

Statement of Peter Joseph Lawlor

I, Peter Joseph Lawlor of care of Gall Standfield & Smith, Solicitors, PO Box 259 Southport in the State of Queensland do solemnly and sincerely declare that:

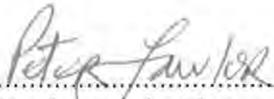
1. I was the Member for Southport in the Queensland Parliament for the period between 2001 and 2012.
2. I was admitted to practice as a solicitor in Queensland in 1981 and practised as such until I was elected to Parliament in 2001.
3. I was the Minister for Tourism and Fair Trading between 26 March 2009 and 20 February 2011. In this role I had responsibility for racing in Queensland. The relevant government unit responsible for racing during this time was the Office of Racing within the Department of Employment, Economic Development and Innovation.
4. I have had a long interest in thoroughbred racing. I was a committee member of the Gold Coast Turf Club (GCTC) for 15 years prior to 2002 when I resigned my position after having been elected to the Queensland Parliament. Prior to my resignation, I was the Deputy Chairman of the GCTC. I was also a member of the Racing Appeal Authority from about 1994 until I entered parliament in 2001.
5. I did not consider that it was my role as Minister to be actively involved in the management of any code of racing in Queensland. My understanding of the recent history of racing in Queensland is that the industry itself had sought independence from government. This was required for membership of the Australian Racing Board, which was necessary to play any role in the development of the Australian Rules of Racing and related regulatory matters. I understand that the appointment in 2006 of Queensland Racing Limited (QRL) as the control body for racing in Queensland gave effect to the thoroughbred racing industry's desire for a control body fully independent from Government. QRL was a company limited by guarantee incorporated for the purpose of being a control body for racing in Queensland.
6. As the Minister responsible for racing, I introduced into Parliament the *Racing and Other Legislation Amendment Act 2010 (2010 Amendment Act)*. The 2010 Amendment Act replaced the 3 separate control bodies for each of thoroughbred, harness and greyhound racing with 1 entity with responsibility for all 3 codes of racing. This new entity was Racing Queensland Limited (RQL). RQL was a company limited by guarantee incorporated for the purpose of being a control body for racing in Queensland.
7. The policy proposal that underpinned the 2010 Amendment Act (that replaced the 3 control bodies with 1) originated with QRL. I saw the following 2 documents prepared by QRL which outlined issues with the racing industry and outlined a model for reform:
 - a. Queensland Racing Industry Issues Paper (May 2009)

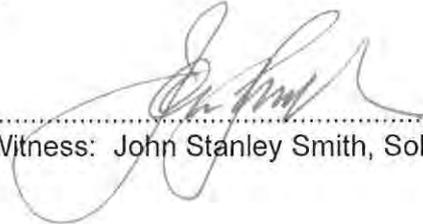
Sheet 1 of 3


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Peter Joseph Lawlor


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Witness: John Stanley Smith, Solicitor

- b. QRL Constitution – The Case for Change (10 November 2009).
8. Copies of the documents described at paragraphs 7a and 7b, are annexures **PL-1** and **PL-2** to this declaration.
 9. I considered that the proposal to reduce the number of control bodies from three to one was sensible and likely to result in a reduction in administrative duplication across the codes with consequent cost savings for the industry. I considered that because the policy change was driven by QRL, it was a reform in the best interests of the industry as a whole.
 10. Racing in Queensland is a very factionalised industry, with rumour, innuendo and self-interest on all sides. Every decision tends to be criticised by those in the industry who believe their (or their club's) interests have not been given sufficient attention; there is never a consensus on anything. I considered that QRL, and then RQL, were bodies that were representative of the industry as a whole that acted in the best interests of racing in Queensland.
 11. In relation to the Racing Industry Capital Development Scheme and the (initially) \$80m in government funding provided for infrastructure works under the Scheme, RQL was responsible for making decisions about where and on what it would be spent. Government's role was to oversee that it was being spent properly, which is why a prerequisite to each payment was approval of plans and business cases for each project.
 12. Consistent with my understanding of my role as Minister, noted previously, I believed QRL and RQL should essentially be left to make all policy decisions without government interference and would be subject to regulation in the same way as any corporation. I believed that there was only a minor role for government and even having a Minister nominally responsible for racing was really just done for perception. As a result, when I was asked questions in Parliament about their operations, I tended to answer in terms to the effect of the two examples annexed as **PL-3** and **PL-4** to this declaration. My recollection is that if a complaint came to us about expenditure, we would refer it to QRL/RQL or sometimes Treasury.
 13. I can only recall one exception to the general approach outlined above of government not being involved in industry decisions. I do not now have the dates available and cannot recall the details, but there was an occasion, I think in the second half of 2010 or first half of 2011, when I attended a meeting with the then Premier and Kevin Seymour who was a director of Queensland Harness Racing Limited. A proposal had been put forward to sell Albion Park and Mr Seymour, who had asked for the meeting, was extremely upset about it and the consequent proposal to move harness racing to a less central venue. I recall him banging the table in outrage about this and about the proposed sale price. He had a copy of the Cabinet Submission for the proposal, which I recall caused some eyebrows to be raised. I do not remember any agreement being reached at this meeting as to next steps but somehow a decision was subsequently made not to sell Albion Park after all. I was not involved in the decision.


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Peter Joseph Lawlor


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Witness: John Stanley Smith, Solicitor

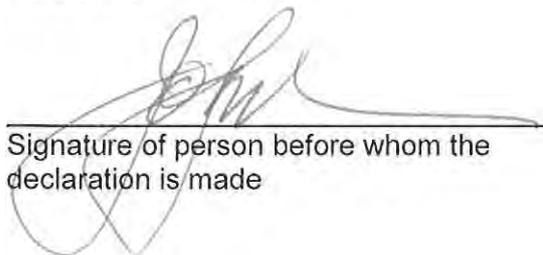
14. I accept that Bob Bentley, Chairman of QRL and then RQL, and the policy positions he pursued for racing in Queensland, often did not have universal support within the industry. Any decision he made would inevitably put a big part of the industry offside. He could be somewhat confrontational in his approach. However, none of his actions gave me cause to believe that he was not acting in the best interests of the racing industry as a whole, even if certain actions may have been to the detriment of particular individuals or groups. Further, it seemed to me that his decisions did seem sensible; for example, the installation of the cushion track in Toowoomba was essentially necessary at the time to avoid that facility being shut down as a result of the drought. When I went to open the cushion track, I received only positive feedback.
15. Similarly, I accept that QRL and then RQL, and the policy positions they pursued for racing in Queensland, often did not have universal support within the industry. However, again, none of their actions gave me cause to believe that they were not acting in the best interests of the racing industry as a whole, even if certain actions may have been to the detriment of particular individuals or groups.

I make this statement conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1867* (Qld).

Dated: 23 August 2013

Signed and declared by Peter Joseph Lawlor at Southport in the State of Queensland this 23rd day of August 2013

Before me:



Signature of person before whom the declaration is made



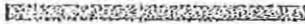
Signature of declarant

Full name and qualification of person before whom the declaration is made
John Stanley Smith, Solicitor

PL-1



QUEENSLAND RACING



Queensland Racing Industry Issues Paper

Created for the consideration of the Hon. Peter Lawlor, MP,
and the Queensland Government

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Introduction

May 2009

Queensland Racing Limited (QRL) is the control body responsible for the administration for thoroughbred racing in Queensland. Harness Racing Queensland (HRQ) and Greyhound Racing Queensland (GRQ) are the equivalent bodies for harness and greyhound racing respectively. The industry itself is a complex mix of sport, business, entertainment and community participation rolled into a product and pastime enjoyed by many.

There are a large number of participants that derive a living from their involvement in racing, across the three codes in Queensland – a living that may not otherwise be possible. Consumers enjoy the sport of racing, where the uncertainty of the outcome and the spectacle of racing horses and greyhounds, provides enjoyment to many. Surrounding the business, the sport of racing, is the indomitable community linkage that exists between racing clubs and residents reaching back decades or even centuries where race clubs were not only providers of entertainment opportunities but also of vital community facilities.

Since the 1980's there has been a shift between the role of the individual race club and the role of the principal racing authorities (PRAs). PRAs, including QRL, have taken on a greater role in terms of the vision and the strategic approach of the industry. Notwithstanding many barriers still exist, QRL remains of the view that much more significant reform is required within the Queensland racing industry to streamline and to more effectively use the resources within the industry. Arguably, the best example of this is the perception that many race club members hold the view that they own the racecourse at which their race club operates. This radical and self centred view has caused the industry much grief in recent times in Queensland, and QRL, as the PRA, has been unable to advance much needed industry projects.

The industry once again finds itself at crossroads where, notwithstanding QRL continues to pursue many initiatives, it often finds the barriers to progress are so significant that initiatives fall by the wayside.

By way of illustration, the 'Product and Program Agreement' negotiated in 1999 at the time of privatisation by the Government and the wagering provider (UNITAB), places some onerous requirements on the industry. Any initiatives or innovations that may be beneficial to the industry are subject to a veto vote by the wagering provider. The requirement to provide a set number of TAB meetings irrespective of viability is an increasing challenge. The legislated amendment of 2005 requiring QRL to pay 7% of its revenue to country clubs that produce no industry revenue relieves the Government of a massive fiscal responsibility to fund 287 country events that are, in essence, the fabric of regional and rural communities. QRL, in addition to discharging this mandated obligation, provides an additional 6.5% of revenue to make country racing stakeholders and clubs viable. The total amount expended on country racing annually is over \$13m.

There is no other industry in Australia that spends 13.5% of its revenue on a non revenue producing activity.

Within our industry there are some 30,000 people employed in fulltime, part-time and casual employment.¹ This large and significant industry generates gross state product (GSP) or otherwise economic spend of \$855m per annum.² Notwithstanding this significant contribution to the state of Queensland, the level of traction that the industry has achieved with the state Government has been minimal. It is the incorrect and common view that gambling equals racing equals wealth. Sometimes championed within Government, this causes some politicians to think that the racing industry either does not, or will not, require any financial support to survive and prosper in Queensland.

Government Contribution to Football and Tennis

In the lead up to the March 2009 state election, Premier Anna Bligh, MP, confirmed a \$60m election pledge to the construction of a stadium for the Gold Coast football club.

The Gold Coast football club will enter the Australian Football League (AFL) in 2011. The license for the Gold Coast football club became contingent on the finalisation of a land swap agreement between the state Government and the Gold Coast City Council (GCCC) that would involve the Government assuming ownership of Carrara Stadium and the surrounding land, plus the expected rubber stamping of a \$40m federal grant. It is understood that the Premier's election pledge and commitment to the provision of \$60m to the construction of the stadium was accredited with removing the final hurdle enabling the Gold Coast football club to become a reality and to participate in the league in 2011.

In addition to the support from Government, at all tiers, it is understood that the AFL will contribute \$10m to the stadium redevelopment, as part of a substantial investment over a period of six years. In addition to the state Government's contribution to the development of a stadium at Carrara, there is a history of support for major sporting codes in Queensland. Lang Park (now known as Suncorp Stadium), which was redeveloped in 2003, was in receipt of substantial support from the state Government. According to media reports, the state Government's contribution to the redevelopment of Suncorp Stadium totalled \$280m. In addition to this massive amount of financial support, the six-stage redevelopment of the Gabba (between 1993 and 2005 at a cost of \$125m) also attracted substantial support from the state Government. The sport of tennis in Queensland has also recently benefited through the establishment of a new tennis facility at Tennyson.

¹ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.5, April 2009 (Copy of full report attached as Appendix A)

² Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.5, April 2009

Whilst the thoroughbred racing industry understands these initiatives by Government and the public interest benefit, it fails to understand why it, as a substantial industry, has been unable to attract support from the state Government.

Employment and Taxation

As mentioned earlier, the racing industry is a substantial contributor to the economy in Queensland. Directly, the industry is responsible for \$855m in economic spend or GSP and when induced and indirect impacts are included the Queensland racing industry contributes just over \$1.44bn towards GSP.³ The racing industry is responsible for the employment of 30,000 Queenslanders in fulltime, part-time and casual employment in the industry. Essentially, for every \$1m of expenditure generated by the industry up to 22 fulltime positions are created or sustained. In real terms, it is likely that the 22 fulltime positions actually reflect more than 46 individuals working in fulltime, part-time and casual positions. To put this level of employment in perspective, the racing industry is an employer of considerably more individuals than the electricity, gas and water supply sector (20,900) and just below the communications sector (33,300).⁴

In relation to taxation, the activities of the racing industry generate more than \$140m in revenue for the state and federal Governments. The state Government receives just over \$103m in taxation revenue from the Queensland racing industry and whilst income tax and GST are not taxes paid specifically by the racing industry the \$35.8m contributed from wagering is unique. Whilst it is considered a federal tax, as it is collected in this manner, the GST revenue does flow back to the state Government coffers via redistribution. The federal Government receives just under \$37m in taxation revenue from the Queensland racing industry, as a result of taxes generated by those employed directly by the racing industry.⁵

Community Spectator Support

Mentioned earlier were the substantial contributions by the state Government to the major sporting codes in Queensland contrasted against the limited level of financial support provided for the racing industry. It is noteworthy that the latest Australian Bureau of Statistics revealed that, on a per person basis, over 16.1% of Queenslanders visit racecourses annually. This placed the racing industry higher than other major sports, including rugby league (16%), motor sports (11.9%) and AFL (7.4%). Approximately 500,000 Queenslanders attended at least one racing event, with similar numbers attending at least one rugby league game. This was followed by motor sports (366,000), AFL (228,000) and rugby union (188,000).

³ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.5, April 2009

⁴ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.5, April 2009

⁵ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.6, April 2009

This paper provides a background to the key issues pertinent to the industry and provides a summary and set of recommendations for your consideration and that of the Queensland Government.

It is fair to say that in the absence of the Government accepting some re-engineering of industry funding by way of tax reform, our industry will decline, irrespective of the positive initiatives by the three codes.

Industry expectation

Background

In the lead up to the March 2009 state election, the Liberal National Party (LNP) released its racing policy, which proposed a number of new and additional funding streams. In essence, the policy promoted a funding boost to the racing industry and as a result, created heightened expectation that additional funds would flow into the industry on the basis that the LNP was successful.

The LNP confirmed it would provide an annual funding boost of \$5.61m for the racing industries to be taken from wagering taxes received by Government. The thoroughbred racing component was identified as the following:

- *City Racing—\$1 million*
- *Regional Racing—\$1.5 million (\$200,000 per TAB club—Gold Coast, Sunshine Coast, Ipswich, Toowoomba, Rockhampton, Mackay and Townsville, and \$100,000 for non-TAB club Cairns)*
- *Country Racing—\$1.36 million*
- *Up to 20 additional non-strategic country race meetings per year throughout Queensland, including the reinstatement of Kilcoy (3), Esk (3), and Bell (1) race meetings*
- *Return of \$3,000 administration fee to non-strategic country race meetings*
- *QTIS boost—\$500,000 additional funding spread over country, regional & city racing to add to existing QTIS scheme*
- *Training & recruitment of Jockeys, Trackwork Riders & Stablehands, and promotion of racing—\$250,000*

The value of this commitment to the thoroughbred racing industry is \$4.61m annually.

Whilst, QRL did not support the allocation of spending through which the LNP proposed to distribute the funding, it is fair to say that the industry welcomed the proposed boost. As a result of the election commitment by the LNP, the industry now has a heightened expectation that QRL, in collaboration with the state Government, will work to ensure a boost for the industry. It is conceivable that this boost could come via a redirection of wagering taxes that the Government receives annually from UNITAB. This matter is explored in greater detail in a later section of this paper.

Issues

- Heightened industry expectation of Government support as a result of the LNP pre-election commitment.
- As will be discerned with other topics within this paper, the industry faces a funding shortage.
- Little or no visible financial support for the industry from the Government when other sports appear to be significant beneficiaries of capital funding from the Government.

QRL investigations conducted to commercialise industry assets

Following the appointment of the board of QRL in 2002 and then under instructions from the Queensland Government, QRL set out to investigate the commercial opportunities for progressing the industry.

It should be noted that the direct Government instructions to the new board were to act decisively, to commercialise the industry, and to make best use of the substantial industry assets that were currently under utilised.

The board, in 2003, completed a survey of the industry needs and formulated a strategic direction for the industry that has been frequently updated to reflect the current environment.

Notable outcomes are:

- Amalgamating the Brisbane Turf Club (BTC) and Queensland Turf Club (QTC) (completed 2009).
- Developing a substantial racing infrastructure at the Sunshine Coast (completed 2009).
- Upgrade Toowoomba track to metropolitan standard (completed 2009).
- Creating a substantial racing infrastructure on the Gold Coast (incomplete).
- Investigate the development of a training centre outside the metropolitan area (under due diligence).
- Reduce waste and administration (most efficient PRA in Australia).
- Rationalise country racing to make country and regional racing sustainable (completed 2003 / 2004).
- Reduce the TAB venues for more product from better venues (completed 2004).
- Grow QRL assets (2002 - \$30m, 2008 - \$92.5m).
- Raise the level of metropolitan prizemoney (2002 - \$200,000 per meeting, 2009 - \$380,000 per meeting)

The board has worked diligently to fulfil the expectations of Government, however, if the industry is to prosper there needs to be a realisation of the limitations imposed by inadequate funding, disproportional taxation, and legislative obligations that are restrictive and uncommercial. During the course of the board's tenure, many projects that would have been industry changing and would have benefited the Government substantially were derailed by populist votes, jealousy and in some cases sheer stupidity. The politicising of racing also defeated many projects that in the commercial world would have succeeded.

A chronological list of events is provided below:

2003 – Trade Coast

Investigations to sell Eagle Farm and Doomben and build a new and better facility at the current Trade Coast site, were met with great opposition from the committees of the BTC and QTC as they saw the possibility of their club rights pass to the control body.

The then Premier, Peter Beattie, advised QRL that this project was too difficult politically and he would provide assistance to secure an alternative site. If the site was Government owned land he would make it available.

