

**Public Accounts Committee**

**27 November 2014**

**Opening Remarks of Geraldine Larkin, CEO IGB**

Chairman, Members of the Public Accounts Committee,

The C & AG Review of the Limerick project raises serious concerns about the adequacy of the analysis informing the decision to proceed with the project. It accepts that there may have been strategic arguments in favour of proceeding with the project or with a less expensive development and concludes that the Board should have recognised the project might adversely affect its financial position, if proceeded with at that time.

That has come to pass. Our financial position has been seriously affected and that is the reality we now find ourselves in.

It would be remiss of me as chief executive not to point out to Members that no one representing the organisation here today was involved with the Limerick project, whose genesis goes back to 2000. That is not intended to be any special pleading on my part but it is simply a fact that we were not privy to the discussions that took place at the time, were not part of the contract negotiations, the sanction of borrowings or the supervision of the construction phase. And, while we have, as best we can, familiarised ourselves with detail from the files, that is, at the very best, a remote and inadequate view and is limited as a result.

The current board and executive now have the responsibility to deal with the legacy of the Limerick decisions. The implications of those have been compounded by the economic environment which coincided with the project. We are, in a sense, dealing with a perfect storm here; servicing the additional borrowings arising from the Limerick project but also endeavouring to manage an industry that faces many other challenges, some of the most acute of which arise from the impacts of the recession. Disposable income has come crashing down, affecting all our income streams - gate receipts, food and beverage income, tote and indeed sponsorship.

While IGB has always carried borrowings, these have effectively been doubled as a result of the Limerick project. And while IGB has never breached any bank covenants, repayment of debt is our biggest challenge. The Indecon Report states that it is this issue, not operational day to day cash flow, which represents the biggest problem for IGB.

The issues we face are complex and even if we did not have significant legacy issues to manage, there are many other challenges.

In the first instance, we need to stimulate, energise and restore confidence of the core elements of the industry; the foundations on which the industry is based. We need to increase the number of owners, breeders and trainers. We need larger dog pools to sustain the industry and ensure the quality of racing is such that it attracts not just an indigenous audience but an international one also. All of this must take place within a robust and clearly understood regulatory and welfare framework.

We are in the entertainment industry, competing for discretionary income with other sports and hospitality venues. New technology, changes in consumer tastes, new demographics are all part of the challenge. To meet it, new product development, the exploitation of the global opportunities from streaming, getting more value from our assets, new forms of track ownership and operation and the rationalisation of tracks all have to be considered.

As the chairman has already said, we have submitted a detailed, time-lined response to the Indecon Report. My obligation as chief executive is to restore the financial stability of the organisation and to oversee a transformation across IGB governance, regulation and welfare. That is a daunting task. If this industry is to survive and prosper, it will require tough decisions, ongoing assessment of the business model, the development of new income streams, and openness to new approaches right across the sector. Together with the Board and all industry stakeholders the decisions will be made so as to ensure the longterm sustainability of the industry.

The issues facing the industry are so pressing that leaving matters as they are is no longer an option for anyone involved. I hope that we can demonstrate to Members that the strategy now at work in IGB can deliver significant change and improvement and thereby best protect the State's interests going forward.