

QUEENSLAND RACING COMMISSION OF INQUIRY

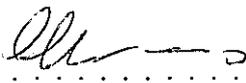
AFFIDAVIT OF BYRON ALEXANDER BEAVERS

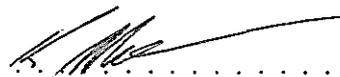
I, **BYRON ALEXANDER (KNOWN AS ALEX) BEAVERS**, c/o Crown Law, State Law Building, 50 Ann Street, Brisbane in the State of Queensland, Deputy Under Treasurer state on oath:

Role

1. I am currently a Deputy Under Treasurer, in the Department of Queensland Treasury and Trade (Treasury).
2. During the relevant period, I was employed with Treasury in 2007 as the Assistant Under Treasurer, Fiscal. This role was not portfolio specific, but was responsible for the whole-of-government fiscal position. Accordingly, I was unlikely to have been involved in matters relating to the racing industry.
3. On 22 March 2007, I was appointed to the role of Deputy Director-General in the Department of Premier and Cabinet. I was then seconded back to Treasury on 17 June 2009 in the role of Deputy Under Treasurer.
4. I was appointed as Deputy Under Treasurer on a permanent basis with effect from 7 April 2011.
5. I am one of two Deputy Under Treasurers. I am currently responsible for Budget matters. My role is to provide broad support for the Under Treasurer in relation to the Budget, including both Whole-of-Government and portfolio specific matters.

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Signed: 
Deponent

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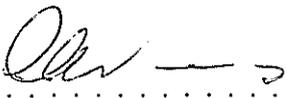
Affidavit of Byron Beavers

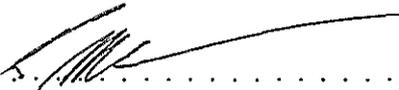
GR Cooper
CROWN SOLICITOR
11th Floor, State Law Building
50 Ann Street
Brisbane Qld 4000
Telephone 07 3239 3734
Facsimile 07 3239 3456

6. Responsibility for matters concerning the racing industry sat within the Resources and Economic Development Branch within Treasury. This Branch is within my broader portfolio responsibilities.
7. By way of contemporaneous context, I note that during the relevant period Treasury was occupied with, amongst other issues, managing the State Budget during the difficult period of the global financial crisis and the downgrade of the State's credit rating, State Government asset sales and natural disaster recovery. Coupled with the fact that Treasury, by necessity, focuses its resource effort towards portfolios commensurate with their budget and policy significance, racing industry matters were not a high priority to Treasury.
8. Given Treasury does not have any particular expertise in relation to racing industry matters, the junior Treasury officers who were tasked with this work would have had to manage it in the context of other work priorities and would have undertaken such work under the guidance and direction of superiors.
9. Treasury's role is to assist the Government of the day by providing advice on proposals from Ministers and departments. Once a decision is made, Treasury's role is to implement that decision to the extent that it relates to Treasury's responsibilities.

