

Review of Certain Matters Relating to Bord na gCon

Submitted to

**Department of Agriculture, Food
and the Marine**

Prepared by

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Executive Summary

Introduction and Background

This independent study was undertaken by Indecon International Consultants and was commissioned by the Department of Agriculture, Food and the Marine. The report presents our findings on certain matters relating to Bord na gCon.

The context for this review is that Bord na gCon (the Irish Greyhound Board) is a commercial state body which is responsible for the control and development of the greyhound racing industry in the Republic of Ireland.

The overall objective of this assignment was to complete an independent investigation of aspects of Bord na gCon, including the legislation, governance structures, funding and management of Bord na gCon and the wider greyhound racing industry. The completion of this review has entailed the following specific tasks:

- Assessment of the appropriateness of the existing legislation in the current operating environment, particularly with regard to the governance of Bord na gCon;
- Evaluation of whether the current structure and size of the Board and management of Bord na gCon are appropriately designed to ensure that the organisation operates efficiently and effectively, in order to maximize the potential of the industry;
- Against the background of the current challenging financial environment facing the organisation we consider whether there are opportunities to increase the commercial income of Bord na gCon.
- We also assess debt sustainability and outline the actions required in this regard.
- Our analysis examines the appropriateness of the systems operated by Bord na gCon with regard to the regulation of the industry and also the welfare of greyhounds. Ways in which Bord na gCon could assist in supporting an adequate supply of racing greyhounds is also considered.

In this report we make recommendations on a wide range of fundamental changes that we believe are required to legislation, governance, regulation and commercial aspects of the organisation.

Financial Performance and Prospects

It is important to commence our analysis with a review of financial performance and prospects for Bord na gCon. The figures on turnover for Bord na gCon showed a worrying downward trend since 2006 in most categories of turnover. This was reflected in an overall decline in revenue from €63.5 million to €28.2 million in 2013. The scale of the decline is dramatic and represents a fall of 55.6% over the period. The rate of decrease has since slowed. This is an important step towards sustainability but the fact that the downward trend in revenues has not been reversed in 2013 is of concern. This needs careful monitoring as we understand the first few months of 2014 are showing some decline. The organisation is also heavily indebted with net debt of over €21 million.

Table 1 Bord na gCon Turnover from Racing Facilities 2006-13

	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
Turnover								
Tote Receipts	50,527,818	48,361,958	44,045,453	32,884,036	24,464,543	23,868,379	22,155,001	20,856,142
Bookmaker Income	864,612	743,269	777,914	606,036	429,709	357,193	306,629	263,498
Gate receipts & programme sales	5,687,521	5,916,970	5,466,583	3,821,485	3,175,876	3,252,220	3,015,381	3,031,081
Catering Income	3,001,565	3,022,696	2,722,732	1,672,756	1,365,262	1,407,342	1,231,959	1,290,709
Sponsorship – Board Tracks	1,245,402	1,564,441	1,221,879	910,057	634,613	705,127	676,929	707,693
Entry Fees – Board Tracks	890,856	979,632	1,038,424	967,304	850,314	839,480	769,750	789,864
Sponsorship – Private Tracks	0	533,015	521,083	424,081	261,949	239,485	227,840	171,181
Entry Fees – Private Tracks	0	687,048	667,472	598,832	540,444	463,440	463,710	445,448
Dog Sales Commission	67,020	39,450	29,382	28,822	17,582	16,151	6,816	5,718
Miscellaneous	981,767	1,264,470	1,296,617	1,112,935	1,158,173	1,152,868	1,168,618	1,149,427
Net return on Pension Scheme Assets	189,000	321,000	239,000	22,000	-31,000	-430,000	-480,000	-550,000
Turnover from Racing Facilities (incl Tote Receipts)	63,455,561	63,433,949	58,026,539	43,048,344	32,867,465	31,871,685	29,542,633	28,160,761

Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

Of particular importance in judging the financial sustainability of Bord na gCon's existing operations has been the decline in receipts from the Tote. In 2006, Tote receipts were just over €50 million. By 2013 they were €20.9 million. The impact of the sharp decline in Tote receipts on Bord na gCon's profitability was partially offset by the fall in the ratio of Tote payout to Tote receipts from 79.8% in 2008 to 77.0% in 2013. The fall in this ratio has, however, implications for the attractiveness of the greyhound sector and there are limits on any future declines.

Reflecting the reduction in attendance numbers, the scale of the decline in gate receipts and programme sales, entry fees and catering income is also very marked. Together these accounted for €5.049 million of the fall in income between 2007 and 2013, of the same order of magnitude as the drop in Tote retention from its peak. Gate receipts, programme sales and entry fees stabilised in 2013 and catering income increased marginally. However gate receipts and programme sales remain at approximately half their 2007 level. Since 2007, the decline in sponsorship income by €1.219 million has also been an important development. The potential to increase sponsorship will inevitably be in part influenced by attendance levels.

Given the substantial falls in attendances and revenues, Bord na gCon appropriately implemented a major cost-cutting exercise in response. The figures show a very significant decline in expenses between 2006 and 2013 equivalent to a reduction of €36.535 million or 48.5%. It should be noted that nearly €27 million of this reduction was due to decreases in the Tote payout and prize money. In addition staff costs have declined by over €3 million since 2006 and administration costs have also declined significantly. Indecon recognises these achievements in reducing costs.

Understanding the financial sustainability of Bord na gCon also requires a detailed examination of the performance of individual race tracks. Our examination of the performance of both Bord na gCon and private tracks for 2013 shows that the three largest tracks in terms of revenues are Shelbourne Park, Harold's Cross and Cork. Annual attendances of more than 135,000 people were recorded at Shelbourne Park, which had the best attendance at any track. The second highest attendance levels were recorded at Cork. Annual attendances of less than 25,000 people were recorded at Longford, Youghal, Kilkenny, Lifford, Enniscorthy, Thurles and Newbridge. If one compares the level of attendance to net revenue it is evident that there are major variances in the level of effective subsidies provided per attendee at various stadia.

Another issue facing Bord na gCon is its underfunded pension plan. The underfunding stood at €6.839 million at end 2013. This is a problem facing many direct benefit pension schemes in Irish companies that have not performed well in recent years. Indecon believes that action is needed to address this pension liability and this may impact on beneficiaries.

Indecon's analysis has shown an organisation that has faced dramatic declines in revenues and operating surpluses at a time of rising debt. Indecon believes that the key financial challenge is to quickly transform this situation to a position with lower debt and significantly higher operating surpluses.

In examining likely future prospects for Bord na gCon Indecon believes it is useful to compare the performance in 2013 to what was envisaged in the recent strategic plan. The plan outlined targets that were back-ended with most of the increases in income expected to emerge in the period from 2015 onwards. Our analysis suggests that if the plan targets were achieved it would allow reduction of the debt and provide a sustainable financial base on which to develop the sector.

A key issue therefore is how likely is it that the targets will be met and what are the risks to their achievement? In the initial years the plan only envisaged modest revenue growth but the pace of growth was expected to accelerate significantly in future years. The plan's success is dependent on the achievement of an expanding income from new products and from advertising and sponsorship income and from increases in Tote retention.

The first year of the strategic plan ended with a total group surplus of €40,000 compared with the plan figure of €238,000. Net turnover from racing facilities showed an unfavourable variance of €0.815 million. This was offset by favourable variances in total operating and administration costs. The most significant aspect of the 2013 performance was the non-achievement of the target for net turnover from racing facilities and the plan appears to be approximately one year behind targets.

On the cost side, major reductions have taken place over recent years so reductions will be increasingly difficult to find unless they involve a re-balancing of the number of races and a corresponding reduction in prize money.

Indecon recognises that 2013 was another very difficult year for Bord na gCon and for many other organisations dependent on domestic demand. However our main concern relates to the fact that existing revenue is not sufficient to support the level of current activity in the sector and to commence the repayment of debt. This is related to the fact that Tote retention continued to decline. New wagering products have yet to deliver financial returns although concrete steps have been taken in early 2014 and there are positive signs that give grounds for optimism. However the ability to reduce the net debt of over €21 million will rely on the capacity of Bord na gCon to generate profits and also to engage in asset disposals. Indecon considers that in order to ensure that the organisation is financially sustainable and that over a period of time is in a position to have the resources to develop the sector, additional steps should be urgently taken. This is based on our judgement that bringing the gearing down should be a key priority for the Board and management. The main actions required to achieve this will involve the disposal of assets and measures to enhance underlying profitability.

Given that a new Bord na gCon management team is being developed, Indecon considers that it will be necessary for the Board of Directors as well as for the Department of Agriculture, Food and the Marine to monitor performance closely in 2014. There is a need during this transition year for the new team to respond very quickly to the scale of financial and other challenges facing the organisation.

Our evaluation of the financial prospects for Bord na gCon suggests that it would not be prudent to depend exclusively on new or expanded revenues. In addition to actively pursuing such opportunities we believe it is essential to adjust the scale of activity in the sector to sustainable levels. This will require a reduction in the number of race meetings and prize money at selected stadia. This combined with a programme of asset disposals will provide the basis for the sustainable development of the sector.

Governance and Board Management Structures

The Main Board is comprised of a Chairperson and six ordinary members. It is a small board and while this has potential advantages it raises the issue of whether there is a sufficient mix of resources and skills to ensure governance objectives are met and to ensure an adequately functioning committee structure.

Our analysis of board skills indicates that there were skills gaps. The Board has only one very specialised non-executive director with financial qualifications and senior professional experience in finance. Ensuring that the Board continues to have a sufficient depth of financial expertise is critical given the financial challenges faced by Bord na gCon.

We also identified that as of March 2014 there were no legal, veterinary or marketing experts on the Board. These gaps are noteworthy given the regulatory and animal welfare role of the Board and the critical need to develop attendances by effective marketing. We note however the recent welcome appointment of a Director with senior veterinary expertise.

Board members in addition to attending Main Board and sub-committee meetings are also directors of eleven Bord na gCon subsidiaries and in most cases two Main Board directors attend each of the subsidiaries' board meetings. This means that board members have to attend a very large number of directors' meetings and for example in one case a director was scheduled to attend a combined total of forty two meetings of Main Board, sub-committees and subsidiary boards. This places very high demands on board members and has the potential to divert from key Main Board responsibilities.

Another feature of the Board is that members can be re-appointed for many terms. This has the potential to reduce the introduction of new ideas and can lead to a defensive approach to previous decisions. There are also no age limits on directors.

In addition to board governance we also examined management structures. Up to 2011 there was a very large and unsuitable executive structure with as many as twenty-three direct reports to the CEO. A new, more appropriate executive structure has been developed and is being implemented which is more aligned with the requirements of the organisation. Indecon believes this should be fully implemented as a priority.

Identification of and developing responses to significant risk is one of the key areas of governance and our analysis suggests that there have been deficiencies in this area. Our conclusion is that there were inadequate executive resources available to support the Audit Committee and Board in the identification and management of risk. Specifically due to personnel issues insufficient internal audit work was undertaken in 2011 and 2012 and due to illness there were significant absences of an internal auditor and a risk officer. We note however that the Audit Committee of the Board did meet. A Risk Register was developed by the Board in 2011 but did not address all the key issues and was not updated or monitored at Board level although risks were considered at both Board and management levels. Deficiencies in compliance with procurement policies were also previously evident.

In more recent periods, improvements in supports have been made and the internal audit function has been outsourced since June 2013, an internal audit plan has been agreed and is being implemented. An Executive Risk Committee has also been established.

As part of our review we examined the historical evidence on the governance of capital investments at Bord na gCon. A notable example concerned the proposed new Limerick Stadium. We note that Bord na gCon must comply with the *"Guidelines for the Appraisal and Management of Capital Expenditure in the Public Sector"*.

The initial analysis by Bord na gCon of the Limerick project did not consider the likely costs and benefits but a spreadsheet on this was considered by the Board in June 2008. There was however no documentary evidence presented to the Board in June 2008 to underpin the validity of critical assumptions and no sensitivity analysis presented. In the event the assumptions for Tote contribution and track contribution proved to be very optimistic due significantly to the economic downturn and these targets were not achieved.

An updated cost benefit appraisal was presented to a critical Board meeting on 23rd April 2009 at which time the decision to proceed with the construction of the stadium was made. At that meeting it is understood that the January and February trading figures presented, albeit for a limited part of the year, were demonstrating a tough economic environment. It should be noted that 2009 was the year with the largest percentage downturn in turnover (25.8%) and the scale of downturn would have been difficult to predict on the basis of 2 months figures. There is, however, no evidence that the implications of this decline in revenue for the Limerick project viability were discussed or that there was adequate analysis of the underlying assumptions. Based on the analysis and documentation available to Indecon, it is hard to conclude anything other than the fact that there was inadequate appraisal of the Limerick capital investment.

Of most relevance to the current exercise is what is likely to be the approach to any future appraisals of financial options facing the Board? While no major capital expenditures are planned we have been informed by Bord na gCon that all capital projects of greater than €25,000 will be required to complete a detailed project approval and a post-project evaluation report will be commissioned for all such approved projects. We understand any project appraisal will include a detailed assessment of the benefit of the project, detailed planning and costs. We have been informed that current Bord na gCon policy is that a risk assessment and sensitivity analysis for all such capital investments must be undertaken. This is of critical importance and was absent from the Limerick Stadium appraisal. Bord na gCon, as a State Body, is required to comply with the provisions of the “*Guidelines for the Appraisal and Management of Capital Expenditure in the Public Sector*”.

Regulation, Animal Welfare and Breeding

Integrity of the regulatory system is crucial to the greyhound racing industry as are issues concerning animal welfare and breeding. Under the Greyhound Racing Industry Act of 1958, Bord na gCon was granted *inter alia* the powers of Regulator of the greyhound racing industry. The regulatory powers have subsequently been amended by legislation and supplemented by numerous Statutory Instruments although the 1958 Act remains at the core of the system of regulation.

Regulation of the Irish greyhound industry is co-ordinated by a department within Bord na gCon’s head office, supported by stewards, stipendiary stewards, authorised officers and racing managers. During the course of this review we have noted that internal resources have been strengthened by an appointment to the new position of Director of Racing Governance & Compliance. The Director of Racing Governance & Compliance will be tasked with ensuring that the current regulatory and compliance system is fully observed by everyone in the Irish greyhound industry and with developing an enhanced regulatory code to ensure the highest integrity of greyhound racing in Ireland.

Two essential bodies for the regulation of the greyhound industry are the Control Committee and the Control Appeal Committee. These bodies are *inter alia* responsible for decisions when positive tests for prohibited substances are identified and for other regulatory decisions. It must be recognised that the sector has faced potential reputational damage in recent years concerning aspects of the exercise of regulatory functions, particularly the decisions concerning cases where greyhounds have tested positive for prohibited substances. Indecon believes that a rigorous regulatory control mechanism is essential for the development of the sector and that this view is shared by the Board and Management. This must be supported by effective internal procedures. To this end, Indecon decided to investigate the evidence on the testing carried out by Bord na gCon for prohibited substances.

The following table shows the recent history of on-course sample testing. The results show the presence of prohibited substances and the number of publications, i.e. adverse findings.

Table 2 On-Course Sample Tests

	Number of Tests	Number of Positive Tests	%	Number of Publications of Adverse Findings
2011	4,807	45	0.9	31
2012	6,983	56	0.8	30
2013	7,307	51	0.7	0*
*17 published in January 2014 and a further 21 published in April 2014.				
Source: Bord na gCon				

Encouragingly, a large number of samples are taken from greyhounds at racetracks every year in Ireland. There has also been an increase of over 50% in the number of tests in the two years from 2011 to 2013. This demonstrates an active involvement in the on-course testing of greyhounds. In percentage terms, the number of positive tests is less than 1% and declining. However in absolute terms, the number of positive tests is of concern as are the delays in publishing findings and also the gap between positive results and adverse findings. In Indecon's view the numbers of positive tests and numbers of adverse findings published, as well as the number of cases dismissed, are potentially damaging to the reputation and perceptions of the greyhound industry.

No adverse findings were published during 2013 (after 31 and 30 were published in 2011 and 2012 respectively) despite the fact that there were 51 positive tests in 2013. This in part reflected the significant time the Control Committee were required to commit to a particular case, delays in appointing a new Control Committee and the time required to deal with backlogs.

Indecon's analysis of the divergence between the number of positive tests and the number of adverse findings has shown that this was in part due to the decisions of the previous Control Committee which ruled to dismiss a significant number of positive tests on the basis that, in their opinion, certain protocols concerning storage temperature in the handling of test samples before they reached the laboratory were different from internal laboratory protocols and this was seen as an issue. On a different point in a number of cases there were deficiencies in relation to the labelling of samples.

It is clear that having a position whereby protocols being implemented are deemed to be inadequate by the Control Committee is a significant issue for the sector and there is a need for absolute clarity between all parties on appropriate protocols and on other aspects of the processes.

Bord na gCon has its own National Greyhound Laboratory in Limerick for testing of most samples. It is staffed by four full-time employees and a student and receives some assistance from an external consultant. Indecon has no evidence of any deficiency in the laboratory or of its staff and indeed the data shows that the laboratory has been very active in testing for prohibited substances. However, keeping ahead of new prohibited substances including those with shorter and shorter half-lives and keeping abreast of new testing methodologies and technologies in such a complex and continually evolving international field will always be challenging. This is more manageable for a large specialist laboratory than for a very small group of professionals with a busy workload. Also of relevance are the high capital costs of investing in state-of-the-art testing equipment and there are clearly economies of scale involved.

Overall Indecon considers that the present legislation, regulations and processes for provision of integrity services in the greyhound industry should be enhanced in order to build a reputation for exceptional regulation of the sector. Apart from the issues that have arisen from the dismissal of positive tests and the delays in publishing results, questions arise regarding legal rights for inspections at premises and these should be addressed. Of particular significance on this latter issue is the interpretation that Bord na gCon do not have rights to conduct off-course testing and this is a significant regulatory deficiency. We are also concerned with the extent of the application of sanctions. Additional sanctions are required and we believe they should be applied as a matter of

course for any breaches. The strengthening of the regulatory unit within Bord na gCon with the new senior position of Director of Racing Governance & Compliance will be of assistance but we consider that more fundamental reform is necessary as outlined in our recommendations.

Apart from compliance with the rules of racing, ensuring satisfactory greyhound welfare is an important objective for Bord na gCon. Concern has been expressed in submissions to the Department of Agriculture, Food and the Marine about the welfare and fate of retiring greyhounds and the number of unwanted greyhounds.

Bord na gCon have a number of initiatives in place to support animal welfare. These include the attendance of veterinary surgeons at racing and sales trials. The Board also employs personnel to oversee greyhound welfare including a Welfare Manager and a Welfare Committee has been established.

The Welfare of Greyhounds Act 2011 provides new legislative underpinning for the welfare of greyhounds, establishes a register of greyhound breeding establishments and regulates their operation. As part of our analysis Indecon investigated the number of inspections undertaken. The following table illustrates one aspect of the work done by Control Stewards or other Authorised Officers between 2010 and 2013:

Table 3 Number of Inspections of Greyhound Litters by Bord na gCon Control Stewards and other Authorised Officers 2010-13				
	2010	2011	2012	2013
Number of Inspections per year	2,239	2,643	2,817	2,706
Average Number of Inspections per week	43	51	54	52
Number of Authorised Officers active	11	14	16	17*
* excluding one person who inspected 4 litters.				
Source: Bord na gCon				

Bord na gCon has reported that there were thirty cases of reported greyhound cruelty investigated in the three-year period 2011-13. As a result of the thirty investigations in 2011-13, fixed notice penalties were issued in four cases but no exclusion orders or disqualification orders were issued. Indecon believes that in cases of cruelty or persistent offenders that exclusion / disqualification orders and significant fines should be imposed as a standard procedure.

Indecon considers that it would be more effective to introduce a stronger system of appropriate and proportionate sanctions in proven cases of animal cruelty at the discretion of Authorised Welfare Officers. Equally, temporary or permanent exclusion of owners and trainers from racetracks and sales would be a more effective deterrent than monetary fixed notice penalties and both should be used.

Overall, Indecon considers that the existing Bord na gCon sanctions regime should be strengthened in fundamental ways to become both a stronger deterrent to animal cruelty and as an effective sanction against those who would nevertheless still offend. The range of sanctions available should be expanded and should be applied proactively.

Strengthening the sanctions regime may require that more resources are made available initially for proactive detection of welfare abuse including systematic conduct of an increased number of unannounced inspections of kennels, i.e. spot checks. However the deterrent effect of a stricter sanctions regime should ultimately lead to more positive outcomes. In examining background context we note that a Welfare Committee was established in 2009 on a joint basis by Bord na gCon and the Irish Coursing Club. It comprises representatives from the breeding, racing, coursing, veterinary, bookmaker and adoption / homing sectors.

On the issue of the welfare of retired greyhounds, the Retired Greyhound Trust (RGT) was established in January 1997 with charitable status with two aims:

- To apply its funds for the relief of suffering and distress of greyhounds retired from racing in the Republic of Ireland; and in particular
- To rescue and provide care and shelter for retired, stray, neglected or unwanted greyhounds, and to find suitable homes for any such animals.

The RGT is active in rehoming greyhounds as shown in the following table. An average of thirty greyhounds per month went on the RGT rehoming list in 2012 and 2013. At October 23, 2013, there were one hundred and eight retired greyhounds on the list (compared with approximately eighty four, one year earlier). Seventy of the one hundred and eight were reserved by rehoming agencies in Germany, Sweden, Belgium, UK, Italy, Czech Republic and Ireland. A further forty greyhounds were required by different rehoming agencies in Italy.

	Rehomed Directly by RGT	Financial Assistance Provided by RGT for Rehoming by Private Rehoming Agencies €(000)
2011	285	322
2012	302	217
2013	379	202

Source: Bord na gCon

In addition to regulation and animal welfare issues, an issue for the sector is to ensure sufficient numbers of active owners and an active breeding sector. This is important as a minimum number of registered greyhounds is required to maintain a viable industry in Ireland. Too few races at a meeting and / or too few runners in each race make an event less attractive. Without sufficient runners, betting turnover drops off significantly. For Tote betting, having more liquidity in a pool allows the offering of more “exotic” pots.

An analysis of the evidence of activity in the greyhound industry undertaken by Indecon shows that the numbers of greyhounds registered have declined significantly since 2004. The number of adult greyhounds registered and named with the Irish Coursing Club (who are responsible for greyhound registration by legislation) shows a steady decline that began in 2007. Only in 2012 did the number rise marginally before reverting to its longer-term trend downwards equivalent to a compound annual decline rate of approximately 6% from 2006 to 2013. In absolute terms there are just over 8,000 fewer registered and named greyhounds in 2013 than there were in 2006, a fall of 34%. All indicators show significant declines:

- Active owners: 42.6% decrease from 2007 to 2013
- No. of greyhounds mated: 34% decrease from 2006 to 2013
- No. of greyhound litters: 36.6% decrease from 2006 to 2013

Since 2006, for any winner’s stake equal to or over €2,000, a 10% deduction is made payable directly to the registered breeder of the dog. Bord na gCon has thereby channelled some limited financial support to breeders by way of a deduction from the winner’s stake. However with the fall in prize monies between 2007 and 2012, the effects of this incentive scheme will have diminished. But we note the increase in prize monies by €0.650 million in 2013.

The determinants of breeding decisions are much wider than the remit of Bord na gCon. However if the scale of activity is adjusted for a period this will impact on overall resources available for prize money. Indecon would suggest that Bord na gCon consider, as resources permit, organising a further breeding incentive that is not linked to its prize money structure in order to provide support for the breeding of greyhounds.

Conclusions

Our analysis has indicated that Bord na gCon has faced very difficult financial challenges in recent years and the sector has also experienced potential reputational damage due to the outcome of some regulatory cases. There has also been a significant decline in the number of active owners and in breeding activity. This has been combined with poor financial performance and high levels of debt. The financial outcomes are due significantly to the economic crisis and the scale of the decline in income has been dramatic. The financial stresses have also been due to bearing the cost of a major capital redevelopment project that was largely funded by bank borrowings and which did not deliver expected outcomes. We have also identified some deficiencies in aspects of governance and in the legislation.

Significant progress has however been made in reducing costs and in developing new products. Improvements have also been made in governance and organisational structures and a new management team has been recruited. While acknowledging these achievements, significant challenges remain. In particular there is a need to enhance governance and skills and to address breeding, regulatory issues, and animal welfare enhancements. These changes should be underpinned by amending existing legislation as required. The high level of debt and the low operating surpluses must also be addressed. The position is now such that very major strategic challenges must be met by Bord na gCon. These include the following:

1. Reduce level of debt and associated burden of interest payments;
2. Reverse decline in operating surpluses;
3. Address pension deficit;
4. Enhance reputation for implementation of the highest standards of regulation;
5. Enhance incentives for breeding;
6. Strengthen penalties for animal welfare breaches; and
7. Strengthen internal resources and systems by ensuring adequate skill base.

Recommendations

In order to address these challenges Indecon presents detailed recommendations under the following headings.

- Governance, Management Resources and Risk Management
- Financial and Commercial Actions
- Regulatory Controls
- Breeding and Animal Welfare

GOVERNANCE, MANAGEMENT RESOURCES AND RISK MANAGEMENT

In relation to governance, management resources and risk management, our recommendations are presented in the table below. While improvements have been made in recent times, significant further action is required. We outline six recommendations to strengthen governance and management and these, where appropriate, should be underpinned by legislative changes.

Table 5 Governance, Management Resources and Risk Management

1. Strengthening of Board of Directors and management
2. Immediate appointment of Risk Officer.
3. Quarterly review by Main Board and Audit Committee of an updated Risk Register.
4. Revised corporate governance procedures to be developed
5. Enhanced reporting by internal auditors to the Board.
6. Bord na gCon to ensure adequate internal resources to meet the needs of the organisation.

1 Strengthening of Board of Directors and management

Indecon believe the skill sets of the Board should be enhanced and we therefore recommend that the Board is strengthened by the inclusion of a senior legal professional and by an experienced marketing expert. This is in addition to the recent veterinary expert appointed. Ensuring that the Board at all times has skills in these areas as well as a depth of financial expertise is essential. Indecon recommends that the size of the Board be increased to nine to accommodate these changes.

We also recommend that non-executive board members no longer serve on subsidiary boards and the focus should be on key Main Board responsibilities and that Bord na gCon should undertake a review of its subsidiary structure. We also recommend limits on the period of board appointments and a restructured appointment process to ensure continued board renewal.

2 Immediate appointment of Risk Officer

Indecon understands that during our review Bord na gCon indicated that they were proposing to appoint a risk officer. This should take place with immediate effect. At all times the Board should ensure that an experienced risk officer and an effective internal audit function are in place.

3 Quarterly review by Main Board and Audit Committee of an updated Risk Register

Bord na gCon should prepare an updated risk register for the next meeting and this should be reviewed on a quarterly basis by the Main Board and Audit Committee. This should be used as a framework to identify and most importantly to respond to emerging risks.

4 Revised Corporate Governance Procedures to Be Developed

The corporate governance procedures of Bord na gCon must comply with the Code of Practice for the Governance of State Bodies. We are recommending that the term of the Board, rules regarding composition, rotation and renewal be outlined in proposed new legislation.

We understand that revised corporate governance procedures are being prepared. These should include an annual review of board effectiveness. Governance procedures should also include defined periods for board appointments and a process of board rotation and renewal. These latter changes should be underpinned by legislation. The revised corporate governance procedures and code of practice should also cover information disclosure, whistle-blowing policy and conflicts of interest.

5 Enhanced Reporting by Internal Auditors directly to the Board

In the light of historical deficiencies identified in certain procurement and other practices the role of the internal auditor has particular significance. We understand an internal auditor was unavailable for significant periods but that an accounting/audit practice was appointed on a temporary basis to fulfil this role chosen from a financial panel established by Bord na gCon. Indecon recommends that a formal tendering process for these services should be implemented. The decision to appoint should be made by the Main Board based on a recommendation of the Audit Committee. Enhanced reporting by the internal auditor and the Chairperson of the Audit Committee to the Board should also be undertaken.

