



Economic Consultants

Report to

Enniscorthy Greyhound Racing Company

**Review of Data, Analysis, Conclusions and
Recommendations in the Indecon Report on Irish
Greyhound Racing Stadia**

Executive Summary

29th January, 2020

Executive Summary

This report has been prepared by KHSK Economic Consultants in response to a request from Enniscorthy Greyhound Racing Company Limited to examine and review the data, analysis, findings and recommendations of the report entitled '*Indecon Independent Strategic Review of Irish Greyhound Racing Stadia to Underpin a Viable Long Term Sustainable Industry*'. It is not a comprehensive review of the wider greyhound racing sector but focuses specifically on the Indecon report and particularly on the recommendation in that report that the IGB should withhold funding from a number of greyhound racing tracks, including Enniscorthy.

The Indecon report concludes that the financial issues facing the IGB are such that radical restructuring of the sector's footprint is required. It is argued that what is described as rationalisation i.e. the closure of some stadia, should be a central part of this restructuring as this would alleviate the financial problems and also because there are simply too many stadia currently operating.

There is a fundamental question that must be asked of any report that reaches a conclusion that 'radical restructuring' of an industry is required, and then sets out recommendations to achieve this aim: does the available information on the industry, and the analysis undertaken, support this conclusion and the recommendations that are made? This is interpreted for the purposes of this review as three questions:

1. Do the data in the Indecon report and the results of the analysis that is undertaken support the conclusions that are reached and the subsequent recommendations in the report?
2. Are the data accurate and is the analysis undertaken correctly?
3. Is there other information or other ways of analysing the available data that should be considered?

There are two additional questions to be asked of the Indecon report's recommendations, particularly, but not only, because the expenditure of public funds is involved.

4. Is it reasonable to expect that the solutions that are put forward will address the problems that are identified?
5. Do the benefits that can reasonably be expected to arise as a result of implementing the strategy exceed the likely costs of doing so?

Addressing these questions determined the study that was undertaken and is reflected in the structure of this report.

In responding to these questions, this review reaches the following conclusions:

1. The data and the analysis that are contained in the Indecon Report do, to an extent, support the conclusions the report reaches and its recommendations. However, there are contradictions and omissions of such importance that the conclusions are not adequately supported and cannot be accepted.
2. There are some very important errors in the data used in the report, particularly in relation to attendance at Enniscorthy, and there are errors in the analysis particularly in relation to the scenarios.
3. There are instances where important data are not reviewed, or the analysis is undertaken in a manner that supports a particular line of reasoning, when alternative equally valid approaches would lead in a different direction.
4. The recommended actions will not achieve the objective unless analysed in a very restrictive and simplistic manner that ignores some important likely impacts.
5. The benefits of implementing the recommendations are likely to be minimal while there are likely serious losses and considerable risks associated with the strategy for both the greyhound sector and the wider community.

Together, these findings seriously undermine the conclusions and pose important questions regarding the validity of the strategy of effectively closing tracks and, in particular, identifying Enniscorthy as a track from which funding should be withheld. Consequently, it is important that the IGB reverses its decision to accept the recommendations of the report and states, without delay, that funds will not be withheld until these issues have been addressed and additional work undertaken to identify the source of the problems that exist and how they might be addressed.

Radical Restructuring and Rationalisation

The conclusion that radical restructuring of the industry, primarily the closure of stadia, is required to address threats to the financial viability of the IGB is largely based on analysis that operating losses in IGB-owned stadia will threaten the viability of the IGB and a conclusion that there are too many stadia in Ireland. Falling attendances are important in leading to the problems that have arisen but there is little or no analysis to identify the causes of these trends or what might be done to address them.

The evidence in support of the conclusion that rationalisation is a necessary and adequate solution to the problems and will be a supporting element of a recovery strategy is weak. Comparison of the number of tracks per head of population with other

countries is irrelevant and there is no evidence from other areas that the closure of tracks leads to recovery. Neither is there any evidence from other sports that would indicate that a reduction in the available facilities will contribute to an improved performance by that sport. In contrast, it is generally accepted that better sports facilities, at local and national level, improve performance and participation.

The report also adopts an idea of geographical balance as a reason for rationalisation. This idea is poorly articulated, and no evidence is provided to suppose that it has any role in developing a strategy for recovery. Sports, like many industries and rural activities, tend to be concentrated in geographical clusters that form for a variety of reasons and underpin the competitive basis of the activity. This is the case with greyhound racing. The stadia are the essential cores for the maintenance of these clusters.

Attendance Data and IGB Funding

The strategy of withholding funds and closing stadia even conflicts with the findings in the Indecon report. It shows that reducing prizemoney and the number of meetings will further reduce attendances, in other words, it will make the presumed underlying cause of the problems even worse. Using metrics derived in the Indecon report, this review estimates that the closure of the four tracks will directly reduce attendances by about 40,000 per annum, equal to 8% of attendances in 2018. This is not built into the analysis and the implications of this are not examined.

