

**Minutes of
3 Codes Chairman's Meeting**

Wednesday, 23 December 2009

**Board Room, Queensland Racing
Racecourse Road, Deagon**

**Meeting Commenced at 9:05 am
Meeting Concluded at 11:45 am**

Present: Mr Bob Bentley – Chairperson – Queensland Racing Limited
Mr Bob Lette – Chairperson – Harness Racing Queensland
Ms Kerry Watson – Chairperson – Greyhounds Queensland Ltd

In attendance: Mike Godber – Harness Racing Queensland
Mike Kelly – Office of Racing
Carol Perrett – Office of Racing
Darren Beavis – Greyhounds Queensland Ltd
Malcolm Tuttle – Queensland Racing Limited

Minutes: Debbie Toohy

Mr Bentley opened the meeting at 9.05 am

Mr Bentley offered to chair the meeting, and as there were no objections Mr Bentley took the chair.

Mr Bentley provided the background on the "issues paper" that was presented to government in June, setting out the issues that face the thoroughbred industry, in particular the lack of funding and deteriorating infrastructure. The paper included the minor codes that also face similar problems.

On Friday the 18th December, 2009, a meeting with the Director General of the Premiers department and the chairs of the 3 codes discussed and agreed that the forming of one control body should proceed as a matter of urgency, subject to the necessary safeguards for the minor codes and the adoption of a suitable constitution that reflects the role of a control body.

Mr Mike Kelly gave the meeting the perspective from the government's position and explained that the government had approved a funding package for the industry, but the amount and conditions of the funding were not available at this point of time.

Mr Kelly told the meeting that the government was not prepared to release a substantial funding package to the industry unless it was assured that there was adequate and stable industry governance and the funds would be invested commercially to sustain the industry.

Mr Kelly reminded the meeting that all chairs of the control bodies were made aware at the meeting of the 18th of December that the government's preferred outcome was for one control body to administer racing going forward. The industry needed to demonstrate that the industry boards could set aside personal considerations and form a single control body.

The meeting of today is to progress the discussion from the 18th of December and demonstrate to government that the amalgamation had been considered and a workable operating structure and constitution could be presented to the scheduled meeting of the 4th January, 2010.

Mr Kelly advised that the government was serious in this endeavour and had considered the following key elements.

- Fixed terms
- Directors will be drawn from the existing code boards [there will not be a new round of elections]
- Limited liability Company
- Directors will be members
- Board make up to represent the codes relevance
- No industry representation
- Security of employment for all staff
- Consultation will be restricted to individual board members
- Final decision by the individual code chairs
- Decision by the 4th January, 2010

Mr Kelly advised that it was high time the 3 codes looked at the big picture together and to this end the government wishes to see a significant change take place to recognise the proposed industry funding package.

The meeting agreed unanimously that a new single control body structure for 3 codes is essential and agreed to proceed to establish the key elements for presentation to government on the 4th of January, 2010.

At 9.20 am the CEO 's of Thoroughbred, Harness and Greyhound codes left the meeting.

Constitutional discussion

Mr Bentley opened the meeting outlining his views on a workable constitution and tabled a paper to all present for discussion. This paper is an attachment to these minutes.

Mr Lette expressed his board's concern at the suggested board representation for Harness and Greyhound codes. Mr Lette commented that the two minor codes were under represented and it was his board's view that the minor codes should have 2 representatives each.

Mr Lette also canvassed the proposition that the new control body should have an independent chairman, and the issue was discussed at length.

Documented evidence does not support the notion that independent directors enhance board effectiveness.

This finding is echoed by Westphal (2002) after surveying over 500 outside directors from large companies:

Nearly two decades of research find little evidence that board independence enhances board effectiveness. Studies have, however, found a negative effect. (Quoted in LeBlanc and Gillies 2004: 5)

Mr Bentley advised that the notion of seeking an independent chairman from outside the industry is a ridiculous proposition. The racing industry of necessity is an animal of its own creation and to be effective the chairman must have an in-depth knowledge of the racing industry to make the board and organisation cohesive and with the amount of change necessary, educating a chairman from outside the industry would be counter productive.

Ms Watson agreed with the chairman and confirmed her view that if Mr Bentley was chairman then the Greyhounds would have no problem with independence.

Mr Lette, following further discussion, agreed with Mr Bentley and Kerry Watson on the issue of the independent chairman. Mr Lette commented that the issue was never going to be a 'deal breaker'.

Mr Lette agreed with the principles of the draft points on the constitution and advised he would read the paper in detail, however, he was maintaining his assertion that the Greyhounds and Harness should have two [2] directors each.

Mr Bentley advised Mr Lette that there was no rationale or reason for Harness and Greyhounds to have 2 directors each.

- The Thoroughbred code, on all key indicators, represents in excess of 75% of the racing industry
- The ratio of directors is correct and is consistent with commercial reality.
- The ASX and Institute of Company Directors recommend that where possible boards should be smaller rather than larger and the optimum number was 7.

The chairman advised the meeting that the board of QRL met on the 22nd of December, 2009, and, approved the structure, and agreed to proceed on the basis that Harness and Greyhounds each have no more than one director.