6 Bord na gCon to ensure adequate internal resources

There has been a significant reduction in costs in Bord na gCon in order to respond to the dramatic decline in revenue. However it is clear that this has resulted in constraints on the availability of management resources, control procedures and systems required to address the commercial, regulatory and development functions of the Board. We believe that it is essential that there are adequate internal resources to meet the needs of the organisation. In this regard Indecon noted the absence of a CFO from April 2008 until February 2012. We note and welcome the recent appointment of an executive Director of Regulation and Compliance and other senior appointments. Some additional costs may be required as it is essential that Bord na gCon have the internal resources to fully meet its corporate and statutory responsibilities and to ensure effective compliance in all key areas. We note that a number of important enhancements of resources have been made in the last two years but ensuring adequate internal resources and skills is essential.

COMMERCIAL AND FINANCIAL ACTIONS

In the following table we outline our recommended commercial and financial actions that we believe should be implemented. The high level of debt and low profitability is not sustainable. Implementing the adjustment needed will provide a basis for future development.

Table 6 Recommendations re Commercial and Financial Actions

- | |
|---|
| <ul style="list-style-type: none"> 7. A plan for asset disposals should be implemented. 8. Calibrate the number of race meetings at poorly performing stadia 9. Priority focus on co-mingling and fixed odds betting opportunities 10. Further exploration of alternative sources of commercial income at stadia 11. Further develop the plan to resolve the pension scheme underfunding |
|---|

7 A plan for asset disposal should be implemented

In order to reduce debt levels Indecon recommends that Bord na gCon actively engage in a programme of asset disposals over the next three years and the process of asset disposal should start in the coming year. Potential asset disposals that should be considered include the site at Meelick, the old Henry Street Head office in Limerick, land in Cork and the sale of the Harold's Cross track. The timing of these asset sales should be made in a manner which maximises the value for Bord na gCon and should take account of planning / zoning issues and market developments.

8 Calibrate the number of race meetings at poorly performing stadia

Bord na gCon are in a position that they have the ability to reduce the number of races at poorly performing stadia to sustainable levels. This will result in a reduction in prize money and savings in operating costs. This will have a direct positive impact on underlying surpluses that can be used to reduce debt but will impact on the levels of activity. Careful evaluation of a specific programme to calibrate levels of activity will be required and should be implemented as a matter of urgency.

9 Priority focus on co-mingling and fixed odds betting opportunities

Indecon are encouraged by early feedback on the potential commercial opportunities for co-mingling and fixed odds betting opportunities and income for potential TV rights. We are therefore very supportive of an active focus on these opportunities but in the short to medium term, the scale of potential income that may be achieved is uncertain.

10 Further exploration of alternative sources of commercial income at stadia

Indecon believes that on-going pursuance of commercial income at stadia in areas such as conferences, product launches, film sets and recreational and sporting activities should be undertaken. However we do not envisage that the scale of income arising will be sufficient to generate significant surpluses for Bord na gCon.

11 Develop further a plan to resolve the pension scheme underfunding

Indecon believes that the current pension scheme is not sustainable. Additional funding and/or adjustments to the existing entitlements are required in order to ensure the deficit is removed. While these adjustments will be difficult for members, ensuring the sustainability of the pension scheme is in the long-term interest of employees and retired members.

REGULATORY CONTROLS

In the following table we outline eleven recommendations concerning regulatory controls. Some legislative changes will be required to underpin the significant reforms proposed. These recommendations take account of the deficiencies identified and the need to have an exceptionally strong and credible regulatory system that is consistently applied.

Table 7 Recommendations re Regulatory Controls

12. The Minister to appoint the members of the statutory independent Greyhound Racing Control Committee and Control Appeal Committee.
13. Rigorous procedures and processes for regulatory control must be consistently implemented.
14. Mandatory penalties including exclusion orders and disqualification orders to be imposed for breaches of regulations.
15. Regulations and procedures should be introduced to ensure effective enforcement of penalties.
16. Both Bord na gCon and the Irish Coursing Club should be able to independently serve exclusion orders and disqualification orders.
17. Off-track testing for prohibited substances to be implemented.
18. Data on the number of tests undertaken, the number of positive tests and the number of adverse findings to be published.
19. All adverse findings to be published within pre-defined periods subject to rules for adjournments and appeals.
20. Consideration of laboratory testing to be transferred to independent laboratories over time to ensure economies of scale.
21. Licencees to disclose on an annual basis any adverse findings and any information in relation to matters under investigation as part of their licence application.
22. Formal information sharing arrangements to take place with enforcement agencies including Customs and Excise and An Garda Síochána.

12 Minister to appoint members of the statutory independent Greyhound Racing Control Committee and Control Appeal Committee

It appears to Indecon that the existing Control Committee and Control Appeals Committee are operating on an independent basis and have a mix of skills. However we believe there is a reputational advantage to members of the committees being appointed by the Minister. These committees should have access to any scientific or legal resources required.

13 Rigorous procedures and processes for regulatory control must be consistently implemented

Indecon considers that the present legislation, regulations and processes for provision of integrity services in the greyhound industry must be enhanced. Indecon's analysis of the divergence between the number of positive tests and the number of adverse findings has shown that this was in part due to previous decisions of the Control Committee which ruled to dismiss a significant number of positive tests on the basis that, in their opinion, certain internal laboratory protocols concerning storage temperature were not reflected in protocols for the handling of test samples before they reached the laboratory and that there were also deficiencies in relation to labelling of samples. It is likely that these dismissals of significant numbers of positive tests had a potentially negative impact on the reputation of the sector and perceptions of regulatory processes. It is clear that having a position whereby protocols being implemented by one part of Bord na gCon are deemed to be inadequate by the Control Committee is a significant issue for the sector. There is a need for absolute clarity between all parties on appropriate protocols and on other aspects of the processes. Such procedures and processes must then be consistently implemented.

14 Mandatory penalties including exclusion orders and disqualification orders to be imposed for breaches of regulations

The regulatory system must change to one whereby the scale of penalties is such that combined with a credible investigation system there is a strong deterrent for non-compliance. Indecon recommends that mandatory penalties including exclusion and disqualification orders be imposed.

15 Regulations and procedures should be introduced to ensure effective enforcement of penalties

The speed of regulatory decisions and impositions of penalties should be such that it is clear to all that breaches are not tolerated. A temporary disqualification order should automatically accompany a monetary penalty and should remain in force until the fine is paid in full.

16 Both Bord na gCon and the Irish Coursing Club should be able to independently serve exclusion orders and disqualification orders

This legislative change would support a stronger deterrent-based regulatory system. This would remove the requirement for consent of the Irish Coursing Club to the serving of exclusion orders by Bord na gCon.

17 Off-track testing for prohibited substances to be implemented

Apart from the issues that have arisen from the dismissal of positive tests and the delays in publishing results, questions arise re legal rights for off-track inspections and testing at off-course premises and these should be addressed. This is an important deficiency of the existing regulatory regime. The rights of Bord na gCon inspectors to inspect and undertake random samples at off-course sites should be specified in new legislation. These should include random testing and inspections of owners'/ trainers' yards, premises and vehicles.

18 Data on the number of tests undertaken, the number of positive tests and the number of adverse findings to be published

Open access to information on regulatory decisions is needed to enhance confidence in the sector. Decisions should be published on the Bord na gCon website and a full report prepared on an annual basis.

19 All adverse findings to be published within pre-defined periods subject to rules for adjournments and appeals

A formal requirement to publish adverse findings based on pre-defined rules would be appropriate. Gaps in appointments to the Greyhound Racing Control Committee or to the Control Appeals Committee must not be permitted to delay decisions. A staggered timetable for appointments should be introduced to ensure that all members do not retire on the same date.

20 Consideration of laboratory testing to be transferred to independent laboratories over time to ensure economies of scale

Indecon believes that it may be more effective in the longer term to organise the testing by an independent laboratory operating on a much larger scale. This would provide access to more advanced testing equipment. A merger of the existing laboratory with another laboratory would increase the scale and cost effectiveness. Consideration should also be given to the laboratory service reporting directly to the statutory Greyhound Racing Control Committee.

21 Licence applicants to disclose on an annual basis any information in relation to matters under investigation as part of their licence application

Indecon recommends that licence applicants should be required to disclose on an annual basis any information concerning investigation or findings of regulatory breaches when applying. This should include information on previous breaches and any investigations underway.

22 Formal information sharing arrangements to take place with enforcement agencies including Customs and Excise and An Garda Síochána

Indecon recommends that formal information sharing arrangements should take place with other enforcement agencies including Customs and Excise and An Garda Síochána.

ANIMAL WELFARE AND BREEDING OF GREYHOUNDS

Our recommendations for changes concerning animal welfare and breeding of greyhounds are outlined in the table below:

Table 8 Recommendations On Animal Welfare and Breeding of Greyhounds
<p>Greyhound Welfare</p> <ul style="list-style-type: none"> 23. Strengthen the sanctions for animal cruelty 24. Additional supports should be provided for rehomed greyhounds 25. Data on the number of welfare inspections and penalties imposed should be published
<p>Breeding of Greyhounds</p> <ul style="list-style-type: none"> 26. A specific additional breeding incentive should be considered by Bord na gCon 27. Once Bord na gCon's debt is reduced and surpluses generated, additional prize money should be provided

23 Strengthen the sanctions for animal cruelty

These should include endorsement of licences, exclusions of owners / trainers from racetracks and sales and higher financial penalties. Sanctions for welfare breaches should be proactively applied as a matter of course and should be designed to act as a significant deterrent.

24 Additional supports should be provided for rehoming greyhounds

Indecon believes there is a case for additional funds to be paid to the Retired Greyhound Trust, as resources permit. There is also merit in considering ways to organise occasional sample checks on welfare of rehomed animals.

25 Data on the number of welfare inspections and penalties imposed should be published

Annual data on the number of welfare inspections and the penalties imposed should be published.

Breeding of Greyhounds

26 A specific additional breeding incentive should be considered by Bord na gCon

Bord Na gCon should consider putting in place an incentive scheme for Breeders if resources permit. This should not be limited to a share of prize money but should focus directly on supporting the breeding of greyhounds.

27 Once Bord na gCon's debt is reduced and surpluses generated, additional prize money should be provided

An increase in prize money will result in an increase in overall funds for breeders. It will also enhance returns for owners and this will impact on the incentive for breeding of greyhounds.

CONCLUSIONS

The scale of the challenges facing Bord na gCon to become financially stable is very significant, but this is achievable. This is due to the fact that the organisation has the potential to calibrate the levels of activity to be aligned with its resources and has surplus assets to dispose of. A number of measures are also proposed to fully meet development, regulatory and animal welfare objectives. If action is taken on the recommendations presented, Indecon believes that the organisation will be able to move to a position of higher surpluses and lower debt and provide a platform for the successful development of the sector. While this will require a period of adjustment it has the potential to provide the basis for the successful development of the sector. Our analysis also suggests that the legislation requires to be amended and that changes need to be made to the regulatory processes. We believe that implementation of the changes recommended will provide an appropriate and rigorous regulatory system. Indecon also believes that improvements are required in governance arrangements and structures and in measures to support animal welfare and breeding.

Acknowledgements

Indecon would like to acknowledge the valuable inputs to this independent investigation received through the consultation process. We acknowledge the information, inputs and co-operation provided by the Chairman, Acting Chief Executive and officers of Bord na gCon. We would also like to acknowledge the important inputs provided by the Department of Agriculture, Food and the Marine. The usual disclaimer applies and the views and analysis in this report are the sole responsibility of Indecon.

1 Introduction and Background

1.1 Introduction

This independent study was undertaken by Indecon International Consultants and was commissioned by the Department of Agriculture, Food and the Marine. The report presents our findings on certain matters relating to Bord na gCon.

1.2 Background and Terms of Reference

The context for this review is that Bord na gCon (the Irish Greyhound Board) is a commercial semi-state body which is responsible for the control and development of the greyhound racing industry in the Republic of Ireland.

Bord na gCon is responsible for regulating greyhound racing in accordance with the Greyhound Industry Act 1958 and with subsequent Acts of the Oireachtas and Statutory Instruments. Regulation includes the licensing of different tracks, the issuing of permits to officials, bookmakers and trainers, and the implementation of the rules of racing.

Bord na gCon licenses a total of seventeen tracks in the Republic of Ireland, of which nine are owned and ten operated by the Board. The remainder are owned and operated by private enterprise.

Bord na gCon is funded through a combination of income generated by its own activities, Exchequer support provided through the Horse and Greyhound Racing Fund, and bank borrowings. It operates Tote facilities at all greyhound tracks and retains a share of the receipts. It also applies an on-course levy on bookmakers' betting in the Republic. Supplementing these income streams are gate receipts, programme sales, catering income, race entry fees, commercial sponsorships, sale of media rights and other smaller income sources.

The overall objective of this assignment was to complete an independent investigation of certain matters relating to Bord na gCon, including the legislation, governance structures, funding and management of Bord na gCon and the wider greyhound racing industry. The completion of this review has entailed the following specific tasks:

- Assessment of the appropriateness of the existing legislation in the current operating environment, particularly with regard to the governance of Bord na gCon;
- Evaluation of whether the current structure and size of the Board and management of Bord na gCon are appropriately designed to ensure that the organisation operates efficiently and effectively, in order to maximize the potential of the industry;
- Against the background of the current challenging financial environment facing the organisation we consider whether there are opportunities to increase the commercial income of Bord na gCon.
- We also assess debt sustainability and outline the actions required in this regard.
- Our analysis examined the appropriateness of the systems operated by Bord na gCon with regard to the regulation of the industry and also the welfare of greyhounds.

In this report we make recommendations on a wide range of fundamental changes that we believe are required to legislation, governance, regulation and commercial aspects of the organisation.

In assessing the appropriateness of the existing legislation it is instructive to set out the relevant sections of the key legislation that relate to the governance and regulation of the Irish greyhound racing industry and which impact on the funding arrangements for the industry and the welfare of greyhounds.

The Greyhound Industry Act, 1958, the Greyhound Industry (Amendment) Act, 1993, and the Horse and Greyhound Racing Act, 2001, represent the key pieces of legislation for the industry. They establish Bord na gCon as the industry governing Authority, and define the composition of, and process of nomination and appointment of Board members. They also define the functions of Bord na gCon.

They also set out the constitution of the Irish Coursing Club that is subject to the general control and direction of Bord na gCon and defines the composition of its governing bodies including Provincial Committees, and the process of nomination and appointment of their Members. The 1958 Act specifies in s.26.2 that “The [Irish Coursing] Club is hereby recognised as being, subject to the provisions of this Act and of the constitution of the Club and subject to the general control and direction of the Board, the controlling authority for the breeding and coursing of greyhounds” where “the Board” in the Glossary of the Act s.2.1. is defined as “Bord na gCon established by this Act”.

In relation to funding of the industry, the Horse and Greyhound Racing Act, 2001 *inter alia* establishes the Horse and Greyhound Racing Fund. The Horse and Greyhound Racing (Betting Charges and Levies) Act, 1999 sets out a number of important provisions in relation to charges and levies on bookmakers and on betting, which also have implications for the funding arrangements for the greyhound industry. The Welfare of Greyhounds Act, 2011, provides a framework that has the objective of ensuring the welfare of greyhounds. These Acts are supplemented by a large number of Statutory Instruments (Regulations and Orders).

1.3 Approach to Review

Our approach to the review has involved a rigorous independent analysis of the performance of Bord na gCon and a detailed examination of the various helpful submissions made to the consultation process. We have also examined the detailed financial accounts of the organisation and the strategic plans plan prepared. Our approach has *inter alia* examined documentary evidence on governance issues including an analysis of Board and sub-committee documentation.

1.4 Report Structure

In Section 2 of the report we present a detailed analysis of the financial performance and prospects for Bord na gCon. In Section 3 we review governance arrangements and structures. Section 4 presents a review of regulation and discusses animal welfare and breeding issues. Section 5 presents our detailed recommendations.

1.5 Acknowledgements and Disclaimer

Indecon would like to acknowledge the valuable inputs to this review received through the consultation process. We acknowledge the information, inputs and co-operation provided by the Chairman, Acting Chief Executive and officers of Bord na gCon. We would also like to acknowledge the important inputs provided by the Department of Agriculture, Food and the Marine. The usual disclaimer applies and the views and analysis in this report are the sole responsibility of Indecon.

2 Financial Performance and Prospects

2.1 Introduction

Our examination of the financial performance and prospects of Bord na gCon considers the financial results of the organisation for the period 2006 - 2013. The analysis for 2013 is based on draft accounts and is subject to revision. Our analysis also compares the 2013 financial results with the financial projections for that year in the Strategic Plan. This provides an early indicator of performance of the first year of Bord na gCon Strategic Plan 2013-17.

2.2 Review of Recent Financial Performance

Table 2.1 below presents the trend in turnover from racing facilities broken down into its various categories. This table excludes the allocation from the Horse & Greyhound Racing Fund.

	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
Turnover								
Tote Receipts	50,527,818	48,361,958	44,045,453	32,884,036	24,464,543	23,868,379	22,155,001	20,856,142
Bookmaker Income	864,612	743,269	777,914	606,036	429,709	357,193	306,629	263,498
Gate receipts & programme sales	5,687,521	5,916,970	5,466,583	3,821,485	3,175,876	3,252,220	3,015,381	3,031,081
Catering Income	3,001,565	3,022,696	2,722,732	1,672,756	1,365,262	1,407,342	1,231,959	1,290,709
Sponsorship – Board Tracks	1,245,402	1,564,441	1,221,879	910,057	634,613	705,127	676,929	707,693
Entry Fees – Board Tracks	890,856	979,632	1,038,424	967,304	850,314	839,480	769,750	789,864
Sponsorship – Private Tracks	0	533,015	521,083	424,081	261,949	239,485	227,840	171,181
Entry Fees – Private Tracks	0	687,048	667,472	598,832	540,444	463,440	463,710	445,448
Dog Sales Commission	67,020	39,450	29,382	28,822	17,582	16,151	6,816	5,718
Miscellaneous	981,767	1,264,470	1,296,617	1,112,935	1,158,173	1,152,868	1,168,618	1,149,427
Net return on Pension Scheme Assets	189,000	321,000	239,000	22,000	-31,000	-430,000	-480,000	-550,000
Turnover from Racing Facilities (incl Tote Receipts)	63,455,561	63,433,949	58,026,539	43,048,344	32,867,465	31,871,685	29,542,633	28,160,761

Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

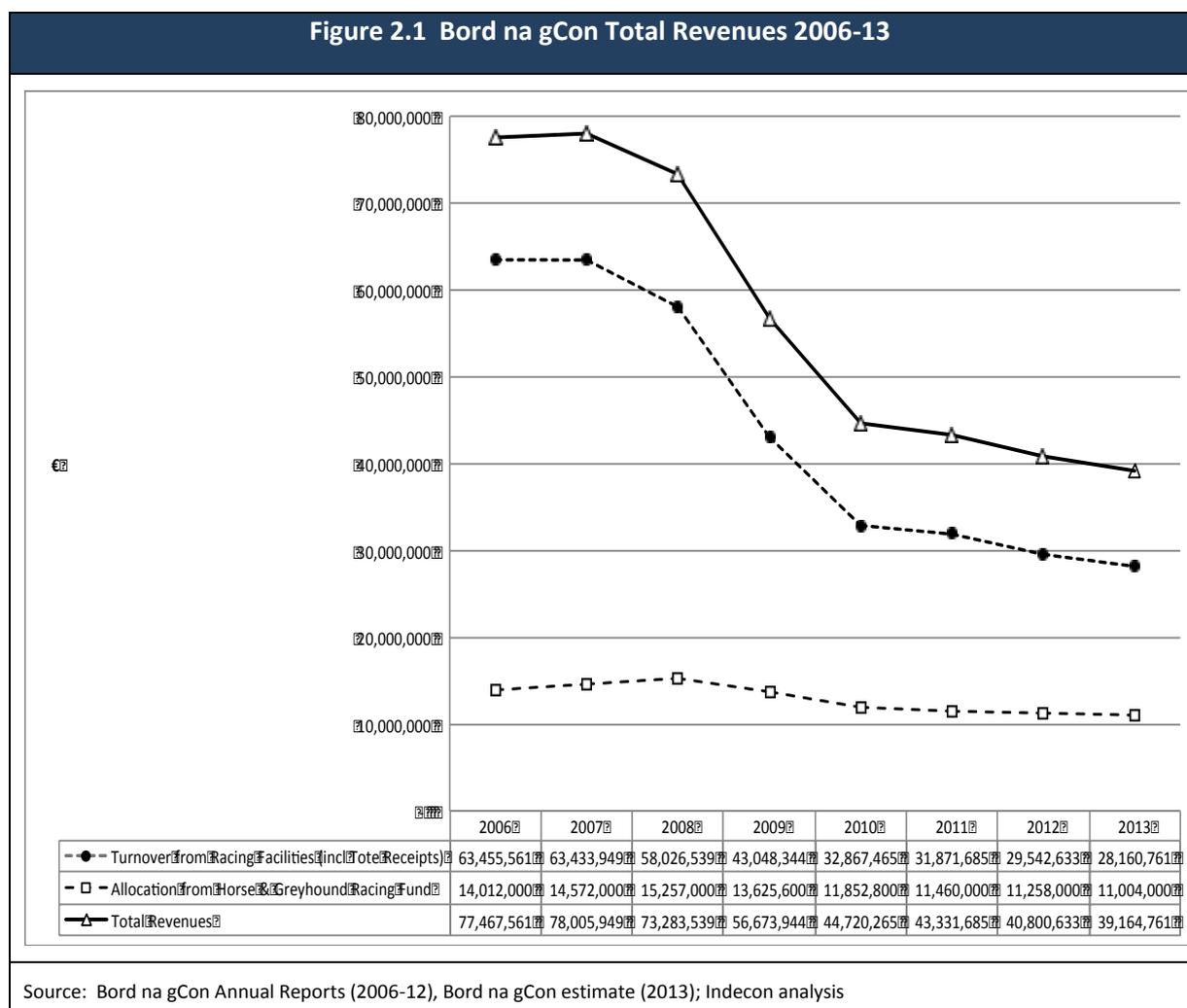
The figures on turnover for Bord na gCon show a worrying downward trend in most categories of turnover in part reflecting the negative developments in the Irish economy in the period post 2008. This is reflected in an overall decline from €63.5 million in 2006 to €28.2 million in 2013. The scale of the decline in revenue is dramatic and this represents a decline of €35.3 million or 55.6% over the period. The rate of decrease has since slowed. This is an important step towards sustainability but the fact that the downward trend in revenues has not been reversed in 2013 is of concern. This needs careful monitoring as we understand the first few months of 2014 are showing some declines. This is primarily due to a further fall in Tote receipts. The decline in revenues has continued despite slight improvement in the economic performance in the Irish economy and the reduction in unemployment in 2013.

Table 2.2 shows the movements in the annual funding from the Horse and Greyhound Racing Fund over the same 8-year period. It shows a decrease of €4.253 million or 27.9% between the peak in 2008 (€15.257 million) and 2013 (€11.004 million). This shows that the support from the Irish Exchequer has fallen at a much slower rate than the turnover from racing facilities.

Table 2.2 Allocation from the Horse & Greyhound Racing Fund to Bord na gCon 2006-13							
2006	2007	2008	2009	2010	2011	2012	2013
€	€	€	€	€	€	€	€
14,012,000	14,572,000	15,257,000	13,625,600	11,852,800	11,460,000	11,258,000	11,004,000

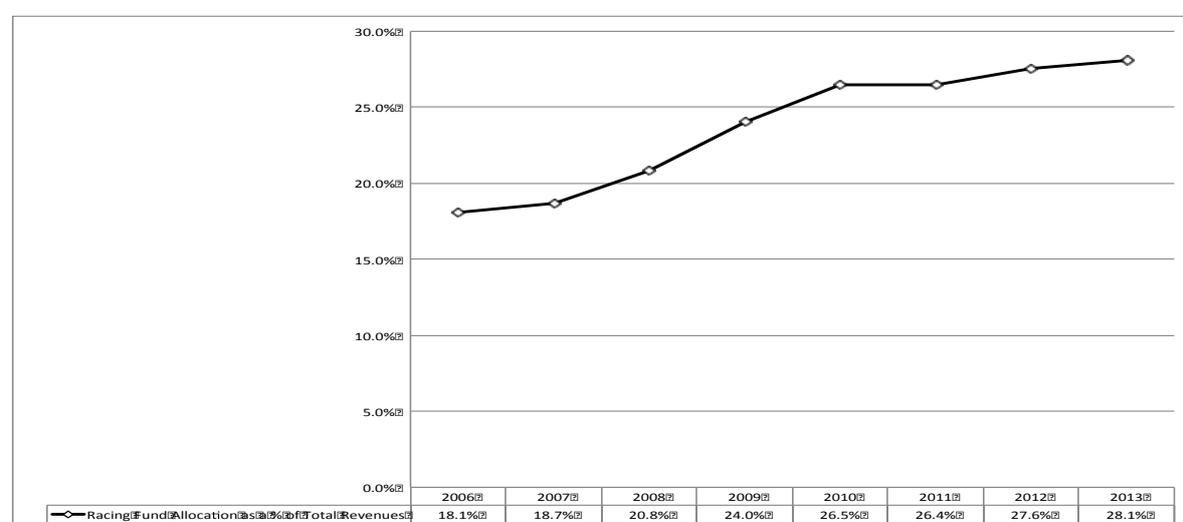
Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013)

The dramatic declines in revenue are captured graphically in Figure 2.1. Of particular concern is the scale of decline in both total revenues and in turnover from racing facilities including Tote receipts.



The share of Bord na gCon revenue coming from the Irish Exchequer has risen steadily from 18.1% in 2006 to 28.1% in 2013. This is evident from Figure 2.2 and shows that the financial difficulties facing Bord na gCon have been primarily due to the collapse in commercial revenues.

Figure 2.2 Horse and Greyhound Racing Fund Allocation as a % of Bord na gCon Total Revenues 2006-13

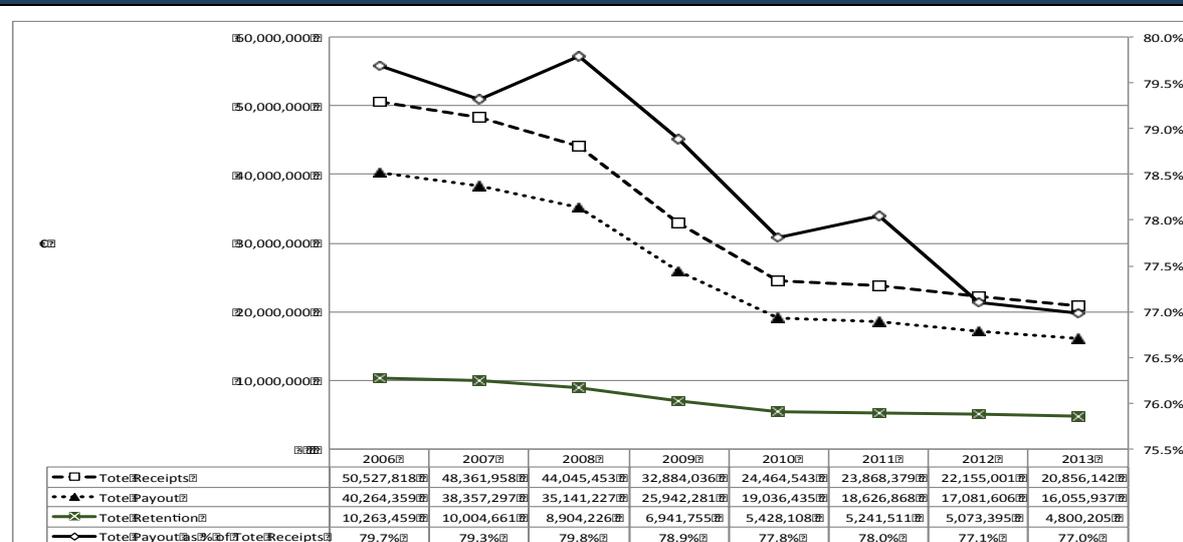


Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

Tote receipts

Of particular importance in judging the financial sustainability of Bord na gCon’s existing operations has been the decline in receipts from the Tote as noted above. In 2006, Tote receipts were just over €50 million. By 2013 they were €20.9 million. The following figure shows the falls in Tote receipts and Tote payout and the consequent change in Tote retention for Bord na gCon.