2004 - Wacol

QRL approached the Government with the object of again disposing of Eagle Farm, Doomben and Ipswich, although this time including the Albion Park complex, to build a super, multi-purpose venue on Government land adjacent to the river at Wacol.

The project involved relocating Harness and Greyhound racing to a purpose built precinct and the amalgamation of the Ipswich Turf Club (ITC), BTC and QTC into a single entity operating from the Wacol site on a seven day basis. The project also included additional infrastructure, oncourse stabling, and a residential and commercial component.

The project was viable and had the support of many within the industry, including the ITC. The project again met with fierce resistance from the committees of the BTC and QTC, and making the decision to proceed became a political mine field rather than a pragmatic commercial decision. This eventually saw the demise of the project that would have substantially changed the industry.

2006 - Amalgamation

QRL again proposed that there be an amalgamation of the BTC and QTC, with Doomben being sold to fund a major upgrade of the Eagle Farm precinct.

A small section of the Industry, not truly representative or commercially motivated caused a massive political upheaval that has eventuated in a second best outcome of the new club endeavouring to upgrade two facilities, neither of which can be developed to a superior standard.

The sale of Doomben may very well be the eventual outcome to develop a facility at Eagle Farm that will meet the needs of metropolitan racing going forward.

2006 - Palm Meadows

QRL has pursued the prospect of relocating racing from the current Gold Coast site at Bundall across to a Greenfield's site at Palm Meadows. The analysis of this possible project has taken some time given its complexities. The reason QRL undertook this work is that the Gold Coast Turf Club (GCTC) needs to expand and it can not do so on its current site at Bundall.

Approximately 400ha of land was available at Palm Meadows with the majority of that land being flood-prone. As a result of these hydrology and flooding issues, the available land has limited use and it became apparent that the land would be well suited for the development of a racecourse given the relative Greenfield nature of racecourses. The development limitations that exist with the land at Palm Meadows ensure its narrow use which is largely limited to some form of sporting development which would include golf, football playing fields and associated stadium, and racing. It is fair to say that the need for golf courses and sports fields with stadiums is now well catered for on the Gold Coast. The study undertaken by QRL was extensive and confirmed that the site provided a viable development option after having regard for hydrology issues, geotechnical issues and other relevant planning constraints.

The single biggest challenge in relation to the proposal resided with the financial model. In essence, even if the current Bundall site was developed, with the development profits used to offset the costs associated with a first-class racing development at Palm Meadows, a shortfall in excess of \$100m existed. This also had regard for the residual development profit of Palm Meadows being included in the funding proposal. QRL, on Monday, January 5, 2009, met with the main landholder, Dr Stanley Ho, to present Dr Ho with the final results of the physical and financial outcomes of QRL's comprehensive feasibility study. Dr Ho expressed interest in the project and confirmed that on the basis a casino license formed part of the overall project he was interested and prepared to ensure that funding would be available for the development of Palm Meadows. It is noteworthy that the development of both Palm Meadows and Bundall would create significant employment in the region given that both developments would cost in excess of \$4bn. This would have been the largest single project on the books of the Queensland Government and would have considerable flow on effects in terms of increased spend in south east Queensland as well as increased employment during tough economic times.

The issue of a gaming license would have made the project financially viable. The Treasurer, Hon. Andrew Fraser, MP, outlined in a meeting, in late 2008, that the Government would not give consideration to providing a further gaming license, notwithstanding the period of licence exclusivity in favour of Tabcorp, had expired. The issue of a gaming licence without tender was not asked for, only an opportunity to tender. It should be noted that Dr Ho also has a financial interest in making the project viable as a means of enhancing the opportunity to dispose of his real estate holdings at Palm Meadows.

The refusal to consider a casino licence rendered this exciting project unviable.

Issues

- The prospect of developing world first-class racing facility was lost.
- Cost to upgrade the existing site at Bundall is estimated to be in excess of \$50m.
- Limited prospects to expand thoroughbred racing in the Gold Coast precinct without an upgrade of Bundall.
- Opportunity to consolidate TAB racing further will be lost.
- Tourism potential is being lost through the Gold Coast not being in a position to offer a quality, tourist orientated racing experience.

Projects underway and funded by QRL

Corbould Park Development

Background

In 2006, QRL, through the Sunshine Coast Racing Unit Trust (SCRUT) purchased Corbould Park from the local council. QRL was of the view that it needed to secure the facility from the local council in the best interests of the thoroughbred racing industry in Queensland. In doing so, a trust was formed with the Sunshine Coast Turf Club (SCTC) to administer and manage the development of the facility. Corbould Park was purchased in 2006 for \$5.95m and valued in 2008 at \$20m.

QRL has invested significantly in the development of Corbould Park. The recent installation of a Cushion Track was followed by the installation of lights to facilitate twilight and night racing on both the Cushion Track and turf course proper. It is noteworthy that this is the only facility in Australia that has the capacity to conduct night race meetings on either a synthetic or a turf track. The capital investment of both the track and the lights equates to \$14m with just over \$4m provided by the state Government as part of the funding that was set aside for the installation of synthetic tracks.

Oncourse stables are also planned at a cost of \$11.5m for stage one. In the case of the Corbould Park development there is sufficient surplus land available for commercial development to allow the master plan to proceed independent of any industry capital requirement.

In terms of further progress, QRL has recently developed a master plan for the entire Corbould Park site, which includes the potential for commercial development to increase the revenue that could flow into the industry (copy of master plan attached as Appendix B). It is important to have a master plan so that Governments at all levels can understand the proposed overall development. Whilst the funding of such a master plan provides enormous challenges, it also provides significant opportunities for the industry.

Issue

- Funded by QRL \$14m, with no further industry funding required.

Clifford Park Track and Lighting

Background

In line with its program of capital development, QRL is in the process of installing a Cushion Track at Clifford Park and, as part of its development of the Toowoomba Turf Club's (TTC) facility, the lighting will be upgraded.

For years now, the TTC has battled to maintain a reasonable turf racing surface on the course proper, due to the number of race meetings allocated to the club and the fact that the Downs region had, for a long period, been in the grip of a significant drought. Water shortage at Clifford Park had seen the course proper deteriorate significantly during the winter months where, on occasions, only a small amount of rain has caused race meetings to be abandoned due to the unsafe nature of the well worn surface. To improve the conditions for stakeholders in the Toowoomba area, QRL has committed to over \$12.6m in expenditure to replace the turf course proper with a Cushion Track and to upgrade the lighting. The works have commenced and are scheduled to be concluded by June 2009.

It bears mentioning that the very public campaign, which was anti-installation of the Cushion Track, was initiated by those that are not so much anti-synthetic tracks, but anti-QRL. Unfortunately, the campaign fuelled by a number of those in the Brisbane racing scene became very public, and, as a result, QRL suspects that the participation levels and the wagering that occurs on Cushion Track meetings at Corbould Park is being negatively impacted by the poor publicity about the installation of a Cushion Track at Toowoomba. Already the installation at Corbould Park has proven to be a success, with a number of race meetings being conducted in conditions that would have otherwise caused meetings to be cancelled. The acceptance of Cushion Tracks in south east Queensland will take some time, but in due course, with more exposed race form, these will be accepted as part of the daily wagering appetite by customers across Australia.

Issues

- The main issue in respect of the TTC is the additional \$2m that QRL will now be required to commit to upgrade the cabling that stems from the initial installation of the lights at Clifford Park.
- Total funding by QRL \$12.6m
- The capital cost is a direct investment by QRL and as such is treated as QRL expenditure and will affect the profit and loss account for FY2008/09.

Callaghan Park Upgrade

Background

As with many other facilities in Queensland, QRL has also invested in the upgrade of Callaghan Park, Rockhampton. The Rockhampton Jockey Club (RJC) conducts 43 race meetings a year, with the majority of these (33) attracting TAB coverage.

In line with our commitment to upgrade facilities, QRL has commenced a project to upgrade the course proper at a cost of \$6m. This upgrade removes the home turn loop that currently exists between the two tracks. Once this upgrade has been completed, the broadcast of races from Callaghan Park will provide more substantial and quality vision that will lead to increased wagering on meetings. In terms of oncourse stabling, 100 boxes presently exist and ideally this number would be increased, however, lack of available funding is an issue.

Issues

- As with the development of other venues, the single biggest issue is the lack of funding for these developments and the fact that in many cases, the capital development becomes part of the club assets, as opposed to Industry assets.
- Funded by QRL - \$6m.

Essential projects to be funded by tax redirection

Gold Coast Turf Club (GCTC) Upgrade

Background

In a previous section, this paper discussed the proposed project to develop a Greenfield's site at Palm Meadows. This topic is inextricably linked to that proposed development, as had the Palm Meadows project proceeded, there would be no need to consider a second best outcome which is an upgrade of Bundall, the facility at which the GCTC currently conducts race meetings.

A long term strategy of QRL is to decentralise metropolitan racing to an extent that a number of metropolitan meetings would be conducted on the Gold Coast each year. QRL envisages that metropolitan meetings will not be centralised in Brisbane, but a number of major meetings will be conducted on the Gold Coast, to not only benefit racing, but also tourism. The lack of a quality facility on the Gold Coast hampers QRL in the delivery of this strategy. To upgrade the racing and training facilities and provide for a reasonable upgrade, a budget somewhere in the order of \$50m - \$60m would need to be established.

Another significant issue that needs to be considered is Magic Millions (MM) wishing to further upgrade the quality and standing of its race series and along with this, a quality racing venue is required. An upgraded venue is not only required for this series, but is also a requirement for the Gold Coast to host its share of major meetings. It must be stressed that an upgrade of the GCTC's facility at Bundall is not designed solely to accommodate a once only MM meeting per year rather its purpose is to strengthen thoroughbred racing on the Gold Coast and to support QRL's strategy to decentralise metropolitan race meetings.

Each year the owners of MM claim that the race will be moved unless the facilities are upgraded at the GCTC. No one would question the value associated with MM hosting their main race each year at the Gold Coast. The flow on benefits to the economy are substantial in terms of spend on food, entertainment and accommodation. It seems that the company is now seriously starting to look further a field and if their reasonable needs are not met, Queensland could lose the race series.

Only this month, QRL met with a representative of MM who was seeking permission and support to move the MM race day to Eagle Farm further centralising high quality race meetings in Brisbane, which is in stark contrast to QRL's strategy to decentralise metropolitan race meetings.

From a GCTC standpoint, a move of the MM race day to Eagle Farm, away from the Gold Coast, or to any other venue for that matter, will deliver a financial disaster to the club, and the City of the Gold Coast. In addition, this will cause QRL to redirect scarce funds to subsidise the GCTC for the loss of their main race day.

Issues

- Substandard facilities at the Gold Coast.
- Cost of a reasonable upgrade estimated at \$50m – \$60m.
- Lack of club or industry funding to finance upgrade.
- Loss of MM race day and series.

Mackay Turf Club (MTC)

Background

As with the other provincial clubs located in regional Queensland, the MTC complex at Ooralea Park requires a significant upgrade. For this club to remain a TAB club, significant expenditure will be required on the course proper, the training tracks will require an upgrade, and the development of oncourse stabling is essential.

Whilst QRL has been able to reduce the number of venues producing TAB race meetings, it also increases the risk of significant track wear and tear. An option to increase the level of TAB activity at Mackay exists, but only on the basis that we are able to upgrade the facility inline with the abovementioned comments. In the absence of being able to improve the course proper, training facilities, and develop oncourse stabling, Mackay will cease to be a TAB venue.

To increase the presentation of race meetings at Mackay, a significant amount of expenditure is required for the overall upgrade. An amount in the order of \$1.2m is required to renovate the course proper, upgrade the training facilities and establish approximately 100 stables oncourse, to ensure the ongoing viability of the club, as one which facilitates the running of TAB covered race meetings.

Issues

- The lack of funding available to proceed with the abovementioned developments.
- The likely removal of the MTC as a TAB race club in the absence of being able to upgrade the Ooralea Park facility.
- Downgrading of Mackay as a significant racing centre.
- Funding required – \$1.2m

Cairns Jockey Club (CJC) and Far North Queensland Amateur (FNQA) Race Club

Background

The CJC is a race club in Queensland that has been the recipient of considerable racing development funding over the last ten years. On more than one occasion the club has been 'bailed out' to secure its future. Mainly, these circumstances have come about as a result of a lack of harmony within the racing industry in the Cairns district.

More recently, the club finds itself faced with legal action by 'Trafalgar' and a precarious financial situation that, if not addressed, would see the closure of racing in Cairns indefinitely. On February 29, 2004, the members of the CJC passed a resolution by majority vote for the sale of Cannon Park to proceed by way of public tender, or expressions of interest. The intention of the existing committee was to partner with Trafalgar to identify an alternative venue for racing in the Cairns district, enabling the mixed use development of Cannon Park by Trafalgar, with Trafalgar financing the relocation of racing in Cairns to a Greenfield's site.

Following a very public campaign in 2006, an alternative committee headed by Mr Tom Hedley, was elected at the annual general meeting on November 19, 2006. The committee that was ultimately elected had campaigned on the basis they would retain racing at Cannon Park and would not entertain the relocation of racing to an alternative site. In an interview with the Cairns Post immediately after the election of the committee, Mr Hedley, CJC president, is reported to have said that, "*there were no guarantees, (his) aim was to get rid of Trafalgar within a year. It would be better if it was a week's time, but a year's time hopefully. And the plan is if we can get rid of Trafalgar, we want to start on that (Cannon Park upgrade) building the first week after the amateurs next year*".

Trafalgar have argued that this statement evidences "*a lack of good faith to meet its obligations under the agreement*". On February 2, 2007, the board of QRL further considered its position regarding the sale of the Cannon Park complex. After considering the results of the documented due diligence process, the board resolved to withdraw its 'in-principle' approval for the sale of the Cannon Park complex. On February 19, 2007, Trafalgar's solicitors wrote to the CJC rescinding the agreement and advising that, "*Proceedings will be commenced in the Supreme Court... for breach of contract against its current president and committee members for the tort of unlawful interference with contractual arrangements*". On February 27, 2007, Trafalgar lodged an action against the CJC and the 12 individual members of the committee. Trafalgar are continuing with their proceedings. The CJC finds itself in a precarious situation, to the extent that QRL will provide funding to the CJC to obtain an opinion in relation to the legal matter involving Trafalgar. It should also be noted that the CJC is bordering on insolvency.

The CJC has total liabilities of \$988,000 in total and is in no position to repay its creditors.

In addition to this most serious matter, Cannon Park also requires considerable work on the facility and it is anticipated that the overall cost to QRL to re-establish the racing amenity to a reasonable standard will be in the order of \$1.5m.

The future of the CJC and Cannon Park has a significant bearing on the long standing FNQA Race Club. Known as the "Cairns Amateurs", the club conducts two race meetings annually, one a non-TAB meeting and the second covered by the TAB. Across the two days the club hosts between 20,000 and 25,000 patrons at the race meetings. As with the MM at the Gold Coast, the Cairns Amateurs delivers a massive boost to the economy and both local and state Governments are aware of this, as it is reflected in the level of interest shown in the meetings held by this club. Put plainly, its future is in the balance just as the future of the CJC is.

Issues

- Legal action by Trafalgar against the club and the individual committee members.
- The nominal claim by Trafalgar of \$100m.
- QRL having to fund legal costs of the CJC currently \$30,000; should Trafalgar continue with the court action a defence of the CJC in court could range upwards of \$400,000.
- The club lacks the capacity to meet current financial obligations; total liabilities of \$988,000.
- The club is insolvent without QRL guarantees.
- If the CJC falls over, so too does the highly successful FNQA race meetings. The Cairns Amateurs have an obligation to the Cairns City Council of \$150,000 and the Government has extended funding to this event in conjunction with the 'City of Cairns Festival' through Queensland Events Corporation.
- In the order of \$1.5m is required to establish Cannon Park as a reasonable racing facility, meet workplace health and safety obligations, and secure the Cairns Amateurs Carnival as an ongoing event.
- Overall funding required to ensure racing continues at Cannon Park is approximately \$2.8m.

Deagon Training Facility

Background

QRL undertook a detailed study of the Deagon training facility with a view to upgrading the equine component of the training facility, with the majority of the cost associated with the upgrade to be derived from a commercial development proposed for approximately 5ha of the existing site.

A review as to the need to retain the Deagon facility is currently underway in the context of QRL moving to procure Wadham Park, which is to be upgraded to facilitate the training of approximately 800 horses.

In analysing the proposed development at Deagon, it became apparent that there was a substantial shortfall in the funding model. The proposed equine development planned to cover approximately 30ha was costed at \$85m, if the development proceeded to the standard proposed by QRL. The commercial development of 5ha of land, bordering Racecourse Road, would provide in the order of \$40m in terms of development profit over a period of seven years, on the basis that QRL assumed the role of developer, with fixed-build contracts in place. This approach was seen as the most viable for QRL given that the development was based on an affordable housing model. Whilst QRL would bear the majority of the risk, it was felt that in the circumstances, QRL needed to adopt this approach to maximise the revenue that would flow from the development. The development revenue was to be used to offset the significant costs associated with the new equine precinct.

In the circumstances, QRL has elected to put on hold the proposed development at Deagon given that the funding gap is approximately \$45m (with no escalation of costs included) and that QRL has signed a contract to purchase the Wadham Park complex, as being a more commercial option.

It is understood that Government, both local and state, have some concerns in relation to the future of Deagon. This concern is understandable, as the Deagon facility has formed an integral thread of the racing industry since the late 1800's. Unfortunately, with options in relation to the facility being limited, QRL would be forced to incur a significant cost to upgrade the current Deagon complex to meet standards that are reasonably expected within the thoroughbred industry.

At present, the facility has the capacity to accommodate the training of up to 230 horses, without the tracks incurring an unreasonable amount of wear-and-tear. The single greatest issue at Deagon is the lack of water that is available all year round to ensure that the track is presented in a suitable and safe condition. QRL would be prepared to consider the ongoing use of Deagon favourably, however, to do so will require a significant upfront capital injection and ongoing funding support from Government. For training facilities to remain viable in this day and age, their use must be optimised and this generally occurs through the installation of a synthetic track, which has the capacity to absorb greater wear-and-tear than customary turf tracks.

