of the Victoria racing industry is undertaken by firstly identifying the expenditures generated by the industry and then applying this expenditure to state input output model. The State input output model has been prepared using the latest ABS national input output table (2018-19) as a base and has been created using the location quotient method and using state labour force and national accounts data and updated to the relevant year for inflation. The model condenses the industry structure of the national input output table to a 26 industry sector level focusing on industries more directly impacted by production activity in the racing

industry. The approach identifies the structural context of expenditure and then applies this to industry sectors from which point it is assumed that the general industry production function can be applied.

The estimated racing industry expenditure is determined at two levels. Firstly, the industry expenditure generated within each code of racing is identified, as well as the region in which this spend occurs. Secondly, final expenditures are allocated to the model's industry sectors. Expenditure on labour in the racing sector itself is allocated to the sport and recreation sector. By allocating these expenditures in this way, the imports required to support racing industry activity can be estimated for the production function of respective industry sectors and excluded as they represent a leakage from the state economy.

From an industry classification perspective, whilst "sport and recreation" is the dominant sector, there are significant purchases made from other sectors such as agriculture, business services, property services etc., while racing events include spend on food and beverage services and other general consumer spend.

ADJUSTMENT OF EXPENDITURES

The expenditure data is converted from purchasers' prices to basic prices, as the final expenditure data includes margins, taxes and subsidies and all monetary values in the input output model are expressed as basic values. The prime differences between purchaser prices and basic prices are that:

- + Basic values exclude the cost of transport and wholesale and retail trade embedded in the purchase price (and allocate these to the transport and trade sectors).
- + GST will be allocated to Gross Operating Surplus. In the modelling herein this is then considered to support Government expenditure (an implied revenue neutral situation).

The core assumptions to make the adjustments from purchaser price distributions to basic values are:

- + The average value added in each of the industry sectors is extracted and then the GST component (at 10% - which is only paid on the value added) is deducted and separately identified. It is assumed that the value added coefficient for the arts and recreation sector understates that of the spend for the racing industry as the cultural industry will be dominated by public sector institutions and not for profits - whereas the recreation sector is more commercial.
- + The purchaser price is adjusted for the average margin for wholesale, retail and transport sectors, as identified in the national input output tables.

DISTRIBUTION TO REGIONS

The final expenditures outlined within this study has been allocated to regions across Victoria. The level of economic activity will not proportionally follow the expenditure, as regional areas generally have higher import penetrations than metropolitan areas (i.e. regional areas have a higher likelihood of needing to import products

and services from the metropolitan area). This study develops a regional input output model for each of the nominated regions. These regional models are created from the underlying state table and again using the location quotient method based on regional employment estimates for each region from the latest data available through the ABS Census. Outcomes for the regions are adjusted for feedback impacts to be consistent with the state level modelling results, with much of the feedback being assumed to occur within the greater Melbourne area.

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- + Victorian Breeders, Trainers & Owners who agreed to provide financial data
- + Victorian Office of Liquor, Gaming and Racing
- + Victorian Thoroughbred, Harness & Greyhound Racing clubs

DISCLAIMER

This report (Report) has been produced independently by IER as requested by the Victorian Racing Industry (VRI) using a mixture of primary and secondary research data.

The report has been prepared to meet the requirements set out by the VRI within the terms of reference. The information, statements, statistics and commentary (together the 'Information') contained in this Report have been prepared by IER from a combination of data sourced within the three codes of racing and from Government and private sector businesses aligned to the racing industry.

IER has prepared this Report on the information that was received or obtained, on the basis that such information is accurate and, where it is represented to IER as such, complete. Some of the Information contained in this Report has not been subject to audit.

The analysis has been undertaken in a consistent format and with consistent assumptions to evaluations of other projects and studies of the racing industry (for consistency and comparative purposes). An input-output model, as used herein is an economy wide model which shows the inter-linkages between industry sectors in the economy. Therefore, the change in economic circumstances (specifically a change in final demand) for one sector of the economy (e.g. through a major project) can be traced through to its effect on other sectors, allowing a more comprehensive look at the effects of the project. It is based on assumptions that all changes in final demand can be met by the economy without constraint.

A computable general equilibrium (CGE) model is also an economy wide model and has a similar outcome but differs from input-output models in that it includes supply side and macro- economic constraints, thereby limiting the extent that the change in final demand will be fully captured in other sectors (because of market limitations). The labour market is in effect the most significant constraining factor. At the national level, such constraints will be critical, and as such national impacts are best assessed in this framework.

However, at a State level, where supply constraints in the labour market are demonstrably small (responded to by immigration) and there are also limited capital market constraints - the estimates of jobs and GSP outcomes are of a similar order of magnitude at the State level. Both models would generally show a project in one region causing a positive effect in that region. A CGE model would show that project causing negative impacts in other regions to heavily offset the gains. In this analysis, we are clearly concerned with the impacts on the State economy.

Definitions

The following terms have been used throughout the study and are defined as follows:

- + **Direct Expenditure** - is defined as expenditure associated with producing racehorses and greyhounds (breeding), preparing racehorses and greyhounds (training) and expenditure made by racing's customers in the following areas:
 - net wagering revenues (from punters)
 - on-course raceday spending
 - spending related to non-raceday functions/ facility utilisation
 - visitor spending in the broader economy where linked to racing event attendance
 - spending made by sponsors, members and partners
- + **Direct Economic Impact (value added)** - represents the amount of income included in the direct in-scope expenditure, and therefore is the amount of wages and salaries plus gross operating surplus directly created in supply these services and product, which is also equal to the direct in-scope expenditure less the purchases the provider of the goods and services makes in providing the goods and services
- + **Flow-on Impact** - represents the value added activity generated to support the purchases made in providing the inputs to the providers of the direct services, along with the value added impact in providing households with goods and services as they spend their wages, and the trickle on effect of this
- + **Total Value Added** - is the sum of the Direct Value Added plus the Flow-on Impact - which represents the total wage and salary income plus gross operating surplus generated directly in providing the goods and services involved in the direct in-scope expenditure and the wages and salaries generated as an extension. It therefore represents the

contribution to Gross State Product resulting from the events and activities of the three codes of racing in Victoria

- + **Full Time Equivalent employment** - is a unit that indicates the workload of an employed person in a way that makes workloads or class loads comparable across various contexts. An FTE of 1.0 is equivalent to a full-time worker (i.e. 38 hours), while an FTE of 0.5 signals half of a full work load (i.e. 19 hours).
- + **Household income** - is defined as being wages and salaries (before tax) earned from employment generated by the thoroughbred, harness and greyhound industries
- + **Participants in racing** - is defined as being the number of employees (full time, part time and casual), participants and volunteers directly involved in the Victorian racing industry. Does not include down-the-line suppliers of goods and services. Note: due to data kept on licensed participants, it is likely that there is some level of duplication in the analysis of participants in racing.
- + **Input-output modelling** - is the economic modelling used to determine the economic outputs within this study. It is an economy wide model, which shows the inter-linkages between industry sectors in the economy. Therefore, the change in economic circumstances (specifically a change in final demand), for one sector of the economy can be traced through to its effect on other sectors.



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