Cabinet Submissions and Cabinet Budget Review Committee Submissions

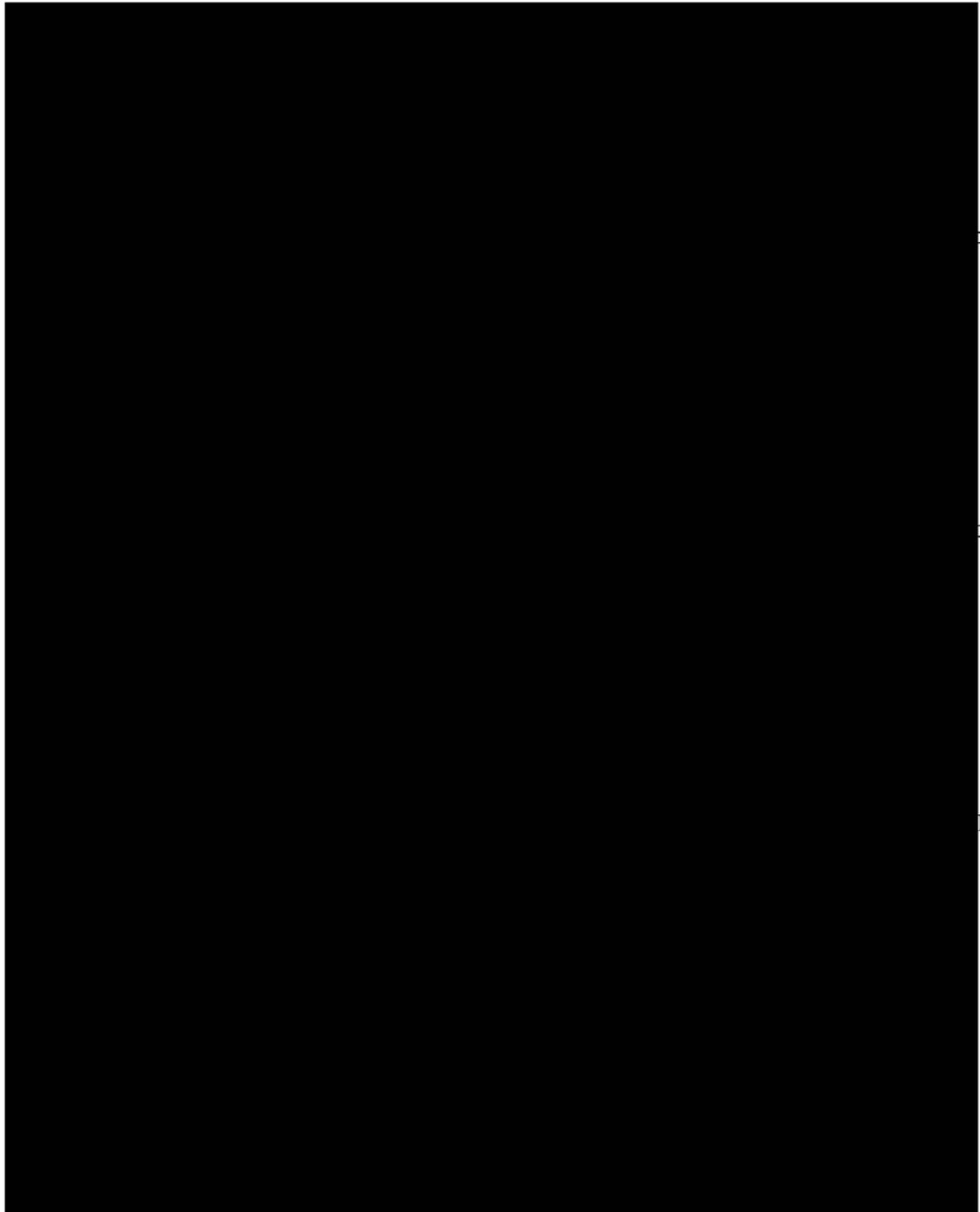
10. In my role as Deputy Under Treasurer, I would see most Treasury briefing notes in relation to Cabinet and Cabinet Budget Review Committee (CBRC) submissions. Whilst my name may not appear on the briefing notes, it is usual for the briefing notes to pass through me before they are reviewed by the Under Treasurer.
11. I review and clear or change briefing notes as appropriate to properly reflect Treasury's position in relation to submissions.
12. If the content of the submission is of relatively minor significance or if there is an urgent need for a briefing note to be signed and the Under Treasurer is unavailable, I will sign on his/her behalf.

Signed: 
Deponent

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13. For convenience and ease of understanding, I address the various submissions I have been asked to comment on in chronological order.