Issues

- If a decision is taken to close training at Deagon it will cause disruption to the Deagon stakeholders and business community.
- For training to continue at Deagon in the longer term, significant Government subsidies will be required, including an upfront capital injection.
- The development of approximately 5ha at Deagon, enabling the establishment of an upgraded equine precinct, does not fully fund the costs associated with the equine precinct upgrade, leaving a short fall of approximately \$45m (without the inclusion of an allowance for the escalation of costs).
- Current status on hold, future to be decided.

Industry projects for future funding

Wadham Park one (1) and Wadham Park two (2)

Background

QRL, on March 23, 2009, signed a contract for the purchase of two properties in the Beaudesert region, at Canungra, commonly known as Wadham Park 1 and Wadham Park 2 (Wadham Park). The complexes are reasonably well appointed as private training venues and represent two lots of approximately 33ha providing considerable opportunity for further development.

The purchase of these properties, subject to due diligence, is scheduled to occur on July 1, 2009. A significant amount of investment will be required to deliver two state-of-the-art training facilities, both for horses and people wishing to participate in the thoroughbred racing industry in Queensland.

Progressively, QRL will be required to invest approximately \$40m in both facilities to increase the number of stables at each venue and upgrade the training tracks and access. The overall development will also require the construction of accommodation onsite to facilitate training needs in regard to the further development of the curriculum for apprentice jockeys, trainees and stablehands, to meet industry resource needs.

The intention of QRL is to significantly restructure the method by which training and education is delivered to our industry by introducing an academy style educational facility to train our young apprentices, in a live in situation that will deliver not only career skills, but life skills and discipline, which are sadly lacking in most industry training.

QRL has been concerned at the current circumstances where young apprentices, both male and female, are, on occasions, exposed to less than satisfactory workplaces and the inherent dangers of living away from home at a young age.

The development of Wadham Park will give the industry, and Queensland, a unique opportunity to lead the way in developing a continuous base of skilled young Queenslanders. These young apprentices (for example 25 per annum) once trained will find immediate employment, and, in addition, will have the necessary life skills to make a worthwhile contribution to society.

The training centre will have the capacity to offer education and training to overseas students in due course, but in the initial stages, the urgent shortage of skilled employees in Queensland will take priority. It is anticipated that the training centre at Wadham Park will provide training and education for approximately 250 people annually.

The benefits for the Queensland Government in developing these properties include:

- increased employment in south east Queensland;
- increased spend in south east Queensland;
- 250 training and education and 400 permanent fulltime jobs; and
- the further development of one of the largest industries in Queensland.

The benefits for the Queensland thoroughbred racing industry include:

- improved training facilities for horses;
- improved training and educational facilities for people to work in the industry;
- increased supply of fit racehorses;
- the capacity to market the facility both interstate and internationally to increase industry participation; and
- the capacity to showcase Wadham Park demonstrating a commitment to excellence.

QRL has also written to the Queensland Government seeking ex gratia relief from the payment of stamp duty associated with the purchase of Wadham Park.

Issues

- Lack of funding to meet the immediate costs of development (\$40m).
- On the basis that the purchase to procure Wadham Park does not proceed, the Beaudesert Race Club (BRC) facility requires a \$3m upgrade.
- Upfront urgent relief funding of \$1m is needed.

Industry Education and Training

Background

Despite the size and economic impact of the racing industry there are no public providers of training such as TAFE or Ag Colleges as in other states. The industry has delivered training through self funded training entities based at Deagon and at QRL regional offices.

In 1995, the Queensland Racing Industry Training Centre (QRITC) was established at Deagon. Initially funded by the state Government through the Department of Tourism, Sport and Racing, much of the infrastructure was funded from the international training programs conducted there between 1996 and 2004. The success of that program allowed for the construction of facilities.

In 2000, QRITC became Queensland Race Training (QRT) Pty Ltd, a company owned by the Thoroughbred and Harness boards. QRT was heavily subsidised by

the thoroughbred industry. Due to the entry of lower standard and heavily marketed competitors for the international training programs, QRT was unable to cross subsidise from those programs to support domestic training and increasingly required substantial assistance from QRL.

In 2004, QRT was wound up with QRL taking over the facilities, the training and the costs.

QRL became the industry's registered training organisation located at Deagon and providing training based on the National Training Package for the Racing industry.

Currently, QRL provides all training across the state for apprentice jockeys, trainee trackwork riders and stablehands and thoroughbred and harness trainer courses.

This structured training is delivered from Deagon, but the industry's ability to provide the required intensity of technical skills for the critical horse related components is hampered by lack of facilities and insubstantial funding.

The thoroughbred racing industry is reaching the crossroads in terms of recruitment, induction, up-skilling and retention. It is a large and very traditional industry where most have learnt their skills by "hands on" workplace training. This includes the employers, as well as the employees. This reliance on handed down knowledge and skills has implications, such as:

- there is a lack of acceptance for structured training which is not seen as part of work;
- there are many low skilled or partly skilled workers with insufficient training and supervision;
- there is a high turnover of workers at entry level;
- transient workers even in skilled areas such as trackwork contribute to inefficiencies and wasted resources;
- employers lack basic management skills in key areas contributing to turnover of workers;
- suitable employers for apprentices and trainees are difficult to find and workplace issues frequently require intervention;
- dissemination of new knowledge and skills, research and legislation is slow and ineffective;
- career paths are not clearly identified to workers; and
- industry image suffers due to poor employment practices.

The combined effect of these issues is that the industry will increasingly struggle to compete for and retain workers, especially those looking for a secure, defined career path.

Additionally, the level of skills and training delivery must be raised to allow the industry to make the most of its current workforce and ensure that industry work practices are based on skilled and trained workers, up to date technical knowledge, good workplace practices and offering secure, safe and clearly defined career paths to achieve this substantial financial assistance is required.

Issues

- Lack of financial assistance will prevent the development of sufficient skills to work in this industry.
- The development of an appropriate facility at Wadham Park is essential for training and will cost in the order of \$1m.

Wagering taxation

Background

The redirection of wagering tax back into the racing industry, as has occurred in other states, would not only be a lifeline for the industry, but it would also provide the industry with an opportunity to strategically reinvest the funding to further increase the economic benefit to the state of Queensland and create additional jobs.

The Queensland wagering taxes paid to the state Government equate to approximately \$35.8m per annum.⁶ The wagering tax regimes in other states have either been reviewed with taxation benefits flowing back to the industry or alternatively been subject to submissions to the various state Governments in Australia.

The Victorian racing industry is currently working with the state Government to formulate a new funding model once the joint venture agreement with Tabcorp ceases in 2012. Currently the Victorian racing industry receives benefits in the order of \$80m per annum from Tabcorp gaming revenue. This revenue will be withdrawn and a new model developed to ensure the Victorian racing industry is not disadvantaged. A figure recently released by Ernst and Young shows that taxation on wagering in Victoria could fall to as low as 2.55% for the industry to be no worse off.⁷

The three codes of Racing in New South Wales (NSW) have provided submissions to the NSW Office of Liquor, Gaming and Racing in relation to the review of wagering in NSW - the *Cameron Report*. One of the recommendations in the *Cameron Report* is a nationally coordinated approach to the regulation and taxation of the wagering industry. Proposed changes to the state taxation that affects the NSW racing industry also forms an important part of the submissions made by the NSW racing industry. In terms of South Australia (SA), the SA Government has abolished all state taxation on racing. The SA racing industry has been a major beneficiary as it will be in receipt of \$8.5m per annum of additional revenue in the 2012/13 fiscal year. The process of totalisator tax withdraw is to be implemented over a four year period commencing 2008/09.⁸

The Tasmanian racing industry is also working with the Tasmanian Government to formulate a new funding model that delivers sustainability and revenue predictability for the Tasmanian racing industry. Integral to the discussions has been the need for an appropriate level of capital works to be undertaken in Tasmania, to continue to deliver the Tasmania racing product. Similar to Victoria, the Government in Tasmania has guaranteed that the Tasmanian racing industry will not be worse off by these arrangements. In terms of Western Australia (WA), the racing industry has

⁶ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.6, April 2009

⁷ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.3, April 2009

⁸ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.13, April 2009

received significant capital support from the Government (\$20m over three years) and received a reduction of 5% state tax on total turnover. The WA industry has a distinct advantage compared to other jurisdictions, including Queensland, when it comes to competing for the entertainment and gambling dollar, as electronic gaming machines are only located within the Burswood Casino.⁹

The Northern Territory (NT) racing industry is also negotiating with the state Government in relation to a new funding model, which is not based on wagering turnover or net wagering revenue. It is estimated that the negotiation and the new funding arrangement will be completed in the coming months. Government revenue in the NT is significantly enhanced by the growth of corporate bookmakers' turnover (in excess of \$2bn) of which the state Government receives 0.33%.

The Queensland racing industry faces significant challenges in terms of sustainability and ongoing growth. Already, as a result of the decision to sign a contract to purchase Wadham Park, there has been a high level of consternation expressed by participants in the Deagon region in relation to the future of training in that facility. QRL, given tight financial constraints, has an obligation to develop the industry within its own means, in an efficient and an effective manner.

Apart for the \$12m funding for the installation of three synthetic tracks and \$2m per annum to offset the costs associated with the provision of training tracks, all capital funding to be expended within Queensland racing industry has been provided from within the industry itself. Whilst this is not a preferred option, QRL has been forced to consider industry debt to fund significant industry initiatives. In line with the decision taken by the SA Government, the three codes of racing in Queensland are of the view that the Queensland Government should redirect wagering tax to the industries, on the basis that the industries can demonstrate that the strategic investment of those funds can deliver outcomes of interest to the state Government. This outcomes should include increased economic spend and employment within the industry.

As highlighted earlier, wagering tax paid to the state Government is approximately \$35.8m per annum and a redirection of some of this tax to the industries would provide assistance across the three Queensland racing codes.

Issues

- The Queensland racing industry will be left behind by other states as they benefit from the redirection of wagering taxes and new funding models.
- In the absence of being able to maintain the current levels of industry participation, the economic contribution to the state and the level of employment within the industry will diminish.

⁹ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.13, April 2009

Government contribution to other sports

Background

In the lead up to the March 2009 state election, Premier Anna Bligh, MP, confirmed a \$60m election pledge to the construction of a stadium, for the Gold Coast football club, enabling it to enter the AFL competition in 2011.

The license for the Gold Coast football club became contingent on the finalisation of a land swap agreement between the state Government and the GCCC that would involve the Government assuming ownership of Carrara Stadium and the surrounding land, plus the expected rubber stamping of a \$40m federal grant. It is understood that the Premier's election pledge and commitment to the provision of \$60m to the construction of the stadium.

In addition to the support from Government, at all tiers, it is understood that the AFL will contribute \$10m to the stadium redevelopment, as part of a substantial investment over a period of six years. In addition to the state Government's contribution to the development of a stadium at Carrara, there is a history of support for major sporting codes in Queensland. The Lang Park (now known as Suncorp Stadium) redevelopment project, which commenced in 2003, was in receipt of substantial support from the state Government. According to media reports, the state Government's contribution to the redevelopment of Suncorp Stadium totalled \$280m. In addition to this massive amount of financial support, the six-stage redevelopment of the Gabba (between 1993 and 2005 at a cost of \$125m) also attracted substantial support from the state Government. Queensland tennis has also been a major beneficiary in recent times with the establishment of new tennis centre at Tennyson.

Whilst the thoroughbred racing industry understands these initiatives by Government, it fails to understand why it, as a substantial industry, has been unable to attract reasonable support from the state Government. The level of support from the Government to the racing industry in more recent times, has consisted of a \$2m grant per annum to offset the substantial cost associated with the preparation and training of thoroughbred racehorses and, in addition, a recent commitment of \$12m for the installation of three synthetic tracks that will cost closer to \$30m.

As mentioned earlier, the thoroughbred racing industry is a substantial contributor to the economy in Queensland. Directly, the industry is responsible for \$855m in economic spend or GSP and when induced and indirect impacts are included, the Queensland racing industry contributes just over \$1.44bn towards GSP.¹⁰ The racing industry is responsible for the employment of 30,000 Queenslanders in fulltime, part-time and casual employment in the industry. Essentially, for every \$1m of expenditure generated by the industry up to 22 fulltime positions are created or sustained. In real terms, it is likely that the 22 fulltime positions actually reflect more than 46 individuals working in fulltime, part-time and casual positions. To put this level of employment in perspective, the racing industry is an employer of

¹⁰ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.6, April 2009

considerably more individuals than the electricity, gas and water supply sector (20,900) and just below the communications sector (33,300).¹¹

In relation to taxation, the activities of the racing industry generate more than \$140m in revenue for the state and federal Governments. The state Government receives just over \$103m in taxation revenue from the Queensland racing industry and whilst income tax and GST are not taxes paid specifically by the racing industry, the \$35.8m contributed from wagering is unique. Whilst it is considered a federal tax, as it collected in this manner, the GST revenue does flow back to the state Government coffers via redistribution. The federal Government receives just under \$37m in taxation revenue from the Queensland racing industry, as a result of taxes generated by those employed directly by the racing industry.¹²

Mentioned earlier were the substantial contributions by the state Government to major sporting codes in Queensland and contrasted against the limited level of financial support provided for the racing industry. It is noteworthy that the latest Australian bureau of statistics revealed that, on a per person basis, over 16.1% of Queenslanders visit racecourses annually. This placed the racing industry higher than other major sports, including rugby league (16%), motor sports (11.9%) and AFL (7.4%). Approximately 500,000 Queenslanders attended a racing event, with similar numbers attending one or more rugby league games, this was followed by motor sports (366,000), AFL (228,000) and rugby union (188,000).

Notwithstanding limited financial support from the state Government, QRL has initiated projects involving significant capital development, including:

- the purchase of Wadham Park 1 and Wadham Park 2 - \$20m;
- the proposed upgrade of Wadham Park over three years - \$40m;
- the purchase of Corbould Park - \$5.95m;
- capital investment at Corbould Park for the installation of the Cushion Track and lights of \$14m (\$4m provided by the state Government);
- the proposed installation of 250 stables at Corbould Park - \$11.5m;
- the installation of a Cushion Track and upgrade of the lights at Clifford Park -- \$12.6m (\$4m provided by the state Government); and
- the upgrade of the Rockhampton course proper - \$6m.

In addition to these outlined above, significant costs will be incurred for the upgrade of the MTC facility at Ooralea Park, improvements required for the Townsville Turf Club at Cluden Park and also the rescue package that is required for the CJC to ensure that racing in Cairns, including the conduct of the successful Cairns Amateurs race meeting, is able to continue.

¹¹ Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.5, April 2009

¹² Size and Scope Study of Racing in Queensland, IER Pty Ltd, p.6, April 2009

Issues

- Substantial investment required by QRL for capital infrastructure within the industry in the absence of any significant financial support from the Government.
- State Government's considerable financial support of capital investments in high profile sports, whilst financial support has been lacking for the thoroughbred racing industry.
- Inequity between the contribution to the economy and employment between the various high profile sports in Queensland and the racing industry, and lack of recognition for the racing industry's contribution in this regard.

Suggested financial model for industry tax redistribution

The following funding model is predicated on the bare minimum of urgent requirements, with the bulk of future redistribution of tax relief going to the Gold Coast.

The 'redirection of tax model' that follows takes into account current Government financial constraints.

The upgrade of the Gold Coast is a most pressing need for the thoroughbred racing industry and whilst it takes precedence the issues outlined at Cairns, Mackay and Deagon also are all major priorities.

The proposed model seeks a 25% redirection of wagering tax in the first year, climbing to 35% redirection to the industries in the second year, and finally 50% redirection in the third year. The figure of 50% has been arrived at as it provides the minimum amount required in the third year of redirection to fund essential industry initiatives that are outlined in this paper.

Possible QRL funding model

The following two pages contain an example of how taxation redirection could be utilised from a thoroughbred racing standpoint. It will also be noted that the proposed break-up of any tax redirection is based on the percentages contained in the Queensland racing industry, "Intercode Agreement".

Queensland Racing Limited
Capital Development

| | Total |
|--|------------|
| Total Capital Required | 75,600,000 |
| Proposed Funding Model | |
| Repayments - Years | 10 |
| Interest Rate | 8.0% |
| Interest Per Annum | 6,048,000 |
| Principal Capital Repayment | 7,560,000 |
| Total Annual Repayment Principal Plus Interest | 13,608,000 |

| | QRL | Harness | Greyhounds | |
|---|------------|------------|------------|-----------|
| Estimated Annual Wagering Tax for 3 codes | 35,800,000 | 76% | 14.50% | 9.50% |
| | | 27,208,000 | 5,191,000 | 3,401,000 |

| Tax Relief | | % of Estimated Annual Wagering Tax Returned to the Industry for 3 codes | Tax Relief Allocated Over period | QRL Portion 76% of Wagering Tax Relief | Interest on Loan of \$75.6M @ 8% p/a | Balance Available for Capital Contribution | Terms of Repayment | Repayment of Loan |
|-----------------------|--------------|---|----------------------------------|--|--------------------------------------|--|--------------------------------|-------------------|
| | | | | {1} | {2} | {1} - {2} | | |
| Tax Reduction Year 1 | Scenario (a) | 25% | 8,950,000 | 6,802,000 | 6,048,000 | 754,000 | Interest Only | 6,048,000 |
| Tax Reduction Year 2 | Scenario (b) | 35% | 12,530,000 | 9,522,800 | 6,048,000 | 3,474,800 | Interest Only | 6,048,000 |
| Tax Reduction Year 3 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 4 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 5 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 6 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 7 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | <i>Principal Plus Interest</i> | <i>13,604,000</i> |
| Tax Reduction Year 8 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 9 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 10 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 11 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |
| Tax Reduction Year 12 | Scenario (c) | 50% | 17,900,000 | 13,604,000 | 6,048,000 | 7,556,000 | Principal Plus Interest | 13,604,000 |

Funding Proposal

Year 1 QRL to fund Interest Only
Year 2 QRL to fund Interest Only
Year 3 onwards QRL to Fund Principal plus Interest

Total Capital Required to cover the following Projects in the next 2 years

| Years | Project | TOTAL | FY0910 |
|------------------|---|-------------------|-------------------|
| FY0910 to FY1112 | Gold Coast | 58,000,000 | 58,000,000 |
| FY0910 to FY1112 | Cairns and FNQA Race Clubs | 2,800,000 | 2,800,000 |
| FY0910 to FY1112 | Stables and Upgrade Mackay Turf Club | 1,200,000 | 1,200,000 |
| FY0910 to FY1112 | Retention of Deagon | 1,000,000 | 1,000,000 |
| FY0910 to FY1112 | Upgrade of Training Facilities Wadham Park | 5,600,000 | 5,600,000 |
| FY0910 to FY1112 | Brisbane Racing Club - Plans and Financial Assistance During Construction | 5,400,000 | 5,400,000 |
| FY0910 to FY1112 | QRL Integrity | 1,600,000 | 1,600,000 |
| | | 75,600,000 | 75,600,000 |

Other issues

Race club employment of staff in Integrity functions

Background

Recently, there have been several incidents involving race club staff, that, due to lack of performance has caused the industry a degree of grief and bad press, which has led to a lack of confidence in the Queensland thoroughbred racing industry. Two incidents in particular that are worth making reference to involve staff at the QTC and the MTC.