Figure 2.3 Bord na gCon Tote Receipts, Payout and Retention 2006-13



Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

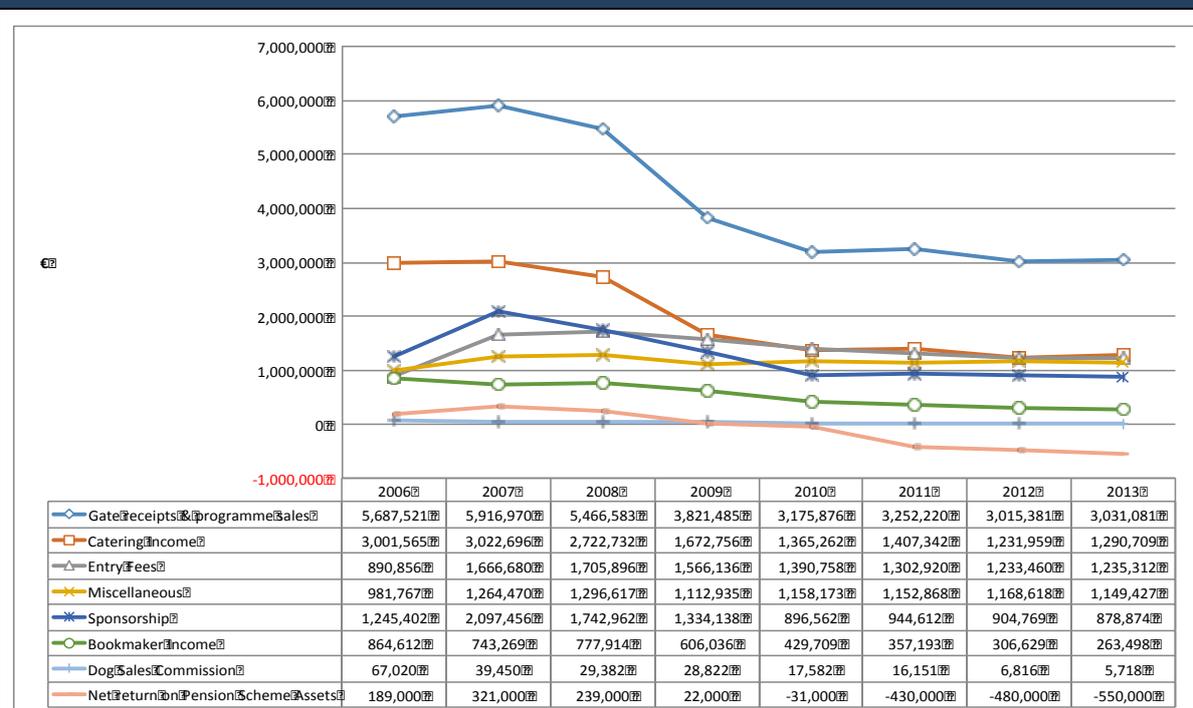
The impact of the sharp decline in Tote receipts on Bord na gCon's profitability was partially offset by the fall in the ratio of Tote payout to Tote receipts from 79.8% in 2008 to 77.0% in 2013 (2.8 percentage points) as depicted in Figure 2.3. The fall in this ratio has, however, implications for the attractiveness of the greyhound sector and there are limits on any future declines. Despite the reduced payout ratio the scale of the decline in Tote retention is clear. This fell 53.4% between 2006 and 2013 to €4.8 million, a drop of €5.463 million.

Other turnover categories

Looking in more detail at the various other categories of Turnover from Racing Facilities, there are also significant long term declines evident. Figure 2.4 excludes Tote receipts and focuses on these other income sources including:

- Gate receipts and programme sales
- Entry fees
- Catering Income
- Sponsorship Income
- Bookmaker Income

Figure 2.4 Breakdown of Bord na gCon Turnover from Racing Facilities (excluding Tote receipts) 2006-13



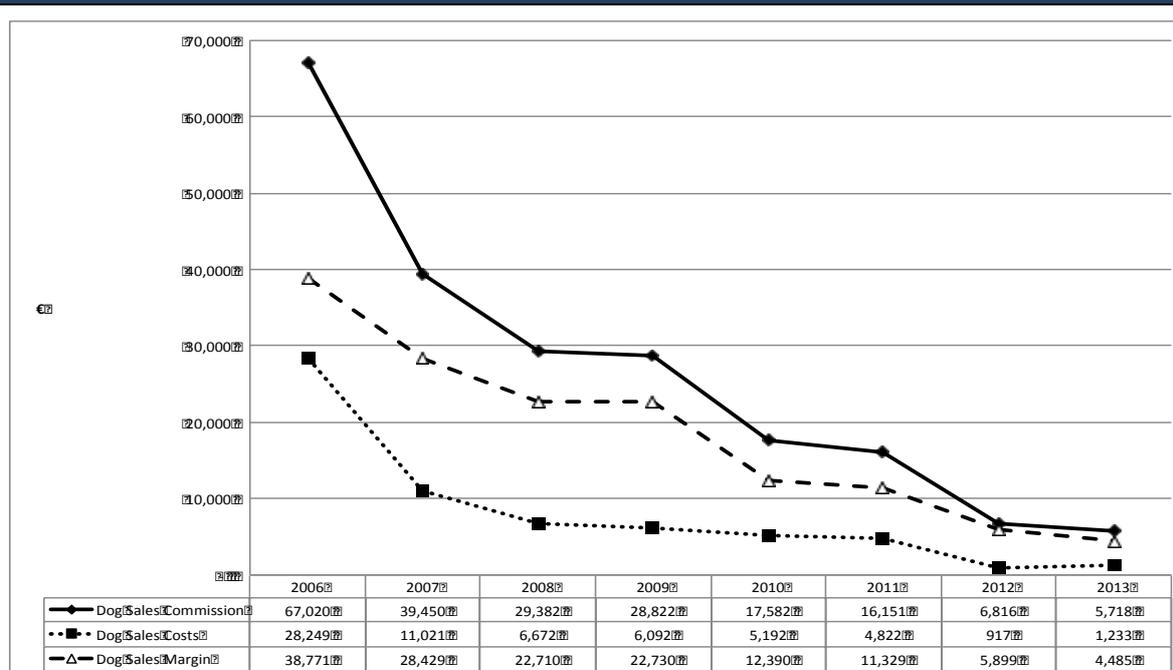
Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

The scale of the decline in gate receipts and programme sales, entry fees and catering income is very marked. Together these accounted for €5.049 million of the fall in income between 2007 and 2013, of the same order of magnitude as the €5.463 drop in Tote retention from its peak in 2006.

Gate receipts, programme sales and entry fees stabilised in 2013 and catering income increased marginally. However gate receipts and programme sales remain at approximately half their 2007 level. Since 2007, the decline in sponsorship income by €1.219 million has also been an important development. This eroded again in 2013. The potential to increase sponsorship will inevitably be in part influenced by declining attendance levels, which are discussed later in this section.

Bord na gCon commissions on greyhound sales have virtually collapsed as shown in the next figure. The lost income from the precipitous 91.5% fall in commissions earned from €67,020 in 2006 to €5,718 in 2013 is relatively small but is an indicator of the fall in dog sales. It has been suggested to Indecon that there was a move towards selling greyhounds on-line & privately in this period.

Figure 2.5 Bord na gCon Greyhound Sales Commission, Sales Costs and Sales Margin 2006-13



Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis

Attendances

In terms of the contribution and long-term viability of the sector, a key issue is attendance levels. Table 2.3 shows the continuation of a decline in attendances in 2013 both against the previous year 2012 and against the budget for 2013. Actual results for 2013 were 6% below budget and 4.6% below 2012. When compared with 2007 attendances of almost 1.3 million, the 2013 figure of 687,510 represents a profound drop over the period 2007 to 2013. A strategic marketing focus to reverse this trend will be important for the sector. We note that average attendance per meeting was stable but the total number of attendees reflected the reduction in the number of meetings held.

Table 2.3 Attendances at Bord na gCon and Private Tracks 2012-13

	Actual 2012	Budget 2013	Actual 2013	Variance to 2012 Actual (%)	Variance to 2013 Budget (%)
Board Tracks	561,201	565,882	533,987	-4.9%	-5.6%
Private Tracks	159,260	165,401	153,523	-3.6%	-7.2%
Total Attendance	720,470	731,283	687,510	-4.6%	-6.0%
No of Race Meetings	1,837		1,753		
Average Attendance per meeting	392		392		

Source: Bord na gCon; Indecon analysis

2.2.1 Operating Costs/Expenses

Given the substantial falls in attendances and revenues, Bord na gCon appropriately implemented a major cost-cutting exercise in response. The figures show a very significant decline in expenses equivalent to a reduction of €36.535 million or 48.5%. It should be noted that of the €36.535 million decline, nearly €27 million was due to decreases in the Tote payout and prize money. While this assisted Bord na gCon to remain commercially viable it had implications for the development of the sector.

In addition staff costs have declined by over €3 million since 2006 and administration costs have also declined significantly. Indecon recognises these achievements in reducing costs.

Table 2.4 presents a detailed breakdown of the Bord na gCon group's operating and administration expenses between 2006 and 2013. This shows a reduction in operating and administration costs to €38.749 million compared to €75.284 million in 2006.

Table 2.4 Bord na gCon Operating and Administration Expenses 2006 – 2013

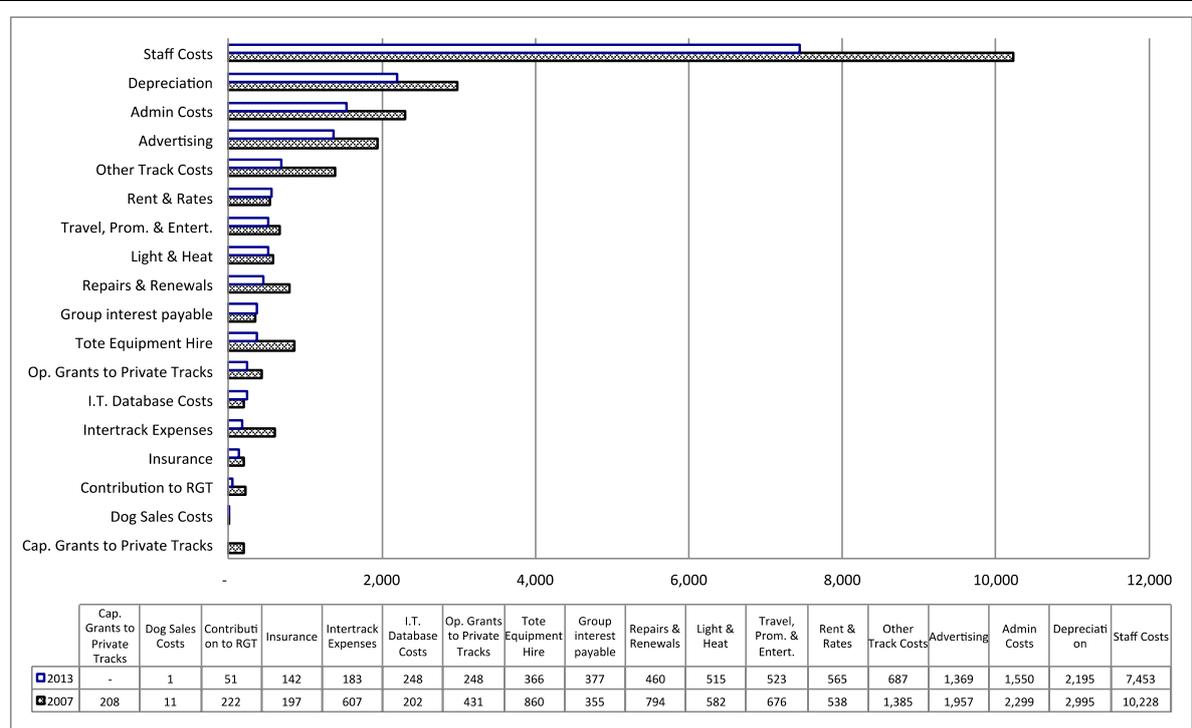
	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
Expenses								
Tote Payout	-40,264,359	-38,357,297	-35,141,227	-25,942,281	-19,036,435	-18,626,868	-17,081,606	-16,055,937
Prize Money – Board Tracks	-7,394,952	-7,731,399	-6,955,380	-6,826,106	-4,874,930	-4,853,229	-4,835,060	-5,318,040
Prize Money – Private Tracks	-3,167,717	-4,501,351	-4,439,010	-3,890,230	-2,940,389	-2,395,833	-2,365,088	-2,534,111
Staff Costs	-10,520,310	-10,228,474	-9,842,414	-9,734,205	-7,341,607	-7,059,804	-7,100,069	-7,452,835
Operating Grants to Private Tracks	-452,218	-431,187	-405,291	-381,518	-258,600	-270,400	-265,433	-247,773
Tote Equipment Hire	-1,056,494	-859,817	-906,881	-535,737	-416,139	-378,105	-376,109	-365,761
Rent & Rates	-513,430	-538,400	-560,825	-575,191	-622,183	-550,522	-576,878	-564,948
Light & Heat	-499,028	-581,631	-568,324	-442,270	-415,675	-512,910	-477,363	-515,288
Depreciation	-2,608,546	-2,995,475	-2,852,725	-2,647,466	-2,448,995	-2,842,998	-2,332,261	-2,195,058
Grant Amortised	1,529,644	1,970,676	1,862,227	1,672,866	1,538,271	2,770,727	1,722,209	1,714,423
Repairs & Renewals	-1,031,527	-793,562	-906,012	-541,471	-442,897	-494,574	-438,734	-460,406
Dog Sales Costs	-28,249	-11,021	-6,672	-6,092	-5,192	-4,822	-917	-1,233
Other Track Costs	-1,401,155	-1,385,183	-1,214,386	-659,839	-573,732	-629,903	-629,954	-687,371
Insurance	-205,518	-197,242	-89,276	-75,986	-96,785	-116,344	-94,771	-141,667
Contribution to Retired Greyhound Trust	-185,206	-221,737	-218,035	-194,999	-148,419	-142,648	-131,763	-51,193
Advertising	-2,245,660	-1,956,500	-1,902,547	-2,114,144	-1,432,474	-1,531,399	-1,593,588	-1,369,145
Travel, Promotion & Entertainment	-660,124	-676,167	-723,953	-601,877	-513,872	-541,231	-508,654	-522,513
Administration Costs	-3,383,671	-2,299,070	-2,261,306	-1,805,630	-1,622,132	-1,389,800	-1,335,266	-1,549,755
Exceptional Item	-220,747	-	-	-	-	-	-	-
Intertrack Expenses	-582,234	-606,949	-609,102	-410,518	-220,327	-210,241	-244,922	-182,614
I.T. Database Costs	-392,419	-201,801	-449,524	-296,533	-272,181	-179,075	-180,434	-247,601
Operating and administration costs	-75,283,920	-72,603,587	-68,190,663	-56,009,164	-42,144,693	-39,959,979	-38,846,661	-38,748,826

Note: All expenses are shown formatted as negative numbers.

Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

More recently costs excluding Tote payout have increased. In particular, staff costs rose marginally in 2012 and 2013 but are much less (29%) than they were in 2007. However as can be seen in Figure 2.6, most categories of operating expense are lower in 2013 than in 2007. However rent & rates, IT database costs and group interest payable are higher than in 2007.

Figure 2.6 Changes in Bord na gCon Operating Expenses by category, 2013 vs. 2007 €'000



Note: Tote payout, prize monies paid and interest payable are not included in the above chart but are considered separately.

Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

Prize monies

Prize monies have fallen steadily since 2007 when they peaked at €12.233 million. The steep decline was arrested in 2011 and the amount stabilised at the €7.200 million level in 2011 and 2012, €5.032 million or 41% below the peak of 2007. Prize money increased to €7.852 in 2013 as €0.652 million was added to make racing more attractive to owners. An issue facing Bord na gCon is whether the financial performance is sufficient to support this level of prize money. However minimum levels per race are required to maintain the attractiveness of events and a reduction in prize levels would require an adjustment in the levels of activity in certain stadia.

2.2.2 Operating Surplus/Deficit

The financial sustainability of Bord na gCon is determined by the level of debt and the ability to service this debt by underlying profitability or operating surpluses. It is therefore essential in assessing debt sustainability to investigate the trends in operating surplus. Table 2.5 shows extracts from the Bord na gCon Group Profit & Loss Account and presents data on operating surplus before grants and operating surplus before taxation for 2006 – 2013. The operating surplus before taxation was €4.851 million in 2007. Since 2011 it has fallen steadily to close to zero in 2013.

Table 2.5 Bord na gCon Group Profit & Loss Account 2006-13

	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
Operating surplus before grants	2,183,641	5,402,362	5,092,876	664,780	2,575,572	3,371,706	1,953,972	415,935
Capital grants to private tracks	-48,636	-207,778	-257,012	-563,503	-53,405	-1,520,000	-1,117,588	0
Profit/Loss on disposal of tangible assets	12,946	11,838	2,500	2,169	658,949	-825,956	2,000	0
Group interest payable	-274,788	-355,235	-177,662	-169,578	-270,860	-550,489	-530,315	-377,438
Operating surplus/(deficit) before taxation	1,873,163	4,851,187	4,660,702	-66,132	2,910,256	475,261	308,069	38,497

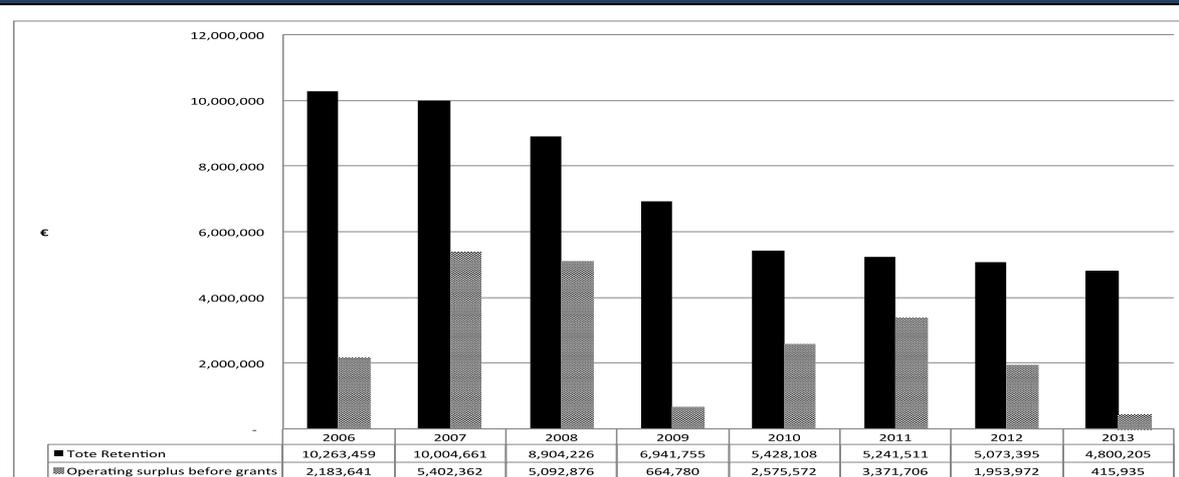
Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013).

The level of interest payable in 2013 (€0.377 million) remained significant in the context of an operating surplus before grants that year of only €0.416 million. When account is taken of the need over time to repay the principal element of the debt the issue is more marked.

Sizeable grants to private tracks in 2011 (€1.520 million) and 2012 (€1.118 million) were also a factor in the small operating surpluses before taxation in 2011-12, as was a loss on disposal of tangible assets of €0.826 million in 2011, capital grants paid to private tracks in 2011 & 2012 were made due to prior contractual commitments.. In 2013 no capital grants were made to private tracks. This highlights the fact that the operating surplus before grants declined more significantly in 2013 than is suggested by the figures adjusting for grant payments.

Figure 2.8 shows that the steady long-term decline in the Tote retention was a major factor (but not the only factor) in the movement of the operating surplus before grants.

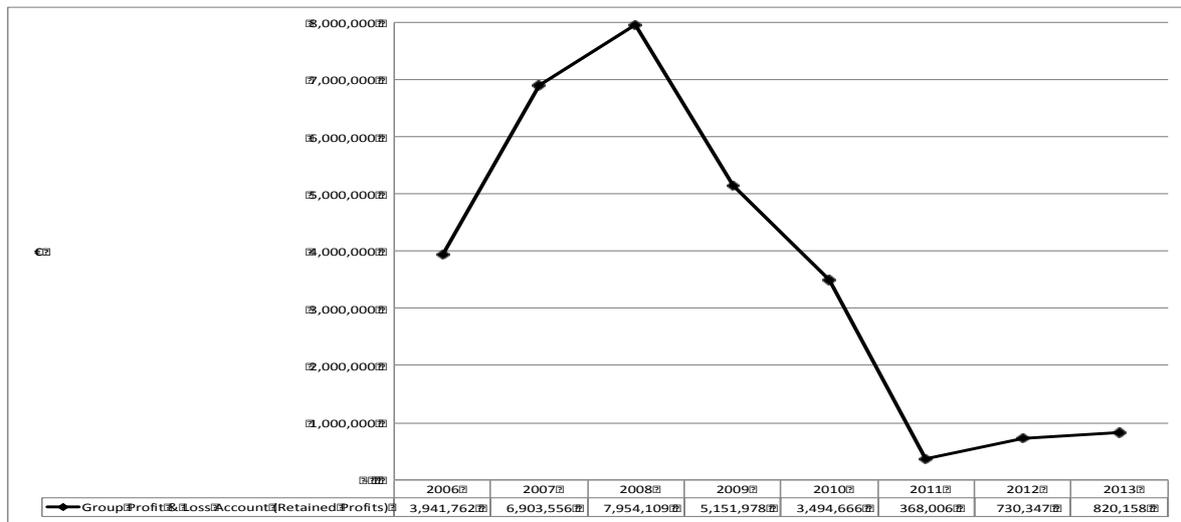
Figure 2.7 Bord na gCon Tote Retention vs. Operating Surplus before Grants 2006-13



Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

Reflecting the decline in incomes there has been a dramatic erosion of accumulated retained profits since 2008 when they stood at €7.954 million. (See the following chart.) Retained profits declined to only €0.368 million in 2011 and showed a small recovery to €0.730 million in 2012 and €0.820 million in 2013.

Figure 2.8 Bord na gCon Group Profit & Loss Account (= accumulated retained profits) 2006-13



Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

2.2.3 Performance of Individual Race Tracks

Understanding the financial sustainability of Bord na gCon also requires a detailed examination of the performance of individual race tracks. Table 2.6 shows a summary of the performance of both Bord na gCon and private tracks for 2013. This shows that the three largest tracks in terms of revenues are Shelbourne Park, Harold’s Cross and Cork.

Table 2.6 Bord na gCon Track and Private Track Performance 2013

[Redacted Table Content]	
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Annual attendances of more than 135,000 people were recorded at Shelbourne Park which had the best attendance at any track. The second highest attendance levels were recorded at Cork. Annual attendances of less than 25,000 people were recorded at Longford, Youghal, Kilkenny, Lifford, Enniscorthy, Thurles and Newbridge. If one compares the level of attendance to net revenue before and after prize money it is evident that there are major variances in the level of effective subsidies provided per attendee at various stadia.

2.2.4 Cash Flow Performance

The following table reconciles the operating surplus or deficit before taxation with the net cash flow in the cash flow statements for the years 2006 to 2013. It also shows for each year the increase or decrease in cash position and the movements in net debt. Net debt is calculated as: Bank loans + bank overdrafts - cash.

Table 2.7 Bord na gCon Cash Flow Statements and Movement in Net Debt 2006-13								
	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
Surplus before taxation	1,873,163	4,851,187	4,660,702	(66,132)	2,910,256	475,261	308,069	38,497
Group interest payable	274,788	355,235	177,662	169,578	270,860	550,489	530,315	377,438
Interest receivable	(4,660)	(6,282)	(6,609)	(1,970)	(684)	(167)	0	0
Operating Profit	2,143,291	5,200,140	4,831,755	101,476	3,180,432	1,025,583	838,384	415,935
(Profit)/Loss on disposal of fixed assets	(12,946)	(11,838)	(2,500)	(2,169)	(658,949)	825,956	(2,000)	0
Allocation from Horse & Greyhound Racing Fund	(14,012,000)	(14,572,000)	(15,257,000)	(13,625,600)	(11,852,800)	(11,460,000)	(11,258,000)	(11,004,000)
Grants to private stadia	48,636	207,778	257,012	563,503	53,405	1,520,000	1,117,588	0
Decrease in tangible assets	(15,058)	(15,058)	(58,058)	(10,753)	4,300	4,300	4,300	4,300
Depreciation	2,608,546	2,995,475	2,852,725	2,647,466	2,448,995	2,842,998	2,332,261	2,195,057
Amortisation of capital reserve	(1,529,644)	(1,970,674)	(1,862,227)	(1,672,866)	(1,538,272)	(2,770,729)	(1,722,209)	(1,803,207)
(Increase)/Decrease in stocks	(13,926)	2,918	47,628	26,222	(15,971)	(5,625)	(17,102)	(13,040)
(increase)/Decrease in debtors	(289,167)	(502,615)	(1,025,562)	1,621,603	(691,126)	(706,648)	1,155,344	(345,466)
(Increase)/Decrease in creditors and provisions/accruals	896,840	232,459	1,555,077	(872,744)	(581,196)	(1,033,785)	(142,468)	471,337
Net pension	(292,000)	(598,000)	(454,000)	(248,000)	(235,000)	148,000	224,000	456,000
Net cash flow from operating activities (before taxation)	(10,467,428)	(9,031,415)	(9,115,150)	(11,471,862)	(9,886,182)	(9,609,950)	(7,469,902)	(9,623,084)
Taxation	(10,838)	(16,812)	(24,027)	(7,293)	7,997	0	0	0
Net cash flow from operating activities (after taxation)	(10,478,266)	(9,048,227)	(9,139,177)	(11,479,155)	(9,878,185)	(9,609,950)	(7,469,902)	(9,623,084)
Capital expenditures	(3,342,913)	(2,478,475)	(7,380,010)	(4,062,799)	(10,769,762)	(2,716,216)	(2,155,483)	(637,388)
Tangible asset disposals	698,087	(169,092)	116,940	2,494	830,272	2,121,000	2,000	0
Grants paid to non-Bord na gCon stadia	(48,636)	(207,778)	(257,012)	(563,503)	(53,405)	(1,520,000)	(1,117,588)	0
Acquisitions and disposals	0	0	0	0	0	0	0	0
Net cash flow from investing activities	(2,693,462)	(2,855,345)	(7,520,082)	(4,623,808)	(9,992,895)	(2,115,216)	(3,271,071)	(637,388)
Allocation from Horse & Greyhound Racing Fund	14,012,000	14,572,000	15,257,000	13,625,600	11,852,800	11,460,000	11,258,000	11,004,000
(Repayment)/Drawdown of loans and overdrafts	(322,075)	(2,202,086)	1,186,284	2,236,829	8,112,492	1,116,422	11,401	(34,407)
Equity dividends paid	(9,800)	(9,800)	0	0	0	0	0	0
Interest received	4,660	6,282	6,609	1,970	684	167	0	0
Interest paid	(274,788)	(355,235)	(177,662)	(169,578)	(270,860)	(550,489)	(530,315)	(377,438)
Net cash flow from financing activities	13,409,997	12,011,161	16,272,231	15,694,821	19,695,116	12,026,100	10,739,086	10,592,155
Net Cash Flow	238,269	107,589	(387,028)	(408,142)	(175,964)	300,934	(1,887)	331,682
Opening cash position	1,135,976	1,374,245	1,481,834	1,094,806	686,664	510,700	811,634	809,747
Increase/(Decrease) in cash	238,269	107,589	(387,028)	(408,142)	(175,964)	300,934	(1,887)	331,682
Closing cash position	1,374,245	1,481,834	1,094,806	686,664	510,700	811,634	809,747	1,141,429
Increase/(Decrease) in cash	238,269	107,589	(387,028)	(408,142)	(175,964)	300,934	(1,887)	331,682
(Increase)/Decrease in overdrafts	(983,560)	73,513	1,104,812	882,879	(321,322)	403,889	125,760	61,614
(Increase)/Decrease in bank loan	1,305,635	2,128,573	(2,291,096)	(3,119,708)	(7,791,170)	(1,520,311)	(137,161)	(27,207)
Movement in Net Debt	560,344	2,309,675	(1,573,312)	(2,644,971)	(8,288,456)	(815,488)	(13,288)	366,089

Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

In Table 2.7 the allocation from the Horse & Greyhound Racing Fund is treated as cash flow from financing activities as it is a source of funding (a grant or subsidy) rather than the result of operating activities.