Cabinet Budget Review Committee Submission No 3756 for 26 November 2009

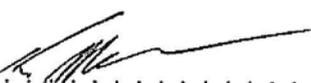


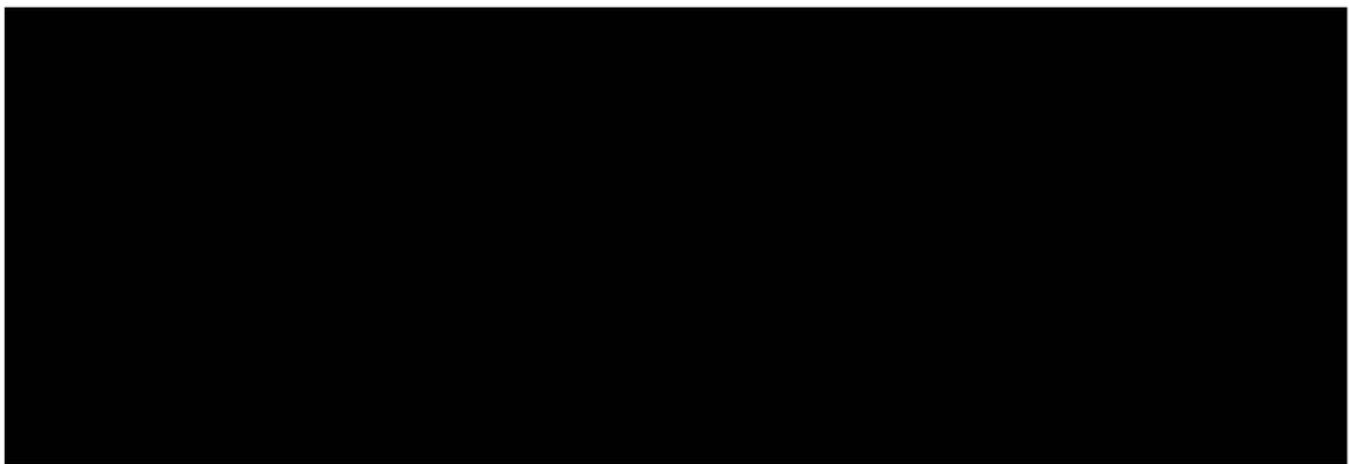
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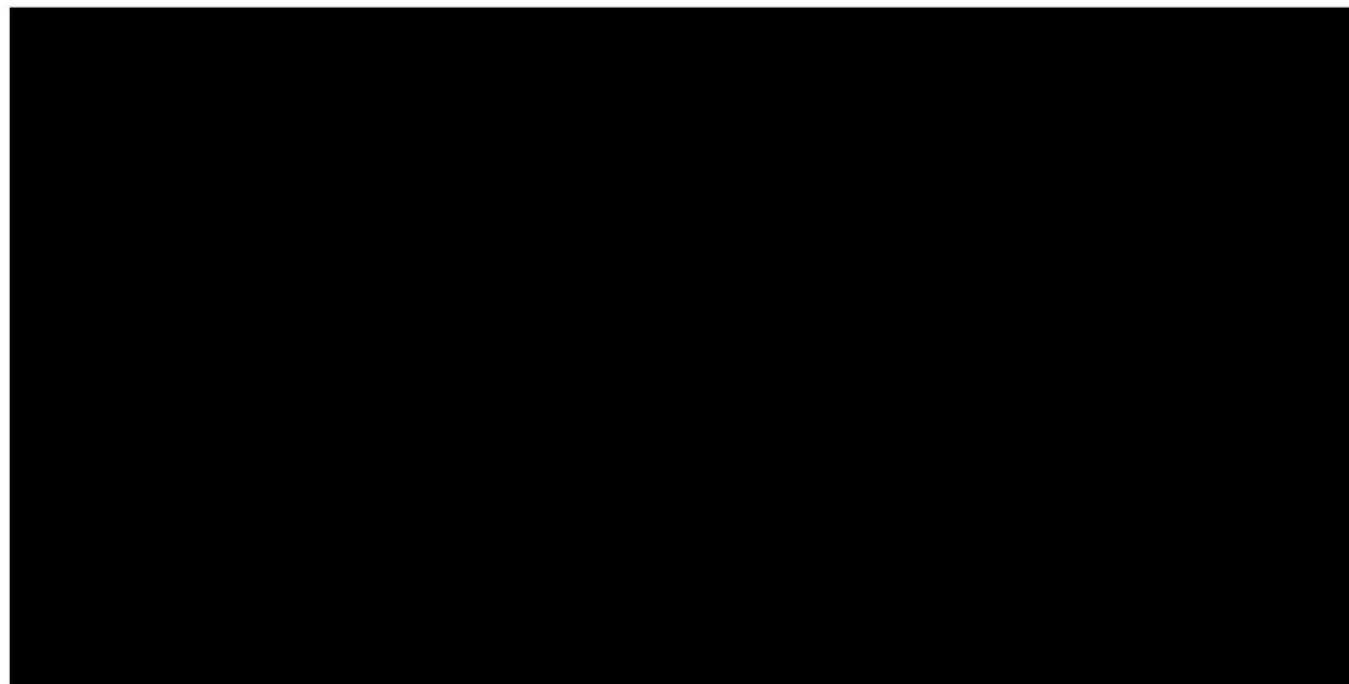
I

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Deponent

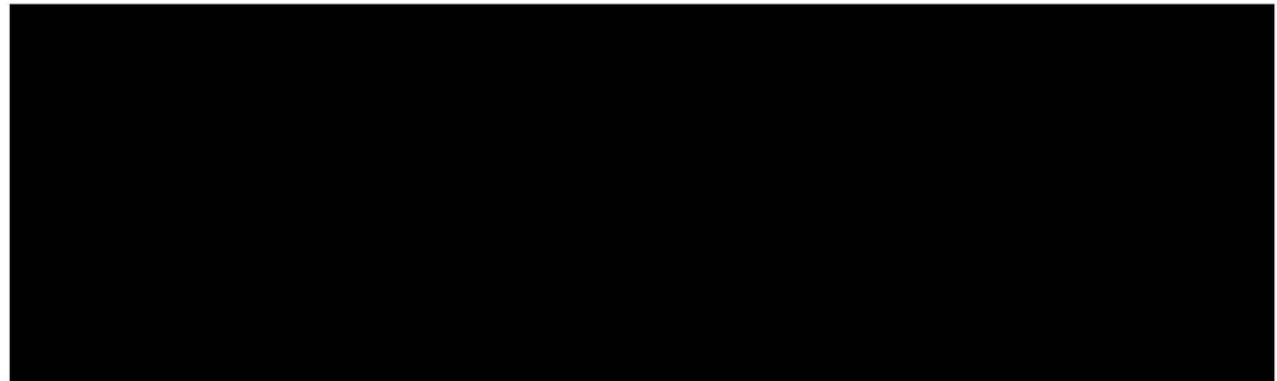
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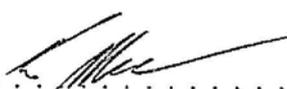
Cabinet Submission No 7290, for 22 February 2010