The chairman advised that the Harness board was free to put forward the director nominee of their choice to the new control body.

Ms Watson, after further discussion, agreed that the representation of [1] director from the Greyhound code was correct and agreed that Greyhounds would support the director allocation on the proviso that there was only 1 Harness director nominee.

Mr Lette would confer with his board and advise in due course.

Board Composition

Queensland Thoroughbred Board

- Bob Bentley – Chairman
- Tony Hanmer - Vice Chairman
- Bill Ludwig
- Wayne Milner
- Bradley Ryan

Greyhound Invitee

- Kerry Watson

Harness Invitee

- To be advised

Accommodation

The meeting agreed that there would be one location only for the accommodation of control body staff, and the preferred option was the extension of QRL's Deagon office. The chair in answering questions from CEO's, reiterated that going forward there would be one control body, one organisational structure, not 3 codes each operating in isolation.

Agreed**Albion Park Harness**

Significant discussion initiated by Mr Lette on the issue of Albion Park being sold if the codes merged ensued. The chairman advised that this has never been discussed at any board meeting of the thoroughbred code and he would be prepared to advise the minister at the 4th of January meeting that there is no agenda to sell Albion Park. In addition, the new control body would give a commitment to allocate up to \$14m to a maximum of \$18m on infrastructure at Albion Park from the proposed funding package. The commitment is on the basis that the funding package, subject to all council and state government approval, is at the amount of \$100m as rumoured. If the funding is less than this, the committed amount would be reduced relatively.

The estimate of \$14m to \$18 m is an estimate offered by Mr Lette.

Logan Greyhound

Ms Watson looked for further assurance on the proposed Logan complex and a similar commitment was given that provided the project received all necessary construction and building approvals from council and state government then the new control body would allocate up to \$10m from the proposed government funding [note if the funding model is less than \$100m a pro rata reduction would also apply as with the Harness commitment]

The gifting of land and the previously agreed \$10m by government is a commitment outside this meeting and does not form part of this discussion.

Redcliffe

Mr Lette raised the issue of Harness racing at Redcliffe and the land being held in a "deed of trust" by government and requested that at the meeting of the 4th January the government be requested to transfer the land to the new control body. The chairman advised that he would take the matter up at the meeting of the 4th January.

Parklands

Mr Lette raised the issue of the parklands tenancy and that there is a notice to vacate within 3 years and there had been ongoing discussion with government on compensation.

The chairman advised that this is outside the jurisdiction of this meeting and would not form part of the funding package however the new control body would pursue any legitimate commitments for compensation that have been given.

Stamp Duty

The meeting resolved to request the treasurer to transfer all assets of the existing control bodies to a new control body entity free of stamp duty.

Organisational Structure

Considerable discussion took place on a possible organisational structure and general agreement reached that the organisational structure as presented would be agreeable to all codes, with 2 changes.

- A new position be created at the chief operations level.
- That the chief stewards for each code would report direct to the integrity manager.
- The meeting agreed that there would other minor changes during the bedding down process.

Agreed

Employee's Retention

The meeting agreed that all employees earning less than \$100k TRV would retain their employment for a period of 2 years and any negotiations would be held with the respective unions.

The appropriate unions will be consulted during the merger process.

There would be a provision for a redundancy package.

The meeting agreed that there would be some management positions that would be advertised to complement the new structure. This would be a decision for the new board.

A HR consultant would be engaged to assist with the transition.

Agreed

Company Name

The chairman advised that QRL has previously registered the name 'Racing Queensland' the meeting agreed that this was appropriate as a new name.

Agreed

Interim Transition

Mr Tuttle asked the chairs that assuming the government proceeds, what will be the transitional arrangements.

The meeting agreed that a sub-committee be formed with the 3 current chairs and CEO's to advance the merger.

QRL will fund the merger in the transitional stage from QRL product fee revenue with adjustments on completion.

Agreed

Final Outcome

The only issues not agreed for an amalgamation of the 3 codes is the composition of board numbers, noting that Harness has dissented and is still requesting 2 directors.

Questions submitted by Greyhounds

Assets of each Company

- Assets will be transferred to the new control body and become assets of the racing industry for all codes.

Intercode Agreement in 2014 what happens?

- A new agreement will be negotiated in 2014 and must be negotiated in good faith bearing in mind that the Board will have a duty to act independently and fairly under the Act.

What Protections in place for funding to the 3 codes

- Currently the Product and Program Agreement that is administered through Product Co that will act as a subcommittee of the Board.

Safeguards for current staff minimum 3 year guarantee

- Staff earning over \$100,000, there will be no guarantee for staff. Staff earning under \$100,000 the board agreed to 2 years and to negotiate a voluntary redundancy package.

How are founding Directors appointed

- Constitutional issue – see attached.

What is the term? How are they re-elected

- Constitutional issue - See attached.

Each code to retain its own identity and remain at current locations.

- NO – one organisation – one board

Crown Law to draft constitution or funded by Government through private law firm

- Constitution is simple and straight forward will be available in a couple of days.

CEO to manage each code and report to Board

- NO – there will be 1 CEO

Independent Chairman appointed to Board

- The Chairman of QRL is to be the new chair of the control body. Answered previously.

Meeting closed at 11:45am.