Figure 2.10 presents a summary picture of the 3 key components of the Bord na gCon net cash flow: cash flow from operating activities, investing activities and financing activities. The allocation from the Horse and Greyhound Racing Fund is shown separately from the other cash flow from financing activities.

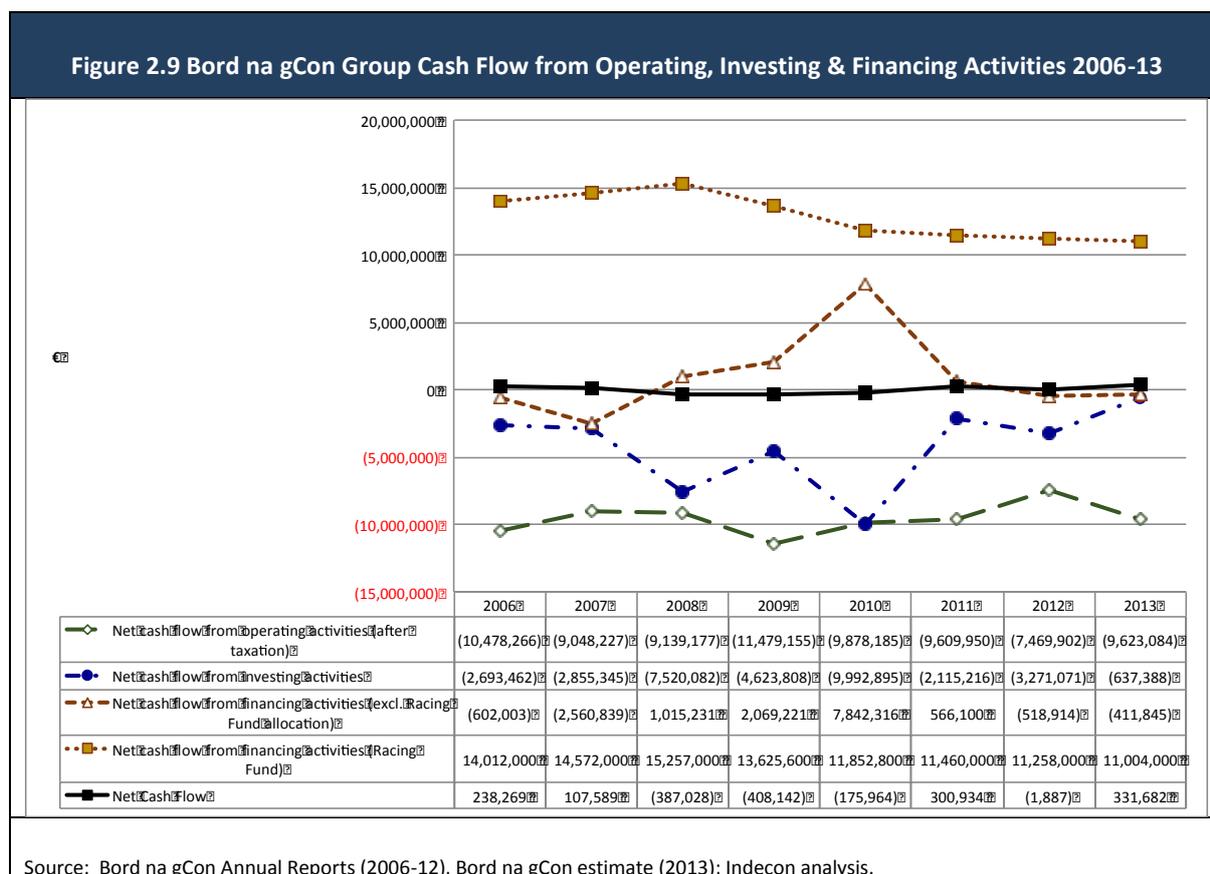


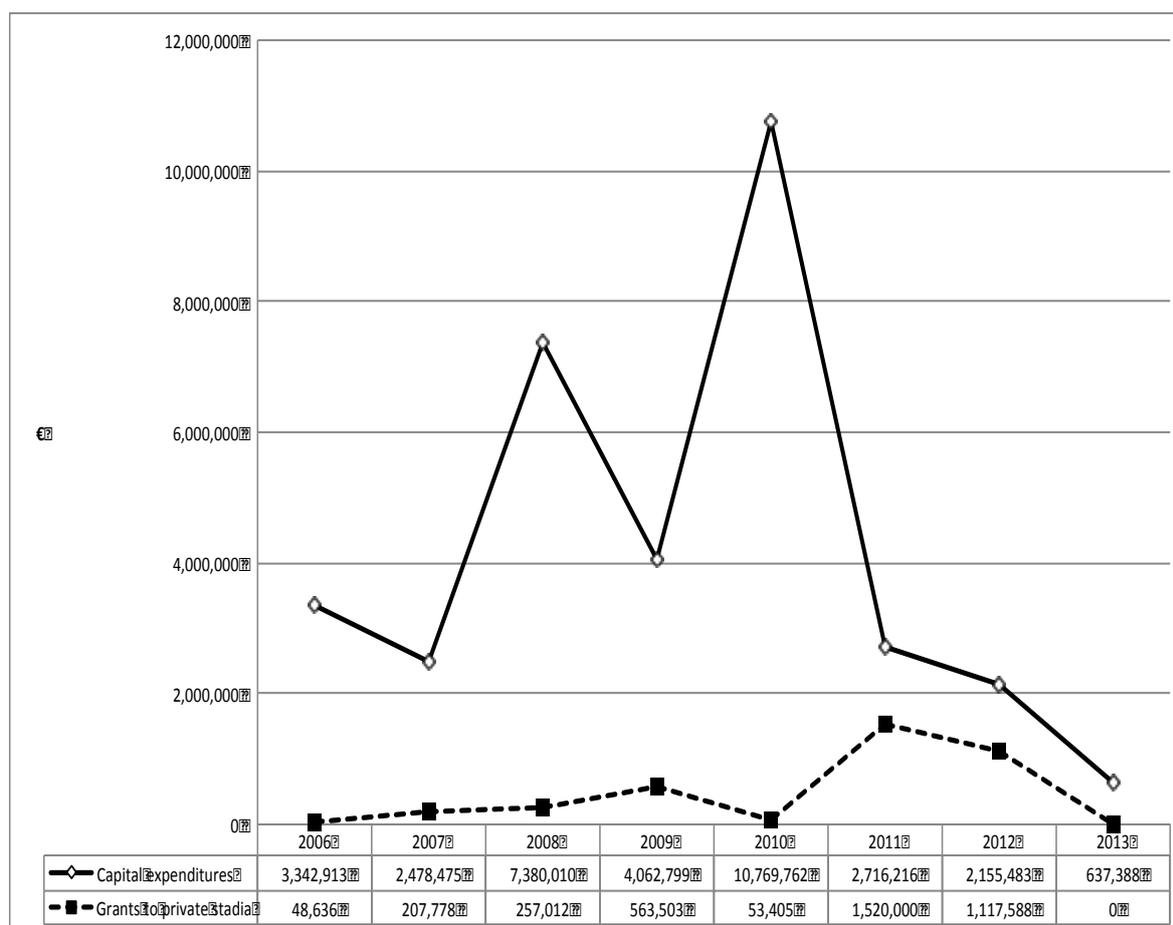
Figure 2.10 shows that the annual net cash flows have historically been in a very narrow range around zero. The cash flow deficit was €-0.408 million in 2009 and the cash flow surplus in 2013 was €0.332 million.

The funding from the Horse and Greyhound Racing Fund has always more than covered the cash deficit from operating activities, although the extent of the excess funding has declined. The 2013 Horse and Greyhound Racing Fund allocation (€11.004 million) covered the operating deficit (€-9.623 million), leaving an excess of €1.381 million. This however represented a significant decline on 2007 where the figure was €5.524 million.

Figure 2.11 shows that the grants to private stadia increased to €1.520 million in 2011 and €1.118 million in 2012. More significantly capital expenditures have fluctuated and there were large capital expenditures in the period 2008 to 2010. The peak of capital expenditure of €10.770 million in 2010 occurred at the time of historic low levels of revenues from racing facilities. As noted earlier capital expenditures in 2010 were at record levels while turnover from racing facilities had fallen from €63 million in 2007 to circa €33 million in 2010.

The single largest factor contributing to the level of debt was the investment in the Limerick Stadium. A discussion of aspects of this is presented under our view of the approach to capital appraisal analysed in our section on governance.

Figure 2.10 Bord na gCon Capital Expenditures and Grants to Private Stadia 2006-13



Source: Bord na gCon Annual Reports (2006-12), Bord na gCon estimate (2013); Indecon analysis.

2.2.5 Balance Sheet Position

The following table presents the Bord na gCon group balance sheets as at December 31st, 2006-2013. It is noteworthy that tangible non-current assets in 2013 (€64.642 million) represent 94.6% of the total assets (€68.339 million) although some of these are valued at historic cost. The mix of debt and equity by which these assets are financed is another important indicator in the assessment of the sustainability of the debt on the balance sheet.

Table 2.8 Bord na gCon Group Balance Sheets as at Dec 31 st , 2006 – 2013								
	2006	2007	2008	2009	2010	2011	2012	2013
	€	€	€	€	€	€	€	€
NON-CURRENT ASSETS								
Tangible Assets	57,052,556	56,448,082	60,860,927	62,275,935	70,425,379	67,351,641	66,200,053	64,642,383
Intangible Assets	(45,169)	(30,111)	27,947	38,700	34,400	30,100	25,800	21,500
Financial Assets	5,951	5,951	5,951	5,951	5,951	5,951	5,951	5,951
CURRENT ASSETS								
Debtors	1,892,997	2,395,612	3,421,174	1,799,571	2,490,697	3,197,345	2,042,003	2,387,470
Cash at bank and in hand*	1,374,245	1,481,834	1,094,806	686,664	510,700	811,634	809,747	1,141,429
Stocks	164,807	161,889	114,261	88,039	104,010	109,635	126,737	139,777
Total Assets	60,445,387	60,463,257	65,525,066	64,894,860	73,571,137	71,506,306	69,210,291	68,338,510
LONG-TERM LIABILITIES								
Bank borrowings*	10,118,753	7,990,180	10,281,276	13,400,984	21,192,154	22,712,465	22,849,626	22,876,833
Net pension liability / (asset)	(35,000)	10,000	4,818,000	3,418,000	3,101,000	3,788,000	7,222,000	6,839,000
CURRENT LIABILITIES								
VAT / PAYE / PRSI	475,233	515,175	414,310	308,343	280,141	338,968	288,686	316,778
Other creditors & accruals	5,844,082	6,034,014	7,685,472	6,903,405	6,358,408	5,265,796	5,099,221	5,542,467
Bank advances*	2,433,359	2,359,846	1,255,034	372,155	693,477	289,588	163,828	102,214
EQUITY								
Capital reserve	34,537,358	34,144,968	35,910,996	37,080,035	40,242,588	41,175,840	38,605,700	36,854,041
Other reserves	1,433,177	1,433,177	1,433,177	1,433,177	1,433,177	1,433,177	1,433,177	1,433,177
Pension reserve	(200,000)	(843,000)	(6,105,000)	(4,953,000)	(4,871,000)	(5,410,000)	(8,620,000)	(7,781,000)
Profit & Loss account	3,941,762	6,903,556	7,954,109	5,151,978	3,494,666	368,006	730,347	820,158
Minority interests	1,896,663	1,915,341	1,877,692	1,779,783	1,646,526	1,544,466	1,437,706	1,334,842
Total Financing	60,445,387	60,463,257	65,525,066	64,894,860	73,571,137	71,506,306	69,210,291	68,338,510
* components of Net Debt								

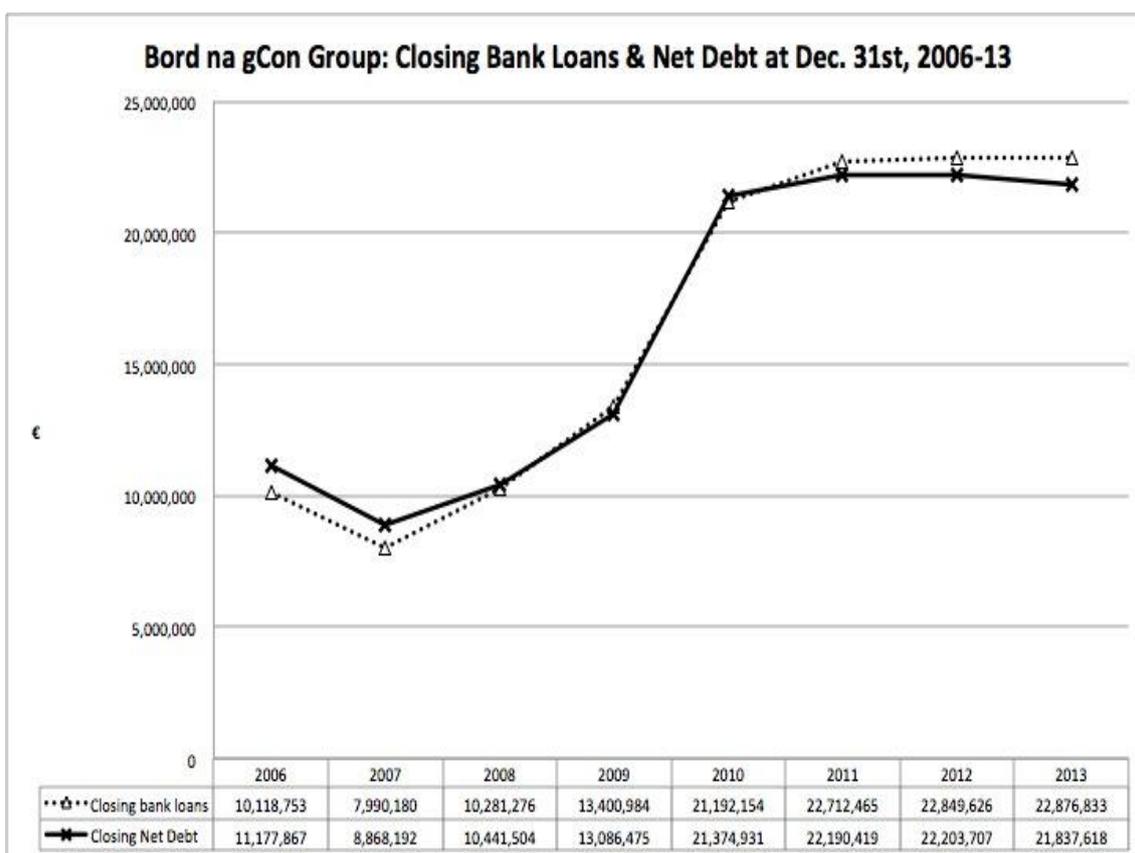
The figures in Table 2.7 show total assets to be over €68 million.

2.2.6 Debt Position, Servicing and Sustainability

In many ways the most important financial challenge facing Bord na gCon concerns debt sustainability. Figure 2.12 shows the net debt from 2006 to 2013. Our analysis suggests that the financial challenge for Bord na gCon is not an immediate cash flow problem but rather how to generate sufficient resources to lower the level of gearing.

Figure 2.12 confirms that the loan value rose rapidly from 2007 (€7.990 million) to 2011 (€22.713 million) and remained largely unchanged in 2012 (€22.850 million) and 2013 (€22.877 million). This suggests that only small inroads had been made into reducing net debt by end of 2013.

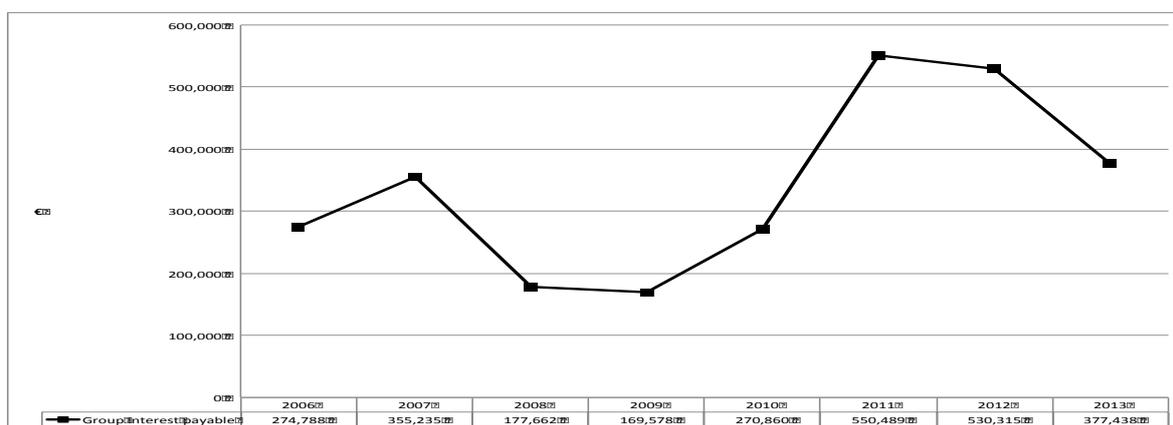
Figure 2.11 Bord na gCon Group Components of Net Debt at Dec. 31st, 2006-13



Source: Indecon analysis of Bord na gCon Annual Reports 2006 – 2013

The group interest payable from 2006 to 2013 can be seen in Fig. 2.13 below. As shown earlier in the report, the annual interest payable was a substantial €0.530 million in 2012 which was more than three times the 2009 value (€0.170 million). However some additional bank payments are likely to also be due in coming years.

Figure 2.12 Bord na gCon Group Interest Payable 2006-13

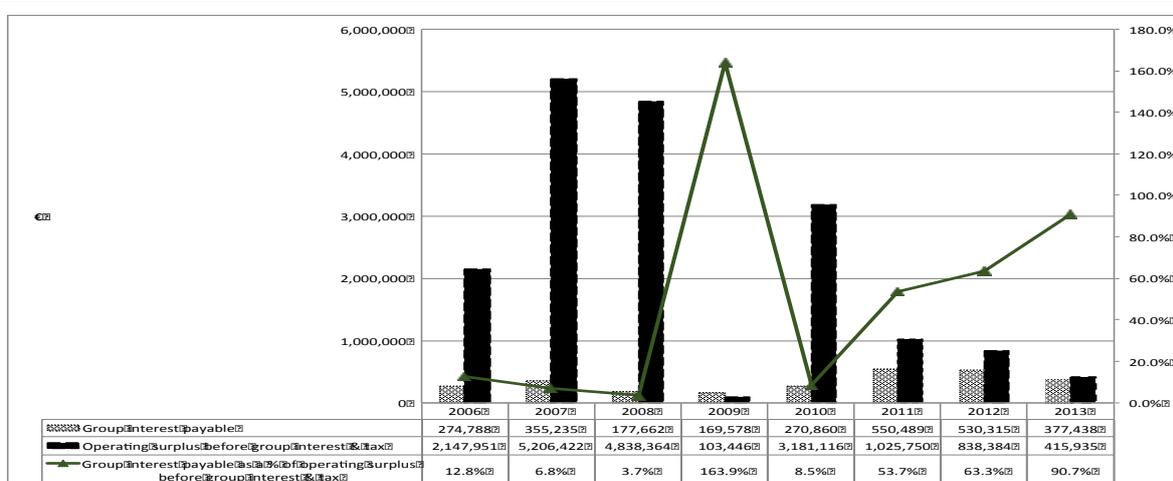


Source: Indecon analysis of Bord na gCon Annual Reports 2006 - 2013

Figure 2.14 presents the group interest payable compared to the operating surplus before group interest and tax over the 8-year period. The increasing share of the surplus that is being consumed by the interest payable is very significant. In 2013, it represented 90.7% compared to a low of 3.7% in 2008. Bord na gCon is now highly geared. Most important is the decline in operating surplus before group interest and tax.

The spike in the percentage in 2009 to 163.9% reflected the marginal operating surplus before group interest and tax that year. (In rounded figures, 2009 was the year when turnover from racing activities dropped €15 million and the allocation from the Horse and Greyhound Racing Fund fell €1.6 million but expenses “only” fell by €12 million causing the surplus to shrink by €4.7 million to €0.104 million.)

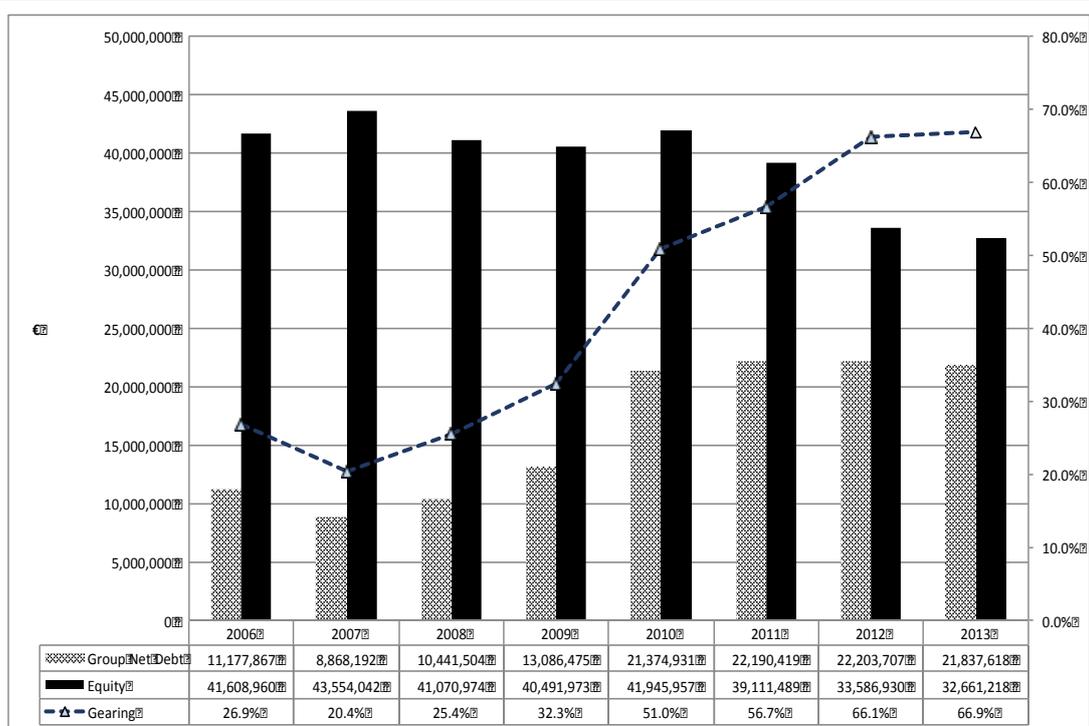
Figure 2.13 Bord na gCon Group Interest Payable as a % of Operating Surplus before Group Interest & Tax 2006-13



Source: Indecon analysis of Bord na gCon Annual Reports 2006 – 2013, Indecon analysis

Figure 2.15 reinforces the concerns about the current level of interest payable as a proportion of the operating surplus before group interest and tax. It shows the group gearing levels, calculated as the ratio of net debt to equity on the balance sheet. During 2006-2009, the gearing was at moderate levels from 20.4% in 2007 to 32.3% in 2009. Thereafter it rose to high levels, reaching 66.9% by the end of 2013.

Figure 2.14 Bord na gCon Group Gearing 2006-13



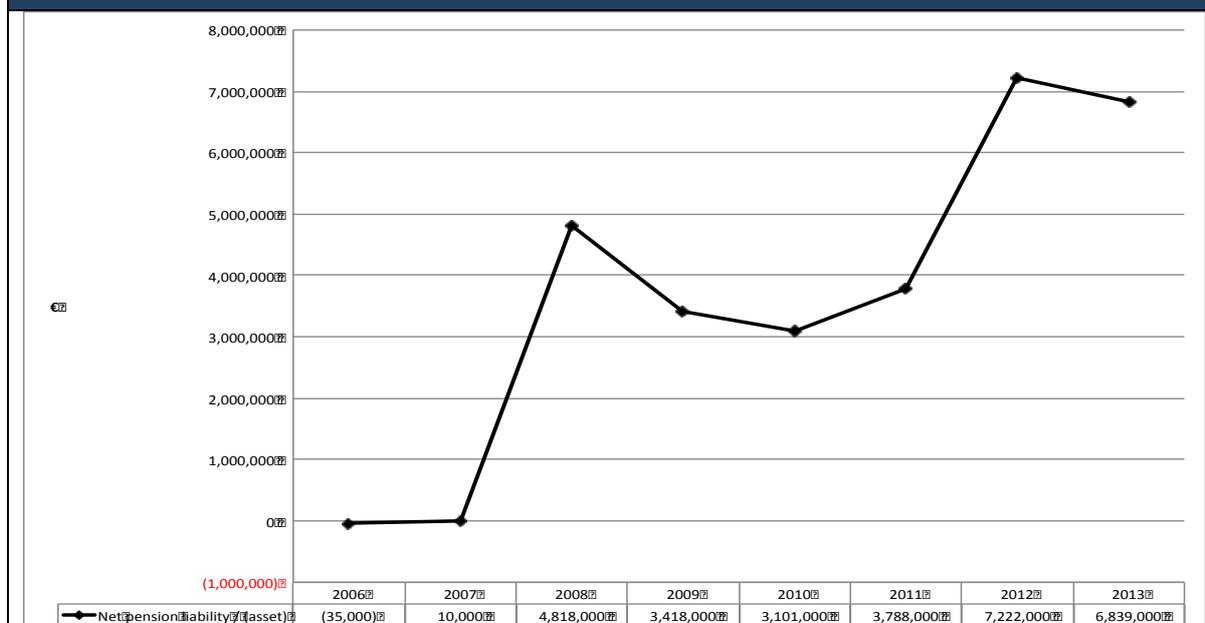
Source: Indecon analysis of Bord na gCon Annual Reports 2006 – 2013

Indecon's analysis has demonstrated an organisation that has faced dramatic declines in revenues and operating surpluses at a time of rising debt. Indecon believes that the key financial challenge is to transform this situation to a position with lower debt and significantly higher operating surpluses. This will require a period of adjustment for the organisation and for the sector. However the achievement of this will result in a platform on which the sector can then develop.

2.2.7 Pension Liability

Another major issue facing Bord na gCon is its underfunded pension plan. The underfunding stood at €6.839 million at end 2013. This is a problem facing many direct benefit pension schemes in Irish companies that have not performed well in recent years. Indecon believes that action is needed to address this pension liability and this may impact on beneficiaries.

Figure 2.15 Bord na gCon Group Net Pension Liability 2006-13



Source: Indecon analysis of Bord na gCon Annual Reports 2006 - 2013

Comparison of Bord na gCon Performance with Strategic Plan

In examining likely future prospects for Bord na gCon, Indecon believes it is useful to compare the performance in 2013 to what was envisaged in the recent strategic plan. It is over twelve months since the Bord na gCon strategic plan was first published in March 2013. The plan outlined targets that were back-ended with most of the increases in income expected to emerge in the period from 2015 onwards. Our analysis suggests that if the plan targets were achieved it would provide a basis for reducing the debt and developing a sustainable financial base on which to develop the sector.

A key issue is therefore the likelihood that the targets will be met and what are the risks to their achievement. In this context it is useful to review the elements of the plan and progress to date. A summary financial table from the plan document is presented in Table 2.9.

Table 2.9 Bord na gCon Strategic Business Plan 2013 - 2017

Financial Implications of Strategic Initiatives	2013	2014	2015	2016	2017
Increased Income					
Total retention increases	€175,000	€350,000	€509,000	€709,000	€1,000,000
Improved track performance	€430,000	€400,000	€425,000	€450,000	€525,000
Advertising/Branding	€100,000	€250,000	€416,000	€566,000	€675,000
Additional sponsorship	€100,000	€201,000	€241,000	€289,000	€347,000
New wagering products	€100,000	€300,000	€1,000,000	€1,250,000	€1,500,000
Subtotal	€905,000.00	€1,501,000.00	€2,591,000.00	€3,264,000.00	€4,047,000.00
Increased Expenditure					
New costs associated with strategic initiatives	€690,000	€690,000	€690,000	€690,000	€690,000
TV coverage	€192,000	€384,000	€480,000	€480,000	€480,000
Increased prize money	€900,000	€1,001,000	€1,041,000	€1,089,000	€1,147,000
Development & marketing on line wagering products	€100,000	€200,000	€200,000	€175,000	€175,000
Subtotal	€1,882,000.00	€2,275,000.00	€2,411,000.00	€2,434,000.00	€2,492,000.00
Savings					
Savings in admin & operational costs identified through strategic initiatives	€500,000	€625,000	€575,000	€575,000	€575,000

The amounts shown are incremental values, all relative to the 2012 actual values. (Please note that these values are not incremental year-on-year.)