In reference to the QTC, QRL stewards were required to open an inquiry into the use of non-compliant equipment at Eagle Farm. It became apparent that the racecourse manager had provided a set of illegal spurs to be used during a jump-out at Eagle Farm, which consequently led to a breach of the rules and penalties being issued. It is a less than desirable situation when the PRA is required to take action against race clubs staff, in this instance, senior staff, due to a lack of integrity.

In relation to the MTC, QRL was required to investigate an allegation that the racecourse starter and barrier attendants were consuming alcohol during the conduct of a TAB race meeting at Mackay. Subsequent to breath testing the starter and barrier attendants, it was determined that staff were indeed consuming alcohol while attempting to perform important integrity related functions on behalf of the industry. Subsequently, the MTC released these people from its employment.

These two items present an area of concern that QRL will address. When it comes to the industry, integrity can not be compromised, irrespective of cost, as it is quite simply the foundation upon which the industry is built. QRL will move to assume complete responsibility and the employment of starters, assistant starters, barrier attendants and other staff performing integrity related functions who may be currently employed by race clubs. This will occur in a staged manner and the indicative cost will be in the order of \$1.6m annually.

Issues

- Increasingly QRL is required to incur additional costs to protect and promote the Integrity of the industry.
- Associated costs with the employment of these additional persons will be met by QRL.
- To meet the cost associated with the provision of these integrity functions, owners will be required to forgo any proposed prizemoney increases, as the cost associated with these functions will be ongoing and annual.
- The industry is required to fund the Government analytical laboratory at a cost of \$2.6m annually.

Ownership of racecourse land

Background

One of the single biggest issues facing the control body is the ownership of racecourse land. Effectively, with the land being gifted to individual race clubs, the members of the club have a say in respect of the development of industry assets, and it is reasonable, in this day and age, to question the rights of race club members to do so.

QRL had firsthand experience in respect of the authority that the membership of a race club has in relation to blocking industry initiatives. For example, QRL held the view that it was no longer necessary to maintain two metropolitan racecourses in Brisbane separated only by Nudgee Road. Our view was that this was akin to two Ballymores, two Gabbas or two Suncorp Stadiums being located side-by-side. The then proposition by QRL that only one racecourse was needed was largely defeated on the basis of emotion and cultural differences between the two clubs, namely the BTC and the QTC.

It is disappointing when members of race clubs hold such power that the development of the industry, in this case metropolitan racing in Brisbane, is thwarted by those who simply pay an annual subscription to attend race meetings and access facilities that are not otherwise afforded to the general public. One of the fallacious arguments against the disposal of one racecourse, was that one track could not accommodate the number of race meetings. This is not unreasonable if the current facilities were to be retained without any development, in particular, widening of the course proper. Logically, if a track is 30m wide and handles 50 race meetings at present, if the width of the track was to be doubled, effectively employing two true rail positions, then it is probably that the redeveloped race track would handle double the number of race meetings. This sensible and logical argument was lost in translation, as overwhelming emotion took centre stage. History now provides that the BTC and the QTC will amalgamate into the Brisbane Racing Club from July 1, 2009, and that the newly formed club will proceed with a development that covers both racecourses. The concern that QRL has in respect of this approach is quite simply that in time to come, when it is recognised that only one racecourse is really required, that parts of each facility will be disposed of making it impossible to properly develop Eagle Farm.

Nevertheless, with ownership of racecourses held by race club members, it provides for a situation where only the second best outcome can be achieved. It means that development proposals are generated from club level and promoted to QRL for consideration. This process does not provide for an approach that fully considers the state-wide development of industry assets in a coordinated and integrated fashion. Rather, it is an ad hoc approach generated initially by each race club, considered by QRL in the context of other development proposals that it is aware of at the time. As a second best position, QRL is in the process of implementing a policy that enables the distribution of part of any funds generated as a result of a racecourse development to other clubs in that jurisdiction. To some extent, and on the basis that this policy is able to be implemented, QRL can redirect some funding in the best

interest of racing within a region, as opposed to the self promotion of individual race clubs.

Our preferred position is that QRL assumes ownership of all industry assets. A flow on effect of this, which should not be understated, is the capacity to exploit, in the best interests of the industry, other assets, including broadcast rights. Previously, individual clubs have established agreements with Sky Channel and their approach to date has been to do the best they possibly can for themselves. This approach can, of course, come at the expense of other clubs within the industry. In an endeavour to bring some sense to this desperate approach in terms of broadcast, QRL has facilitated meetings of TAB clubs and has engaged a consultant to move forward to value the collective broadcast in Queensland. Again, this is an example of a second best outcome that is caused by race club members, essentially owning racecourses in Queensland.

Issues

- The PRA does not have the proper capacity to coordinate and fully integrate a capital development program.
- The development of racecourses is generally promoted on an ad hoc basis with clubs proposing various developments.
- The assets are currently held by race club members and should be held by the industry as a whole and not by individual clubs within the industry.
- Broadcast issues flow from race club members (race clubs) owning the racecourse and assets.
- An optimum development program for the industry will never be delivered whilst race clubs promote narrow development proposals that serve to benefit individual clubs and have little or no regard for the needs of the broader industry.

QRL Constitution and Elections

Background

Constitution and Election Process of QRL

The terms of approval of QRL as the control body of the Thoroughbred Racing Code included a provision (condition 4) that changes to the constitution are to be approved by the responsible Minister of Racing.

Any change to the Constitution of QRL also requires the approval of its members by special resolution and, in practical terms, that means that the Class 'A' Members must in their vote, support the amendments or the amendments will not be permitted (*Corporations Act 2001 (Cth)*).

In light of the above, on Wednesday, August 6, 2008, a General Meeting was held to consider the following Special Resolutions to amend the Constitution of the Company:

That the Constitution of the Company be modified, with effect from the date that the Minister under the Racing Act 2002 (Qld) approves the amendments by:-

- a) *replacing the reference to clause 17.2 in the definition "Advertising Notice" to clause 17;*
- b) *adding the definition "Approval" in clause 1.1 as "Approval" "means an approval issued to the Control Body pursuant to section 26 of the Racing Act".*
- c) *changing the definition of "Initial Term" where it appears in clause 1.1 and throughout the Constitution to "Initial Control Body Term" as set out in the attached Constitution in clause 1.1 and to replace the words "Initial Term" where used throughout the Constitution with "Initial Control Body Term" and amending the definition to "Initial Control Body Term" means the term of six years from 1 July 2006 and expiring on 30 June 2012".*
- d) *changing the definition of "Shortlist" where it appears in clause 1.1 to "Combined Shortlist" and amending the definition to: "Combined Shortlist" "means the shortlist of Director Candidates who are selected by each class, formulated in accordance with the procedure referred to in clause 17" and to replace the term "Shortlist" where used throughout the Constitution to "Combined Shortlist".*
- e) *adding the definition of "Subsequent Control Body Term" after the definition of "Selection Criteria" in clause 1.1 as: "Subsequent Control Body Term" means the term of any approval by the Minister under Division 6 of Part 2 of the Racing Act of the Control Body for the thoroughbred code of racing in Queensland subsequent to the "Initial Control Body Term".*
- f) *removing the definition "Independent Recruitment Consultant" from clause 1.1 of the Constitution and elsewhere throughout the Constitution where it appears;*
- g) *deleting the provisions of clause 15 and replacing them with the provisions set out in clause 15 (paragraphs 15.1 to 15.16 inclusive) in the attached Constitution;*
- h) *amending clause 16.1 to replace the words "will be" after "the Company" with "is";*
- i) *deleting the provisions of clause 17 and replacing them with the provisions set out in clause 17 (paragraphs 17.1 to 17.12 inclusive) in the attached Constitution;*
- j) *amending clause references throughout the document due to the amendments to clauses 15 and 17;*
- k) *deleting the signing provisions in the Constitution as this amended version of the Constitution is not the Constitution as adopted by the first members; and*
- l) *deleting the provisions of Appendix B Part II and the words "Part 1" as there are no longer two separate parts to Appendix B and replacing the word "Ballot" where it appears in the heading with "Selection".*

Proposed adoption of the amendments to the Constitution

The board of QRL believed that the existing Constitution of QRL should be amended to reflect the need for continued stability and continuity of the board of directors of a regulatory body during a time of important changes to the industry.

With respect to the amendments proposed, members were advised that should the Constitution of QRL not be amended, then, commencing late 2008:

- a) QRL will, given the length of time for the process of selection currently set out in the Constitution each year commencing at the AGM in 2009, be constantly in director selection mode;
- b) the industry will be put to regular annual expense in relation to advertising and the engagement of an Independent Recruitment Consultant; and
- c) a significant amount of QRL staff time will be devoted to the annual director selection/election processes; and
- d) all directors will be required to retire and seek re-election each alternate year in rotation, making it very difficult to maintain any continuity of membership so as to develop long-term forward-thinking policies.

The proposed changes extended the time for the commencement of changes to the makeup of the board from (currently) the Annual General Meeting (AGM) 2009 to the Annual General Meeting in 2012 (the first AGM following the completion of the Initial Control Body Term of six years from July 1, 2006 to June 30, 2012).

At the AGM in 2012, 50% of the board (rounded up if that is not a whole number) shall retire, but shall be eligible for re-election. The balance of the directors shall retire at the AGM in 2014. There are no other retirements by rotation during the term of the Approval of the Control Body.

In a Subsequent Control Body Term, which if it occurs, will commence at the end of each prior Term, an election for 50% of directors will occur in the first year (17.1) and in the third year of the Term for the remaining sitting directors. Following this, no further election will be held prior to end of the Subsequent Control Body Term.

In summary, after the Initial Control Body Term expires, the whole board retires in two retirement events during the first and third years of each Subsequent Control Body Term.

The changes to the selection of directors involved:

- a) the removal of the Independent Recruitment Consultant provisions;
- b) amending the definition of "Initial Term" to "Initial Control Body Term" and amending the definition to include dates as these dates are now known;

- c) deleting Part II of Appendix B – this would have simplified the selection process. It would have enabled a Selection Committee to determine the best candidate or candidates from a Shortlist determined through the process set out in Appendix B of the Constitution which involves the Class A Members and Class B Members respectively determining their preference of candidates from nominations. It would have changed a collegiate approach of Class A members to the decision on directors to be included on the Shortlist (which may not have regard to the talent required on the board of QRL) to an approach that takes account fairly and equitably of the views of both Class A Members and Class B Members. From a corporate governance perspective it provided both greater consistency to a control body's term of office and rotation at the end of each term of office. It would have struck a balance between industry having a voice on the composition of the board of the control body and the need for the board to act independently during its term as approved control body for the thoroughbred racing industry in Queensland; and
- d) the Introduction of an independent person to sit on the Director's Selection Committee, who is to be selected with the agreement of Class A Member Representatives and Class B Members or chosen independently if agreement cannot be reached. This independent person would bring further experience and an independent approach to the selection of directors, which from a corporate governance perspective strengthens the integrity control that QRL needs to carry out its functions and duties without fear or favour. This change would also ensure that there cannot be a drawn vote at the selection process, and a ballot will always determine the outcome.

Members' Vote

On Wednesday, 6 August 2008, four (4) meetings were held:

1. Class 'A' Member Representative Meeting – 10:12am

The business of this meeting was:

- (a) Confirmation of the Class 'A' Member Representative Minutes of 4 February 2008
 - (b) To remove Mr Bob McHarg¹³ as the Authorised Representative of the Class 'A' Members, and
 - (c) To appoint a new Authorised Representative of the Class 'A' Members.
- Mr Neville Stewart was appointed as the Authorised Representative of the Class 'A' Members.

2. Class 'A' Member Meeting – 10:35am

The vote was carried out by a show of hands pursuant to section 250J of the *Corporations Act 2001 (Cth)*.

¹³ Mr Bob McHarg was unable to act as the Authorised Representative of the Class 'A' Members due to being overseas at the time of the vote of the Class 'A' Members.

Pursuant to section 250L (3) (c) of the *Corporations Act 2001* (Cth), a poll was demanded immediately after the voting results on a show of hands was declared.

A poll was conducted, which 75% or more of Class A Members approved the changes to the Constitution by Special Resolution (14 votes 'In Favour' and one vote 'Against').

By Ordinary Resolution, it was resolved that the poll papers be destroyed.

3. Class 'B' Member Meeting – 11:18am

The Chairman advised that the Class A Members had earlier met and resolved to approve the motion by special resolution.

The vote was carried out by a show of hands pursuant to section 250J of the *Corporations Act 2001* (Cth), which 75% or more of Class B Members approved the changes to the Constitution by Special Resolution.

4. General Meeting - 11:24am

Class 'A' Authorised Representative – Mr Neville Stewart, and

Class 'B' Authorised Representative – Mr Robert Bentley.

The Chairman told the meeting that the amendments proposed by the Resolution will have no force or effect unless:

- 75% or more of Class A Members approve the Resolution at the Class 'A' Meeting;
- 75% or more of Class B Members approve the Resolution at the Class 'B' Meeting; and
- the Minister approves the amendments proposed by the resolution.

The Chairman told the meeting that the Class A and Class B Members had approved the changes by Special Resolution at their respective meetings.

Outcome

Following initial complaints by a QTC committeeman, Mr David Dawson, and a follow up by Mr Bill Carter, the election process of QRL was referred to ASIC, the Crime and Misconduct Commission, and the Queensland Police (Fraud and Corporate Crime Group) for investigation.

- All three agencies cleared the conduct of QRL, its directors and executive officers.

- Prior approval by ASIC was received for the changes and the procedures carried out
- The most pre-eminent constitutional lawyer Mr David Jackson QC advised on the entire process

If the approval of the Minister is not obtained, the amendments have no force or effect.

As a result of the investigations, the responsible Minister at the time did not provide his approval, and as such, QRL has begun its yearly selection process of directors.

Currently under the Constitution, you have a selection process, whereby you have, in essence, the permanent engagement of an independent recruitment consultant, at a cost of approximately \$60,000 per year, who will shortlist the applicants by reference to the selection criteria contained in the Constitution. I note that not only will this be a constant expense on the industry; a consultant who has no knowledge of the thoroughbred racing industry, will be determining the shortlist of directors who sit on the board of the Company, who acts as the control body for the thoroughbred code of racing. Furthermore, probity checks will be conducted on all director candidates who have been short listed for the vacant positions. It is noted that these yearly expenses will be considered a misuse of industry funds.

The timetable for the selection of directors is outlined below:

- Advertising:-
 - (a) Australian Financial Review – Friday, 3 April 2009
 - (b) Brisbane Courier Mail – Saturday, 4 April 2009
- Advertising Notice provided to Class A and Class B Members: Thursday, 2 April 2009
- Telephone screening and ad response: Week commencing Monday, 6 April 2009
- Closing date for nominations: Friday, 29 May 2009
- Interviews and preparation of shortlist & reference checking: Week commencing Monday, 1 June 2009
- Presentation of shortlist: Week commencing Monday, 9 June 2009
- Shortlist provided to Class A and Class B Members: Week commencing Monday, 29 June 2009
- Selection Committee convened: Week commencing Monday, 3 August 2009
- Announcement of Directors selected: QRL AGM – Friday, 6 November 2009

Issues

- As a result of unfounded allegations, the Minister did not endorse the Constitutional changes that were supported 14 votes to 1 and widely supported by the Industry.
- The board will be in ongoing election mode.
- Industry funds are used to engage a recruitment agency.

Industry Reform

Background

The structure of the Queensland racing industry in respect of race clubs and the authority that race clubs still have requires review. One needs only to point to recent examples of dysfunctional behaviour that has reflected poorly on the entire industry or has acted as a barrier to industry progress.

The industry is now in a situation where there needs to be further delineation between the responsibilities of the race club and the responsibilities of a PRA. Recent examples of how race clubs can be dysfunctional are as follows:

- The Cairns Jockey Club (CJC) is essentially insolvent and has been the recipient of many millions of dollars in handouts in the last decade. It finds itself faced with legal issues to the extent that the company Trafalgar is taking the club on legally and yet the club does not have the financial resources to mount a challenge to the Trafalgar case. This is an embarrassing situation for both the industry and Government, given the level of interest in the FNQA race meeting. A course of action available to QRL would be to withdraw the club license rather than spend industry funds on a defence to a course of action caused by the committee of the CJC.
- The Mackay Turf Club (MTC) is another club responsible for a highly embarrassing situation, whereby recently, its starter and barrier attendants were found to be consuming alcohol during a TAB race meeting. Many in the industry, in Central Queensland, are of the view that this type of behaviour should be condoned and it is not a significant issue. This demonstrates a lack of understanding of what the industry is about and the professional level to which we should aspire to attain a higher status within the Australian racing industry. The actions of the starter and barrier attendants consuming alcohol during a race meeting, not only caused issues in respect of a prevailing level of workplace health and safety, but it was an embarrassment to the entire racing industry in Queensland.
- The Brisbane Turf Club (BTC) committee after originally agreeing to the disposal of Doomben withdraw its support based on pressure being placed on the committee by members of the club. Whilst QRL publicly supports the development of a metropolitan master plan, its preferred position would be to dispose of Doomben and properly develop Eagle Farm. In years to come, this will

still be a topic of conversation and yet there is no available mechanism to the PRA to cause this to happen, rather, it is a significant Industry issue that is determined by members of a race club that pay a few hundred dollars annually for their membership subscription.

