

stakes won by the owners, whilst the rules of racing provide for jockeys' fees (other than those for losing or unplaced mounts) to be certain prescribed percentages of stakes.

180. These evils can all be avoided if the rules of racing are amended to make it compulsory for clubs to establish a stabilization fund which will secure the maintenance of stakes at a not too excessive level for a number of years. Then, too, a policy of stabilization would prevent clubs ill advisedly raising stakes to an excessive figure primarily in the interests of owners or for club prestige and in complete disregard of the fact that they are hopelessly retrograde in the provision of amenities for the general public. This latter is a topic which will be dealt with later by us in more detail. For the moment it is only necessary to deal with stabilization in principle. We recommend that the rules of racing be amplified by constraining racing clubs to disburse in stakes in any one year not more than the aggregate sum disbursed by them during the 1946-47 racing year, and restraining them from paying in stakes in respect of any particular race any sum in excess of the stake disbursed in respect of that race in the racing year last mentioned. Any difference between the aggregate amount actually disbursed by it in any year and a sum equal to 90 per cent. of the average yearly net amount derived by such club from the use of the totalizator during the immediately preceding three years should be required to be set aside as a stakes stabilization fund, such fund to be used when necessary and to the full extent of its resources to maintain stakes at the 1946-47 level. An analogous rule should be adopted by the New Zealand Trotting Conference.

181. It may be that the totalizator turnover in particular instances or generally may fall to such an extent that the creation of a fund or of a sufficient fund may not be possible. That is a contingency against which it is impossible to provide. On the other hand, totalizator turnovers may continue at the present inflated level or may even increase. In that contingency some limitation on the fund is clearly necessary. What we suggest is that the fund should not exceed the sum which it is necessary for each club to hold in order to enable it to maintain stakes at the stabilized level for three years if the annual totalizator turnover decreases by one half.

182. It is realized that hardship will accrue to racing clubs if they were required to pay income-tax on the amounts set aside to constitute the stabilization fund. That fund would not be, and could never be, beneficially owned by the club. It would always be clothed with the obligation of ultimate disbursement in stakes. We therefore recommend that no income or social security tax should be imposed upon money so set aside. Taxation should, however, attach to any income earned by the stabilization fund, for that income should be available to each club for its general purposes.