In the initial years the plan only envisaged modest revenue growth but the pace of growth was expected to accelerate significantly in future years as summarised below:

- Growth in income from proposed new wagering products was targeted to accelerate from an increase of €0.1 million in 2013 to an increase of €1.5 million in 2017.
- Tote retention was also expected to accelerate from an increase of €0.175 million in 2013 to an incremental €1.0 million in 2017.
- Advertising/branding and sponsorship combined are planned to accelerate from an increase of €0.2 million in 2013 to an incremental €1.022 million in 2017.

Excluding further cost savings in administration and operations, the targeted incremental expenditure exceeded incremental income in the plan in 2013 and 2014. Towards the end of 2015 a breakeven point was to be reached and income was projected to marginally exceed expenditures. 2016 and 2017 were expected to achieve the first significant surpluses. For the main revenue areas, the plan's success is dependent on the achievement of an expanding income from new products and from advertising and sponsorship income as well as from increases in Tote retention.

The following table shows the detailed P&L comparing what actually happened in 2013 with the strategic plan forecast for that year. It is clear that the performance has been significantly less than targeted and it appears the plan is at least one year behind.

Table 2.10 Comparison of Bord na gCon Strategic Plan for 2013 with Actual Results for 2013

	2013 Actual €'000	2013 Plan €'000	Variance €'000 Fav. (Unfav.)	Variance % Fav. (Unfav.)
Income				
Total Receipts (On-Track Bookmaker Levies)	20,856	23,571	(2,715)	(11.5%)
Total Payouts	(16,056)	(18,329)	2,273	(12.4%)
Total Retention	4,800	5,242	(442)	(8.4%)
Gate Receipts & Programme Sales less Costs	3,031	3,147	(116)	(3.7%)
Catering Income	1,291	1,284	7	0.5%
Race Entry Fees	1,235	1,250	(15)	(1.2%)
Sponsorship	879	1,005	(126)	(12.5%)
Greyhound Sales	461	445	16	3.6%
On-Line Total Streaming Income	269	381	(112)	(29.4%)
Bookmaker Pitch Fees	264	243	21	8.6%
Rental Income	252	177	75	42.4%
Sundry Income	78	92	(14)	(15.2%)
Car Park	55	65	(10)	(15.4%)
Advertising Hoardings & Branding	25	116	(91)	(78.4%)
Printing Receipts	9	6	3	50.0%
Dog Sales Commission	5	16	(11)	(68.8%)
Net Turnover from Racing Facilities	12,654	13,469	(815)	(6.1%)
Allocation from Horse & Greyhound Racing Fund	11,004	11,004	0	0.0%
Total Income	23,658	24,473	(815)	(3.3%)
Expenses				
Prize Money Payments	(7,852)	(8,072)	220	2.7%
Staff Costs	(7,453)	(7,928)	475	6.0%
Administration Costs	(1,443)	(1,977)	534	27.0%
Advertising	(1,369)	(1,033)	(336)	(32.5%)
Other Track Costs	(687)	(622)	(65)	(10.5%)
Rent & Rates	(565)	(573)	8	1.4%
Pension	(550)	0	(550)	100.0%
Travel, Promotion & Entertainment	(522)	(644)	122	18.9%
Light & Heat	(515)	(471)	(44)	(9.3%)
Depreciation & Amortisation Charges	(481)	(565)	84	14.9%
Repairs & Renewals	(460)	(526)	66	12.5%
Total Equipment Hire	(366)	(362)	(4)	(1.1%)
Operating Grants to Private Tracks	(248)	(260)	12	4.6%
I.T. Database Costs & Total Streaming Development	(248)	(389)	141	36.2%
Intertrack Expenses	(182)	(243)	61	25.1%
Contribution to Retired Greyhound Trust	(158)	(144)	(14)	(9.7%)
Insurance	(142)	(120)	(22)	(18.3%)
Total Operating & Administration Costs	(23,241)	(23,929)	688	2.9%
Net Operating Surplus before Interest and Capital Charges	417	544	(127)	23.3%
Capital Grants to Private Tracks	0	(100)	100	100.0%
Gain (Loss) on Disposal of Tangible Fixed Assets	0	300	(300)	(100.0%)
Group Interest Payable	(377)	(506)	129	25.5%
Total Group Surplus	40	238	(198)	

Source: Bord na gCon

The first year of the strategic plan ended with a total group surplus of €40,000 compared with the plan figure of €238,000. Net turnover from racing facilities showed an unfavourable variance of €0.815 million. This was offset by favourable variances in total operating and administration costs (€0.688 million). No capital grants were made to private tracks and this partially offset the non-realisation of any gain on disposal of tangible fixed assets.

Looking forward and trying to draw conclusions on future prospects, the most significant aspect of the 2013 performance was the non-achievement of the target for net turnover from racing facilities. Tote receipts and on-track bookmaker levies were €2.715 million or 11.5% below target. Tote payouts were consequently lower. The payouts were disproportionately lower (12.4% below target vs. 11.5% for receipts). Tote retention showed a further decline of €0.442 million and ended the year at €4.8 million, 8.4% behind target.

As shown in Table 2.3, attendances declined in 2013 compared with 2012 and came in 6% below budget expectations for that year (5.6% below, if private tracks are excluded). Gate receipts and programme sales (after costs) were 3.7% below target and on-line Tote streaming income was €0.112 million or 29.4% behind expectations. Sponsorship was also below target by €0.126 million or 12.5%.

On the cost side, major reductions have taken place over many years so reductions will be increasingly difficult to find unless they involve the closure of a stadium or reductions in the frequency of races and a corresponding reduction in prize money.

Indecon recognises that 2013 was another very difficult year for Bord na gCon and for many businesses dependent on domestic demand. However our main concerns arising from the 2013 numbers are that, one year into the new strategic plan:

- the Tote retention continued to decline;
- the potential for new wagering products has yet to deliver financial returns (although concrete steps have been taken in early 2014 and there are positive signs of the potential); and
- Sponsorship income is below target and while sponsorship income at board tracks increased marginally this was more than compensated by reductions in sponsorship at private tracks.

Given that a new Bord na gCon management team has been developed and a new CEO has been selected, Indecon considers that it will be necessary for the Board of Directors as well as for the Department of Agriculture, Food and the Marine to monitor performance closely in 2014. There is a need during this transition year for the new team to respond very quickly to the scale of financial and other challenges facing the organisation. However it is clear that additional steps are needed.

The sustainability of the net debt will rely on the capacity of Bord na gCon to generate profits and also to engage in asset disposals.

Indecon considers that in order for the organisation to have certainty that it is financially sustainable and that over a period of time is in a position to have the resources to develop the sector, additional actions are required.

We understand that Bord na gCon is in negotiation with its main lender for the restructuring of the debt on its balance sheet (€22.138 million at end-2013). A draft offer was received from the bank but Indecon is advised that this may be subject to further negotiation.

The high level of gearing (66.9%) at the end of 2013 exposes Bord na gCon to risk if the projections for income and profit streams to 2017 are not achieved and / or the level of interest rates rises. Bringing the gearing down should be a key priority for the Board and management.

The main actions required to achieve this will involve the disposal of assets and measures to enhance underlying profitability. Potential asset disposals that should be considered include the old Henry Street Head office in Limerick, land in Cork, the Meelick site in Limerick and the sale of the Harold's Cross track. The timing of these asset sales should be made in a manner which maximises the value for Bord na gCon and should take account of planning / zoning issues and market developments.

We accept that it would be preferable to keep all stadia, if Bord na gCon had sufficient resources and low gearing. The reality however is that there is a danger that unless asset disposals are made the Board will not have the necessary resources to develop the sector. Some asset disposals in addition to allowing repayment of debt and reducing interest payments will enhance the underlying level of surpluses; for example, the closure of Harold's Cross is likely to result in higher profits for Bord na gCon due to the ability to reduce prize money expenditures and is also likely to result in an increase in Tote and other revenues at Shelbourne Park.

Indecon recommends that Bord na gCon be requested by the Department of Agriculture, Food and the Marine to put forward a plan for asset disposal over the period 2014-2018 that would reduce group gearing. Increasing equity through profitable trading will also be required to decrease net debt. This will require a calibration of the number of race meetings at poorly performing stadia to sustainable levels and a corresponding reduction in overall annual prize money expenditures at these stadia.

Our estimation of the financial performance and prospects of Bord na gCon suggests that in addition to actively pursuing such opportunities we believe it is essential to adjust the scale of activity in the sector to sustainable levels. This combined with the recommended programme of asset disposals will provide the basis for the sustainable development of the sector.

2.3 Summary

It is important to commence our analysis with a review of financial performance and prospects for Bord na gCon. The figures on turnover for Bord na gCon showed a worrying downward trend since 2006 in most categories of turnover. This was reflected in an overall decline in revenue from €63.5 million to €28.2 million in 2013. The scale of the decline is dramatic and represents a fall of 55.6% over the period. The rate of decrease has since slowed. This is an important step towards sustainability but the fact that the downward trend in revenues has not been reversed in 2013 is of concern. The organisation is also heavily indebted with net debt of over €21 million.

Of particular importance in judging the financial sustainability of Bord na gCon's existing operations has been the decline in receipts from the Tote. In 2006, Tote receipts were just over €50 million. By 2013 they were €20.9 million. The impact of the sharp decline in Tote receipts on Bord na gCon's profitability was partially offset by the fall in the ratio of Tote payout to Tote receipts from 79.8% in 2008 to 77.0% in 2013. The fall in this ratio has, however, implications for the attractiveness of the greyhound sector and there are limits on any future declines.

Reflecting the reduction in attendance numbers, the scale of the decline in gate receipts and programme sales, entry fees and catering income is also very marked. Together these accounted for €5.049 million of the fall in income between 2007 and 2013, of the same order of magnitude as the drop in Tote retention from its peak. Gate receipts, programme sales and entry fees stabilised in 2013 and catering income increased marginally. However gate receipts and programme sales remain at approximately half their 2007 level. Since 2007, the decline in sponsorship income by €1.219 million has also been an important development. Potential to increase sponsorship will inevitably be in part influenced by attendance levels.

Given the substantial falls in attendances and revenues, Bord na gCon appropriately implemented a major cost-cutting exercise in response. The figures show a very significant decline in expenses between 2006 and 2013 equivalent to a reduction of €36.535 million or 48.5%. It should be noted that nearly €27 million of this reduction was due to decreases in the Tote payout and prize money. However, the larger reduction in staff costs and other operational costs should be acknowledged. In addition staff costs have declined by over €3 million since 2006 and administration costs have also declined significantly. Indecon recognises these achievements in reducing costs.

Understanding the financial sustainability of Bord na gCon also requires a detailed examination of the performance of individual race tracks. Our examination of the performance of both Bord na gCon and private tracks for 2013 shows that the three largest tracks in terms of revenues are Shelbourne Park, Harold's Cross and Cork. Annual attendances of more than 135,000 people were recorded at Shelbourne Park, which had the best attendance at any track. The second highest attendance levels were recorded at Cork. Annual attendances of less than 25,000 people were recorded at Longford, Youghal, Kilkenny, Lifford, Enniscorthy, Thurles and Newbridge. If one compares the level of attendance to net revenue it is evident that there are major variances in the level of effective subsidies provided per attendee at various stadia.

Another issue facing Bord na gCon is its underfunded pension plan. The underfunding stood at €6.839 million at end 2013. Indecon believes that action is needed to address this pension liability and this may impact on beneficiaries.

Indecon's analysis has demonstrated an organisation that has faced dramatic declines in revenues and operating surpluses at a time of rising debt. Indecon believes that the key financial challenge is to quickly transform this situation to a position with lower debt and significantly higher operating surpluses.

In examining likely future prospects for Bord na gCon Indecon believes it is useful to compare the performance in 2013 to what was envisaged in the recent strategic plan. The plan outlined targets that were back-ended with most of the increases in income expected to emerge in the period from 2015 onwards. Our analysis suggests that if the plan targets were achieved it would allow reduction of the debt and provide a sustainable financial base on which to develop the sector.

A key issue is therefore the likelihood that the targets will be met and what are the risks to their achievement. In the initial years the plan only envisaged modest revenue growth but the pace of growth was expected to accelerate significantly in later years. The plan's success is dependent on the achievement of an expanding income from new products and from advertising and sponsorship income and from increases in Tote retention.

The first year of the strategic plan ended with a total group surplus of €40,000 compared with the plan figure of €238,000. Net turnover from racing facilities showed an unfavourable variance of €0.815 million. This was offset by favourable variances in total operating and administration costs. The most significant aspect of the 2013 performance was the non-achievement of the target for net turnover from racing facilities and the plan appears to be approximately one year behind targets.

On the cost side, major reductions have taken place over recent years so reductions will be increasingly difficult to find unless they involve a re-balancing of the number of races and a corresponding reduction in prize money.

Indecon recognises that 2013 was another very difficult year for Bord na gCon and for many other organisations dependent on domestic demand. However our main concern relates to the fact that existing revenue is not sufficient to support the current level of activity in the sector nor to commence the repayment of debt. This is related to the fact that Tote retention continued to decline. The potential for new wagering products has yet to deliver financial returns although concrete steps have been taken in early 2014 and there are positive signs that give grounds for optimism. However the ability to reduce the net debt of over €21 million will rely on the capacity of Bord na gCon to generate profits and also to engage in asset disposals. Indecon considers that in order to ensure that the organisation is financially sustainable and that over a period of time is in a position to have the resources to develop the sector, additional steps should be urgently taken. This is based on our judgement that bringing the gearing down should be a key priority for the Board and management. The main actions required to achieve this will involve the disposal of assets and measures to enhance underlying profitability.

Given that a new Bord na gCon management team is being developed, Indecon considers that it will be necessary for the Board of Directors as well as for the Department of Agriculture, Food and the Marine to monitor performance closely in 2014. There is a need during this transition year for the new team to respond very quickly to the scale of financial and other challenges facing the organisation.

In addition to actively pursuing new or expanded revenue opportunities we believe it is essential to adjust the scale of activity in the sector to sustainable levels. This will require a reduction in the number of race meetings and prize money at selected stadia. This combined with a programme of asset disposals will provide the basis for the sustainable development of the sector.

3 Governance Structures

3.1 Introduction

This section focuses on the Bord na gCon governance structures, including the new corporate executive management structure, the nomination and appointment of Main Board members, sub-committee members and subsidiary board members. We also consider issues re the Board's evaluation of risk and the mix of skills in Bord na gCon. Indecon believes that ensuring appropriate governance structures is essential for the regulation and development of the sector. In reviewing this it is also useful to consider decision-making and risk management and the need to ensure accountability in the utilisation of public funds received from the Horse & Greyhound Racing Fund.

Figure 3.1 summarises important sections of the legislation as it concerns governance and organisation structures in the context of the terms of reference of this review. This demonstrates that the core underlying legislation is the Greyhound Industry Act of 1958 with a number of subsequent amendments and new regulations. Of particular importance are the 2007 regulations concerning the Control Committee and Control Appeal Committee.

Figure 3.1 Summary of Key Features of Legislation Governing Irish Greyhound Racing Industry (Governance and Structures)

Greyhound Industry Act, 1958	<p>Establishes Bord na gCon.</p> <p>Defines composition of and process of nomination and appointment to and dismissal from the Board of Bord na gCon.</p> <p>Identifies the functions of Bord na gCon and the role of the Irish Coursing Club as subject to the general control and direction of Bord na gCon</p>
Greyhound Industry (Amendment) Act, 1993	<p>Removes the requirement that up to 3 members of the Board be drawn from the Executive Committee.</p> <p>Introduces staggering of board appointments.</p>
Horse & Greyhound Racing (Betting Charges & Levies) Act, 1999	<p>Permits Bord na gCon to establish and control subsidiary companies that in turn can enter into joint ventures with 3rd parties.</p>
Horse & Greyhound Racing Act, 2001	<p>Requires the Bord na gCon CEO to give evidence to the appropriate committee of the Oireachtas.</p>
Greyhound Industry (Control Committee and Control Appeals Committee) Regulations, 2007	<p>Replaces Control Committee established under Article 3 of Statutory Instrument No. 158/1993 with a new Control Committee and new Control Appeal Committee to have jurisdiction over control and compliance with the rules and regulations concerning greyhound racing.</p> <p>Empowers the board of Bord na gCon to appoint all 5 members of the Control Committee and all 3 members of the Control Appeal Committee subject to certain qualifications for membership.</p> <p>Designates officers appointed by the Board of Bord na gCon to be Secretaries of the Control Committee and Control Appeal Committee.</p> <p>Transfers full authority from the Board of Bord na gCon to the Control Committee for investigations, disqualification of greyhounds, and exclusion of persons from racetracks, and greyhound sales and to the Control Appeal Committee for appeals. Neither Control Committee nor Control Appeal Committee decisions are subject to confirmation by the Board and the findings may be published at the discretion of the two committees.</p>
Greyhound Industry (Racing) Regulations, 2007	<p>Revokes the Greyhound Race Track (Racing) Regulations, 1993 and subsequent amendments thereto and specifies:</p> <ul style="list-style-type: none"> • qualifications for conduct of racing including weight variations, conditions of entry into and withdrawal of greyhounds from races, and conditions of dog ownership. • racing procedures and conditions for declarations of “No race”. • rules for race cards, prize monies, stakes, entry fees, Classics / Features / Sweepstakes, track records. • rules for appointment of key track officials and stewards and their duties, powers and number. • duties of race track executives including record keeping, compliance with directions from and reporting to the board of Bord na gCon. • procedures for handling of appeals. • rules for handling of betting disputes and betting regulations for instances of dog withdrawals, dead-heats and photo-finishes.
Greyhound Industry (Control Committee and Control Appeal Committee) (Amendment) Regulations 2008	<p>Amends Greyhound Industry (Control Committee and Control Appeal Committee) Regulations, 2007 and substitutes:</p> <ul style="list-style-type: none"> • observations by the board of Bord na gCon for observations by the Control Committee during an appeal. • the Board of Bord na gCon for the Control Committee as a party to an appeal. • the Board of Bord na gCon for the Control Committee as the party that can make submissions and requests for oral hearings to the Control Appeal Committee in relation to an appeal. <p>Adds the Board of Bord na gCon as the second recipient of notices of appeal received by the Control Appeal Committee.</p>

Source: *aforementioned Acts and Statutory Instruments*

3.2 Governance Arrangements and Board and Management Structures

Composition of Bord na gCon Main Board

Since its establishment in 1958, Bord na gCon has had a seven-member board consisting of a chairperson and six ordinary members all appointed by the Minister following consultations with the Minister for Public Expenditure and Reform and the Minister for Finance. The Minister is in addition required to obtain the approval of An Taoiseach concerning the Chairperson's appointment. (Initially, a maximum of three of the six ordinary board members were drawn from the Executive Committee of the ICC but this requirement was removed by the 1993 Act.) The structure, size and membership of the Board as at end-February 2014 is presented in the table below.

Table 3.1 Structure and Size of Board and Management Structure

Board Structure
Chairman
Members of the Board
Six Ordinary Members

The legislation does not prescribe that the Bord na gCon board members should have any particular skill sets or any limit on the number of terms which board members can serve.

The small size of the Bord na gCon Board has some potential strengths from the perspective of efficiency and effectiveness. Some international suggestions on best practice suggest smaller boards are more effective. For example, the Australian Review examined previously by Indecon and quoted in an IPA study recommended an optimum board size of between six and nine.¹ However a key issue is whether there is a sufficient mix of resources and skills to ensure governance objectives are met and to ensure an adequately functioning committee structure.

¹ MacCartaigh. M. IPA Research Paper No. 1, June 2010

Board Committees

The 1958 Act grants the board of Bord na gCon the power to establish such committees as it sees fit. The following permanent committees are in existence:

- Control Committee
- Control Appeal Committee
- Audit Committee
- Ownership Committee
- Remuneration Committee
- Retired Greyhound Trust
- Sales Committee
- Wagering Committee
- Welfare Committee

Integrity services for the greyhound industry are partly the responsibility of the Control Committee and the Control Appeal Committee who are appointed and funded by but thereafter are operationally independent of Bord na gCon. A temporary Oestrus Suppression Committee was formed in 2012 to address a particular regulatory issue and met three times in 2013.

Structure and Membership of the Main Board, Committees and Subsidiary Boards

The members of the Bord na gCon Main Board of Directors and its Committees who also sit on the boards of directors of Bord na gCon's subsidiaries at February 5, 2014 are presented in the table below. This excludes directors of committees and subsidiary board directors who are not members of the Main Board.

Member No.	Board of Directors	Sales Committee	RGT Committee	Ownership Committee	Welfare Committee	Regulation Committee	Wagering Committee	Audit Committee	Remuneration Committee	Oestrus Suppression Committee	Independent Control Committee	Control Appeal Committee	Subsidiary Board Directorships (2013)	Number of Positions
1	Chair												8	9
2	X	Chair		X		X		X	X				8	14
3	X	X		Chair		X							8	12
4	X												8	9
5	X						X	Chair	Chair				8	12
6	X		X			X		X					8	12
7	X												new	1

Source: Indecon analysis

Board members of Bord na gCon in addition to their roles on the Main Board serve on sub-committees and as directors of subsidiary boards. In most cases two of the Main Board members are nominated to attend the board meetings of any one subsidiary. Main Board members sitting on subsidiary boards has the potential to ensure consistency of decision-making across the Bord na gCon group. However this system must be traded off against the burden it places on individuals and whether this represents a diversion from their key responsibilities as Main Board directors. We have concerns from a governance perspective of this structure given that the Main Board typically requires attendance at twelve to fifteen meetings per year as well as sub-committee memberships and this represents a significant area of responsibility without having to be directors of subsidiary boards. As an example, one Main Board member would have had thirty-four Main

Board and committee meetings to attend in 2013 as well as the four meetings of each of two subsidiary boards in 2013 equalling a total of forty-two meetings. This is challenging given that there are eleven Bord na gCon subsidiaries.

It is an unusual feature of the governance structure that nearly all of the members of the Main Board including the Chairperson are each members of nearly all of the subsidiary boards (Shelbourne Park, Limerick, Tralee, Waterford, Harold's Cross, Cork, Youghal and Galway)

On balance given the governance responsibilities of board directors we do not believe it is appropriate that members of the Main Board of Bord na gCon should be members of subsidiaries' boards.

Main board skills and competencies

Prior to March 2014 there were no professional legal, veterinary or marketing experts on the Board. These gaps were noteworthy given the regulatory and animal welfare roles of the Main Board and the crucial need to rebuild attendances by *inter alia* effective marketing. Indecon believes that given the quasi-legal regulatory function of the Board and the importance of compliance these represent significant skill gaps. During the process of completing this report we raised the issue of board skills with the Department and a senior veterinary expert has been recently appointed as a Director. We believe this was an important decision but that some skills gaps remain.

Another feature of the Board is that members are permitted to be reappointed for many terms. This has the potential to reduce the introduction of new ideas and can lead to a defensive approach to previous decisions. It would in our judgement be appropriate to limit the number of terms that can be served to a maximum of two, and to set an upper age limit for retirement of seventy years for all board members.

Given the complexity of responsibilities and the governance and financial challenges facing the Board, Indecon believes that it is important that specialist training and other supports are provided to board members as required to assist them in meeting their responsibilities. Of particular importance is an in-depth understanding of governance issues and legal responsibilities of directors. Five out of seven members of the Main Board attended a training workshop "Aligning and Communicating for Success" on November 26, 2013. Follow-up training is planned for the second quarter of 2014.

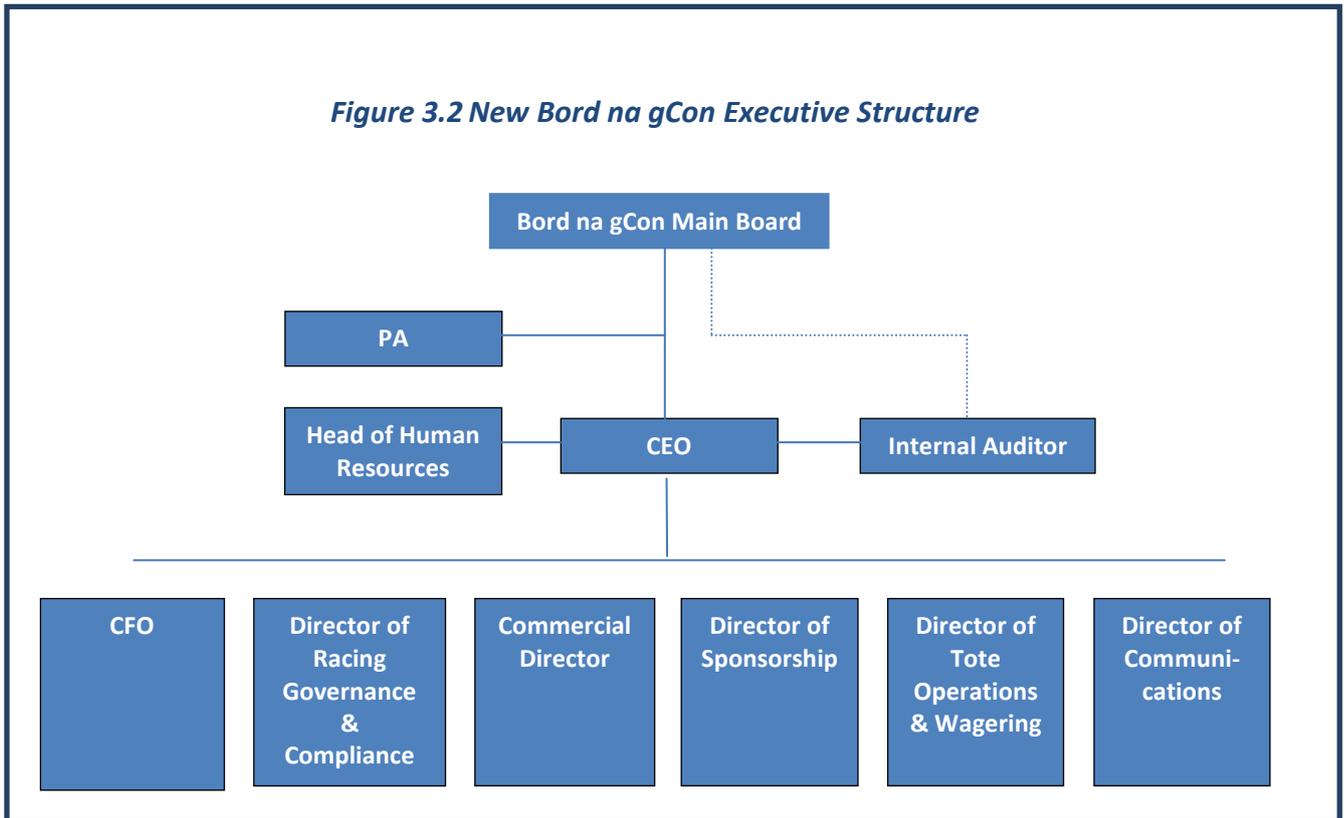
In September 2009 a presentation was made to non-executive directors by the Bord na gCon CEO and HR Manager and in September 2010 a presentation was made to the Audit Committee on Directors Duties and Responsibilities. Indecon also notes that a review of Board effectiveness has not been completed in recent years. Overall we believe that additional specialist training on governance will be required.

New Executive Structure

Up to 2011 there was a very large and, in Indecon's opinion, unsuitable executive structure. This saw the CEO having as many as twenty-three direct reports including track general managers, sales & operations managers, racing managers and three accountants, but having no CFO during the period April 2008 – February 2012.