- In relation to the Gold Coast Turf Club (GCTC), no doubt had the Palm Meadows project proceeded there would have been issues surrounding the membership vote to relocate from Bundall to Palm Meadows. In discussions with the then committee of the GCTC, a number of the committee were of the view that the club must have ownership of a facility for it to be able to recommend the relocation to the membership. In essence, the members of race clubs hold the asset for the purpose of racing and it is unlikely that a membership of a race club will ever be able to dispose of an asset and then distribute the funds amongst the members. Having said this, however, of significant concern to QRL is that the industry is not in a position to facilitate significant developments in an integrated manner or develop a Greenfield site for racing while club members have the final say.
- In respect of the Townsville Turf Club, It has been responsible for the worst financial management performance of all TAB clubs in Queensland, except for the SCTC. These issues are of significant concern to the board of QRL as club's fail to recognise the importance of adherence to QRL policy and its requirement to ensure that race clubs, in particular TAB race clubs, are managed to the standard required. The Townsville Turf Club for a number of years has not been able to satisfy the financial reporting required by QRL and has been incapable of producing its business plan, setting out the direction for the club for any given financial year. In short, its performance has been appalling and, in some ways, the club has failed to recognise that it is no longer a PRA and that it is a TAB race club that is required to give effect to its responsibilities with the appropriate standard of integrity and probity. In regard to its inability to recognise that it fills the role of a race club, comparisons can be drawn to its brother club, the QTC.

These are but a few examples whereby the image/future development of racing in Queensland is determined by individual race clubs. QRL proposes that a white paper be prepared for discussion in consultation with the Government, dealing with a number of these administrative/governance issues within the industry, whereby we collectively explore a broader membership approach to thoroughbred racing in Queensland with industry assets held by the PRA, as opposed to the individual race clubs.

It is also proposed that as part of the reform paper, the country racing structure be reviewed, identifying its funding source and administrative framework. More on this issue follows later in this paper.

Issues

- Clubs and their membership own industry assets and this can be a barrier to industry progress.
- Funding of non-TAB or country racing is a drain on scarce industry resources.

Beaudesert Race Club (BRC)

Background

The BRC currently conducts six race meetings per year and has in training approximately 220 horses at its facility. QRL has signed a contract for the purchase of Wadham Park, and on the basis the purchase is confirmed, a review will need to be undertaken in relation to the need to continue with the training of thoroughbred racehorses at the Beaudesert track, given its close proximity to Wadham Park.

On Monday, April 6, 2009, a meeting was held with the BRC committee and the Beaudesert trainers to brief them in relation to the contract that QRL has on Wadham Park. The president of the BRC, Mr Terry McKinnon, has met with QRL on several occasions highlighting the difficult financial position the club currently finds itself in.

A number of allegations suggesting improper conduct by the president of the BRC have surfaced in recent times. In correspondence dated March 7, 2009, (should have been dated April 7, 2009) a number of club members requested that the president of the BRC stand down by not later than noon on Thursday, April 9, 2009. The correspondence outlined that in the absence of the president standing down the BRC management committee would be required to facilitate a special general meeting, pursuant to the club's Constitution. The members of the BRC that have signed the request for a special general meeting suggested that the current makeup of the BRC management committee was formed unconstitutionally. Leaving aside the legality of the issue, which has been referred back to the race club itself for resolution, this provides a further example of the members of race clubs exercising authority in areas where they should have no jurisdiction. The dissatisfied members of the BRC are seeking the removal of the president on the basis that he has somehow colluded with QRL to close down the BRC. This is factually incorrect. An amount of harm will be done to Terry McKinnon's reputation, who, in the opinion of QRL, has taken a mature industry approach to the fact that QRL plans to further develop Wadham Park as a showcase facility for the industry.

The view taken by a number of members of the BRC that by removing the president of a club, they will be successful in preserving all that currently exists at Beaudesert is inappropriate. It highlights the jurisdiction that many members of race clubs believe they have in respect of the facility on which training and racing is conducted. At the end of the day, the membership of race clubs should be entitled to elect a committee that has jurisdiction in respect of the activities that occur and coincide with the holding of a race meeting and should not be positioned so that they are able to thwart industry reform and progress.

Issues

- Race club committees and members have an unreasonable amount of authority in respect of the development/disposal of assets.
- A review of the way in which industry assets are held, including landholdings, is critical to the proper empowerment of the PRA to initiate industry wide, integrated developments for the future benefit and welfare of the racing industry in Queensland.

Country racing options

At a meeting on December 1, 2008, between representatives of QRL and the Queensland Country Racing Committee (QCRC), QRL confirmed the delivery of an enhanced \$13.1m annual country racing funding package to country stakeholders for a three year period, commencing July 1, 2009.

QRL consulted widely during 2008 with a broad cross section of country racing stakeholders, and this enabled the delivery of a robust funding and race date schedule that will enhance the viability of country racing within Queensland. The overall amount of \$13m represents a 13.5% of revenue commitment to country racing when the legislated obligation is to provide 7% of revenue.

The revised funding package represents a 10% or \$1.2m increase to QRL's contribution to country racing.

The revised racing schedule removed the majority of regional race date clashes and populated the country race-less Saturdays, which were endemic in the previous schedule. QRL's model provides enhanced continuity and delivers maximum opportunities for stakeholders.

The changes provide for a two tiered funding model, through the recognition of strategic status to 28 non-TAB clubs that will conduct 185 race meetings, representing 65% of the country racing program. These meetings will carry minimum prizemoney levels of \$6,000 per race, or \$4,000 to the winner, an increase of 50% on the previous minimum level.

Each of the eight regions has a minimum of three strategic tiered clubs and the increased investment in these centres will ensure a viable and sustainable racing industry that is maintained within each region on the basis that the funding level can be sustained.

Highlighted below are the benefits provided to country racing that will commence from July 1, 2009, which clearly highlights the expenditure by QRL on areas other than prizemoney.

| Expenditure Item | QRL Annual Contribution |
|---|-------------------------|
| Removal of Unplaced Starter Fees | \$359,230 |
| Provision of Sky Channel vision at all Non-TAB meetings | \$110,000 |
| QTIS Funding | \$446,400 |
| QTIS 600 Funding | \$200,000 |
| Feature Funding | \$325,000 |
| Administration Payments to Clubs | \$558,000 |
| Jockey's Riding Fees | \$2,056,100 |
| Subsidisation of Jockey's Insurance | \$600,000 |
| Provision of QRL Services, Travel, QCRC and RISA | \$887,500 |
| Prizemoney | \$7,600,000 |
| Total | \$13,142,230 |

QRL will no longer fund the administration of non-TAB clubs that were not included within the strategic funding tier. The majority of these clubs race one or two times per year and these race meetings are considered community events.

It was agreed at the Country Racing Forum conducted during June 2008 that QRL's contribution to these meetings, which exceeds \$32,000 per meeting for prizemoney and race day expenses, is a significant contribution to a community event.

QRL will continue to support these clubs with minimum prizemoney levels of \$4,000 per race and the provision of race day services at no charge to the club only on the basis we can afford to do so. These services cost QRL in excess of \$10,000 per meeting.

The financial capabilities of QRL are not inexhaustible and when considering that our total commitment to country racing exceeds \$13m or 13.5% of the product fee revenue paid to the industry, it clearly highlights that QRL's contribution to country racing is well above our 7% obligation under the *Racing Act 2002*.

There needs to be urgent recognition from Government and local councils, of the significant contribution made by QRL in supporting community events that return no revenue to the industry. The provision of community events should not be the responsibility of the racing industry. In running the business of racing we continue to come under fire from the many professionals in the industry who rely on QRL to take decisions that will ensure the overall business remains sustainable into the future.

There must be a balance of support for country racing and the need for Queensland to have a strong and viable professional industry.

Set out below are two options QRL will be forced to consider should it be unable to maintain the funding levels to non-TAB racing.

Option 1 – Complete Downsize & User Pays

- Continue to provide funding for the conduct of 287 meetings.
- Reduce prizemoney contributions from \$8.5m to \$7.2m. This would result in prizemoney levels of \$4,700, a significant reduction from the proposed \$6,000 levels at strategic meetings.
- Remove the \$3,000 administration subsidy paid to strategic clubs. All Clubs would be required to pay QRL a fee of \$3,500 to offset the costs associated with the conduct of their race meeting.
- Instead of all country starters participating for FREE, the connections of each horse would be required to pay \$200 to offset jockeys riding fees and insurances.

Option 2 – Rationalisation & User Pays

- Removal of funding for 68 non-strategic meetings. This will result in the removal of funding to 58 clubs.
- Reduce prizemoney contributions from \$8.5m to \$7.2m. The current prizemoney levels of \$6,000 and \$4,000 at Strategic and Non-Strategic meetings respectively to be maintained.
- Remove the \$3,000 administration subsidy paid to strategic clubs. All Clubs would be required to pay QRL a fee of \$3,500 to offset the costs associated with the conduct of their race meeting.
- Instead of all country starters participating for FREE, the connections of each horse would be required to pay \$200 to offset jockeys riding fees and insurances.

Country racing costs

Background

As a result of legislation introduced by the then Minister, Robert Swaiten, QRL is required to provide not less than 7% of its Product and Program fee in support of country racing. 7% of the annual Product and Program fee equates to approximately \$7.2m. QRL, however, provides \$13m in support of country racing annually, which equates to approximately 13.5% of the product fee.

As stated on several occasions earlier in this paper, the provision of this funding to non-TAB or country racing in Queensland provides no return revenue for the industry. In many ways the funding of these race meetings is really for the social fabric of country towns and is a hangover from a non-TAB racing program of the past. However, if QRL was to reduce the level of annual funding there would be a significant issue made of it that would ripple not only throughout the industry, but also into the halls of political power in Queensland.

Country racing is often a hot topic, in particular, when QRL implements necessary reform. It will be clearly observed that the current level of support by for country racing is well in excess of the required 7% per annum, yet there are no tangible returns for this industry that the majority expect to be conducted as a business.

Issues

- Queensland country racing is funded by QRL with no returns provided to the business of racing.
- Considerable cost borne by the industry that would otherwise facilitate increases for the business of racing.
- Contribution determined by Queensland Government legislation and yet the Government expects QRL to run the industry as a business.

Prizemoney levels

Background

Prizemoney is the most commonly used barometer to determine both the viability and status of a thoroughbred racing industry. The board of QRL, since April 2002, has been able to achieve annual financial surpluses to the point where the board has established a program of capital investment and development. The possible procurement of Wadham Park, as mentioned, will signal the end of the board's capacity to meet the costs of further capital improvements for the industry. A line of credit is being considered by the board as an option to fund future improvements. However, the ability to provide ongoing incentives to owners and associated participants has a direct correlation to the level of annual income and the capacity to sustain that level of income on an ongoing basis is of critical importance to the industry.

The period of equine influenza (EI) saw the industry move through a difficult time and whilst there has been a reasonable response in terms of wagering on Queensland thoroughbreds, we are yet to achieve the heights that were formally established prior to the onset of EI. As a result of this, we are now faced with an increasing challenge to drive revenues to the point where we are able to utilise that income on an ongoing basis to increase prizemoney.

Set out below is a table that highlights the standard level of prizemoney at metropolitan Saturday, metropolitan midweek and provincial race meetings in the more substantial thoroughbred racing states in Australia.

| | Metropolitan | Metro Mid-Week | Provincial |
|------------------|--------------|----------------|------------|
| Queensland | | | |
| Average Per Race | \$47,500 | \$13,000 | \$10,500 |
| NSW | | | |
| Average Per Race | \$70,000 | \$27,000 | \$15,000 |
| VIC | | | |
| Average Per Race | \$65,000 | \$28,000 | \$14,000 |
| WA | | | |
| Average Per Race | \$50,000 | \$21,562 | \$10,594 |

As can be discerned from the above table, in terms of standard prizemoney, Queensland has slipped well below WA. Already considerably behind both NSW and Victoria, Queensland has now relinquished third position to WA, which has, in recent times, been able to substantially increase its prizemoney. Midweek metropolitan meetings in Queensland are only marginally stronger than those conducted at the provincials. Unquestionably, there needs to be a strategy developed in consultation with Government, so that our standard levels of prizemoney can be increased at all TAB race meetings. Whilst it could be argued that races such as the Stradbroke Handicap, of \$1m, will continue to attract the best available sprinters, there is no

doubt that feature prizemoney also needs to be reviewed given the additional competition that we now face from our Asian neighbours and their capacity to attract our best sprinters to their carnivals. Long gone are the days when the Queensland Winter Racing Carnival formed an integral part of a top line thoroughbred's program in Australia. Often these days, the best sprinters will head to Asia given the substantial prizemoney levels that have been achieved in places such as Hong Kong and Singapore.

QRL needs to sustain a viable racing industry in this state and will address this issue through improved performance and analytical review of the racing program. However, there is no possibility of maintaining prizemoney levels and significantly addressing the issue of poor facilities concurrently, given that QRL will be required to meet interest payments on any line of credit to fund capital upgrades.

Issues

- Diminishing prizemoney relativity.
- International options for Winter Carnival horses.
- No capacity to increase owner benefits.
- Likely industry decline in the absence of increased annual revenue.

Harness Racing Queensland (HRQ)

Capital Development

HRQ is currently in a critical position when it comes to funding immediate capital infrastructure requirements for its TAB venues and development of a training centre. The closure in 2008 of the Russ Hinze Grandstand at Albion Park, the principal harness racing track in Queensland has dramatically affected the business of harness racing in Queensland.

The loss of this vital facility at Albion Park has severely impacted on our ongoing income streams to the extent of in excess of \$1m per annum, specifically by way of attendances, sponsorship, catering, beverage and oncourse wagering. Funding of \$4m has had to be commercially sought to undertake the demolition of this condemned structure. Further funding of \$20m is required to construct a new grandstand facility and works required for the harness track is required. On current income levels this would not be commercially achievable.

Additionally the Government's decision to re-develop the Parklands site for an alternative use by 2012 removes another key asset from harness racing. It is important to record that the Parklands complex was developed some time ago using funds from the disposal of the land owned by the then Southport Harness Racing Club. With these funds (approximately \$13m) locked in at Parklands HRQ have no resources available to purchase an alternative site and fund the infrastructure to develop a harness racing facility. This is all the more important due to the Albion Park issue, as the Parklands track is now the major venue for harness racing and was the track for the very highly successful 2009 Inter Dominion Championships. These championships generated over \$8.6m in local spend, and generated direct and indirect employment of 83 fulltime equivalent positions.

The Redcliffe venue is also in need of an urgent injection of capital funding to arrest ever increasing repairs and maintenance expenditure. Conservatively HRQ is facing capital development costs of \$60m plus at Albion Park and a replacement for Parklands.

Training

Marburg and the area to the south west has seen a growth in harness racing activity in recent years. The board has identified Marburg as a long term strategic area for Harness Racing training and with the probable closure of Rocklea racing opportunities for hobbyists are to transfer to Marburg. Funding for the future development at Marburg is required.

Prizemoney

The industry has achieved only marginal increases in prizemoney at the cost of a reduction in the number of venues and race meetings conducted. This has caused a domino effect with a downturn in the number of owners, breeders and trainers participating over the past decade in turn dramatically affecting the harness racing product. This negative cycle needs to be remedied expediently with the injection of increased revenues.

Integrity

It is vital to the professional conduct of the sport that increased funding be provided to ensure the integrity of the harness racing product to our clients, the wagering public. This needs to be facilitated by greater awareness and detection of prohibitive substances.

Greyhound Racing Queensland (GRQ)

GRQ was unable to meet the deadline regarding the submission of this paper, due to an increased workload at present. A section covering GRQ issues will be provided at a later date.

Summary

The Queensland racing industry (three codes), as previously outlined, is a significant contributor to the economy of Queensland in terms of GSP and, furthermore, the employment it provides. In many quarters, the racing industry is considered to be the third or fourth largest industry in the state.

Major sporting codes in Queensland have been significant beneficiaries of Government grants, whilst the racing industry has received little additional funding in comparison. Sports such as rugby league, AFL and tennis, which contribute to the Queensland economy to an inferior extent when compared to racing, have been major recipients in terms of stadium upgrades and developments over the last decade.

Other racing jurisdictions states in Australia have successfully made submissions to their relevant state Governments in respect of wagering tax relief, in that taxation revenue has been redirected from Government coffers back into the industry to enable the various industries to grow and prosper. Arguably, one of the most significant beneficiaries of taxation reform has been the New Zealand racing industry, a neighbouring competitor to ourselves in Queensland. The growth of the industry in New Zealand has been considerable as a result of the financial support given to it by the New Zealand Government. SA, for example, will benefit to the extent of 100% taxation relief in 2012, ensuring substantial increases to prizemoney and other benefits delivered to participants in that state.

The section on prizemoney in this paper highlighted the deficiency that exists in association with our prizemoney here. Standard prizemoney levels have for a period of time, been inferior to those that have existed in both NSW and Victoria, however, we have now slipped behind WA in terms of our standard prizemoney. QRL had been able to increase prizemoney to reasonably competitive levels to the point where interstate and New Zealand interest has been expressed in relation to participating in our industry here in Queensland. Previous prizemoney levels did enough to generate this interest, however, our lack of quality infrastructure often dissuaded industry participants, in particular trainers, from relocating.