Cabinet Submission No 7372, for 14 April 2010



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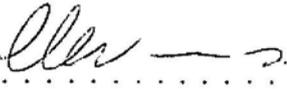


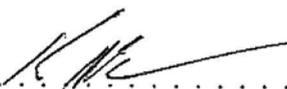
Cabinet Budget Review Committee Submission No 4210 for 7 July 2011

- 29. Treasury's position was to oppose the submission with regards to the one year extension of the wagering tax sharing arrangements and the Mackay business case.
- 30. I was consulted in the development of the submission. Exhibit **AB3** is an email string which speaks for itself as to my involvement in the development of the submission.
- 31. I designed the model proposed in the submission under which Racing Queensland Limited (RQL) could obtain a loan from Queensland Treasury Corporation (QTC) to be repaid from the funding previously agreed. This was in response to a proposal put forward by RQL whereby the State would provide a guarantee for a loan from a commercial vendor, with the State guarantee to be secured via a mortgage over Albion Park Raceway. Exhibit **AB4** is a copy of an email from me to Nicholas Lindsay which sets out Treasury's approach to the loan from QTC. Treasury's position on the proposed loan is set out in paragraph 84 of the body of the submission.
- 32. Treasury's position is otherwise articulated in the briefing note regarding the submission. I was sent a draft of the briefing note from John O'Connell. Exhibit **AB5** is a copy of that email and draft briefing note. Exhibit **AB6** is a copy of the signed briefing note. The briefing note is signed by the Cabinet Liaison Officer rather than the Under Treasurer.

Matter to note or briefing on 30 January 2012



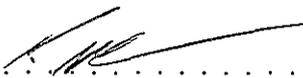
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Business Cases

- 35. I do not specifically recall the details of the Mackay business case, but I recall that Treasury opposed it on the basis that approving the release of the funds would have been inconsistent with a previous CBRC decision.
- 36. I may have reviewed the briefing note which relates to the Mackay business case. Exhibit **AB8** is a copy of that briefing note.
- 37. I recall the business cases generally were difficult to assess and reach a firm conclusion upon. This is because racing infrastructure sits awkwardly as being neither solely commercial nor solely community/sporting infrastructure.
- 38. Treasury's review and assessment of the business cases was largely limited to trying to determine whether the proposed investment would aid the longer term viability of the clubs. In this context, Treasury was seeking to mitigate the chance of the racing industry requiring another injection of State funds for the same facilities.
- 39. Given that Treasury was unable to satisfy itself of the ongoing viability of the clubs, Treasury recommended that a letter of comfort be sought from RQL in order to mitigate future risk to the State.
- 40. I would have likely reviewed the briefing notes of 10, 14 and 17 February 2012 which articulate Treasury's analysis of the business cases. Exhibits **AB9**, **AB10** and **AB11** are copies of those briefing notes.
- 41. Exhibit **AB12** is a bundle of emails which speak for themselves on this matter. I was kept informed of the progress of Treasury's analysis generally but was not aware of the specific details in relation to each of the business cases. I was also aware that Treasury staff were seeking to deal with the business cases while at the same time having to deal with other, and arguably more pressing, priorities.
- 42. It was my expectation that the business cases had been prepared by or for RQL and reviewed by the Office of Racing at some level before being submitted to Treasury.

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Deponent

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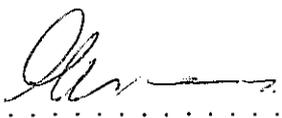
Other relevant meetings

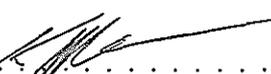
- 43. I was involved in two meetings with RQL officials. The first was on 2 September 2010 which was attended by Gerard Bradley and Robert Bentley. There may have been other people present, but I cannot recall.
- 44. At this meeting RQL proposed a strategic asset plan which proposed numerous and various plans for racing infrastructure around the State.
- 45. The second meeting was a follow-up on 10 September 2010 where RQL presented a proposal to free up funds (by way of early access to wagering moneys) through the redevelopment and future sale of Albion Park. The invitees were Robert Bentley, Carol Perrett, Malcolm Tuttle and R Whitchurch. I cannot recall who actually attended the meeting but I recall meeting Mr Mark Snowden (who was advising RQL on the development aspects) at that meeting.
- 46. Exhibit **AB13A** and **AB13B** is a copy of the presentation and spreadsheets relating to the cash flow budget of the industry an individual clubs and the Albion Park development feasibility analyses delivered by RQL at the meeting on 10 September 2010.
- 47. I also met with Gerard Bradley, Minister Lawlor and the Treasurer on 14 September 2010. That meeting dealt with two issues being Treasury's position on providing a guarantee (secured by a mortgage over Albion Park) to a commercial lender and a separate matter regarding Tabcorp.
- 48. Exhibit **AB14** is a bundle of documents which speak for themselves in regards to this matter.