A new executive structure was developed which we believe is more aligned with the requirements for the organisation. This is summarised in Figure 3.2 and Indecon believes the full implementation of this should be urgently completed.

Figure 3.2 New Bord na gCon Executive Structure



In place now is a new structure with a Director of Commercial Operations (new in 2013) and a Director of Tote Operations & Wagering (new in 2013) as well as the CFO (new in 2012). During our review we were informed of the recruitment of a first Director of Racing Governance & Compliance and of the selection of a new Chief Executive Officer.

Due to budget constraints, we understand that appointments have not yet been made to the positions of Director of Sponsorship and Director of Communications.

In operational matters the nine track Sales Operations & Commercial Managers now report to the Bord na gCon Director of Commercial Operations in this structure and are responsible for all track income streams, akin to profit centre managers.

Indecon considers that it will be important for the new CEO to review the division of responsibilities and decision-making authority levels and to ensure that new structures are working effectively.

Risk management

Identification of and developing responses to significant risks in Bord na gCon together with the design and operation of suitable internal control systems is one of the key areas of responsibility of the Board. The Main Board are informed in this by the work of the Internal Auditor and by the Audit Committee that oversees the work of the Internal Auditor. Also of key importance for governance is the on-going development and monitoring of a risk register and of the support functions provided by the Risk Officer.

As part of our investigation Indecon felt it was therefore important to examine each of these areas. The Audit Committee of Bord na gCon is a crucial element of the management of risks faced by the organisation.

During 2011-13, the Audit Committee met as follows:

2011: 3 meetings

2012: 6 meetings

2013: 4 meetings

The Bord na gCon 2011 Statement of Internal Financial Control stated that the Audit Committee should meet at least four times per year. The Chairperson of the Audit Committee briefs the Main Board on the minutes of Audit Committee meetings and has also delivered a written annual report from the Audit Committee.

The Audit Committee members completed a self-assessment questionnaire in January 2012. One of the issues raised was that the Committee's terms of reference should be reviewed annually. The Committee's charter was amended and was approved by the Main Board in 2012. The charter has however not been reviewed again since that time.

As a semi-state body, Bord na gCon is audited by the Office of the Comptroller and Auditor General in keeping with statutory requirements.

The Audit Committee reviewed and signed off on Bord na gCon's Statement of Internal Financial Control to be included in the consolidated financial statements as a true and fair view for the 2011 and 2012 financial years. However the Comptroller and Auditor General required two changes to the 2011 Statement on procurement issues and the duplicate payment of certain prize money in January 2011.

Procurement practices in Bord na gCon were highlighted by the Office of the Comptroller and Auditor General in 2011 and 2012 and a qualification item appeared in the 2012 Bord na gCon Statement of Internal Financial Control. Bord na gCon now has a Procurement Officer. A new purchasing policy was introduced in 2013. A procurement review was under development and was planned for implementation in March 2014.

The 2012 Annual Report of the Audit Committee to the Main Board of Bord na gCon submitted on September 2, 2013 references the diversion of the Internal Auditor from his regular work to three separate assignments including the Dundalk "ringer" investigation and the Limerick robbery as extenuating circumstances. The consequences were that insufficient formal internal audits were carried out on any of the internal financial controls of Bord na gCon. Inspections were carried out in 2012 on six stadia and Internal Control Questionnaires were also completed by a number of tracks in 2012.

The Office of the Comptroller and Auditor General expressed concern about the lack of internal audit work undertaken in 2011-12. The Audit Committee also expressed similar concerns in August 2012. These concerns are repeated in the minutes of the Main Board meeting of May 2, 2013 when the decision to outsource the Internal Audit on an interim basis was minuted.

Since June 2013 the internal audit function has been outsourced. The decision to outsource the function was taken after it became clear that the then Internal Auditor could be on extended sick leave for an indeterminate period of time (from March 2013) and due to the accumulation of a sizable backlog of internal audit work. For example, the absence of the Internal Auditor caused numerous agenda items to be carried forward from each meeting of the Audit Committee.

Indecon understands that a financial panel tender was organised by IGB but that a specific tender for interim internal audit services was not undertaken due to the urgency of the situation and the uncertainty concerning the then Internal Auditor's health. A number of firms were however interviewed for the interim contract. Now that the former Internal Auditor's employment status is resolved, we recommend that a full tender process be initiated in due course.

An internal audit plan was agreed on September 26, 2013 and is being implemented in the first instance to catch up on the audit backlog. The plan covers the period 2013-15 and was approved by the Audit Committee subject to a number of amendments covering surprise track audits, significant tenders, sponsorship management, debtors, and holiday accruals.

Indecon's analysis indicates that insufficient resources were available to perform the internal audit function over a number of years, that in a number of years the Audit Committee only met on three occasions and that the Committee's Terms of Reference have not been reviewed on an annual basis.

An Executive Risk Committee was established in June 2013 and reports to the Audit Committee. This new committee comprises the CFO, the Director of Commercial Operations and the Director of Human Resources with a Secretary. It is intended to facilitate the identification, monitoring and controlling of Bord na gCon risks through the close involvement of its members in operations. It is essential that sufficient internal resources are available to support this work.

A key governance issue for the Board is to identify and monitor risks for the organisation. The latest edition of the Risk Register seen by Indecon used a traffic-light system for rating risks (red, yellow, green) as per the next table. Of concern to Indecon was the rating of risks. For example, the sole risk rated high (red) was of further cuts in the allocation from the Horse & Greyhound Racing Fund that might result in budget cuts for the industry. This was scored 4 (i.e. highest) on a scale of 1-4 for both risk impact and risk likelihood and was considered a "strategic" risk. On the other hand, reductions in attendances and household income were rated medium risk (yellow).

The Risk Register lists ten risks but does not seem to us to be comprehensive. As one example, it did not include the risk to Tote receipts from the growth of on-line and offshore betting operators. Neither did it include loss of commercial sponsorship income due *inter alia* to the fall in attendances and more difficult circumstances of sponsors.

Also of concern is that the Risk Register did not give a sufficient risk weighting to key risks such as reputational damage due to deficiencies in regulation, the emerging pension deficit, the availability of banking facilities or the risk of a failure to generate sufficient operating profits.

The Executive Risk Committee is now responsible to the Audit Committee for maintenance of the Bord na gCon Risk Register. Indecon considers that this will help to further embed risk management in the operating organisation in a cross-functional way and should therefore lead to an improvement in the effectiveness of the Risk Register and ultimately of risk management.

Indecon recommends that the Risk Register is carefully monitored by the executive management and by the Audit Committee and is a regular agenda item for review and approval by the Main Board of Bord na gCon. This will help to make risk management an integral part of the culture of the organisation.

Indecon's review has also indicated that the Risk Register was completed in 2011 and has not been updated since. It also appears that the Risk Register has not been formally considered by the Board nor by the Audit Committee. Indecon has however been informed that, as part of the September 2013 Audit Committee meeting, an update to the Committee on current risks facing the organisation was presented.

Our analysis has also shown that important resource supports in terms of risk management were not available over key periods. In particular the Risk Officer was absent from work due to illness from mid-December 2012. As a result, an interim Risk Officer was appointed. We understand that a new Risk Officer is proposed for appointment by Bord na gCon. Indecon believes that it is essential for the organisation to have a risk officer and an internal audit function at all times.

We were also informed that the material risks affecting Bord na gCon are some of the principal items on the Executive's "permanent" agenda. Our investigation of this indicated that the management are currently fully aware of some of the key risks facing the organisation including risks concerning:

- Track attendance;
- Regulatory deficiencies;
- Pension;
- Bank facilities;
- Debtors; and
- Employee motivation.

Governance of decisions on capital investments at Bord na gCon

As part of our review we examined the evidence on the governance of capital investments at Bord na gCon. A notable example concerned the proposed new Limerick Stadium and it is therefore useful to examine this in some detail.

On March 13, 2008, the Comptroller and Auditor General published a Special Report on the procurement of certain capital works and services and related matters by Bord na gCon.

Key findings were presented under three headings:

- corporate governance;
- propriety concerns; and
- the management of capital projects.

The C&AG reported a governance style that manifested itself *inter alia* in considerable day-to-day involvement of directors in the business of the organization, a failure to clearly outline functions reserved to the Board and those delegated to the Executive, a division of duties which served to limit the then CEO's involvement in the two Dublin stadia (at variance with the CEO's formal contractual position), ineffective communication between the Board and the CEO, and a failure to adequately involve the Board in the planning of a development at Shelbourne Park. The lack of clarity about their respective roles between the Board and the CEO was stated to have impacted most prominently in the area of capital projects.

On March 13, 2008, the Office of the Comptroller & Auditor General wrote to Bord na gCon to express its specific concerns about:

- the lack of a formal appraisal in respect of the purchase of the Greenpark site for the new greyhound stadium in Limerick in contravention of the Dept. of Finance guidelines and of the Code of Practice for the Governance of State Bodies; and
- the fact that the Board of Bord na gCon was not privy to certain key information that would have been needed to allow it to make an informed decision when it approved the acquisition of the site.

Consequent on this letter, Bord na gCon suggested they had used the appropriate capital evaluation model for assessment of the stadium project.

Previous analysis by the Comptroller & Auditor General noted that capital projects should be fully scoped, authorized, a budget established, monitoring arrangements agreed in advance and periodic reports made to the Board and that alterations in scope should be treated similarly.

The Comptroller & Auditor General reported that certain procedures for planning, tendering and managing capital projects did not operate effectively. Considerable additional works were added to existing contracts. Ancillary work was done without a tender process or involvement of project managers. A preferred contractor was appointed to a project prior to finalization of design work, notification to the Board or finalization of funding arrangements. Work was approved without agreement of a schedule of works or a costing of the work elements. While these are important issues, we believe that of core significance is how Bord na gCon appraised capital projects and we use the example of the Limerick Stadium to consider this as it is the largest capital investment made by Bord na gCon in recent years and has impacted on the debt levels currently faced by the organisation.

Indecon as part of our overall review has considered the capital evaluation methodology, decision-making and commercial assumptions and economic projections for the Limerick Stadium development in order to understand governance issues at Bord na gCon. Specifically Indecon has reviewed:

- the methodology used for the capital evaluation of the stadium project;
- the decision steps that led to the final decision by the Board of Bord na gCon to give the go-ahead for the project (in the context of Dept. of Finance guidelines and the Code of Practice for Governance of State Bodies); and
- the commercial assumptions and economic projections underpinning those decisions.

Our analysis of the financial difficulties facing Bord na gCon shows that these can be traced to the combination of a very significant increase in debt at a time of declining revenues.

Bord na gCon advised that a full cost-benefit analysis was undertaken in March 2008, that a capital evaluation model was prepared in June 2008 and that the latter was further updated in April 2009. As such, the project was subject to a net present value (NPV) analysis.

Indecon has examined in detail the cost benefit appraisal presented to the Board on 16th June 2008. It is important to note that it appears that only a summary spreadsheet note was presented to the Board. Key elements of this appraisal are outlined in the table overleaf.

Table 3.3 Extracts from Capital Appraisal Presented in June 2008

Year	1	2	3	4	5	6	7	8	9	10	11-20
Tote Contribution €m	0.15	0.30	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64	0.64
Track Contribution €m	0.22	-	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Net Cash Flow €m	4.68	3.04	1.16	1.16	1.16	1.16	1.16	1.16	1.16	1.07	1.07

This suggested a small NPV of less than €2 million and an internal rate of return (IRR) of 8.7%. This however was based on an assumption that Tote contribution would increase from €150,000 per year in “Year 1” to €300,000 in year 2 and to €636,650 in each of the subsequent years to year 20. There was no documentary evidence presented to the Board in June 2008 to underpin the validity of this critical assumption and no sensitivity analysis for changes in revenue assumptions. In the event this assumption that Tote contribution of €636,650 would be achieved in each year proved very optimistic and for example in 2013 the Tote contribution in Limerick amounted to only €246,166. The figures also assumed high values from the disposal of properties amounting to €11.8 million.

An updated cost benefit appraisal was presented to the board on 23rd April 2009. This was again a spreadsheet and suggested a NPV of €1.466 million and IRR of 6.2%. An extract from this is presented in the table below.

Table 3.4 Extracts from Capital Appraisal Presented in April 2009

Year	1	2	3	4	5	6	7	8	9	10	11-20
Tote Contribution €m	-	0.55	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
Track Contribution €m	-	0.25	0.28	0.31	0.34	0.40	0.40	0.40	0.40	0.40	0.40
Net Cash Flow €m	-2.43	3.0	1.12	2.65	1.18	1.24	1.24	1.24	1.24	1.20	1.20

While the updated analysis assumed that construction costs would be 85% of the original budget amount due to what was referred to in the notes as “the current economic climate”, of importance is that it assumed that Tote contribution in year 2 would be €550,000 although the previous June 2008 analysis presented an estimate of only €300,000 for year 2. The April 2009 spreadsheet also assumed that in year 3 and every subsequent year the tote contributions would be €629,000. It further assumed the track contribution would be €250,000 in year 2 rising to €400,000 in year 6 and would remain at this level in each of the subsequent years to year 20. This assumption was even above the level of €283,900 assumed in the 2008 spreadsheet. The updated analysis assumed that the disposal of property would only realise €8 million. However this was compensated for by more optimistic assumptions on turnover and by lower estimated capital costs.

Indecon has also examined Board minutes concerning the Limerick investment. At its meeting in April 2008 the Board agreed that following the letter of 13th March 2008 from the Comptroller and Auditor General re purchase of the Greenpark site for the stadium that it will ensure that in future it adheres strictly to the Code of Practice both in the matter of appraisal of capital projects and in terms of ensuring that Board members are fully briefed in relation to decisions that they are asked to make.

The key decision to proceed with the construction of the Limerick stadium was in fact made in April 2009. At that meeting the CEO presented financial figures as set out in the pack of board materials and it was clearly understood that the January and February figures presented were demonstrating a tough economic environment. It should be noted that 2009 was the year with the largest percentage downturn in turnover (25.8%) and the scale of downturn would have been difficult to predict on the basis of 2 months figures. There is no evidence that the implications of this decline in revenue for the assumptions underpinning the Limerick project viability were discussed. There is also no reference to any discussion of the reasons for the assumed uplift in Tote contribution in year 2 or the overall increase in track contributions compared with the position assumed in the 2008 projection.

Based on the analysis and documentation available to Indecon it is hard to conclude anything other than the fact that there appears to have been appraisal of the Limerick capital investment and that no account was taken in April 2009 that the revenues were likely to be significantly less than anticipated. There is also no documentary evidence that the Board examined the reasons for the divergence in some of the 2009 assumptions from those presented in 2008 despite the fact that early overall financial results for the first months of 2009 highlighted the difficult economic environment. There was also no sensitivity analysis presented to the Board or evidence of a discussion on the scale of risks involved.

The financial data of the year to date presented to the April 2009 board meeting showed that there had been a very significant underperformance compared to the budget levels. As seen from the extract in Table 3.5 Tote revenue was only 74% of the budget level, track revenue was much weaker at 78% of budget, driven by attendance levels that were also 78% of budget. A high unfavourable variance due to poorer results compared to budget was evident from nearly all of the stadia and for example track attendances in Cork were circa 20% lower than the corresponding period (weeks 1-13) in 2008. These developments do not however appear to have been reflected in a revision of the cost-benefit analysis presented to the Board in April 2009 at which the decision to proceed was made. Indeed the performance at Cork had shown a decline in 2008 compared to the previous year and the early results for the first months in 2009 suggested a deteriorating financial performance.

While it was clear that the initial budget for the stadium was approved back in April 2008 and that the summary financial appraisal was only considered in June 2008 the most critical decision was made in April 2009 when a Board decision to proceed with the construction of the project was made.

In the first (June 2008) submission to the Board no reference was made to the basis for the revenue projections. However in the page subsequently presented in April 2009, among the 23 assumptions listed there was a reference to "Tote contribution to grow to being 85% of Curraheen Park by 2012 and track contribution to grow to being 85% of Cork by 2015". The basis for assuming that it would achieve 85% of Cork's revenues was not specified nor indeed whether the reference was to 2008 Cork numbers or to revised 2009 projections for Cork.

Table 3.5 Analysis of Budget Vis-a-Vis Outcome in Early 2009

	2009 YTD	2009 Budget	Variance	% of Budget Levels
Tote Revenue	965,692	1,314,263	(348,571)	74%
Track Revenue	861,051	1,107,274	(246,223)	78%
Attendance	135,457	174,256	(38,799)	78%

Indecon's analysis suggests deficiencies in the capital appraisal process. In particular it was not based on any documentary evidence concerning the realism of the revenue projections. Indeed despite the evidence on declining revenues the final decision to proceed was based on more optimistic assumptions for revenue than were presented in June 2008. While the value of properties also proved to be optimistic and not well founded they did include a downward adjustment compared to what was assumed the previous June. There was also no sensitivity analysis undertaken. Indecon however accepts that there was a legitimate desire for economic and greyhound development reasons to invest in the Limerick Stadium but the implications of this were not adequately evaluated. While some of the resultant losses reflect the scale of the subsequent crisis in the Irish economy that most commentators failed to anticipate, the basis for the projections was inadequate.

Of most relevance to the current exercise is what is likely to be the approach to any future appraisals of financial options facing the Board. While no major capital expenditure is planned we have been informed by Bord na gCon that all capital projects of greater than €25,000 will be required to complete a detailed project approval and a post project evaluation report will be commissioned for all such approved projects. This project appraisal will include a detailed assessment of the benefit of the project, detailed planning and costs. We understand that current Bord na gCon policy is that a risk assessment and sensitivity analysis for all such capital investments is undertaken. This is of critical importance and was absent from the Limerick Stadium appraisal.

3.3 Summary of Key Issues

Our analysis of governance has highlighted the following issues.

Governance and Board Management Structures

The Main Board is comprised of a chairperson and six members. It is a small board and while this has potential advantages it raises the issue of whether there is a sufficient mix of resources and skills to ensure governance objectives are met and to ensure an adequately functioning committee structure.

Our analysis of board skills has shown that skills gaps were evident. The Board has only one very specialised non-executive director with financial qualifications and senior professional experience in finance. Ensuring that the board continues to have a sufficient depth of financial expertise is critical given the financial challenges faced by Bord na gCon.

We also identified that as of March 2014 there were no legal, veterinary or marketing experts on the Board. These gaps are noteworthy given the regulatory and animal welfare role of the Board and the critical need to develop attendances by effective marketing. We note however the recent welcome appointment of a Director with senior veterinary expertise.

Board members in addition to attending Main Board and sub-committee meetings are also directors of eleven Bord na gCon subsidiaries and in most cases two Main Board directors attend each of the subsidiaries' board meetings. This means that board members have to attend a very large number of Directors' meetings and for example in one case a Director had to attend a combined total of forty-two meetings of Main Board, sub-committees and subsidiary boards. This places very high demands on board members and has the potential to divert from key Main Board responsibilities.

Another feature of the Board is that members can be re-appointed for many terms. This has the potential to reduce the introduction of new ideas and can lead to a defensive approach to previous decisions. There are also no age limits on directors.

In addition to board governance we also examined management structures. Up to 2011 there was a very large and unsuitable executive structure with as many as twenty-three direct reports to the CEO. A new, more appropriate executive structure has been developed and is being implemented which is more aligned with the requirements of the organisation. Indecon believes this should be fully implemented as a priority.

Identification and developing responses to significant risk is one of the key areas of governance and our analysis suggests that there have been deficiencies in this area. Our analysis shows that there were inadequate executive resources available to support the Audit Committee and Board in the identification and management of risk. Specifically due to personnel issues insufficient internal audit work focusing on internal financial controls was undertaken in 2011 and 2012 and due to illness there were significant absences of an internal auditor and/or risk officer. A Risk Register was developed by the Board in 2011 but did not address all the key issues and was not updated or monitored at board level although risks were considered at both Board and management levels. Deficiencies in compliance with procurement policies were also previously evident.

In recent periods, improvements in supports have been made and the internal audit function has been outsourced since June 2013, an internal audit plan has been agreed and is being implemented. An Executive Risk Committee has also been established.

As part of our review we examined the historical evidence on the governance of capital investments at Bord na gCon. A notable example concerned the proposed new Limerick Stadium. The initial analysis by Bord na gCon of the Limerick project did not consider the likely costs and benefits but a spreadsheet on this was considered by the board in June 2008. There was however no documentary evidence presented to the Board in June 2008 to underpin the validity of critical assumptions and no sensitivity analysis presented. In the event the assumptions for Tote contribution and track contribution proved to be very optimistic and were not achieved.

An updated cost benefit appraisal was presented to a critical board meeting on 23rd April 2009 at which time the decision to proceed with the construction of the stadium was made. At that meeting it is understood that the January and February trading figures presented, albeit for a limited part of the year, were demonstrating a tough economic environment. It should be noted that 2009 was the year with the largest percentage downturn in turnover (25.8%) and the scale of downturn would have been difficult to predict on the basis of two months' figures. There is, however, no evidence that the implications of this decline in revenue for the viability of the Limerick project were discussed or that there was adequate analysis of the underlying assumptions. Based on the analysis and documentation available to Indecon, it is hard to conclude anything other than the fact that there was inadequate appraisal of the Limerick capital investment.

Of most relevance to the current exercise is what is likely to be the approach to any future appraisals of financial options facing the boards. While no major capital expenditures are planned we have been informed by Bord na gCon that all capital projects of greater than €25,000 will be required to complete a detailed project approval and a post project evaluation report will be commissioned for all such approved projects. We understand any project appraisal will include a detailed assessment of the benefit of the project, detailed planning and costs. We have been informed that current Bord na gCon policy is that a risk assessment and sensitivity analysis for all such capital investments must be undertaken. This is of critical importance and was absent from the Limerick Stadium appraisal.

4 Regulation, Animal Welfare and Breeding

4.1 Introduction

Integrity of the regulatory system is crucial to the greyhound racing industry. In this chapter we consider the regulation of greyhound racing as well as issues concerning animal welfare and breeding.

4.2 Current Approach to Regulation of Greyhound Racing

Under the Greyhound Racing Industry Act of 1958, Bord na gCon was granted *inter alia* the powers of Regulator of the greyhound racing industry. The regulatory powers have subsequently been amended by legislation and supplemented by numerous Statutory Instruments although the 1958 Act remains at the core of the system of regulation.

Figure 4.1 Summary of Key Features of Legislation Governing Irish Greyhound Racing Industry (Regulation, Breeding and Animal Welfare)

Greyhound Industry Act, 1958	Identifies the functions of Bord na gCon and the role of the Irish Coursing Club in this context.
Greyhound Industry (Amendment) Act, 1993	Empowers the Minister to make regulations for muzzling of greyhounds and treatment and veterinary supervision of hares.
Greyhound Industry (Racing) Regulations, 2007	Empowers stewards or authorised officers to take urine and/or blood samples to test for prohibited substances according to specified procedures, and to act on foot of an investigation initiated under the 1958 Act.
Greyhound Industry (Control Committee and Control Appeal Committee) Regulations 2007	Provides for the establishment of a Control Committee and Control Appeal Committee to have jurisdiction over matters relating to the effective control and compliance with the rules and regulations governing greyhound racing
Greyhound Industry (Control Committee and Control Appeal Committee) (Amendment) Regulations 2008	Amends Greyhound Industry (Control Committee and Control Appeal Committee) Regulations, 2007. Allows Bord na gCon to be a party to appeals to the Control Appeals Committee.
Dog Breeding Establishments Act, 2010	Requires Local Authorities to maintain compulsory registers of suitable dog breeding establishments and to charge registration fees. Specifies certain duties of operators of dog breeding establishments including microchipping of dogs and notification of sales/transfers of dogs. Authorises Local Authorities to appoint inspectors who can compel improvements to or closure of dog breeding establishments.
Welfare of Greyhounds Act, 2011	Specifies standards for greyhound welfare and requires Bord na gCon to establish and publish a code of practical guidance, after consultation with the Irish Coursing Club, subject to Ministerial consent. Allows Minister to make regulations concerning identification and traceability of greyhounds and entries in the Stud Book maintained by the Irish Coursing Club. Sets rules for breeding of greyhounds and registration of breeding establishments. Authorises Local Authorities to appoint and empower greyhound Welfare Officers.

Source: aforementioned Acts and Statutory Instruments

Control Committee and Control Appeal Committee

Two essential bodies for the regulation of the greyhound industry are both committees of the Main Board of Bord na gCon: the Control Committee and the Control Appeal Committee.

Control Committee

The Control Committee has the following functions:

(i) to investigate and make a decision on any matter notified, reported or otherwise in anyway brought to the attention of the Control Committee by the stewards of a meeting, a control steward, a stipendiary steward or an authorised officer of the Board under the racing regulations;

(ii) without prejudice to the generality of Article 6(1)(i), to determine complaints against officials appointed by the Board pursuant to Article 22(1) of the racing regulations made under Article 22(3) of said regulations;

(iii) without prejudice to the generality of Article 6(1)(i), to determine appeals against any action taken by the stewards of a meeting pursuant to Article 30 of the racing regulations under Article 31(1) of said regulations;

(iv) without prejudice to any other provision of this Article 6(1), to do any act or thing which the racing regulations provide may be done by it including any act or thing pursuant to Article 29(4) and (8) (Taking of Samples) and Article 32 (Bribes and Corrupt Practices) of the racing regulations;

(v) without prejudice to any other provision of this Article 6(1), to determine or otherwise do any act or thing that is required to be determined or done by it pursuant to the racing regulations;

(vi) to investigate or otherwise determine any matter referred to it by the Board in such manner it deems fit.

A key element of this arrangement is that, once appointed by the Bord na gCon Main Board, the Control Committee acts independently of that Board in the exercise of its powers. The Greyhound Industry (Control Committee and Control Appeal Committee) Regulations 2007 states in Article 6 that:

§2 The Control Committee shall have full authority to exercise the powers of the Board under sections 43, 45 and 47 of the Act for the purposes of the fulfillment of its functions,

§3 Acts of the Control Committee under these Sections and Regulations shall not be subject to confirmation by the Board.

Furthermore the legislation in Article 5 §1(ii) stipulates that members of the Main Board, officers or employees of Bord na gCon, and permit holders from Bord na gCon cannot be members of the Control Committee.

The legislation (Article 5, §5) also says that an officer of Bord na gCon shall be appointed by the Main Board as Secretary to the Control Committee. The Secretary is currently the Bord na gCon Head of Regulation.

A new Control Committee was put in place in 2013 but there were delays in the appointment of members resulting in overall delays in decisions.

Control Appeal Committee

The Control Appeal Committee was established by the Greyhound Industry (Control Committee and Control Appeal Committee) Regulations 2007 to have the following functions as provided for in Article 12:

§1 The function of the Control Appeal Committee shall be to determine appeals made to it pursuant to Article 14 of these Regulations from decisions of the Control Committee made under these Regulations.

§2 The Control Appeal Committee shall have full authority to exercise the powers of the Board under sections 43 of the Act to the extent necessary for the purposes of the fulfillment of its functions.

§3 The Control Appeal Committee shall be empowered to do any or a combination of any of the following:-

(i) impose fines up to a maximum of €7,500;

(ii) direct any person to pay any costs or expenses which have been incurred partly or wholly by the action of such person including the costs of the Control Committee in conducting any investigations or hearings, the costs and expenses of the Control Appeal Committee in conducting an appeal and any other costs and expenses incurred in connection with an appeal;

(iii) exercise the powers of the Board under Sections 45 and 47 of the Act such power to be exercised taking into account any relevant provision of the racing regulations;

(iv) without prejudice to Article 12(3)(iii), do any act or thing or impose such disciplinary action provided for by the racing regulations including any act or thing contemplated under Articles 29(4), 29(8) and 32 of the racing regulations;

§4 Acts of the Control Appeal Committee pursuant to these Regulations shall not be subject to confirmation by the Board.

In 2008, the procedures of the Control Appeal Committee were altered so as to allow Bord na gCon to be a party to appeals to the Control Appeals Committee through the passage into law of Statutory Instrument No. 242/2008 – Greyhound Industry (Control Committee and Control Appeal Committee) (Amendment) Regulations 2008.