This paper also sets out an array of capital development programs that QRL has embarked upon in respect to the improvement of our facilities here in Queensland, notwithstanding the capital improvement often finishes up in the hands of club members. Unfortunately, the cash assets of QRL have now reached a level where it would be imprudent for the board to allow them to reduce any further. Therefore, to continue with the program of capital improvements within the industry, necessary to ensure the growth and prosperity of the industry, QRL will need to go into substantial debt. This will be seen as a sinister action by many within the racing industry and it is certainly not the desired position of the board.

On balance, we have two significant issues that both flow from a lack of available funding. The first is the fact that our prizemoney is slipping behind and as a result of that, participation will decline within the industry. The second is that we have embarked on a process of capital development for the industry, with a view to generating increased interest and participation, and have now reached a stage where we are unable to fully complete the capital development program in the absence of going into substantial debt. It is with these matters, and other issues raised in this paper foremost in our minds, that we make the following recommendations to the state Government.

Recommendations

1. It is recommended that the Queensland Government commits to the redirection of a portion of wagering tax to be returned to the Queensland racing industry, with the redirection to be implemented over a period of three years, to be utilised primarily on Infrastructure Initiatives.

The Queensland Government is encouraged to commit to the redirection of a total of 50% of wagering tax to be returned to the Queensland racing industry, in a staged way over three years.

This paper has outlined a range of capital development options across the three codes which include, significant improvement planned for the Gold Coast, the retention of Deagon, the retention of Cairns and their FNQA race club. Also highlighted are the Infrastructure Issues currently being faced by both the Harness and Greyhound codes. It is proposed that 25% be redirected in the first year, 35% in the second year and 50% in the third year. This approach not only softens the impact on Queensland Government revenue, it enables the racing industry to effectively plan for its future. The redirected tax, should it be returned to the industry, provides opportunities to not only invest in capital development but, given that the revenue is ongoing and annual, provide increased benefits to grow the participation level across the three codes. For example, as reported early in this issues paper, IER outlines that for every \$1m in expenditure generated by the racing industry, up to 22 fulltime positions are created or sustained. In real terms, it is likely that 22 fulltime positions actually reflect more than 46 individuals working in fulltime, part time and casual positions. Our industry, the racing industry, is responsible for the employment of approximately 30,000 people in fulltime, casual and part time positions.

Taking into account Wadham Park alone, a development at this facility would cater for the training of approximately 800 horses in that region. Given the staff and level of activity required to sustain that number of horses in training, along with the veterinary hospital located at Wadham Park, approximately 200 people will be provided with fulltime employment as a result of the Wadham Park development. IER suggests that the increased spend in that region alone will be in excess of \$20m annually should QRL be able to procure with Wadham Park and proceed with the development. This is simply an example of the positive economic impacts that this level of investment delivers.

The Queensland Government is called on to give serious consideration to the request to return 50% wagering tax to the three codes.

2. It is recommended that the Queensland Government commits to working in collaboration with the racing industry to develop discussion papers dealing with issues such as asset ownership, the administration and funding of country racing and the future role of the race clubs and their membership.

Outlined in this paper are a range of issues that stem from the ownership of racecourses effectively residing with the race club. The Queensland racing industry is ineffective in that it is unable to effectively prepare a coordinated and properly integrated capital development program for the industry. Arguably, the two most substantial assets held within the industry are controlled by race clubs; namely the racecourse land and the rights in relation to broadcast that flow as a result of the race clubs owning the land.

Race clubs these days are responsible for the organisation of an event that coincides with the race meeting and nothing more. Whilst some may suggest that QRL has sufficient authority under the provisions of the *Racing Act 2002* to mete out punishment to clubs that are non-compliant through the withdrawal of prizemoney or race dates, the board of QRL does not view this as a satisfactory solution to the issue. At the end of the day, it would be the industry participants impacted through these suggested actions just as much as any race club. The preferred position of QRL is that the ownership of the asset resides with the PRA and that suitable lease arrangements are put in place to enable the operation of the relevant race clubs. Also highlighted, is the fact that broadcast issues would also be solved should the asset ownership reside with the PRA allowing the PRA to exploit broadcast rights as a whole thus increasing the revenue that flows into the industry as opposed to individual clubs negotiating on their own behalf.

Country racing is an issue that often raises its head, in particular when reform is implemented. Non-TAB or country racing delivers little or nothing to the business of thoroughbred racing; rather, it continues to be a drain on the financial assets of the industry. It is recommended that the Government in collaboration with the racing industry develop a discussion paper in relation to this topic that deals with alternative administrative and funding structures for country racing.

QRL overview of outcomes of 50% of redirected funding

Needs

- GCTC upgrade – cost of reasonable upgrade \$50-60m.
- CJC and FNQA - \$2.8m to cover current debt and upgrade to facility.
- Stables and upgrade of Mackay Turf Club - \$1.2m.
- Deagon retained – upgrade of \$1m.
- Upgrade of training at Wadham Park - \$5.6m.
- Brisbane Racing Club plans and financial assistance during construction - \$5.4m.
- QRL Integrity function - \$1.6m.

Industry outcomes with no support from Government for the redirection of 50% of wagering tax

- The development of the GCTC will proceed with part funding from the sale of Deagon.
- Shut down racing in Cairns.
- No upgrade of MTC.
- Disposal of Deagon with revenue to fund other needs.
- Limited development of Wadham Park if QRL proceeds with the purchase.
- No financial assistance to the Brisbane Racing Club during the planning stage of the development.
- Some integrity functions will be required to remain in the hands of race clubs.
- Country racing – funding downgrade to meet legislated requirement only.
- Potential outcome is that no TAB racing will be conducted north of Rockhampton.

PL-2

TF/09/32076



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Mr Ken Smith
Director General
Department of the Premier and Cabinet
Level 15
100 George Street
BRISBANE QLD 4000

10th November, 2009

Dear Ken

Please find enclosed the QRL Constitution, 'The Case for Change.'

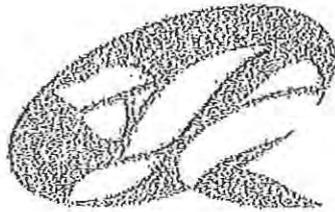
This confidential document review was requested by the Honourable Anna Bligh, Premier and Honourable Andrew Fraser, Treasurer, at our meeting on the 27th October.

A case for change is necessary and urgent, and I seek a meeting with you, Mr Lachlan Smith and those in your respective departments so that further discussion on this document can progress. I will be available Wednesday 18th November till 2pm, Thursday 19th and Friday 20th.

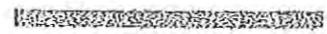
Please advise if the meeting is possible by contacting my assistant, Ms Renee Whitchurch on (07) 3869 9725.

Yours sincerely

R.G. BENTLEY
Chairman



QUEENSLAND
RACING



QRL Constitution
The Case For Change

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Overview

The purpose of this submission is to recommend a suitable structure for the Queensland Racing Industry (QRI) and follows discussions with the Premier, Honourable Anna Bligh and Treasurer, Honourable Andrew Fraser MP on a transparent and workable industry structure that encapsulates the best principles of independence and commercial governance for the control body structure for the racing industry.

The recommended structure is simple and commercially sound and recommends the amalgamation of the three racing codes in Queensland into a single control body structure.

Evolution of historical structures

Queensland has always led the way with structural reform in racing administration in Australia and has paved the way for other states to modernise their control body structure. In saying this, the existing Queensland model is a watered-down model of what was originally intended from the significant reforms made in 2001/02. The original model was compromised for political purposes and sectional interests existing at the time it was established.

Notwithstanding, Queensland, is still 5 years ahead of other States but the current governance model is not sustainable in the longer-term if Queensland is to maintain the strength of the current industry. There are numerous references in reform papers by various governments that espouse all the good principles of governance and control yet the final outcome in respect to racing administration is never the optimum model and leaves the industry still captive to the historic and compromised "colonial" system where race clubs hold sway over industry progress.

The club committee voting process

Before embarking on the rationale for the control body changes, it is well to examine how the club and industry associations arrive at their vote to cast at control body elections, and what percentage of the industry does the vote represent.

Race club elections are poorly supported, on average, a 20% vote is considered a good membership response. The clubs, through the constitution, control 9 votes at QRL elections. Those with the responsibility to vote represent a minority interest at best.

The industry associations fair no better, with the Queensland Breeders Association holding 1 vote, yet represent less than 50% of the industry with the 5 largest breeders not members.

The Trainers Association has 2 divisions with one organisation holding 1 vote and the other nil.

Should the clubs have a vote?

It can be seen that any notion that representation is important is not born out by the enthusiasm to participate. Most race club members have no interest in racing administration or racing integrity – what interests them is the social interaction at race clubs and punting.

The concern that has always been expressed by those that work within the racing industry and rely on it for their financial security has been that that club members paying \$150 a year club membership fees and electing an amateur race club committee are indirectly controlling the future of the racing industry and the financial well-being of 30,000 employees within the QRI.

Club members are participants for their own pleasure and their involvement in the racing industry is a social activity. In contrast 30,000 Queenslanders rely on the racing industry for their livelihood and they need an independent control body to guard their future. The very notion that the racing industry can be controlled / influenced and its destiny directed by a minority of club members who have no financial interest in the industry is absurd.

The club membership exercising control over an industry is not a commercially sound model and the track record of the club system is abysmal. The clubs, with few exceptions, are poorly run, have little or no innovation, are racked with financial mis-management that borders on fraud but continue to agitate, cause disruption, and seek control of an industry that that they would have no possible ability to manage.

Race club committee members, as a general rule, have no financial interest in the racing industry and occupy these positions for the supposed 'prestige' that appointment to a club committee holds. They stand to suffer no adverse consequences from a decline in the health/performance of the racing industry.

What is even more concerning is that despite the lack of involvement these organisations and people have in the serious aspects of the racing industry Governments continue to listen to these vested interests and meet with them every time they want to agitate for their own self interests.

Observations on the Australian experience

From a review of recent Australian experience, the following observations can be made or conclusions drawn.

- *The role of State governments has been important in bringing about governance change. In some cases it was the State government with its various forms of vested interest (e.g. in industry tax revenue) that was pressing for change. There was widespread recognition that racing would be forced to change whether it wished to or not. However, the Australian advice was to keep the Government, so far as possible, at arms length. State racing authorities in Australia are very vulnerable to changes in state level government and even to changes of Minister.*

- Control of state level racing authorities has, historically, been dominated by race clubs – many of the reforms have been to ensure that other stakeholders gain a more direct role in the governance process.
- Private ownership of the TABs (except in Western Australia) has created the need for the various parties involved in Thoroughbred racing to address important industry relationships e.g. with Tabcorp, as a common issue.
- During the various governance change processes, the dominant metropolitan race clubs were keen to maintain their position but rural racing clubs have had considerable political leverage.
- The principal objective of changes to governance structures has been to replace representative, club focused boards with skills-based boards to gain both an industry best interests focus and to improve the calibre of leadership.
- Although their influence at the governance level has been deliberately reduced, race clubs are still considered a very important component of the industry but in terms primarily of 'putting on the show' (i.e. mounting race meetings, gaining local sponsorship, providing a good on-course experience etc).
- There is general agreement about the preferable size (7-9) and necessary skills of boards capable of effective governance of the racing industry. These include racing industry knowledge, financial literacy, commercial savvy, political nous, ability and willingness to participate in the industry. Boards at the larger end of the size range are considered preferable because of the perceived workload (including the need for board members to be visible at racing events and other industry gatherings).
- Appointments should initially be of sufficient length (three to four years) to enable directors to get on top of the job and to enjoy extended but not unlimited terms (up to eight or nine years) provided their performance is satisfactory.
- Most current governance structures are compromises in the face of political realities and there are still unfulfilled ambitions for governance change – particularly in terms of the peak body having greater control over industry assets for the sake of achieving greater efficiency and effectiveness (e.g. distribution of venues, marketing, etc).
- Changes in governance structures and processes must be owned by and driven by the board.

Current control body

The control body structure must be independent of the club system and those participants that the constitution and the *Racing Act* sets out to license and administer. The Government attempted to achieve this outcome with the enactment of the *Racing Act* and establishment of corporate entities as racing control bodies. However, due to political constraints that existed at the time and the impact of AR1¹ the government was not able to fully implement its

¹ The explanation of impact this rule had on appointments to control body board is explained later in the paper.

preferred model and had to compromise the final model that still provided considerable power to the club system.

The constitution through necessity adopted the present voting structure at its inception when the QRL constitution needed to comply with a tightly administered Australian Rule of Racing A.R.1. The strict application of A.R.1 meant that there could be no "appointees" other than by clubs and industry associations to a control board. This 'rule' protected the status quo and kept governments out of the supervision of racing as well as protecting the traditional, inefficient, amateur administrations. In short, if a director candidate is not suitable to the clubs then there was no way of securing a control body position.

The strict adherence to A.R.1 and the 'appointments' no longer exist.

Currently, the QRL constitutional 'initial term' has expired leaving the control body directors in a 'no win' situation. Directors are reliant on the goodwill of the clubs and industry associations to effect their election or re-election. Decisions that are necessary to protect/enhance integrity, and vital for the progress of the industry, but may have a detrimental effect on a particular sectional interest, immediately alienates that sectional interest and directly influences the director's tenure.

The current election process of stakeholder voting on directors to hold office compromises director behaviour. This is unacceptable and poor governance and creates a serious integrity issue for the Government.

The current voting system is neither appropriate, nor commercially acceptable, for a regulatory control body responsible for the integrity of a code of racing.

The current system is open to manipulation and director candidates are not necessarily elected on merit - a candidate will be supported as a nominee of a sectional interest, and by any fair assessment, the process is compromised. I will deal with this later in this submission as an actual occurrence on two fronts applicable to the, *Andrews v QRL* Supreme Court trial.

Unfortunately, the 2009 election process has seen the start of the prostitution of the current constitutional voting process. Candidates for control body consideration or election going forward will be reliant on the club vote to be elevated to the control body board, unless urgent change is forthcoming.

The clubs are well aware that the current process affords them the opportunity to take control, a process that they have relentlessly pursued constantly since the establishment of the Queensland Thoroughbred Racing Board as the control body in 2002.

Pre 1981

Prior to 1981, the then Queensland Turf Club (QTC) was the body responsible for racing administration in Queensland. This model reflected the colonial structure of racing administration that had existed in Australia ever since European settlement and was modelled on the English model of racing administration that existed at the time.

This system championed the ruling class controlling what they referred to as the 'Sport of Kings' and was characterised by all the worst examples of upper class English society that was attempted to be replicated in the Australian colony. At the forefront of this structure was the QTC who subsequently had over 100 years involvement as the administrator of Queensland racing. Is it any wonder the QTC continues to agitate to a return to the past where race clubs ruled supreme with no oversight of their activities.

Notwithstanding the recent establishment of the Brisbane Racing Club (BRC) the former QTC committee members and their supporters continue to shape the actions of the BRC in the tradition of the QTC approach to racing administration.

1981 - 2001

In 1981, legislation established five principal clubs as the control bodies for the thoroughbred code in Queensland. However, the four regional principal clubs were effectively marginalised and controlled by the fifth – the QTC. In effect, the QTC still ran racing in Queensland.

Following a review by the Goss government in 1992, the five principal clubs were abolished and replaced with one control body, the Queensland Principal Club (QPC). The appointment of persons to the Board of the QPC was by direct nomination by clubs and regional associations. This resulted in major conflicts of interest for the members of the QPC who did not vote on matters in the interests of the thoroughbred code as a whole but in the interests of the race club that they represented. By 2001, the Board of the QPC had become so controlled by the vested-interests of race clubs it was incapacitated and unable to effectively make decisions.

In 2001, the Beattie government abolished the QPC and established the Interim Thoroughbred Racing Board to manage the process of transition to the Queensland Thoroughbred Racing Board that was established in 2002.

There is no doubt that the government in removing race club control would not want the industry reverting to, the *'old ways and old days'*, of the past.

2002

The government dispensed with the representative control body model and adopted a skills based board appointed to control the industry and bring forth a more permanent structure. Those that sought the control did not achieve their desired appointees on the board and protested at great lengths to overturn the decision. The tactic did not work despite negative publicity in the Courier Mail and the lobbying of Bill Carter and the QTC.

2004

The Beattie government, at the urgings of the then QTC / Bill Carter / Gordon Nuttal and the Courier Mail, were coerced through false information to schedule the Shanahan Inquiry with the purpose of giving legitimacy to a new representative structure with QTC and clubs in control.

Result - Failed

- Cost government \$1 million
- Racing \$500,000
- Total cost \$1.5 million

2006

The Beattie government, again pushed by the same people, the then QTC / Bill Carter / Gordon Nuttal and the Courier Mail, determined to hold the Daubney Rafter Inquiry to investigate false accusations and that the independent body had failed in its duty of care and that there was corruption in the system.

It is interesting to note that the QTC sought and was granted approval to participate as a "friend to the Inquiry" and proceeded to attack the control body relentlessly suggesting corruption of senior staff and bullying of disgruntled employees. Throughout this entire process they were actively supported by Courier Mail journalist, Tuck Thompson at the behest of long-time QTC supporter Courier Mail journalist Bart Sinclair.

Result - Failed

- No corruption
- No bullying
- The Inquiry made no adverse findings against QRL
- Cost to government \$4 million
- Cost to QRL \$3 million
- Total cost \$7 million

2008

- QRL sought changes to the constitution on the grounds of certainty and to extend the term of the control body.
- Industry voted 14 to 1 in favour. Only dissent was the QTC.
- Following the declaration, Bill Carter considered there was a flaw in the process and engaged in a lengthy and expensive witch hunt.

- The matter was referred to the CMC, then ASIC, all for a negative result. Still not satisfied the matter was then referred the matter to the fraud squad of the QLD police.