Other relevant matters

Flood remediation funding

- 49. I signed a briefing note on behalf of the Under Treasurer regarding flood remediation and urgent safety funding which was later ratified in the CBRC Decision number 3255. Exhibit **AB15** is a copy of that briefing note.

Signed: 
Deponent

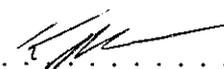
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50. Treasury's position was to recommend that the Treasurer approve the spending of \$2.35 million dollars on urgent flood remediation and safety works.
51. Given the widespread devastation caused by the floods, both officials and Ministers had to exercise judgement in discharging their responsibilities to ensure an appropriate balance between process and progress. In the context of the flood recovery, I considered it appropriate that Treasury recommend that the requirement for the business case be relaxed in that instance.

Business Case Costs

52. The decision to release funds for the costs of preparing the business case was made on or about 5 December 2011 as evidenced by a letter from the Treasurer to the Chairman of Racing Queensland Limited. Exhibit **AB16** is a copy of the Treasurer's letter.
53. Treasury supported the release of funds for this purpose on the basis that an investment in properly developed business cases should promote better decision making. Exhibit **AB17** is a copy of Treasury's Briefing Note to the Treasurer dated 1 December 2011, which it is likely passed through me.
54. While the actual release of funds to allow for the reimbursement of business case costs subsequently occurred during the caretaker period, I do not regard this as significant. There was an existing commitment of the Government to pay these costs given by the Treasurer prior to entering the caretaker period. It is normal practice for the public service to continue to process payments for expenditure already incurred during a caretaker period (as distinct from binding an incoming Government to new commitments).
55. I do not regard it as having been Treasury's role to undertake an analysis of the invoices relating to the preparation of the business case costs. Treasury's role is to distribute funding to departments in accordance with Government decisions. In the context of a Budget that has annual expenditure exceeding \$45 billion, it is not practical or desirable for Treasury to replicate the payment and audit functions of departments.

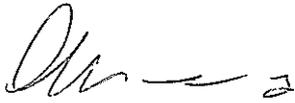
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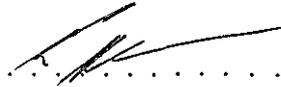
56. Having been presented with the invoices, my expectation is that at most Treasury's role would have been limited to an overall review to determine whether they were consistent with the decision to release the funds rather than undertaking an in-depth analysis or reconciliation of the expenses incurred.

57. All of the facts and circumstances deposed to in this affidavit are within my own knowledge and belief, except for the facts and the circumstances deposed to from information only, and my means of knowledge and source of information appear on the face of this my affidavit.

Sworn by BYRON ALEXANDER BEAVERS on 5 September 2013 at Brisbane in the presence of:



.....
Deponent



.....
Solicitor/~~Barrister~~/Justice of the Peace/
~~Commissioner for Declarations~~

**QUEENSLAND RACING
COMMISSION OF INQUIRY**

INDEX OF EXHIBITS

Bound and marked AB1 – AB17 are the exhibits to the affidavit of Byron Alexander Beavers on 5 September 2013.

Exhibit	Document	Date	Page
AB1			
AB2			
AB3	Email string relating to the consultation of the development of CBRC Submission 4210	Various	7 - 17
AB4	Email, Alex Beavers to Nicholas Lindsay re Racing CBRC Submission	7.10.2010	18 - 19
AB5	Draft briefing note regarding CBRC Submission 4210 with email attaching	06.07.2011	20 - 22
AB6	Signed briefing note regarding CBRC Submission 4210	06.07.2011	23 - 25
AB7			
AB8	Briefing note re Racing Industry Capital Development Scheme and Proposed Urgent Capital Works at Ooralea Park Racecourse, Mackay	30.06.2011	27 - 29
AB9	Briefing note re Business Cases for Racing Industry Infrastructure Expenditure	10.02.2012	30 - 33
AB10	Briefing note re Business Cases for Racing Industry Infrastructure Expenditure	14.02.2012	34 - 37
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AB12	Bundle of emails relating to assessment of business cases	Various	41 - 45
AB13A	Racing Queensland Limited Presentation to Treasury – Strategic Asset Plan For Queensland All Codes	10.09.2010	46 - 97
AB13B	Spreadsheets presented with Racing Queensland Limited Presentation to Treasury – Strategic Asset Plan For Queensland All Codes	10.09.2010	-
AB14	Bundle of documents relating to meeting on 14 September 2010	various	98 - 100
AB15	Briefing note re: Flood Remediation Works Funding for the Racing Industry	04.03.2010	101 - 102