The two committees met as follows over the period 2011-13:

Table 4.1 No. of Meetings of Control Committee and Control Appeal Committee		
	Control Committee	Control Appeal Committee
2011	10	0
2012	12	2
2013	11	2
Source: Bord na gCon		

4.2.1 Testing for Prohibited Substances

It must be recognised that Bord na gCon has faced potential reputational damage in recent years concerning the handling of the testing of greyhounds for prohibited substances. Indecon believes that a rigorous regulatory control mechanism that has no tolerance for any irregularity is essential for the development of the sector. It is important that adequate procedures are in place and due process is implemented. To this end Indecon decided to investigate the evidence on the testing for prohibited substances.

The following table shows the recent history of on-course sample testing and the results in terms of test results that showed the presence of prohibited substances and the number of publications i.e. adverse findings. (Only adverse findings are published.)

Table 4.2 On-Course Sample Tests				
	Number of Tests	Number of Positive Tests	%	Number of Publications
2011	4,807	45	0.9	31
2012	6,983	56	0.8	30
2013	7,307	51	0.7	0*
*17 published in January 2014 and a further 21 published in April 2014				
Source: Bord na gCon				

A large number of samples are taken from greyhounds at racetracks every year in Ireland. There has also been an increase of over 50% in the number of tests in the years from 2011 to 2013. This demonstrates an active involvement in the on-course testing of greyhounds. In percentage terms the number of positive tests is less than 1% and declining. However in absolute terms, the number of positive tests is of concern.

In Indecon's view the numbers of positive tests and numbers of adverse findings published are unacceptable and had a potentially negative impact on the greyhound industry.

Indecon's analysis of the divergence between the number of positive tests and the number of adverse findings has shown that this was in part due to the previous decisions of the Control Committee which ruled to dismiss a significant number of positive tests on the basis that in their opinion certain protocols concerning storage temperature were not adhered to in the handling of test samples before they reached the laboratory were different than internal laboratory protocols and that this was a relevant issue. The Main Board of Bord na gCon disagreed with the Control Committee's rulings. However the Control Committee is by legislation independent of the Main Board in its decision-making and the legislation does not give the Main Board the right to appeal decisions. It is likely that these dismissals of significant numbers of positive tests further damaged the reputation of the greyhound sector for regulatory control, but we make no judgement on the merits or otherwise of the individual rulings. We note that Bord na gCon has revised its protocols in this regard in the light of the decisions taken by the Control Committee. It is however clear that Bord na gCon should keep its protocols under on-going review taking cognisance of decisions of the Control Committees.

Indecon decided to examine the reasons for the dismissal of positive tests in favour of owners. There were three positive tests dismissed in favour of owners in 2011 and twenty in 2012. The three cases in 2011 were formally heard by the Control Committee and adjudicated on in favour of the owner/trainer due to the Control Committee's interpretation of Article 9 concerning the handling of samples before they reached the laboratory and the consistency of this with an internal laboratory protocol regarding storage temperatures in the period from when a sample is received in the laboratory to when it is analysed. The Main Board of Bord na gCon did not agree with the interpretation of the Control Committee on this issue. Bord na gCon were legally represented at a hearing of the Control Committee and challenged the Control Committee's interpretation of the applicability of the internal laboratory protocol. This protocol was a laboratory protocol only, as described in the laboratory's Testing Procedures Manual and applied when the laboratory takes receipt of samples. Bord na gCon's protocol for the collection and despatch of samples details the procedures involved in the process prior to the laboratory taking custody of the sample. We understand the present Control Committee (appointed in August 2013) acknowledges that the laboratory protocol is solely an internal laboratory document. However Indecon believes that there is a need to ensure regulatory clarity as to which protocols are relevant, consistency between protocols as appropriate, and to ensure their consistent application.

Of the twenty cases in 2012, thirteen of these were directly attributed to the Control Committee's interpretation of the applicability of the internal laboratory protocol.

Of the remaining seven, the Control Committee, having heard and considered the evidence of both parties (Bord na gCon and the owner/trainer), found in favour of the owner/trainer. In all seven cases, the laboratory finding for the prohibited substance in question was not found to be inaccurate and there were no breaches of procedure in the taking or despatch of the sample. The evidence heard at these hearings was that the positive finding of the substance was:

- Of a particularly low level and not having any performance affecting capability.
- Directly attributable to inadvertent dietary contamination.

No adverse findings were published during 2013 (after thirty one and thirty were published in 2011 and 2012 respectively) despite the fact that there were fifty-one positive tests in 2013. This may have contributed to suspicions of some sort of deficiency in regulatory processes although we understand this related to the significant amount of time the Control Committee were required to commit to dealing with a particular case, the time required to deal with a backlog of cases and the time taken to appoint a new Control Committee.

The Control Committee appointed in mid-2013 began working through the backlog of positive tests. Seventeen adverse findings were made and published in January 2014. Indecon during our review was informed that a further twenty adverse findings were expected. We understand that the backlog is being cleared at a rate of approximately ten to twelve per month as reported by the new Control Committee.

The Control Committee sees its remit as being to deal on a case-by-case basis with any positive test findings referred to it on the basis of Irish legislation, in particular, the Greyhound Industry (Racing) Regulations 2007 including the definition of "prohibited substance" contained therein.

The Control Committee advised Indecon that it may rule that an individual has no case to answer based on the entirety of the evidence despite a positive test. The Control Committee also advises that the issue of dietary involvement may be relevant in such a ruling arising from the definition of a prohibited substance contained in the 2007 Regulations. In this context it is of note that the 2007 regulations indicate that:

“Prohibited substance” means any substance which by its nature could affect the performance of a greyhound, the origin of which in the tissues, body fluids or excreta of a greyhound could not be traced to normal and ordinary feeding. A finding of a prohibited substance means a finding of the substance itself or a metabolite of the substance or an isomer of the substance or an isomer of a metabolite.

However of note is that the current Control Committee have not overturned cases on the basis that a prohibited substance did not have any performance-affecting capability or that it was at a particularly low level. Once a substance is prohibited, the extent to which any such substance affects performance is not an issue that the Control Committee takes account of. The Control Committee views any issues relating to low levels of prohibited substances and possible thresholds and reporting levels for various contaminants as a matter for the Main Board of Bord na gCon as Regulator but not for the Control Committee.

Bord na gCon has its own National Greyhound Laboratory in Limerick for testing of most samples. It is staffed by four full-time employees and a student and receives some assistance from an external consultant. Indecon understand that the National Greyhound Laboratory receives samples taken at licensed stadia and these are analysed in compliance with the International Standard ISO/IEC 17025:2005, 2nd Edition, “General Requirements for the Competence of Testing and Calibration Laboratories”. It is INAB (Irish National Accreditation Board) -approved and subject to annual audit by this body. Indecon has no evidence of any deficiency in the laboratory or of its staff and indeed the data shows that the laboratory has recorded numerous positive tests of prohibited substances.

However, keeping ahead of new prohibited substances including those with shorter and shorter half-lives and keeping abreast of new testing methodologies and technologies in such a complex and continually evolving international field will always be challenging. This is easier for a large specialist laboratory than for a very small group of professionals with a busy workload. Also of relevance are the high capital costs of investing in state-of-the-art testing equipment and there are clearly economies of scale involved.

Indecon therefore believes that it may be more effective in the longer run to outsource the sample testing to a laboratory operating on a much larger scale that can afford more advanced testing equipment or to merge the existing laboratory with another laboratory to increase its scale and cost effectiveness.

Indecon considers that the present legislation, regulations and processes for provision of integrity services in the greyhound industry must be enhanced in order to build a reputation for exceptional regulation of the sector.

The strengthening of the regulatory unit within Bord na gCon with a new senior position of Director of Racing Governance & Compliance will be of assistance but we consider that more fundamental reform is necessary. There is a need to establish processes and protocols that are legally robust. In addition the perception that off-course testing of greyhounds may not be permitted by the legislation is an area requiring urgent attention.

4.3 Greyhound Welfare

Ensuring excellent greyhound welfare is an important objective for Bord na gCon. Concern has been expressed in submissions to the Department of Agriculture, Food and the Marine with the welfare and fate of retiring greyhounds and the substantial number of unwanted greyhounds in Ireland.

Bord na gCon have a number of initiatives in place to support animal welfare. These include the attendance of veterinary surgeons at races, trials and sales. The Board also employs personnel to oversee greyhound welfare including a Welfare Manager and a Welfare Committee has been established.

The Welfare of Greyhounds Act 2011 provides for the welfare of greyhounds, establishes a register of greyhound breeding establishments and regulates their operation.

Bord na gCon oversees greyhound welfare through two of its sub-committees, the Welfare Committee and the Retired Greyhound Trust. Animal welfare is managed internally by a small staff who report to the Head of Regulation. Many racetrack employees and officials have an animal welfare element in their work.

At an executive level, a Welfare & Racing Operations Support Manager reports to the Head of Regulation at Bord na gCon. The Welfare & Racing Operations Support Manager is assisted in his welfare duties by three Area Stipendiary Stewards who, when called upon, conduct inspections of kennels, investigations of stray greyhounds and deal with other welfare-related incidents. The initial impetus for investigations often comes from Irish animal rescue organisations, veterinary surgery staff, concerned greyhound owners or supporters or from other citizens.

All thirteen Control Stewards (and the three Stipendiary Stewards and the Welfare & Racing Operations Support Manager) have been appointed Welfare Officers under the Welfare of Greyhounds Act 2011. Control Stewards examine and inspect each greyhound on presentation. Each dog is weighed to ensure *inter alia* that any weight variations are within regulation. Control Stewards have a hybrid employment role with Bord na gCon and the Irish Coursing Club. Veterinary surgeons attend race meetings and sales meetings. Given the nature of greyhound racing, most individuals employed at track level (nine Racing Managers and ground staff) have an input into greyhound welfare such as grading of races, track maintenance and upkeep of facilities.

As part of our analysis Indecon investigated the number of inspections undertaken. The following table illustrates one aspect of the work done by Control Stewards or other Authorised Officers between 2010 and 2013:

Table 4.3 Number of Inspections of Greyhound Litters by Bord na gCon Control Stewards and other Authorised Officers 2010-13				
	2010	2011	2012	2013
Number of Inspections per year	2,239	2,643	2,817	2,706
Average Number of Inspections per week	43	51	54	52
Number of Authorised Officers Active	11	14	16	17*
* excluding one person who inspected 4 litters.				
Source: Bord na gCon				

The average number of inspections of greyhound litters per week has risen from forty three in 2010 to between fifty one and fifty four during 2011-13.

The Welfare Committee was established in 2009 on a joint basis by Bord na gCon and the Irish Coursing Club. It comprises representatives from the breeding, racing, coursing, veterinary, bookmaker and adoption / homing sectors. The aim of the Welfare Committee is to improve the care and management of racing, coursing and retired greyhounds by identifying problems and proposing solutions to a range of greyhound welfare issues over the whole lifecycle of a greyhound. The Welfare Committee met as follows in the period 2011-13:

- 2011: 3 times
- 2012: 3 times
- 2013: 3 times

The welfare of greyhounds also extends to retired or unwanted greyhounds. In this context the Retired Greyhound Trust was established in January 1997 with charitable status with two aims:

- to apply its funds for the relief of suffering and distress of greyhounds retired from racing in the Republic of Ireland; and in particular
- to rescue and provide care and shelter for retired, stray, neglected or unwanted greyhounds, and to find suitable homes for any such animals.

It is funded through a 2% deduction from race winnings payable to owners and an equal contribution by Bord na gCon and small amounts of donations including €6,463 in 2013 from the Bord na gCon Welfare Committee. The RGT is active in rehoming greyhounds as shown in the following table:

Table 4.4 Numbers of Greyhounds Rehomed or Financial Assistance Provided for Rehoming 2011-13		
	Rehomed Directly by RGT	Financial Assistance Provided by RGT for Rehoming by Private Rehoming Agencies €(000)
2011	285	322
2012	302	217
2013	379	202

Source: Bord na gCon

An average of thirty greyhounds per month went on the RGT rehoming list in 2012 and 2013. At October 23, 2013, there were one hundred and eight retired greyhounds on the list (compared with approximately eighty four one year earlier), seventy of the one hundred and eight were reserved by rehoming agencies in Germany, Sweden, Belgium, UK, Italy, Czech Republic and Ireland. A further forty greyhounds were required by different rehoming agencies in Italy at that time but had not then yet been reserved. Continuing efforts are made by the RGT to establish and build relationships with additional European rehoming agencies, to promote the RGT's rehoming activities on the Bord na gCon website, in race cards, at dog shows, on promotional DVD's and in the sporting press.

Some concern has been expressed in submissions to the consultation process about the treatment of greyhounds rehomed outside Ireland. *Ex-ante* inspections of kennels and homes and checks of rehoming agencies' strategies by the RGT are now a part of the process of rehoming greyhounds abroad. Attention is also paid to the welfare of the animals during their road transport especially to further European destinations such as Italy.

It has been recommended in submissions to this review that greyhounds should only be exported to countries where dog protection legislation comparable to the Irish Greyhound Welfare Act 2011 is in place. This would seem a sensible guideline except in circumstances where the RGT were confident that adequate arrangements were in place despite the absence of comparable legislation.

Concern has also been expressed that greyhounds rehomed outside Ireland are not subject to checks after rehoming. For practical and economic reasons the greater emphasis should necessarily be on effective checks carried out by RGT before rehoming including assessment of the quality of the foreign rehoming organisations' policies, procedures and controls. Indecon would however support testing of a sample of rehomed greyhounds for on-going welfare compliance.

RGT provides some financial support to a number of dog rescue organisations and rehoming agencies in Ireland and abroad as part of their overall remit. They have also recently provided funding towards transports of dogs to, for example, Italy, Germany, Belgium, Czech Republic and Sweden. The RGT has recently decided to also provide financial assistance towards veterinary expenses for ISPCA-approved rescue organisations that take greyhounds from the pound system. RGT's annual income was €0.211 million in 2013 (2012: €0.186 million). Expenditures were €0.174 million in 2013 (2012: €0.132 million), leaving a net surplus for 2013 of €0.037 million (2012: €0.054 million). A breakdown of expenditure is presented in Table 4.5.

	2012	2013
Veterinary Fees	43,952	67,989
Transportation Expenses	47,668	50,383
Care of Retired Greyhounds	14,143	21,078
Donations to Greyhound Charities	11,900	18,360
Source: Retired Greyhound Trust Draft Annual Report 2013		

The RGT had an accumulated surplus of €95,516 in their balance sheet at end-2013 (2012: €58,568; 2011: €4,586), a gradual turnaround from the 2010 accumulated deficit of €60,375. A small deficit of €4,400 is budgeted for 2014. This would bring the accumulated surplus down to €91,116, if it materialises.

It has been proposed in the submissions made to the Department of Agriculture, Food and the Marine that additional funding should be given to the RGT as additional support for unwanted greyhounds, at a time when:

- prize monies are down and consequently the 2% of prize monies paid to the RGT and the matching amount provided by Bord na gCon have fallen;
- significant numbers of unwanted greyhounds are reportedly in need of rehoming; and
- rehoming an average of thirty greyhounds per month necessitates inspections of foreign kennels and dog transport arrangements by RGT inspectors.

Presently the RGT finances are stable and in balance after the accumulated deficit of 2010 has become a reasonable accumulated surplus of €95,516. Indecon believes there is a case for additional funds to be payable to RGT and this should be given even more emphasis if additional racing is introduced in Ireland.

Bord na gCon in consultation with the Irish Coursing Club are required under the Welfare of Greyhounds Act 2011 to establish and publish on the Internet a code of practice concerning greyhound welfare and related matters. The current version of the “Code of Practice in the Care and Welfare of the Greyhound” can be downloaded from <http://www.igb.ie/upload/Welfare/CodeofPractice.pdf>.

The primary objective of the Code is stated as being to set standards and clearly define what is expected of all individuals engaged in the care and management of registered greyhounds. It addresses the main areas of activity and defines the legislation of which owners, breeders and trainers must be cognisant. It is not an exhaustive list of greyhound practices but highlights knowledge and competence levels that are required and indicates best practice. It stresses the importance of a strong relationship between the greyhound carer and the veterinarian.

Bord na gCon have reported that there were thirty cases of reported greyhound cruelty investigated in the three-year period 2011-13 as follows:

- 2011: 6 investigations
- 2012: 16 investigations
- 2013: 8 investigations

Kennels housing up to about seventy dogs have been investigated. These tended to be the larger business enterprises whose operations appeared to be significantly out of line with the code of practice concerning greyhound welfare and with requirements under the Greyhound Welfare Act 2011. In those cases where greyhounds were being kennelled in less than adequate conditions, the Area Stipendiary Steward advised the greyhound carer to make specific improvements. The Stewards returned to the kennels, sometimes unannounced, until conditions were restored to an acceptable or higher level. In extreme cases dogs are removed from their carer and placed in a rescue while suitable homes are sought. In some cases, the results of investigations are inconclusive because ear-markings are unreadable, and DNA results are inconclusive or it proves impossible to track down the owner.

In 2009, the Welfare Committee recognised that transfer of ownership problems were a particular problem for the industry and steps were taken to address the issue.

Indecon notes from the thirty cases of cruelty investigated in 2011-13 that the problem of transfer of ownership has not been resolved to date.

The Irish Coursing Club is responsible for the registration of greyhounds at different stages of their lives:

- at stud;
- when mated;
- new litters;
- when named; and
- when ownership is transferred. (Owners must be registered too.)

Licences and permits are issued by Bord na gCon:

- to racetracks;
- to trainers training for reward;
- to bookmakers (for on-course betting);
- to auctioneers;
- for public sale of greyhounds; and
- for artificial insemination.

Sanctions can be imposed as follows:

- An unregistered animal will be deemed ineligible to compete if, upon request from a Steward, an ID Card and Registration Certificate cannot be produced;
- Fixed notice (monetary) penalties may be issued;
- Licences and permits may be refused, suspended or revoked;
- Exclusion orders may be issued against individuals barring their presence at racetracks and public sales; and
- Disqualification orders for greyhounds from the Stud Book, from race entry and from public sales.

As a result of the thirty investigations in 2011-13, fixed notice penalties were issued in four cases but no exclusion orders or disqualification orders were issued. Indecon believes that in cases of cruelty or persistent offenders that exclusion / disqualification orders and significant fines should be imposed as a standard procedure.

The four fixed notice penalties were all in cases where greyhounds were found straying and the owner had failed to notify the ICC of a sale or giving away of a greyhound. One of the problems repeatedly faced by Area Stipendiary Stewards is failure to notify the ICC of a transfer of dog ownership. This was the sole basis for issuance of fixed notice penalties in 2011-13.

On the other hand, when greyhounds are housed in less than adequate conditions or otherwise treated unacceptably, no fixed notice penalties have been issued during 2011-13, even in cases when numerous visits by the Area Stipendiary Steward were needed in order that the situation was put in order.

Indecon considers that it would be more effective to introduce a more severe system of sanctions in proven cases of animal cruelty at the discretion of Authorised Officers. It is noteworthy that no intermediate sanction of endorsing licences for welfare offences exists. Equally, temporary or permanent exclusion of owners and trainers from racetracks and sales will always be a more effective deterrent than monetary fixed notice penalties but both should be used.

Overall, Indecon considers that the existing Bord na gCon sanctions regime should be strengthened in fundamental ways to become both a real deterrent to animal cruelty and as an effective sanction against those who would nevertheless still offend. The range of sanctions available should be expanded and the full range should be applied proactively as a matter of course.

Strengthening the sanctions regime may require that more resources are made available initially for proactive detection of welfare abuse including systematic conduct of an increased number of unannounced inspections of kennels i.e. spot checks. However the deterrent effect of a stricter sanctions regime should ultimately lead to more positive outcomes.

Adverse findings are published by the Control Committee in cases of positive tests for prohibited substances. Indecon considers that the Welfare Committee should be similarly authorised to independently make and publish adverse findings in cases of animal cruelty. Bord na gCon should treat animal welfare and cruelty issues on a par with issues concerning use of prohibited substances under such an enhanced sanctions regime.

4.4 Breeding and Greyhound Supply

A minimum number of registered greyhounds is required to maintain a viable industry in Ireland.

A too small number of races at a meeting and / or a too small number of runners in each race will make an event less attractive. Without sufficient runners, betting turnover drops off significantly. For Tote betting, having more liquidity in a pool allows the offering of more “exotic” pots. This will also impact on the potential for additional income via co-mingling or TV rights.

An analysis of the evidence on activity in the greyhound industry undertaken by Indecon shows that the numbers of greyhounds registered have declined significantly since 2006 as shown in the following table:

	2006	2007	2008	2009	2010	2011	2012	2013
No. of Active Owners		14,869	13,945	12,362	10,692	9,826	8,937	8,530
No. of Greyhounds Mated	5,247	4,794	4,421	3,997	3,560	3,839	3,593	3,459
No. of Greyhound Litters	4,318	4,038	3,819	3,165	3,003	3,272	2,980	2,736
Adult Greyhounds Registered and Named with ICC	23,618	22,727	20,805	19,912	16,467	15,908	16,224	15,576

Source: Bord na gCon

The number of adult greyhounds registered and named with the Irish Coursing Club (who are responsible for greyhound registration by legislation) shows a steady decline that began in 2007. Only in 2012 did the number rise marginally before reverting to its longer-term trend downwards equivalent to a compound annual decline rate of approximately 6% from 2006 to 2013. In absolute terms there are just over 8,000 fewer registered and named greyhounds in 2013 than there were in 2006, a fall of 34%.

All indicators in the above table show significant declines:

- Active owners: 42.6% decrease from 2007 to 2013
- No. of greyhounds mated: 34% decrease from 2006 to 2013
- No. of greyhound litters: 36.6% decrease from 2006 to 2013

Over the same time period from 2006 to 2013, there has also been a decline in the number of Irish-bred greyhounds registered in the UK racing pool. (See next table)

Table 4.7 Numbers of Registrations of Irish-Bred Greyhounds in the UK Racing Pool

Year	Total	Irish bred	%	British bred	%
2004	11912	8537	71.7	3375	28.3
2005	11412	8646	75.8	2766	24.2
2006	10101	7640	75.6	2461	24.4
2007	9751	7369	75.6	2382	24.4
2008	9012	6943	77.0	2069	23.0
2009	8672	6652	76.7	2020	23.3
2010	8552	6536	76.6	2016	23.4
2011	7972	6223	78.1	1749	21.9
2012	7964	6264	78.6	1700	21.4
2013	7520	6203	82.5	1317	17.5

Source: Bord na gCon

However the extent of the decline of Irish-bred dogs in the UK has been much less than the 34% decline in Ireland over the same period: 18.8% from 2006 (7,640) to 2013 (6,203). The Irish-bred numbers in the UK have been relatively stable since 2011. Given that the overall decline in total UK registrations has decreased by 25.5% from 2006 (10,101) to 2013 (7,520), this means that the market share of registrations by Irish-bred dogs has risen from 75.6% (2006) to 82.5% (2013).

Since 2006, for any winner's stake equal to or over a value of €2,000, a 10% deduction is made payable directly to the registered breeder of the dog. Bord na gCon has thereby channelled some limited financial support to breeders by way of a deduction from the winner's stake. However with the fall in prize monies between 2007 and 2012, the effect of this incentive scheme will have diminished somewhat. On the other hand, breeders should have gained to some extent from the small increase in prize monies by €0.650 million in 2013.

Indecon would suggest that Bord na gCon consider if resources permit, organising a further breeding incentive that is not linked to its prize money structure in order to ensure support for the breeding of greyhounds.

4.5 Summary of Key Issues

Integrity of the regulatory system is crucial to the greyhound racing industry as are issues concerning animal welfare and breeding. Under the Greyhound Racing Industry Act of 1958, Bord na gCon was granted *inter alia* the powers of Regulator of the greyhound racing industry. The regulatory powers have subsequently been amended by legislation and supplemented by numerous Statutory Instruments although the 1958 Act remains at the core of the system of regulation.

Regulation of the Irish greyhound industry is co-ordinated by a department within Bord na gCon's head office that is supported by stewards, stipendiary stewards, authorised officers and racing managers. During the course of this review we have noted that internal resources have been strengthened by the filling of a new position of Director of Racing Governance & Compliance. The Director of Racing Governance & Compliance will be tasked with ensuring that the current regulatory and compliance system is fully observed by everyone in the Irish greyhound industry and with developing an enhanced regulatory code to ensure the highest integrity prevails in the greyhound racing industry in Ireland.

Two essential bodies for the regulation of the greyhound industry are the Control Committee and the Control Appeal Committee and these bodies are *inter alia* responsible for decisions when positive tests for prohibited substances are identified and the investigation of and decisions on other relevant matters.

It must be recognised that the sector has faced very significant potential reputational damage in recent years concerning aspects of the exercise of regulatory functions, particularly the decisions concerning cases where greyhounds have tested positive for prohibited substances. Indecon believes that a rigorous regulatory control mechanism is essential for the development of the sector and that this view is shared by the Board and Management. This must be supported by effective internal procedures. To this end, Indecon decided to investigate the evidence on the testing for prohibited substances.

The following table shows the recent history of on-course sample testing. The results show the presence of prohibited substances and the number of publications, i.e. adverse findings.

Table 4.8 On-Course Sample Tests				
	Number of Tests	Number of Positive Tests	%	Number of Publications of Adverse Findings
2011	4,807	45	0.9	31
2012	6,983	56	0.8	30
2013	7,307	51	0.7	0*
*17 published in January 2014 and a further 21 published in April 2014				
Source: Bord na gCon				

Encouragingly, a large number of samples are taken from greyhounds at racetracks every year in Ireland. There has also been an increase of over 50% in the number of tests from 2011 to 2013. This demonstrates an active involvement in the on-course testing of greyhounds. In percentage terms, the number of positive tests is less than 1% and declining. However in absolute terms, the number of positive tests is of concern as are the delays in publishing findings and also the gap between positive results and adverse findings. In Indecon's view the numbers of positive tests and numbers of adverse findings published, as well as the number of cases dismissed, are potentially damaging to the reputation and perceptions of integrity of the greyhound industry.

No adverse findings were published during 2013 (after thirty one and thirty were published in 2011 and 2012 respectively) despite the fact that there were fifty one positive tests in 2013. This in part reflected the significant time the Control Committee were required to commit to a particular case, delays in appointing a new Control Committee and the time required to deal with backlogs.

Indecon's analysis of the divergence between the number of positive tests and the number of adverse findings has shown that this was in part due to the decisions of the previous Control Committee which ruled to dismiss a significant number of positive tests on the basis that, in their opinion, certain protocols concerning storage temperature in the handling of test samples before they reached the laboratory were different from internal laboratory protocols and this was seen as an issue. On a different point in a number of cases there were deficiencies in relation to the labelling of samples.

The Main Board of Bord na gCon disagreed with the Control Committee's rulings on the issue of the need for consistency between protocols for handling of tests before they reached the laboratory and internal laboratory processes. The Control Committee is by legislation independent of the Board in its decision-making and did not accept Bord na gCon's Main Board's view on this issue. The legislation does not give the Board the right to appeal decisions. It is likely that the dismissals of significant numbers of positive tests had potentially a negative impact on the reputation of the sector and perceptions of the regulatory processes. However, we make no judgement on the merits or otherwise of the individual rulings. It is however clear that having a position whereby protocols being implemented are deemed to be inadequate by the Control Committee is a significant issue for the sector and there is a need for absolute clarity between all parties on appropriate protocols and on other aspects of the processes.

Bord na gCon has its own National Greyhound Laboratory in Limerick for testing of most samples. It is staffed by four full-time employees and a student and receives some assistance from an external consultant. Indecon has no evidence of any deficiency in the laboratory or of its staff and indeed the data shows that the laboratory has been very active in testing for prohibited substances. However, keeping ahead of new prohibited substances including those with shorter and shorter half-lives and keeping abreast of new testing methodologies and technologies in such a complex and continually evolving international field will always be challenging. This is easier for a large specialist laboratory than for a very small group of professionals with a busy workload. Also of relevance are the high capital costs of investing in state-of-the-art testing equipment and there are clearly economies of scale involved.