Result

- No official misconduct; no breach of ASIC requirements.
- As a procedural requirement had not been complied with, the process was administratively flawed and therefore, could not be approved by the responsible Minister.
- Cost to industry \$200,000
- Total cost \$200,000

2009

William (Bill) Bernard Andrews v Queensland Racing Limited

Again, QRL has found itself the subject of litigation. QRL, in following the provisions of the company constitution found itself a defendant against existing board member Bill Andrews (plaintiff) with the decision delivered by Judge J Wilson on 23 October 2009.

Without recounting the nature of the litigation brought by Andrews (as it is bound to be fresh in everyone's mind), it is of significant importance to note that Andrews was in receipt of financial assistance by others prepared to co-fund the action brought by him. The action by Andrews was co-funded by the following:

- Basil Nolan – Vice President, Thoroughbred Breeders Queensland Association;
- Bob Frappell – Chairman, Thoroughbred Breeders Queensland Association – Class 'A' Shareholder representative, QRL;
- Kevin Dixon – Chairman, Brisbane Racing Club – Class 'A' Shareholder representative, QRL;
- Tom Treston – former committee member, Queensland Turf Club; and
- Dick McGruther – unsuccessful applicant for the vacant board position, QRL – deputy chairman, non-executive directors, Watpac – former auditor of QTC, when a partner with Bentleys MRI.

In respect of Mr McGruther, it should be noted that he is the deputy chairman, non-executive director of Watpac, and it needs to be remembered that Watpac has in existence, a memorandum of understanding with the Brisbane Racing Club that deals with the proposed development of both Eagle Farm and Doomben. Further, as tended in his evidence in the case, he confirmed that he had also applied for a position as a director of QRL after being encouraged to do so by former chairman of the QTC and current deputy chairman of the Brisbane Racing Club, Mr Bill Sexton.

Identifying and understanding the motives of those that have co-funded the *Andrews* action provides a great insight as to the underlying reason why the action was initiated. Clearly, there are those out there that believe that the

Industry should be governed as it was prior to 1992, when the QTC reigned supreme as both a Principal Racing Authority (PRA) and a race club.

In terms of the orders that have subsequently been handed down, in short, QRL is required to recommence the election process for two new directors starting with the compilation of a shortlist of candidates by an independent recruitment agency.

Beyond the considerable financial cost of these inquiries, for extended periods of time, the board of QRL and senior staff were distracted assisting with information to ensure that the proprietary of the PRA, namely QRL, was protected. Not in any of these inquiries or court cases, has QRL been the plaintiff. In all instances, it has found itself defending its position.

The inquiries have emanated from disgruntled persons within the industry, who lack a preparedness to accept the necessary change that is vital for the Thoroughbred racing industry in Queensland to survive and prosper. This indeed is unfortunate and is a reflection of the influential few, who continue to support the notion of race club sovereignty. In the "Andrews versus QRL" case those who have co-funded the action are on the record as keen supporters of the QTC.

This is consistent with my previous comments in section "current control body."

The current circumstances and events surrounding the 2009 election are a mirror of the disruption and relentless pursuit of control that has dogged the industry in 2002 / 2004 / 2005 / 2006 / 2008. It seems obvious, that unless there is a new model as suggested in this submission, the past will be continuously repeated.

I recap the frustration around due process and the associated costs by the clubs relentless pursuit of control, and their desire to revert to the past administration structure. A system that featured dubious integrity practices, the pursuit of privilege and opened up the opportunity for manipulation and corruption.

If governments wish to distance themselves from racing, and genuinely want excellence from racing control, they need to properly empower the control body with effective legislation without the collar of political compromise to manage the industry.

Racing in Queensland is a significant industry. The control body needs the changes recommended, otherwise the path to mediocrity is certain.

Other models

The best examples of racing administration can be sourced by reference to Singapore, Hong Kong and Japan where total control of racing and wagering is government controlled and owned. The success of these racing industries

can be readily attributed to a total control of assets and administration. This is a critical issue. These racing control bodies can adapt to changing market conditions and maximise the allocation of available resources.

QRL can not attain this position, the luxury of owning the wagering licence has long past and the gifting of racecourses to clubs in the early part of 2001 and 2002 has restricted the progress that QRL can realistically achieve going forward.

Unfortunately, Australian racing administration models and the New Zealand model are of little help to draw inspiration. These models all set out to achieve a result but have been compromised in their delivery by the influence of the clubs watering down any structure that will reduce the club committee influence or prestige.

Queensland dispensed with a representative model in 2002 and introduced a skills based board, unfortunately because of the Australian racing rule A.R.1, Queensland retained a connection to the club system by allowing clubs to appoint directors through a convoluted election process, and destroying directors' independence.

The Queensland model worked well while there was an 'initial term' with no elections, but as the initial term has expired the industry is going through a period of trench warfare as the clubs see an opportunity to take control and revert to the pre 1990's.

Queensland can lead the Australian industry by adopting a model that will quickly be followed by other states in Australia, progressing a much needed national administration model.

The Australian and the Queensland industry will not fall by fierce competition from a changing wagering landscape. The industry will fall if it continues to be captive to an outdated club compromised control administration.

Stakeholders, as defined by those who derive their livelihood from this industry, want the club system dismantled and the industry put on a national footing of independent control. The stakeholders see the flaws in the system with the doyens of the club hierarchy using the system for privilege and proudly claim their amateur administration status. There is little wonder that the stakeholders and those that earn their living from the industry want a stable environment.

The question needs to be asked?

"How can an industry with a turnover of \$16 billion, 250,000 employees grow and prosper to meet the challenges that are upon the industry with a club-centric system of control that continually challenges progress and defends the privileged position of club committees enjoying the largess and influence derived from their positions, and defending the status quo with fierce determination no matter the cost"

If governments wish to distance themselves and practically devolve their commitment to racing then they need to empower the control body with effective controls without the collar of political compromise to manage this industry and overcome the challenges ahead.

The industry is significant especially in Queensland and unless the government is prepared to make change as recommended then the industry will suffer a rapid decline.

Why not change the current constitution?

As the change to the constitution requires a 75% vote this is in reality a 100% vote of both 'A' and 'B' members.

Any change to the constitution is rendered impossible under current conditions, as clubs will not agree to changes that diminish their perception of control. The current voting process even more so is a disincentive for change.

The reason for change is compelling however the constitutional voting process renders change impossible.

Industry issues

The cliché "at the crossroads" has often been used to emphasise a potential change in industry direction. At present though, it is more applicable than ever.

The previous section discussed the need for stability and the outcomes delivered as a result of having a stable board for a period of time. The issues we as an industry currently face require the attention of an experienced board that will not be distracted from the task at hand. Following are areas within which challenges exist.

- Wagering landscape
- Capital Infrastructure
- Alternative revenue streams
- Broadcast and Intellectual Property
- National Integration
- Dwindling attendances
- Country racing
- Decreasing participation

Stability of the Board

Over the last 4 to 5 years the QRL board has delivered, annually, strong financial outcomes. Most of these outcomes have been achieved in the face of considerable adversity. Notwithstanding, the board, as a result of director stability and through the certainty of the initial term, has grown the industry in

key areas. It is doubtful that any other Principal Racing Authority in Australia has the same score on the board as QRL, in terms of positive industry outcomes. It is emphasized that a stable board has underpinned the deliverables for the benefit of the industry. The following charts highlight some of those key outcomes.

QRL board achievements since 2006:

Listed below are major projects completed by QRL since 2006:

- \$6.2M synthetic track installation at Corbould Park, Caloundra;
- \$4.55M injection into TAB prizemoney levels over the past two years;
- \$1.2M increased annual contribution to country racing from July 1, 2009, with minimum prizemoney levels at strategic meetings increased to \$6k;
- \$4.83M QTIS 600 Race, Bonus Series and Sale;
- \$7.2M lighting installation covering both tracks at Corbould Park, Caloundra; and
- \$600k investment into world class training equipment available to Queensland apprentices, jockeys and trackwork riders throughout the State.
- \$10M synthetic track installation at Clifford Park, Toowoomba, commenced in February 2009;

Listed below are projects either commenced or due for commencement:

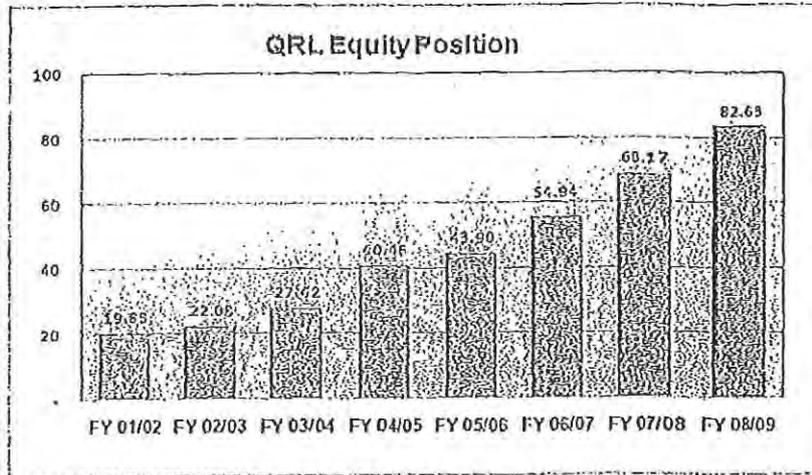
- \$6M upgrade of Callaghan Park, Rockhampton, due for commencement in May, 2009; and
- \$16M stabling project for 416 horses at Corbould Park, Caloundra, due for commencement in May 2009.

Listed below are projects under investigation by QRL:

- Major redevelopment of Gold Coast training and racing infrastructure;
- Stabling, training and commercial development at Deagon;
- Decentralised training and stabling;
- Cairns Jockey Club & Far North Queensland Amateur Turf Club amalgamation;
- Stabling and training development at Mackay; and
- Development of a Strategic Plan for racing in North Queensland to ensure that a sustainable racing industry exists.

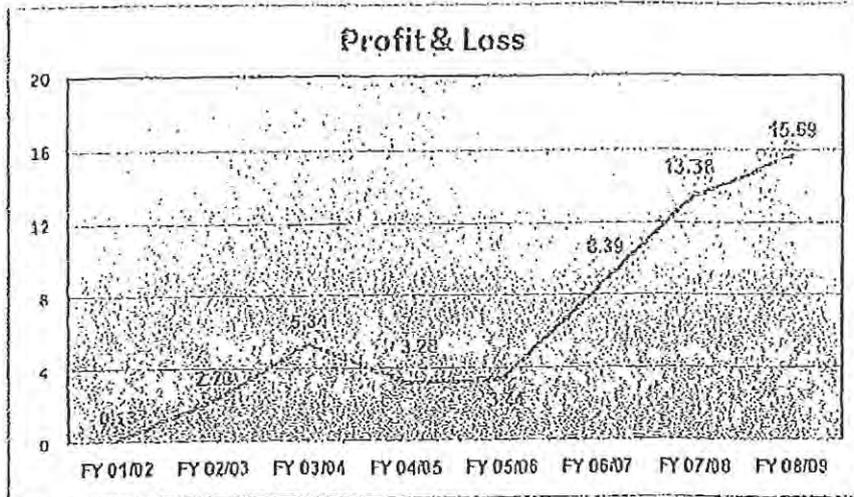
Financial KPI's

Financial Outcomes - Equity



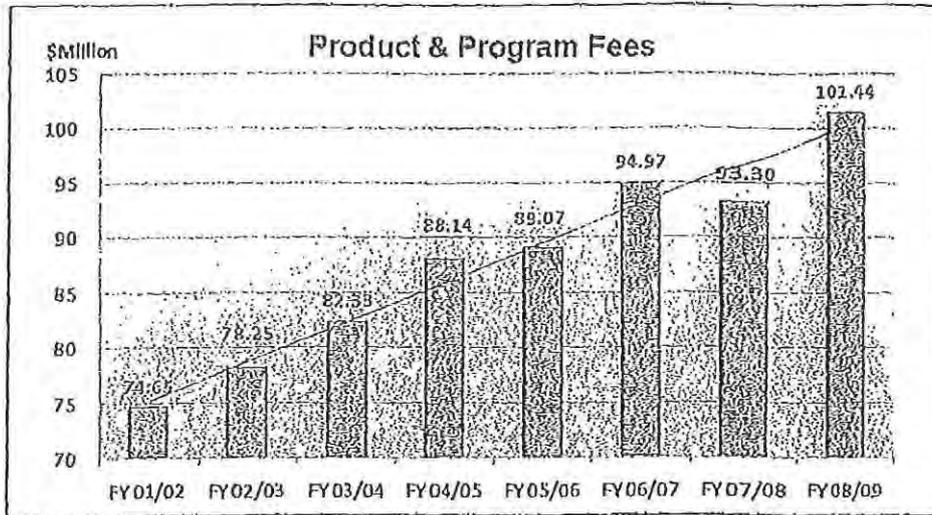
Queensland Racing's equity has increased to \$82.63M. Equity has continued to grow since FY 01/02 and has quadrupled from FY01/02 highlighting strong investment in the QLD racing industry

Financial Outcomes - Profit/Loss



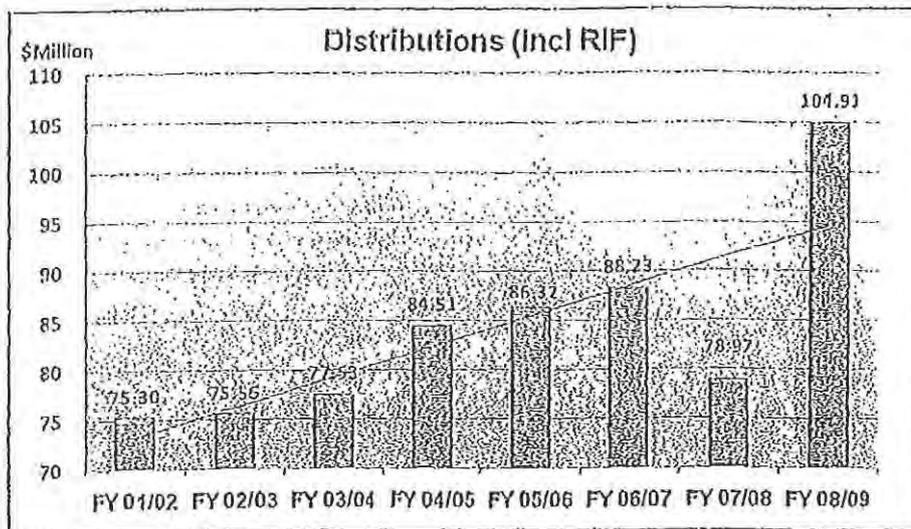
QRL continues to build a solid surplus position since FY01/02

Income generated from TAB wagering



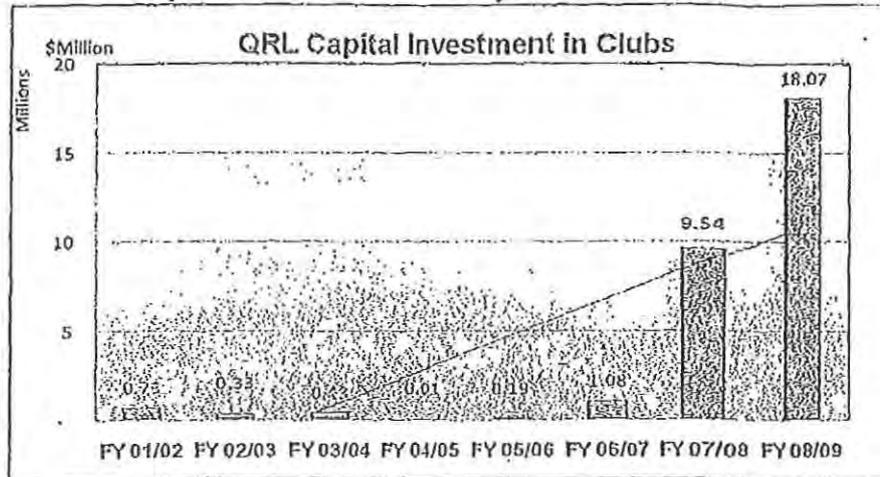
Product and Program Fees continued to grow in FY0809. In what promises to be a difficult year forecast for FY0910 is growth of around 1% in comparison to the 7% achieved in FY0809 due in part to the Global economic downturn

Distribution from QRL to Industry



Increased distributions to the Industry in FY0809 include Race Information fees of \$12.26 million and increases in Prizemoney and QTIS. Note Impact of E.I in 07/08.

Capital Investment by QRL in Clubs



QRL has substantially increased investment in capital projects for Clubs, including lighting and synthetic tracks for Toowoomba & Sunshine Coast TC, stabilising for Sunshine Coast TC as well as major track upgrade at Rockhampton JC.

