

22 August 2013

Statement to Racing Commission of Inquiry

PO Box 12369

George Street, Brisbane

Queensland 4003

I refer to your communication of 9 August 2013 titled, Requirement to Provide Written Statement to Racing Commission of Inquiry and enclose in response a written statement.

Yours sincerely



Michael Lambert

[REDACTED]

[REDACTED]

I hereby certify that I have witnessed the signature of Mr Lambert in conveying this statement to the Inquiry.



JANE LAMMING, Solicitor

27/8/2013

## Statement to Racing Commission of Inquiry

I have been required to provide a written statement in regard to the following matter:

“All the circumstances resulting in directors volunteering to resign or be rotated off the Queensland Racing Limited Board in 2009”

I was appointed to the inaugural Queensland Racing Board, effective from April 2002 for an initial term which was extended to enable the inaugural board to progress with its reforms. In addition to being a director of Queensland Racing, I was also appointed as a director of Product Co, which was composed of representatives of the three racing codes and oversaw the Product and Program with Tatts; the Queensland representative on the board of RISA( Racing Information Services of Australia) and was chair of the Audit Committee of Queensland Racing.

After the initial appointments two new board members were appointed, Bill Andrews and Bill Ludwig in December 2004. As I recall there was a requirement that from the 2009 AGM an initial two directors had to retire from the board though they could seek reappointment and that the other directors had to retire at subsequent AGMs.

Under the governance arrangements for board appointments there was a requirement that where there was a board vacancy an advertisement needed to be placed to invite the nomination of candidates and an experienced and qualified recruitment agency be appointed to assess independently the candidates for suitability. The chairman nominated Northern Recruitment, with its principal, Mr Wilson be appointed for this role. No other names were submitted and the board approved the appointment, though without a satisfactory explanation for why that firm and person was selected.

Mr Andrews advised that he would be prepared to retire but would want to stand for re-election. At that stage a decision was not made about who would be the second director to retire. At a subsequent board meeting I noted that only one director had nominated to retire and that a second director needed to do so. I stated that the chair should determine who this director should be. The chair noted that the matter needed to be resolved. At the conclusion of the meeting, once the meeting had formally closed, the chair spoke to me and said he had decided that I should be the second retiring director. I noted that this was his right to decide and that in view of the circumstances of the process to date I would not be a candidate for a vacant position.

Subsequently the company secretary, Shara Murray, briefed Mr Wilson on the assignment. There were seven applicants for the vacant two positions and the Northern Recruitment report advised that there should be a maximum of four candidates and these did not include Bill Andrews, the retiring director. At the meeting of the board where this was discussed it was pointed out that there was no required limit on the number of candidates. It was also noted that at the previous board meeting where the matter had been discussed, Ms Murray had expressed the view that there was a limit on the number of nominated candidates that could be submitted for consideration members

and that this would have appeared to have been conveyed to Mr Wilson. This was the recollection of myself and Mr Andrews but was denied by the other board members.

After the meeting I spoke with Mr Andrews and indicated that I thought an error of process had occurred and I would support him if he undertook action to address this matter. Sometime later I phoned Mr Wilson to discuss the matter and in particular to clarify the basis on which he concluded that a maximum of four candidates was required. He advised that this had been conveyed to him by Ms Murray. This reinforced my conclusion that a severe error of process had occurred.

Mr Andrews launched a legal action against Queensland Racing to seek to overturn the process for identifying candidates for the vacant board positions. I was called as a witness in that case and testified regarding the process followed my concerns about the process and my conversation with Mr Wilson. The subsequent court decision concluded that Mr Wilson had not acted independently and that the process was flawed and a new process needed to be undertaken.

Following the court decision David Grace from Cooper Grace Ward. David Grace wrote at the instructions of the chair to Northern Recruitment to request that they undertake the process again. Quite rightly, in my view, Mr Andrews objected to this and requested a special meeting of the board which was held by telephone on 3 November 2009, with David Grace in attendance. Mr Andrews argued that to proceed with Northern Recruitment was totally inappropriate as he had been found by the court to have not acted independently. I supported Mr Andrews's position and argued further that Mr Wilson had made a false statement to the court, denying his conversation with me regarding Ms Murray and, further, had demonstrated bias but stating to the court that there were only four suitable experienced and qualified candidates as a way to rationalise his nomination of only four board candidates. Despite the opposition of Mr Andrews and I, the balance of the board decided to proceed with the process using Northern Recruitment.

Mr Andrews referred the matter back to the court which, unsurprisingly, determined that Northern Recruitment was unsuitable for undertaking the process and directed that Queensland Racing undertake a process to select a suitable recruitment agency. At the board meeting held on 17 November 2009, the chair advised that proposals had been received from four recruitment agencies, KPMG, Boomerang Board Consulting, Davidson Recruitment and Hines Management Consultants and that it was recommended that KPMG be appointed. This was approved unanimously. It was also unanimously approved that a set of additional criteria be taken into account in assessing suitability of candidates. These criteria are set out in the board minutes for that meeting.

Following the AGM meeting the net outcome was that both Mr Andrews and I ceased to be directors of Queensland Racing.

I have set out above the chain of events that led to the retirement and non-appointment of two of the directors in 2009. Advice has also been sought on all of the circumstances surrounding the process. The period 2008 and 2009 had seen major changes in the Queensland Racing industry and the racing industry in general. Key developments had included the following:

- The impact on the industry of the equine influenza outbreak, compounded by the Global Financial Crisis

- The launch of the Queensland Thoroughbred Investment Scheme (QTIS) to assist the Queensland breeding industry and promote race horse ownership
- The merger of Brisbane Turf Club and Queensland Turf Club
- The passage of Race Information Legislation through the Queensland parliament directed at obtaining revenue from corporate bookmakers and other entities that derived revenue from the racing program and product
- Major investments by Queensland Racing to boost racing infrastructure at Corbould Park at Caloundra, Clifford Park at Toowoomba, Callaghan Park at Rockhampton and the installation of night time lighting at the Sunshine Coast.
- Queensland Racing taking the lead in seeking to amalgamate broadcasting rights of all race clubs and negotiate centrally on these rights

On each of these initiatives there was unanimous support at the board level. Apart from the board level disagreement and subsequent court case with respect to the rotation of directors, there was only one other matter which produced disagreement at the board level. This was the matter of the financial arrangements between Queensland Race Product Co Limited and the Tatts Group which was the subject of my statement of 24 July 2013. I do not intend to canvass this matter again as it is fully discussed in my earlier statement. The one aspect of note is that the two directors who sought unsuccessfully to pursue the legal position with respect to the right of Tatts to offset fees by itself to Racing NSW with product and program fees payable to Queensland Racing, Bill Andrews and I, were the two directors that were retired from the board in 2009. In the case of Bill Andrews there was a process followed to exclude Bill Andrews from eligibility to contest the vacant position and in my case the chair nominated me as the second director to retire. It is up to others to determine whether there was a causal link between the two matters.