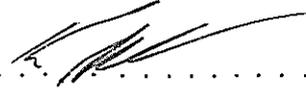
Index of exhibits
Affidavit of Byron Alexander Beavers

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Telephone 07 3239 6112
Facsimile 07 3239 6272

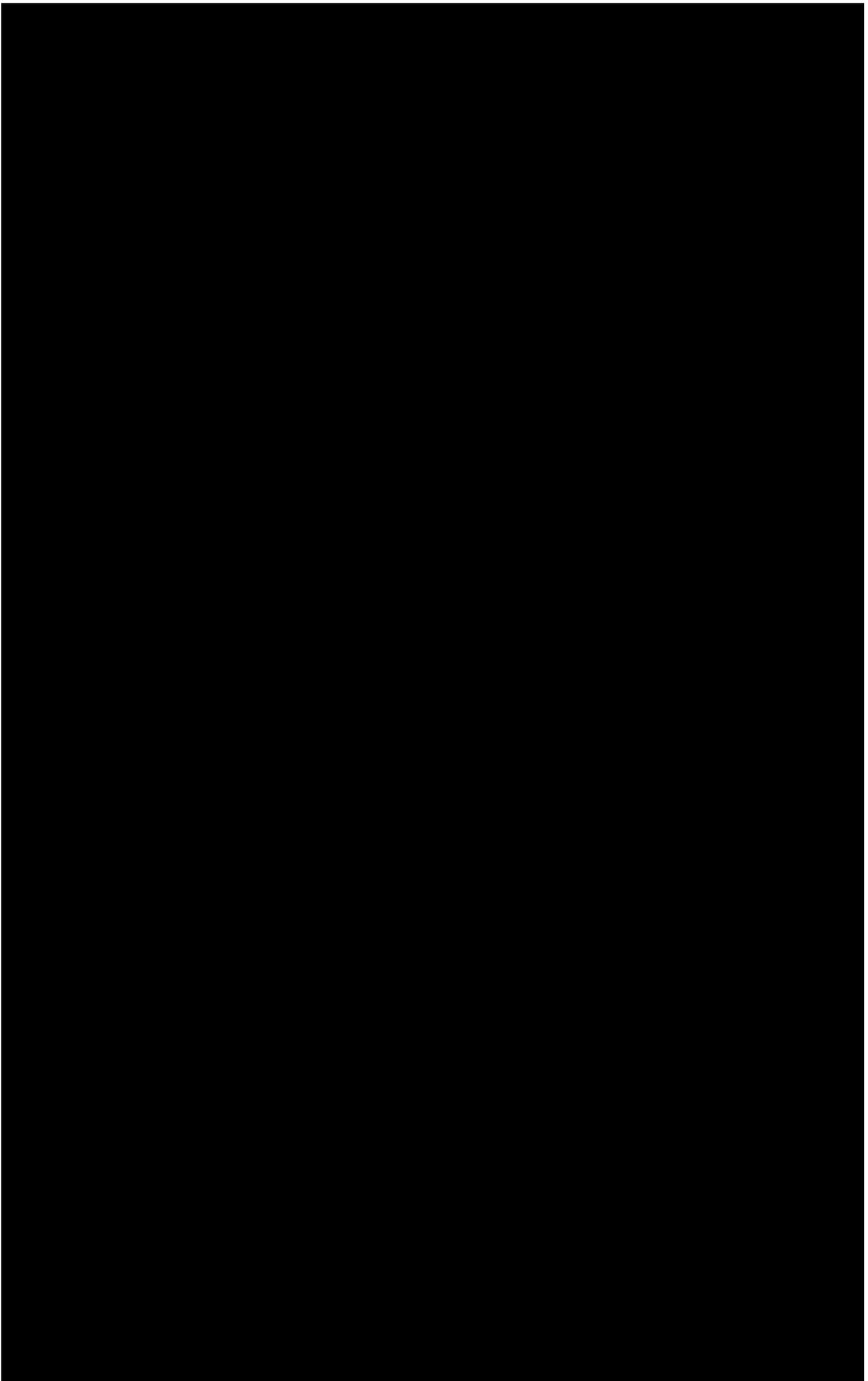
Exhibit	Document	Date	Page
AB16	Letter, Andrew Fraser to R G Bentley re "I refer to issues you have recently raised regarding the delivery of racing infrastructure..."	05.012.2011	103
AB17	Briefing note re Racing Queensland Limited – Racing Industry Capital Development Scheme	01.12.2011	104 - 106