Major Distributions

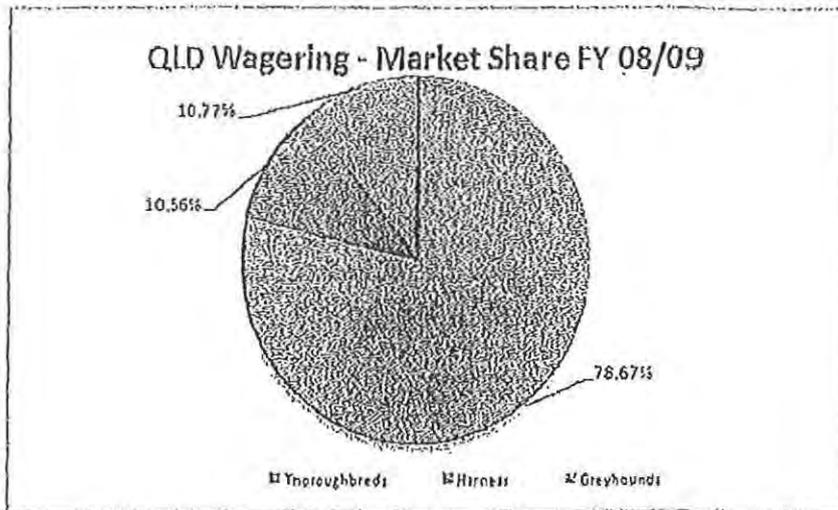
Major 2008/09 Financial Year distributions by QRL are as follows:

| | FY08/09 |
|-----------------------------------|------------------|
| Prizemoney / QTIS | \$ 73.97M |
| Race Information Fees | \$ 12.26M |
| Administration Subsidies | \$ 7.90M |
| Jockey Riding Fee | \$ 7.06M |
| Jockey Workcover | \$ 1.71M |
| Unplaced Starters Rebate | \$ 0.91M |
| Jockey / Trainer Public Liability | \$ 0.24M |
| Industry / Apprentice Awards | \$ 0.14M |
| Club Capital Works | \$ 0.31M |
| Other | \$ 0.41M |
| | <u>\$104.91M</u> |

Code comparisons of relevance

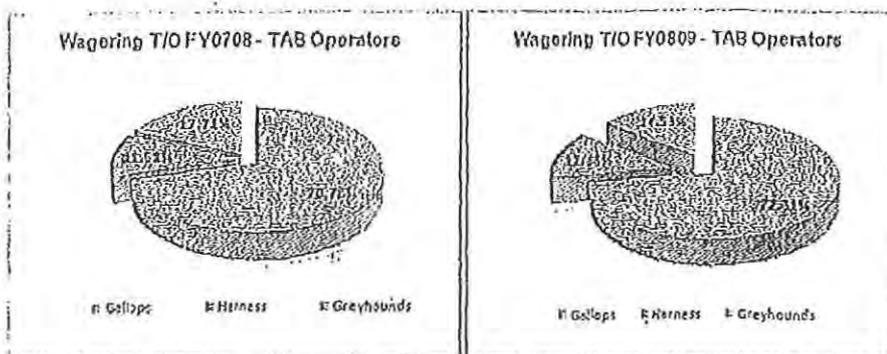
It can be seen from the following graphs that the Harness and Greyhound codes occupy a relatively minor footprint of the racing industry in Queensland.

Market Share of QLD Wagering - UNITAB



Thoroughbreds dominate UNITAB wagering with approximately 78.67% of the domestic wagering market.

Market Share of QLD Wagering -- All TAB Operators



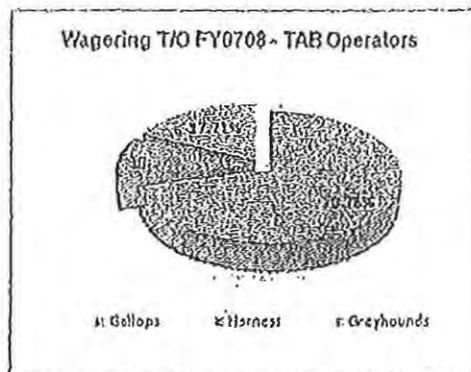
Thoroughbreds dominate All TAB wagering with approximately 71% in FY0708, increasing to 73% in FY0809.

| FY0708 | | | | |
|------------------------|---------|---------|------------|-----------------|
| | Gallops | Harness | Greyhounds | All QLD Product |
| Race Meetings | 563 | 334 | 637 | 1,534 |
| Races | 3,869 | | 5,827 | 9,690 |
| Starters | 39,212 | | 41,828 | 81,040 |
| Attendance/Admissions | 787,731 | | | 787,731 |
| Control Body Staff | 162 | | 27 | 189 |
| Trainers | 1,183 | 436 | 1,174 | 2,793 |
| Jockeys/Drivers | 274 | 304 | n/a | 578 |
| Stable | | | | |
| Hands/Attendants | 2,111 | 218 | 656 | 2,985 |
| Bookmakers | 115 | 9 | 15 | 139 |
| Clubs | 136 | 7 | 9 | 152 |
| \$'000 | | | | |
| Surplus/Deficit | 13,382 | 477 | 1,501 | 11,403.99 |
| Prizemoney paid out | 67,532 | 11,194 | 7,341 | 86,066.31 |
| Product & Program fees | 93,489 | 17,865 | 11,687 | 123,040.53 |

| FY0809 | | | | |
|----------------|----------------------|--------------------|--------------------|----------------------|
| TAB Operator | Gallops | Harness | Greyhounds | All QLD Product |
| ACTTAB | 23,422,444 | 3,045,280 | 3,290,501 | 29,758,224 |
| NT TAB Pty Ltd | 25,704,565 | 3,945,394 | 4,107,810 | 33,757,770 |
| RWWA | 121,026,165 | 38,844,998 | 48,856,105 | 208,727,268 |
| SA Tab | 84,814,498 | 17,570,604 | 18,168,171 | 120,553,273 |
| TAB NSW | 583,931,578 | 93,378,181 | 109,459,022 | 786,768,781 |
| TAB Victoria | 338,323,997 | 71,994,686 | 80,439,165 | 490,757,848 |
| TOTE Tasmania | 74,880,237 | 11,621,295 | 13,705,348 | 100,206,880 |
| UNITAB | 432,986,596 | 58,097,268 | 59,274,357 | 550,358,221 |
| | 1,685,090,080 | 298,497,705 | 337,300,479 | 2,320,888,264 |
| All | 73% | 13% | 15% | 100% |
| UNITAB | 79% | 11% | 11% | 100% |



| FY0708 | | | | |
|----------------|---------------|-------------|-------------|-----------------|
| TAB Operator | Gallops | Harness | Greyhounds | All QLD Product |
| ACTTAB | 20,463,967 | 2,363,175 | 4,174,831 | 27,001,973 |
| NT TAB Pty Ltd | 18,522,056 | 2,703,104 | 4,117,607 | 25,342,767 |
| RWWA | 104,613,020 | 31,067,178 | 51,940,528 | 187,620,726 |
| SA Tab | 71,221,097 | 13,516,786 | 18,820,895 | 103,558,778 |
| TAB NSW | 508,540,423 | 74,048,344 | 117,813,215 | 700,401,982 |
| TAB Victoria | 290,206,860 | 56,054,518 | 87,573,762 | 433,835,140 |
| TOTE Tasmania | 48,940,465 | 7,317,819 | 10,466,275 | 66,724,559 |
| UNITAB | 370,514,246 | 45,906,032 | 63,710,548 | 480,130,826 |
| | 1,433,022,134 | 232,976,956 | 358,617,661 | 2,024,616,751 |
| All | 71% | 12% | 18% | 100% |
| UNITAB | 77% | 10% | 13% | 100% |



Option to integrate three codes of racing

This paper, for the consideration of the government, considers the integration of the three racing codes, namely the Thoroughbred, the Greyhounds and the Harness codes, in Queensland. It proposes the integration of all three codes into a single control body.

Due to the size and complexity of the thoroughbred code the suggested integration is based on the systems and structure of the existing thoroughbred control body, QRL.

Currently the three codes are governed by three companies, limited by guarantee which results in duplication and inefficiencies. Just as the QRL has actively pursued the integration of the two metropolitan racing clubs in Brisbane (the Brisbane Turf Club and the Queensland Turf Club), the three codes of racing need to have regard for the efficiencies that would be generated as a result of integration. Whilst no financial analysis has been undertaken in relation to the efficiencies that would be generated, when it is contemplated that there is duplication at most levels within each of the codes, it becomes logical that a single control body administering the three codes of

racing in Queensland will deliver considerable efficiencies, and in turn benefits for each code of racing.

The benefits of amalgamating the three control bodies into one control body for the Queensland racing industry, include:

- streamlined strategic decision-making in the interests of the entire racing industry;
- single point commercial negotiation;
- the establishment of one licensing and training regime and system;
- enhanced integrity management systems and procedures; and
- coordination of asset redevelopments;

The smaller harness and greyhound codes which currently do not have the resources to replicate thoroughbred systems will benefit from the investigation, legal and appeal processes that now operate in the thoroughbred code.

While no staff would be displaced if the control bodies are amalgamated, over time as staff leave, there will be opportunities to reduce the number of staff. Staff from the three codes would benefit from increased career opportunities in the larger organisation.

Below in this paper under, 'Recommendations', the integration of the three codes is further discussed and the proposed new board structure considers an initial compilation of directors from the three codes of racing, and then ultimately the directors are simply being drawn from industry and commerce.

The current constitution was created in an entirely different set of circumstances. There was a different and stable income stream and the competition for the wagering dollar was present but not aggressive. The industry was resigned to a period of stability not prefaced by continuous elections.

The Australian Rule of Racing A.R.1 was relevant in that a constitution for a control body could not have 'appointees' to the control body unless by the industry. The framing of the current QRL constitution was of necessity, constrained in so much as it required industry representation for election to the control body board. This was considered by racing clubs as their protection of the system. The rule was introduced so as to stop government appointments or for that matter any outsiders no matter their qualifications to racing boards. This no longer applies, except that clubs continue to agitate in an endeavour to cling to this long dispensed crutch of protection.

The Australian racing industry is extensive and far reaching, it is complex and occupies a space in Australian industry and community that is rarely understood. The industry relies on integrity and a control body system that has a real separation from those participants and associations that it licences and controls.

There needs to be a complete understanding that the racing industry is entirely different from other sporting bodies and their participating clubs. The industry generates \$16 billion in turnover contributes substantially to government taxes employs over 250,000 people full time and the opportunity for corruption and manipulation is an ever present danger.

I am proposing a simple structure that will meet all the governance expectations and will give a vastly superior control model for Queensland that will hopefully be replicated interstate as a forerunner to a national racing industry model. The structure and model will accommodate the Harness and Greyhound codes.

Recommendations

Action for Queensland

Stage 1

1. Let the current election process play out. That is QRL will proceed to comply with the Supreme Court orders of Justice Wilson or any further orders handed down.

Result - that 2 new directors will be elected to the current QRL board under the existing constitutional process.

2. The government by legislation will revoke the three existing control body licences on the following grounds:-
 - (a) The model no longer fits the current conditions in the racing industry;
 - (b) A.R.1 no longer needs strict interpretation;
 - (c) The government sees the need for a major upgrade of infrastructure in the racing industry and it is essential that the directors have security of tenure to effect the developments and structural change;
 - (d) Remove the constant distraction of board elections and the associated lobbying of stakeholders who maintain a vested interest to achieve the best outcomes for their clubs at the expense of the wider industry;
 - (e) Amalgamate the three [3] control bodies in one entity for efficiency and progression of developments; and
 - (f) Apply the proper governance of separation of directors being elected by those who they are required to license and control.

Stage 2

1. A single control body to administer all regulated racing in Queensland will be established and licensed by the Government.
2. The constitution of the new control body will be broadly based on the current QRL constitution, with the necessary changes outlined below.
3. Transfer the staff, assets liabilities and responsibilities of the current three control bodies to the new control body.

Constitution of the new control body

Members

The only members of the company will be the directors. If a person ceases to be a director, they cease to be a member.

Founding Directors

As the largest of the three codes, the thoroughbred code generates by far, the most income and has the most contentious issues to deal with. Accordingly, the founding directors of the new control body will be the five QRL directors and one existing director from each of the current harness and greyhound control bodies.

The chair and deputy chair of the control body will be the chair and deputy chair of QRL who will hold these positions for the initial term.

Initial term

It is proposed that directors of the new control body be appointed for an initial term of five years, until 2015. During this period the directors would not be required to stand for election.

This period of stability is necessary to ensure that the considerable work necessary to properly implement the operations of one amalgamated control body for the Queensland racing industry is undertaken as effectively as possible in the interests of the three codes of racing. As this will be a period of significant change with a high work load, it is important that the directors are focused on control body issues and not distracted by elections.

In addition, it should be noted that the Product and Program Agreement expires on 1 July 2014. As the future income for the three codes of racing will be dependent on the outcome of the negotiation of a new agreement, it is imperative that this process is led by directors who understand the issues and are best placed to ensure a sound financial future for the Queensland racing industry.

Director's selection

The selection of directors will be by a panel of recruitment/management consultants acting independently of the new control body. The panel would be appointed as follows:

- One member appointed by the control body (those directors who are seeking reappointment will not vote or be part of the consultant's appointment;
- One member appointed by the Australian Institute of Company Directors; and
- One member appointed by the Director-General of the department responsible for racing.

Following initial guidance as to selection criteria as per the Racing Act and taking into consideration the suitability and skills required to complement the board their majority decision will be final. Board members will be selected on ability not popularity and this removes the industry lobbying for outcomes.

After the expiration of the initial term, directors are to retire on a rotational basis every two years.

Director Numbers

The new control body will have a maximum of 9 and minimum of 7 directors.

Remuneration

The remuneration of the directors will be determined by an independent organisation such as Mercers by benchmarking against companies of similar revenue and size. Remuneration reviews will be carried out every 2 years.

General meeting

In addition to the company's annual general meeting, the control body will hold a meeting each year to provide information to industry stakeholders.

Product Company

It is recommended that Product Co Pty Limited remains and as a sub-committee of the board of the control body.

Other Issues

Code Funding

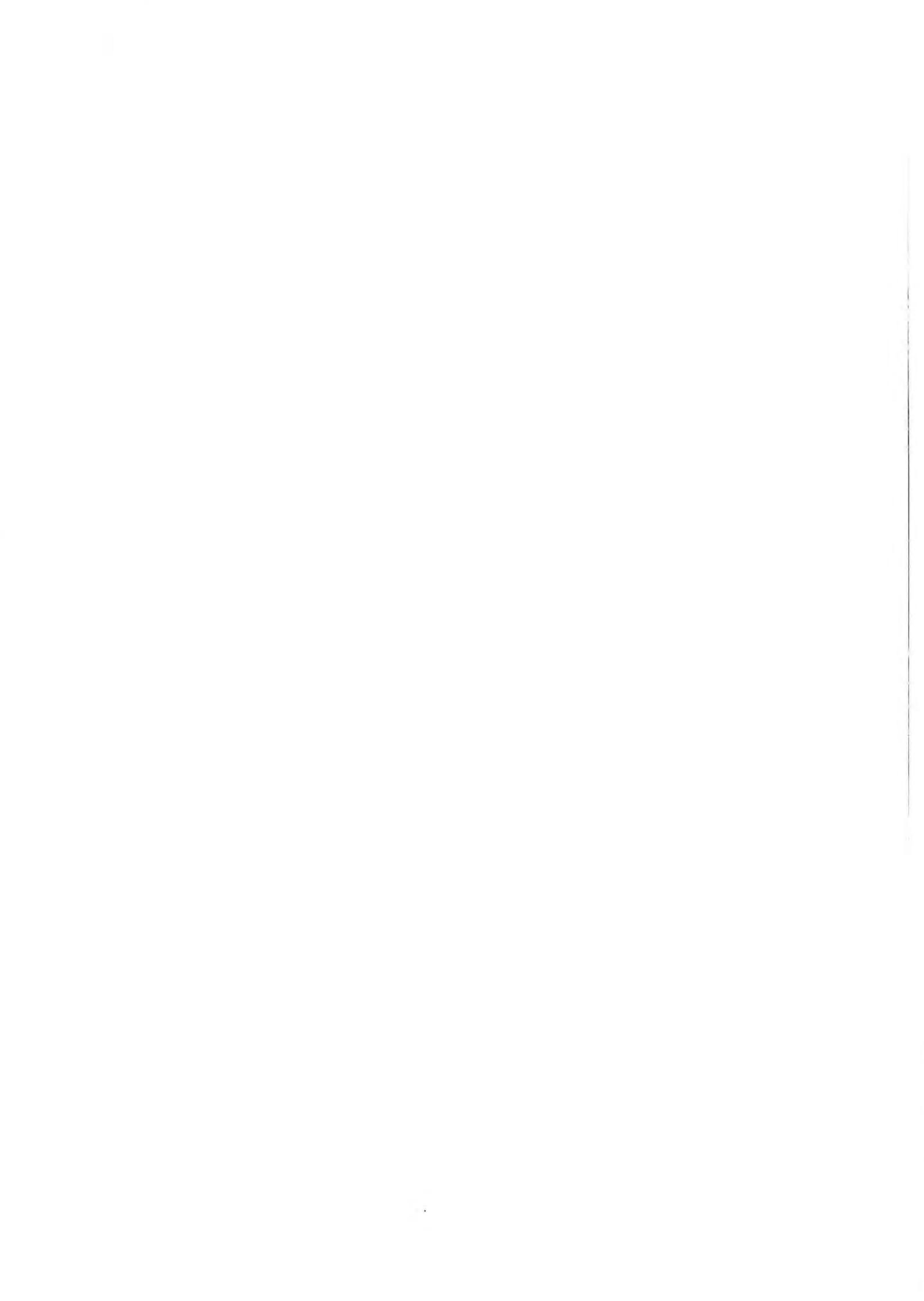
The allocation of funding to the three codes would be based on wagering performance.

Stamp Duty

Approval would be required to transfer of assets from the three existing control bodies to the new control body without paying transfer duty.



R.G. BENTLEY
Chairman



PL-3

Question on Notice
No. 1810
Asked on 15 September 2010

MR HORAN ASKED THE MINISTER FOR TOURISM AND FAIR TRADING
(MR LAWLOR) —

QUESTION:

With reference to the \$10m (\$4m from Queensland Government and \$6m from Queensland Racing) provided by Queensland Racing to the Toowoomba Turf Club for the development and installation of the cushion track in 2008-09—

Will the Minister confirm that the \$6m provided by Queensland Racing was provided to the Toowoomba Turf Club as a grant with no repayment schedule or any other obligation to repay this money?

ANSWER:

As this money was provided by Queensland Racing (now Racing Queensland Limited) any questions in relation to the provision of these funds should be directed to Racing Queensland Limited.

PL-4

Question on Notice
No. 833
Asked on 18 May 2010

MR STEVENS ASKED THE MINISTER FOR TOURISM AND FAIR TRADING
(MR LAWLOR) —

QUESTION:

With reference to the Chairman of Queensland Racing, Mr Bob Bentley—

Will the Minister list the yearly expenses incurred by Mr Bentley since his appointment as Chairman of Queensland Racing and future Chairman of Racing Queensland?

ANSWER:

Queensland Racing Limited is a company limited-by-guarantee and a director's expenses must be reported as required by the *Corporations Act 2001*.

Consequently, any questions in relation to a director's expenses should be directed to Queensland Racing and/or the Australian Securities and Investments Commission.