The four stadia from which funding is to be withdrawn are chosen on the basis that their attendance levels are the lowest and closing these particular stadia will minimise the impact on the industry. Attendance data are central to the analysis, the projections and the identification of Enniscorthy as a track from which funding should be withheld. However, Enniscorthy is identified as a result of the use of inaccurate attendance data, an inappropriate means to assess the extent of the greyhound sector in its vicinity, errors in describing its infrastructure, and the failure to examine the operational efficiency of stadia or the true impacts of closing these facilities.

The data that are used for 2018 attendance at Enniscorthy are wrong and seriously underestimate the actual level. This error was communicated to Indecon, but the report was not revised. The result of using inaccurate data for 2018 is that estimates for 2019 and the projections for 2022 are incorrect, and the report seriously overstates the IGB grant per attendee at Enniscorthy track. Actual attendance at Enniscorthy in 2018 was 19,232 and was 19,680 in 2019, not the figures of 13,515 and 16,720 that are used

respectively in the report. Correcting for these errors means that attendance levels at Enniscorthy are the 2nd highest in the Southeast, not the lowest. The actual grant per attendee at Enniscorthy was €18.85, not €26.83 as stated in the report, making it the 2nd lowest in this regard in the Southeast.

Enniscorthy is also by far the best attended of the four tracks that are identified for closure and it was one of the better performing tracks in the country in terms of the trend in attendances in the period 2015-19. These errors mean that the conclusions in respect of Enniscorthy are unsupported by the available information and the recommendation that funding should be withheld is not valid and should not be accepted.

The inaccurate attendance data is used to derive attendance projections, which are then an important input to derive the financial projections. There are serious issues arising from the attendance projections that are provided for all stadia. While the basis and assumptions for the three scenarios underlying these projections are set out in the report, these do not result in the estimates that are presented.

The attendance projections for Enniscorthy are inaccurate because of the inaccurate data and the inaccurate calculations and seriously underestimate likely attendance levels. When the data are corrected and the calculations are revised to reflect the scenarios that are described, it is found that the projections underestimate likely attendances at Enniscorthy in 2022 by between 56% and 122% depending on the scenario in question. As the financial projections are based on these attendance projections, the financial projections cannot be accepted as valid, further weakening the case that radical restructuring and rationalisation are required.

Location of Stadia and the Impact of Closures

It is argued that the impact of closing Enniscorthy will be relatively small. Apart from the incorrect attendance data, the basis for this conclusion appears to be a finding to the effect that there is little activity related to greyhound racing in Wexford and that there are stadia close by. However, in finding that there is no greyhound breeding in Wexford, the report adopts an inappropriate measure of breeding activity and ignores available data on the numbers of dogs bred in Wexford and the numbers of trainers and owners. In contrast to what is concluded in the report, Wexford is one of the largest centres for the industry and plays an important role in providing dogs for other stadia.

The analysis of catchment areas in the report is also crude and provides little in terms of understanding the dynamics of the greyhound sector. Furthermore, the use of a 50km area in some of the analysis and a 60km area in other parts disguises the fact that Enniscorthy is located in a geographically distinct area of the Southeast and is actually the most distant of the 5 stadia in the region. Furthermore, the way in which the geographical proximity of other stadia is used in the report leads to inaccurate inferences regarding the impact of closure of a stadium. It is implicitly assumed that stadia are competing with each other. But this would require that proximate stadia are substitutes for each other. This is true only to a very limited extent. A local stadium is best understood as a local greyhound racing monopoly that competes with other local sports facilities and its closure would mean that existing supporters would exit the sector rather than move to a different stadium. These issues mean that the conclusion that the impact of Enniscorthy closing would be small is not supported.

Having a local stadium is the most important determinant of participation in greyhound racing. Based on the Indecon survey and a survey undertaken for this review, it can be concluded that most people who are active in the industry would cease their involvement if their preferred, i.e. local, track were to close. The reason is that most breeders, trainers, and owners are involved on a part-time basis and, if Enniscorthy were to close, they simply would not have the time to travel the extra distance to Waterford to school young dogs at the track.

The Indecon report cites lack of greyhounds as a problem. While Enniscorthy stadium does not have this problem – there is a more than adequate pool of dogs for racing – the uncertainty that has been created by the report has meant that many breeders are thinking of deferring mating their dogs this year as the closure of Enniscorthy would effectively deprive them of their main source of demand, which is local owners and trainers. If the track does close, the exit of most from the sector would lead to a sharply reduced number of dogs for tracks such as Waterford over the next few years.