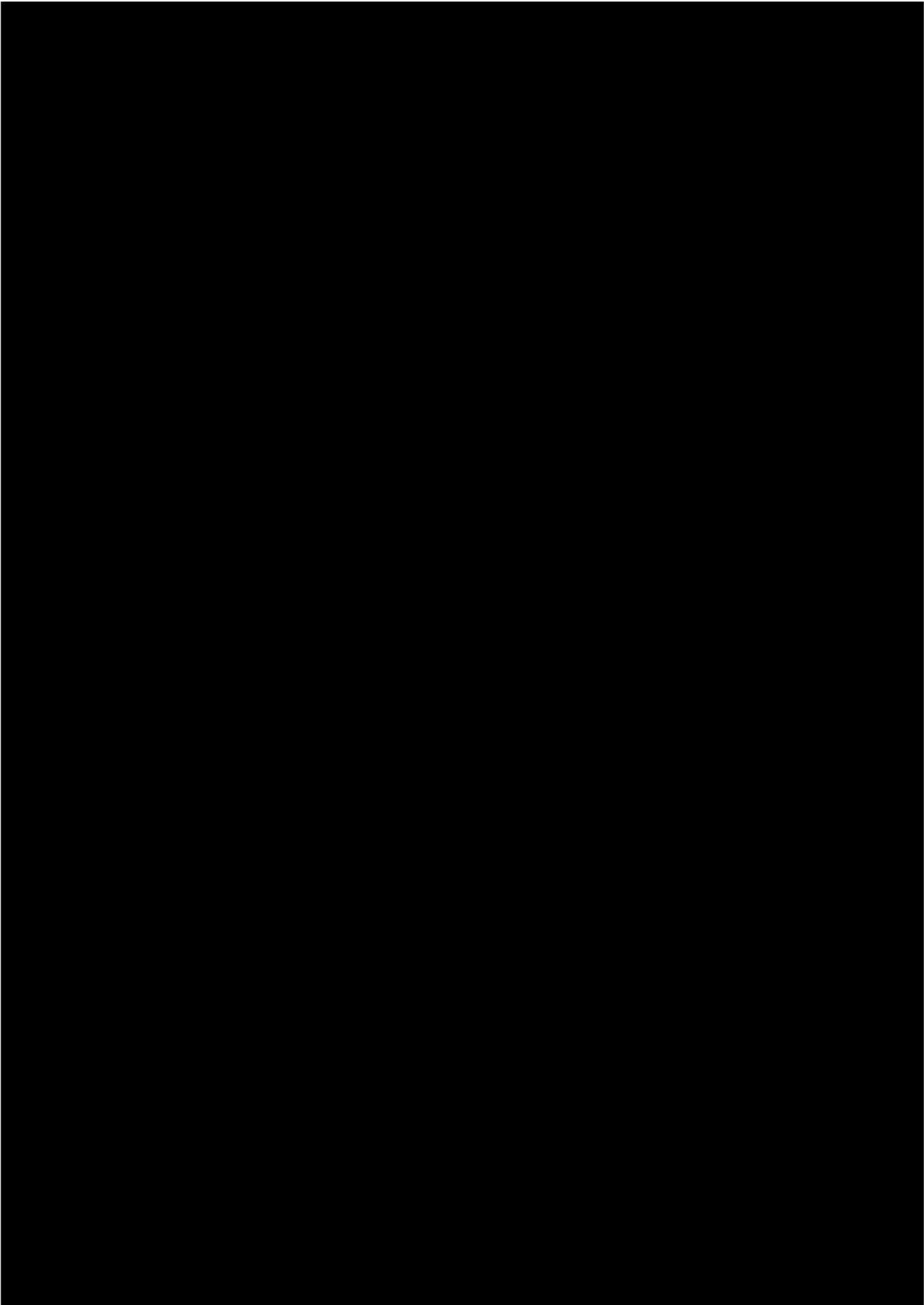


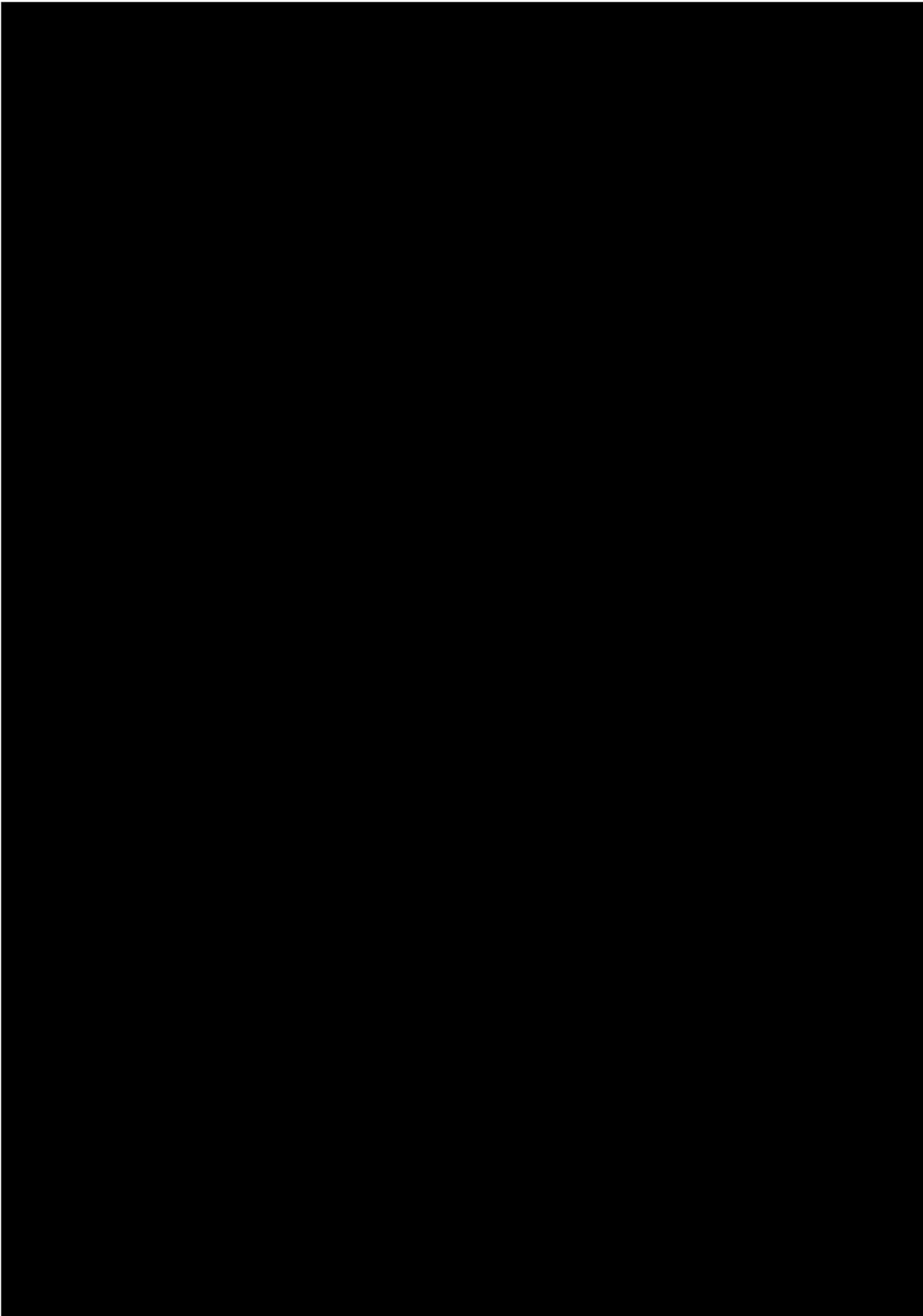