Overall Indecon considers that the present legislation, regulations and processes for provision of integrity services in the greyhound industry should be enhanced in order to build a reputation for exceptional regulation of the sector. Apart from the issues that have arisen from the dismissal of positive tests and the delays in publishing results, questions arise re legal rights for off-course inspections at premises and in vehicles and these should be addressed. Of particular significance on this latter issue is the interpretation that Bord na gCon do not have rights to conduct off-course testing and this is a significant regulatory deficiency. We are also concerned with the extent of the application of sanctions. Additional sanctions are required and we believe they should be applied as a matter of course for any breaches. The strengthening of the regulatory unit within Bord na gCon with the new senior position of Director of Racing Governance & Compliance will be of assistance but we consider that more fundamental reform is necessary.

Apart from compliance with the rules of racing, ensuring satisfactory greyhound welfare is an important objective for Bord na gCon. Concern has been expressed in submissions to the Department of Agriculture, Food and the Marine *inter alia* about the welfare and fate of retiring greyhounds and the substantial number of unwanted greyhounds.

Bord na gCon have a number of initiatives in place to support animal welfare. These include the attendance of veterinary surgeons at racing and sales trials, employment of personnel to oversee greyhound welfare and the employment of a Welfare Manager. A Welfare Committee was established.

The Welfare of Greyhounds Act 2011 provides for the welfare of greyhounds, establishes a register of greyhound breeding establishments and regulates their operation. As part of our analysis Indecon investigated the number of inspections undertaken. The following table illustrates one aspect of the work done by Control Stewards or other Authorised Officers between 2010 and 2013:

Table 4.9 Number of Inspections of Greyhound Litters by Bord na gCon Control Stewards and other Authorised Officers 2010-13				
	2010	2011	2012	2013
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Average Number of Inspections per week	43	51	54	52
Number of Authorised Officers active	11	14	16	17*
* excluding one person who inspected 4 litters.				
Source: Bord na gCon				

Bord na gCon has reported that there were thirty cases of reported greyhound cruelty investigated in the three-year period 2011-13. As a result of those thirty investigations, fixed notice penalties were issued in four cases but no exclusion orders or disqualification orders were issued. Indecon believes that Bord na gCon should develop standard procedures to ensure that in cases of cruelty or persistent offenders (of what) that exclusion / disqualification orders and significant fines would be imposed.

Indecon considers that it would be more effective to introduce a stronger system of appropriate and proportionate sanctions in proven cases of animal cruelty at the discretion of Authorised Welfare Officers. It is noteworthy that no such intermediate sanction of endorsing licences for welfare offences exists. Equally, temporary or permanent exclusion of owners and trainers from racetracks and sales would be a more effective deterrent than monetary fixed notice penalties and both should be used.

Overall, Indecon considers that the existing Bord na gCon sanctions regime should be strengthened in fundamental ways to become both a real deterrent to animal cruelty and as an effective sanction against those who would nevertheless still offend. The range of sanctions available should be expanded and should be applied proactively.

Strengthening the sanctions regime may require that more resources are made available initially for proactive detection of welfare abuse including systematic conduct of an increased number of unannounced inspections of kennels, i.e. spot checks. However the deterrent effect of a stricter sanctions regime should ultimately lead to more positive outcomes. In examining background context we note that a Welfare Committee was established in 2009 on a joint basis by Bord na gCon and the Irish Coursing Club. It comprises representatives from the breeding, racing, coursing, veterinary, bookmaker and adoption / homing sectors.

On the issue of the welfare of retired greyhounds, the Retired Greyhound Trust (RGT) was established in January 1997 with charitable status with two aims:

- To apply its funds for the relief of suffering and distress of greyhounds retired from racing in the Republic of Ireland; and in particular
- To rescue and provide care and shelter for retired, stray, neglected or unwanted greyhounds, and to find suitable homes for any such animals.

The RGT is active in rehoming greyhounds as shown in the following table. An average of thirty greyhounds per month went on the RGT rehoming list in 2012 and 2013. At October 23, 2013, there were one hundred and eight retired greyhounds on the list (compared with approximately eighty four one year earlier). Seventy of the one hundred and eight were reserved by rehoming agencies in Germany, Sweden, Belgium, UK, Italy, Czech Republic and Ireland. A further forty greyhounds were required by different rehoming agencies in Italy.

Table 4.10 Numbers of Greyhounds Rehomed or Financial Assistance Provided for Rehoming 2011-13

	Rehomed Directly by RGT	Financial Assistance Provided by RGT for Rehoming by Private Rehoming Agencies €(000)
2011	285	322
2012	302	217
2013	379	202

Source: Bord na gCon

RGT provides some financial support to a number of dog rescue organisations and rehoming agencies in Ireland and abroad as part of their overall remit. They have also recently provided funding towards transports of dogs to, for example, Italy, Germany, Belgium, Czech Republic and Sweden. The RGT has recently decided also to provide financial assistance towards veterinary expenses for ISPCA-approved rescue organisations that take greyhounds from the pound system.

In addition to regulation and animal welfare issues, an issue for the sector is to ensure sufficient numbers of active owners and an active breeding sector. This is important as a minimum number of registered greyhounds is required to maintain a viable industry in Ireland. A too small number of races at a meeting and / or a too small number of runners in each race make an event less attractive. Without sufficient runners, betting turnover drops off significantly. For Tote betting, having more liquidity in a pool allows the offering of more “exotic” pots.

An analysis of the evidence on activity in the greyhound industry undertaken by Indecon shows that the numbers of greyhounds registered have declined significantly since 2004. The number of adult greyhounds registered and named with the Irish Coursing Club (who are responsible for greyhound registration by legislation) shows a steady decline that began in 2007. Only in 2012 did the number rise marginally before reverting to its longer-term trend downwards equivalent to a compound annual decline rate of approximately 6% from 2006 to 2013. In absolute terms there are just over 8,000 fewer registered and named greyhounds in 2013 than there were in 2006, a fall of 34%. All indicators show significant declines:

- Active owners: 42.6% decrease from 2007 to 2013
- No. of greyhounds mated: 34% decrease from 2006 to 2013
- No. of greyhound litters: 36.6% decrease from 2006 to 2013

Since 2006, for any winner’s stake equal to or over €2,000, a 10% deduction is made payable directly to the registered breeder of the dog. Bord na gCon has thereby channelled some limited financial support to breeders by way of a deduction from the winner’s stake. However with the fall in prize monies between 2007 and 2012, the effects of this incentive scheme will have diminished. But we note the small increase in prize monies by €0.650 million in 2013.

The determinants of breeding decisions are much wider than the remit of Bord na gCon. However if the scale of activity is adjusted for a period this will impact on overall resources available for prize money. Indecon would suggest that Bord na gCon consider, as resources permit, organising a further breeding incentive that is not linked to its prize money structure in order to provide support for the breeding of greyhounds.

5 Conclusions and Recommendations

5.1 Conclusions

Our analysis has indicated that Bord na gCon has faced very difficult financial challenges in recent years and the sector has also experienced reputational damage due to the outcome of some regulatory cases. There has also been a significant decline in the number of active owners and in breeding activity. This has been combined with poor financial performance and high levels of debt. The financial outcomes are due significantly to the economic crisis and the scale of the decline in income has been dramatic. The financial stresses have also been due to bearing the cost of a major capital redevelopment project that was largely funded by bank borrowings and which did not deliver expected outcomes. We have also identified some deficiencies in aspects of governance and in the legislation.

Significant progress has however been made in reducing costs and in developing new products. Improvements have also been made in governance and organisational structures and a new management team has been recruited. While acknowledging these achievements, significant challenges remain. In particular there is a need to enhance governance and skills and to address breeding, regulatory issues, and animal welfare enhancements. These changes should be underpinned by amending existing legislation as required. The high level of debt and the low operating surpluses must also be addressed. The position is now such that very major strategic challenges must be met by Bord na gCon. These include the following:

- Reduce level of debt and associated burden of interest payments;
- Reverse decline in operating surpluses;
- Address pension deficit;
- Develop a reputation for implementation of the highest standards of regulation;
- Enhance incentives for breeding;
- Strengthen penalties for animal welfare breaches; and
- Strengthen internal resources and systems by ensuring adequate skill base.

5.2 Recommendations

In order to address these challenges Indecon presents detailed recommendations under the following headings.

- Governance, Management Resources and Risk Management
- Financial and Commercial Actions
- Regulatory Controls
- Breeding and Animal Welfare

GOVERNANCE, MANAGEMENT RESOURCES AND RISK MANAGEMENT

In relation to governance, management resources and risk management, our recommendations are presented in the table below. While some improvements have been made in recent times, significant further action is required. We outline six recommendations to strengthen governance and management and these, where appropriate, should be underpinned by legislative changes.

Table 5.1 Governance, Management Resources and Risk Management

1. **Strengthening of Board of Directors and management**
2. **Immediate appointment of Risk Officer.**
3. **Quarterly review by Main Board and Audit Committee of an updated Risk Register.**
4. **Revised corporate governance procedures to be developed**
5. **Enhanced reporting by internal auditors to the Board.**
6. **Bord na gCon to ensure adequate internal resources to meet the needs of the organisation.**

1 Strengthening of Board of Directors and management

Indecon believe the skill sets of the Board should be enhanced and we therefore recommend that the Board is strengthened by the inclusion of a senior legal professional and by an experienced marketing expert. This is in addition to the recent veterinary expert appointed. Ensuring that the Board at all times has skills in these areas as well as a depth of financial expertise is essential. Indecon recommends that the size of the Board be increased to nine to accommodate these changes.

We also recommend that non-executive board members no longer serve on subsidiary boards and the focus should be on key Main Board responsibilities and that Bord na gCon should undertake a review of its subsidiary structure. We also recommend limits on the period of board appointments and a restructured appointment process to ensure continued board renewal.

2 Immediate appointment of Risk Officer

Indecon understands that during our review Bord na gCon indicated that they were proposing to appoint a risk officer. This should take place with immediate effect. At all times the Board should ensure that an experienced risk officer and an effective internal audit function are in place.

3 Quarterly review by Main Board and Audit Committee of an updated Risk Register

Bord na gCon should prepare an updated risk register for the next meeting and this should be reviewed on a quarterly basis by the Main Board and Audit Committee. This should be used as a framework to identify and most importantly to respond to emerging risks. The previous inadequacies in this area should be addressed.

4 Revised Corporate Governance Procedures to Be Developed

The corporate governance procedures of Bord na gCon must comply with the Code of Practice for the Governance of State Bodies. We are recommending that the term of the Board, rules regarding composition, rotation and renewal be outlined in proposed new legislation.

Revised corporate governance procedures are being prepared. These should include an annual review of board effectiveness. Governance procedures should also include defined periods for board appointments and a process of board rotation and renewal. These latter changes should be underpinned by legislation. The revised corporate governance procedures and code of practice should also cover information disclosure, whistle-blowing policy and conflicts of interest.

5 Reporting by Internal Auditors directly to the Board

In the light of deficiencies identified in certain procurement and other practices the role of the internal auditor has particular significance. We understand an internal auditor was unavailable for significant periods but that an accounting/audit practice was appointed on a temporary basis to fulfil this role chosen from a financial panel established by Bord na gCon. Indecon recommends that a formal tendering process for these services should be implemented. The decision to appoint should be made by the Main Board based on a recommendation of the Audit Committee. Enhanced reporting by the internal auditor and the Chairperson of the Audit Committee to the Board should also be undertaken.

6 Bord na gCon to ensure adequate internal resources

There has been a significant reduction in costs in Bord na gCon in order to respond to the dramatic decline in revenue. However it is clear that this has resulted in constraints on the availability of management resources, control procedures and systems required to address the commercial, regulatory and development functions of the Board. We believe that it is essential that there are adequate internal resources to meet the needs of the organisation. In this regard Indecon noted the absence of a CFO from April 2008 until February 2012. We note and welcome the recent appointment of an executive Director of Regulation and Compliance and other senior appointments. Some additional costs may be required as it is essential that Bord na gCon have the internal resources to fully meet its corporate and statutory responsibilities and to ensure effective compliance in all key areas. We note that a number of important enhancements of resources have been made in the last two years but ensuring adequate internal resources and skills is essential.

COMMERCIAL AND FINANCIAL ACTIONS

In the following table we outline our recommended commercial and financial actions that we believe should be implemented. The high level of debt and low profitability is not sustainable. Implementing the adjustment needed will provide a basis for future development.

Table 5.2 Recommendations re Commercial and Financial Actions

- | |
|--|
| <ol style="list-style-type: none"> 7. A plan for asset disposals should be implemented. 8. Calibrate the number of race meetings at poorly performing stadia 9. Priority focus on co-mingling and fixed odds betting opportunities 10. Further exploration of alternative sources of commercial income at stadia 11. Further develop the plan to resolve the pension scheme underfunding |
|--|

7 A plan for asset disposal should be implemented

In order to reduce debt levels Indecon recommends that Bord na gCon actively engage in a programme of asset disposals over the next three years and the process of asset disposal should start in the coming year. Potential asset disposals that should be considered include the site at Meelick, the old Henry Street Head office in Limerick, land in Cork and the sale of the Harold's Cross track. The timing of these asset sales should be made in a manner which maximises the value for Bord na gCon and should take account of planning / zoning issues and market developments.

8 Calibrate the number of race meetings at poorly performing stadia

Bord na gCon are in a position that they have the ability to reduce the number of races at poorly performing stadia to sustainable levels. This will result in a reduction in prize money and savings in operating costs. This will have a direct positive impact on underlying surpluses that can be used to reduce debt but will impact on the levels of activity. Careful evaluation of a specific programme to calibrate levels of activity will be required and should be implemented as a matter of urgency.

9 Priority focus on co-mingling and fixed odds betting opportunities

Indecon are encouraged by early feedback on the potential commercial opportunities for co-mingling and fixed odds betting opportunities and income for potential TV rights. We are therefore very supportive of an active focus on these opportunities but in the short to medium term, the scale of potential income that may be achieved is uncertain.

10 Further exploration of alternative sources of commercial income at stadia

Indecon believes that on-going pursuance of commercial income at stadia in areas such as conferences, product launches, film sets and recreational and sporting activities should be undertaken. However we do not envisage that the scale of income arising will be sufficient to generate significant surpluses for Bord na gCon.

11 Develop further a plan to resolve the pension scheme underfunding

Indecon believes that the current pension scheme is not sustainable. Additional funding and/or adjustments to the existing entitlements are required in order to ensure the deficit is removed. While these adjustments will be difficult for members, ensuring the sustainability of the pension scheme is in the long-term interest of employees and retired members.

REGULATORY CONTROLS

In the following table we outline eleven recommendations concerning regulatory controls. Some legislative changes will be required to underpin the significant reforms proposed. These recommendations take account of the deficiencies identified and the need to have an exceptionally strong and credible regulatory system that is consistently applied.

Table 5.2 Recommendations re Regulatory Controls

12. The Minister to appoint the members of the statutory independent Greyhound Racing Control Committee and Control Appeal Committee.
13. Rigorous procedures and processes for regulatory control must be consistently implemented.
14. Mandatory penalties including exclusion orders and disqualification orders to be imposed for breaches of regulations.
15. Regulations and procedures should be introduced to ensure effective enforcement of penalties.
16. Both Bord na gCon and the Irish Coursing Club should be able to independently serve exclusion orders and disqualification orders.
17. Off-track testing for prohibited substances to be implemented.
18. Data on the number of tests undertaken, the number of positive tests and the number of adverse findings to be published.
19. All adverse findings to be published within pre-defined periods subject to rules for adjournments and appeals.
20. Consideration of laboratory testing to be transferred to independent laboratories over time to ensure economies of scale.
21. Licencees to disclose on an annual basis any adverse findings and any information in relation to matters under investigation as part of their licence application.
22. Formal information sharing arrangements to take place with enforcement agencies including Customs and Excise and An Garda Síochána.

12 Minister to appoint members of the statutory independent Greyhound Racing Control Committee and Control Appeal Committee

It appears to Indecon that the existing Control Committee and Control Appeals Committee are operating on an independent basis and have a mix of skills. However we believe there is a reputational advantage to members of the committees being appointed by the Minister. These committees should have access to any scientific or legal resources required.

13 Rigorous procedures and processes for regulatory control must be consistently implemented

Indecon considers that the present legislation, regulations and processes for provision of integrity services in the greyhound industry must be enhanced. Indecon's analysis of the divergence between the number of positive tests and the number of adverse findings has shown that this was in part due to previous decisions of the Control Committee which ruled to dismiss a significant number of positive tests on the basis that, in their opinion, certain internal laboratory protocols concerning storage temperature were not reflected in protocols for the handling of test samples before they reached the laboratory and that there were also deficiencies in relation to labelling of samples. It is likely that these dismissals of significant numbers of positive tests had a potentially negative impact on the reputation of the sector and perceptions of regulatory processes. It is clear that having a position whereby protocols being implemented by one part of Bord na gCon are deemed to be inadequate by the Control Committee is a significant issue for the sector. There is a need for absolute clarity between all parties on appropriate protocols and on other aspects of the processes. Such procedures and processes must then be consistently implemented.

14 Mandatory penalties including exclusion orders and disqualification orders to be imposed for breaches of regulations

The regulatory system must change to one whereby the scale of penalties is such that combined with a credible investigation system there is a strong deterrent for non-compliance. Indecon recommends that mandatory penalties including exclusion and disqualification orders be imposed.

15 Regulations and procedures should be introduced to ensure effective enforcement of penalties

The speed of regulatory decisions and impositions of penalties should be such that it is clear to all that breaches are not tolerated. A temporary disqualification order should automatically accompany a monetary penalty and should remain in force until the fine is paid in full.

16 Both Bord na gCon and the Irish Coursing Club should be able to independently serve exclusion orders and disqualification orders

This legislative change would support a stronger deterrent-based regulatory system. This would remove the requirement for consent of the Irish Coursing Club to the serving of exclusion orders by Bord na gCon.

17 Off-track testing for prohibited substances to be implemented

Apart from the issues that have arisen from the dismissal of positive tests and the delays in publishing results, questions arise re legal rights for off-track inspections and testing at off-course premises and these should be addressed. This is an important deficiency of the existing regulatory regime. The rights of Bord na gCon inspectors to inspect and undertake random samples at off-course sites should be specified in new legislation. These should include random testing and inspections of owners'/ trainers' yards, premises and vehicles.

18 Data on the number of tests undertaken, the number of positive tests and the number of adverse findings to be published

Open access to information on regulatory decisions is needed to enhance confidence in the sector. Decisions should be published on the Bord na gCon website and a full report prepared on an annual basis.

19 All adverse findings to be published within pre-defined periods subject to rules for adjournments and appeals

A formal requirement to publish adverse findings based on pre-defined rules would be appropriate. Gaps in appointments to the Greyhound Racing Control Committee or to the Control Appeals Committee must not be permitted to delay decisions. A staggered timetable for appointments should be introduced to ensure that all members do not retire on the same date.

20 Consideration of laboratory testing to be transferred to independent laboratories over time to ensure economies of scale

Indecon believes that it may be more effective in the longer term to organise the testing by an independent laboratory operating on a much larger scale. This would provide access to more advanced testing equipment. A merger of the existing laboratory with another laboratory would increase the scale and cost effectiveness. Consideration should also be given to the laboratory service reporting directly to the statutory Greyhound Racing Control Committee.

21 Licence applicants to disclose on an annual basis any information in relation to matters under investigation as part of their licence application

Indecon recommends that licence applicants should be required to disclose on an annual basis any information concerning investigation or findings of regulatory breaches when applying. This should include information on previous breaches and any investigations underway.

22 Formal information sharing arrangements to take place with enforcement agencies including Customs and Excise and An Garda Síochána

Indecon recommends that formal information sharing arrangements should take place with other enforcement agencies including Customs and Excise and An Garda Síochána.

ANIMAL WELFARE AND BREEDING OF GREYHOUNDS

Our recommendations for changes concerning animal welfare and breeding of greyhounds are outlined in the table below:

Table 5.3 Recommendations On Animal Welfare and Breeding of Greyhounds
<p>Greyhound Welfare</p> <ul style="list-style-type: none"> 23. Strengthen the sanctions for animal cruelty 24. Additional supports should be provided for rehomed greyhounds 25. Data on the number of welfare inspections and penalties imposed should be published
<p>Breeding of Greyhounds</p> <ul style="list-style-type: none"> 26. A specific additional breeding incentive should be considered by Bord na gCon 27. Once Bord na gCon's debt is reduced and surpluses generated, additional prize money should be provided

23 Strengthen the sanctions for animal cruelty

These should include endorsement of licences, exclusions of owners / trainers from racetracks and sales and higher financial penalties. Sanctions for welfare breaches should be proactively applied as a matter of course and should be designed to act as a significant deterrent.

24 Additional supports should be provided for rehoming greyhounds

Indecon believes there is a case for additional funds to be paid to the Retired Greyhound Trust, as resources permit. There is also merit in considering ways to organise occasional sample checks on welfare of rehomed animals.

25 Data on the number of welfare inspections and penalties imposed should be published

Annual data on the number of welfare inspections and the penalties imposed should be published.

Breeding of Greyhounds**26 A specific additional breeding incentive should be considered by Bord na gCon**

Bord Na gCon should consider putting in place an incentive scheme for Breeders if resources permit. This should not be limited to a share of prize money but should focus directly on supporting the breeding of greyhounds.

27 Once Bord na gCon's debt is reduced and surpluses generated, additional prize money should be provided

An increase in prize money will result in an increase in overall funds for breeders. It will also enhance returns for owners and this will impact on the incentive for breeding of greyhounds.

CONCLUSIONS

The scale of the challenges facing Bord na gCon to become financially stable is very significant, but this is achievable. This is due to the fact that the organisation has the potential to calibrate the levels of activity to be aligned with its resources and has surplus assets to dispose of. A number of measures are also proposed to fully meet development, regulatory and animal welfare objectives. If action is taken on the recommendations presented, Indecon believes that the organisation will be able to move to a position of higher surpluses and lower debt and provide a platform for the successful development of the sector. While this will require a period of adjustment it has the potential to provide the basis for the successful development of the sector. Our analysis also suggests that the legislation requires to be amended and that changes need to be made to the regulatory processes. We believe that implementation of the changes recommended will provide an appropriate and rigorous regulatory system. Indecon also believes that improvements are required in governance arrangements and structures and in measures to support animal welfare and breeding.

5.3 Required Legislative Changes

Indecon considers that the legislation, with its basis in the original Greyhound Industry Act of 1958 albeit updated by numerous later amendments and statutory instruments needs significant change to meet the economic, technological, governance, organisational, regulatory and animal welfare challenges of the early 21st century.

Indecon has analysed the requirements for legislative changes. Our proposals for legislative changes are outlined below and are designed to support the overall thrust of the recommendations strengthening of governance and regulatory aspects of the greyhound sector as well as supporting objectives of the organisations.

Figure 5.1: Indecon legislative recommendations

Legislative Area	Indecon Recommendations
Board of Bord na gCon	<p>Indecon recommends a 9-person board including Chairperson to provide for designated areas of expertise. Indecon recommends staggering of terms of office as best way to ensure organisational memory is retained.</p> <p>Indecon considers that the current open-ended arrangement with no maximum no. of terms in office is contrary to good governance principles. We recommend max 2 x 3-year terms for ordinary members and max 2 x 5-year terms for Chairperson should be introduced with compulsory retirement upon reaching an age of 70 years. The terms of appointment should include an option for first appointees to be for 18 months to stagger terms of office.</p> <p>Quorum should be six for a nine-person board.</p> <p>Indecon recommends that any Board member convicted of animal cruelty or welfare offences or for possession or use or aiding and abetting the use of prohibited substances under the 2011 Welfare of Greyhounds Act automatically should be removed from the Board. The Minister should also be permitted to remove board members if there is ill health, extended absence from board participation or stated misbehaviour including breach of conflict of interest rules.</p> <p>Indecon recommends a new code of corporate governance by no later than June 2015. Formal review of the effectiveness of all Bord na gCon governance structures including but not limited to the Main Board, which review should be concluded by no later than end-2014. Implementation should be complete by end-2015.</p> <p>Indecon recommends that revisions to the code considered appropriate should be made after each recommended annual review of the effectiveness of the governance structures including the Main Board.</p>
Disclosure of interests	<p>Pecuniary or beneficial interest to be disclosed including connected relatives. Recusal from discussion of and voting on related issues is required.</p> <p>Actions available to the Main Board and subsidiary boards in the event of conflict of interest include termination of contracts with the conflicted party.</p>
Disclosure of confidential information	<p>Can lead to disqualification from Board membership or termination of a contract of/for service(s).</p>
Greyhound Racing Control Committee and Greyhound Racing Control Appeals Committee	<p>Indecon recommends that the Minister appoints the members of the statutory independent Greyhound Racing Control Committee to regulate racing. The Minister should appoint a Chairperson of each for 5 years and 4 ordinary members for 3 years, all for a maximum of 2 terms. Quorum should be 3. The ordinary members should include 1 or more veterinarians and 1 or more legal experts in the detection and use of prohibited substances and 1 or more expert in animal welfare. Board members of Bord na gCon, should not be eligible to sit on the Control Committees. Members should not be permitted to hold beneficial interests in the ownership, control or operation of racetracks or coursing grounds. The Control Committee should be independent in all its functions and decisions.</p>
Jurisdiction of GRCC and Appeal Committee	<p>Indecon recommends that the jurisdiction of the Control Committee covers all persons involved in greyhound racing: owners, trainers, handlers, agents and agents' principals and any other party who may enter greyhounds in races.</p>
Racing sanctions	<p>Indecon recommends that Greyhound Racing Control Committee should be able to determine if a person has breached the Racing Code and, may impose such sanctions as it independently sees fit, including advice, admonishment, censure, financial penalty, disqualification order or exclusion orders (temporary or permanent) and may direct such person to pay investigation and hearings' costs. The Board of Bord na gCon will be permitted to make recommendations re sanctions to the Greyhound Racing Control Committee.</p> <p>Indecon recommends legislation should specify automatic suspension of licences and permits and the right</p>

	to attend race meetings until such time as fines are paid in full.
Findings	Indecon recommends that the findings of the Greyhound Racing Control Committee and on appeal by the Appeals Committee should be made available to the public as a matter of course, except where one of the parties to the appeal successfully applies to the District Court for an order against publication and by leave of the District Court on a question of law to the High Court.
Disqualification orders and exclusion orders; prohibitions	<p>Indecon recommends that the existing sanctions regime be strengthened.</p> <p>Indecon recommends that disqualification orders and exclusion orders be used more proactively and frequently and for more serious offences these should be made mandatory.</p> <p>Indecon recommends that disqualification orders should disqualify such greyhounds from registration in the Stud Book, entry in any race at any track and from acceptance for sale at public sales. Exclusion orders should exclude prohibited persons from racetrack attendance, public sale attendance and from entering greyhounds in any races or coursing events directly or through any intermediary or agent or family member.</p> <p>Indecon recommends that the current situation whereby consensus of Bord na gCon and the Irish Coursing Club is required as a consequence of the legislation should be ended.</p>
Doping of greyhounds	<p>Indecon recommends that the Board should prescribe and publish what are prohibited substances or classes of substances and make regulations to restrict or prohibit possession or sale or use of such substances including minimum thresholds (which may be zero) below which a doping offence is not committed. Prescribing of new prohibited substances or classes of substance should be possible at short notice.</p> <p>Bord na gCon authorised officers should be empowered to conduct checks including unannounced spot checks at racetracks or any off-course greyhound premises or in any vehicle used to transport greyhounds or greyhound trainers, owners, breeders or their assistants or in a home (with a search warrant) or any other property in the beneficial use of a person with a licence or permit or having a beneficial interest in racing greyhound(s).</p> <p>Indecon recommends that Stewards should be empowered to immediately remove a greyhound that has tested positively for a prohibited substance or class of substance from any race including Sweepstakes or any other category of race.</p> <p>Indecon recommends that all sanctions imposed for doping offences should be published on-line by Bord na gCon immediately after appeal periods have expired.</p>
Welfare of greyhounds	<p>Indecon recommends that greyhound welfare continue to be the responsibility of Bord na gCon.</p> <p>Indecon recommends that the existing Bord na gCon Welfare Committee continue to comprise a broad cross-section of representatives from the greyhound racing sector.</p> <p>Indecon recommends that the existing Bord na gCon welfare code of practice should be updated bi-annually or more frequently if circumstances dictate and should be published on-line and be available for download. This should provide practical guidance relating to greyhound welfare.</p>
<i>Source: Indecon</i>	

Annex 1 Capital Appraisals of Limerick Stadium in 2008 and 2009