Infrastructure and Investment

There are factual errors regarding facilities at Enniscorthy stadium, particularly in relation to access for disabled people. It is also unclear what standard was used to assess the facilities since, while acknowledging that investment to modernise infrastructure is desirable, the consultants did not identify that lack of facilities is a major issue for either those involved in racing or other attendees. The report also fails to examine why there are poor facilities in many private tracks such as Enniscorthy. The reason is lack of funding by the IGB which has provided major funds to a minority of tracks in recent years

for investment in infrastructure. In contrast, Enniscorthy has received no IGB investment funding for areas of the stadium used by spectators but is now being compared against these tracks.

It is not known how the tracks in the Southeast or elsewhere were assessed and scored by Indecon when reaching their conclusions. A revised comparison of the 5 stadia in the Southeast was undertaken by applying a simple numerical scoring model to the criteria that are set out in the Indecon report and the data in that report, using corrected attendance data, to facilitate comparison. Waterford emerges as the strongest track, with Enniscorthy and Clonmel close behind and Kilkenny and Thurles some distance behind. The outcome of this clear, objective and transparent approach contrasts sharply with the results produced by whatever ranking methodology underlies the Indecon analysis that identified Enniscorthy as the weakest.

Operating Losses in IGB Stadia

The objective of withholding funding from the 4 tracks identified is to have sufficient funds to subsidise operating losses in the IGB-owned tracks on an ongoing basis. These losses amounted to €1.27 million in aggregate. Withholding funding from the four tracks identified will reduce the IGB outlay by €1.33 million based on 2018 data. However, this does not address the issue except in a very simplistic manner. It ignores the impact on the industry of track closures, and it does not free up funds for investment in animal welfare, marketing or recovery. Furthermore, the Indecon report estimates that capital investment of €3.92 million is required in the IGB tracks. Importantly, the strategy will accelerate the declines in attendances and does not identify how the losses in the IGB tracks might be reduced.

The strategy fails to address the actual source of the financial problems even though this is shown and noted in the report. The IGB financial problems arise from the operating losses in the IGB tracks, which are projected to rise to over 10% of the current public funds provided to the IGB. However, there is no analysis of operations at these tracks to identify why they are losing money on an ongoing basis. Neither does the report include operational efficiency in the criteria when identifying the tracks that will close.

Socioeconomic Impact of Closure

Since the recommendations relate to decisions concerning the expenditure of public funds, it is necessary to expand the discussion to focus on the impact that closing Enniscorthy stadium would have on the local population, even those not directly

concerned with greyhound racing. Government policy, in particular regional policy as expressed in the National Planning Framework, has placed emphasis on the role of sports facilities in addressing regional imbalance. Considerable funds have already been allocated in this respect. Sports policy has also emphasised the importance of social participation and not just the known benefits of active participation. The proposal to close facilities in rural towns, in favour of funding facilities in larger urban areas, is in direct conflict with this approach.

Enniscorthy plays an important role as a rural town and the greyhound stadium is important by providing a social outlet as well as being central to financially supporting community organisations, volunteering and charitable activities. Closure will place this activity in jeopardy. Enniscorthy is not a major metropolitan area and the loss of the important social fabric that would follow the closure of the greyhound stadium would undermine its ability to continue to provide the services on which its hinterland depends.

With a national footprint, good regional distribution, and integration into rural areas, the wider greyhound sector is well positioned to play a role in the social energising of lagging regions. However, the industry needs a clear strategy if the potential is to be realised. The strategy that is comprised of the recommendations in the Indecon report is in direct conflict with IGB policy and strategic statements in recent years. This is creating a lot of uncertainty regarding the strategic direction of the sport and this needs to be addressed.

Implications of these Findings

There are important implications rising from these findings:

- The IGB's decision to accept the conclusions and recommendations of the Indecon report must immediately be reviewed.
- The IGB's decision to withhold funding from Enniscorthy, and the other stadia, from March 2020 is unsupported and must immediately be set aside.
- To remove uncertainty, the IGB must immediately offer a guarantee that there will be no cuts to the funding provided to Enniscorthy or other stadia before further damage is done to the industry.
- The findings and analysis in this review need to be communicated to Board members without delay to facilitate them in undertaking their statutory duty of oversight.
- Research is required to identify the reasons for the decline in attendances at Greyhound racing and what can be done to halt this.

- The reasons for the operational losses in IGB-owned stadia that are the source of the financial problems need to be understood and measures implemented to address them.
- The IGB needs to clarify if its most recent Strategic Plan is still relevant and address the conflicts between what is contained in that plan and its decision to effectively close stadia.
- The IGB needs to adopt a renewed view of its role to ensure that allocated funds are spent in a manner that maximises the wider socioeconomic benefits of greyhound racing when making expenditure decisions if it is to successfully access future opportunities for public funding.

The full text of the KHSK report can be downloaded by clicking here:

<http://www.khsk.ie/wp-content/uploads/2020/01/KHSK-Review-of-Greyhound-Stadia-Report.pdf>