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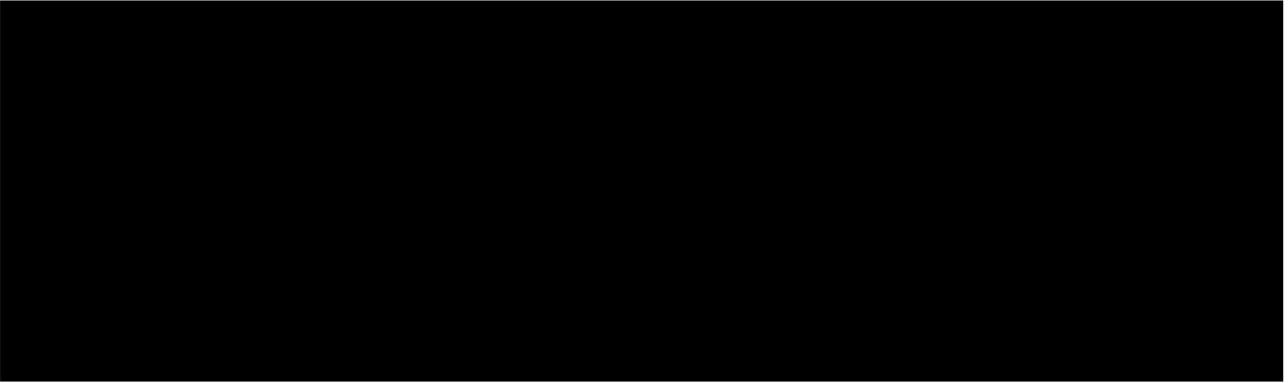


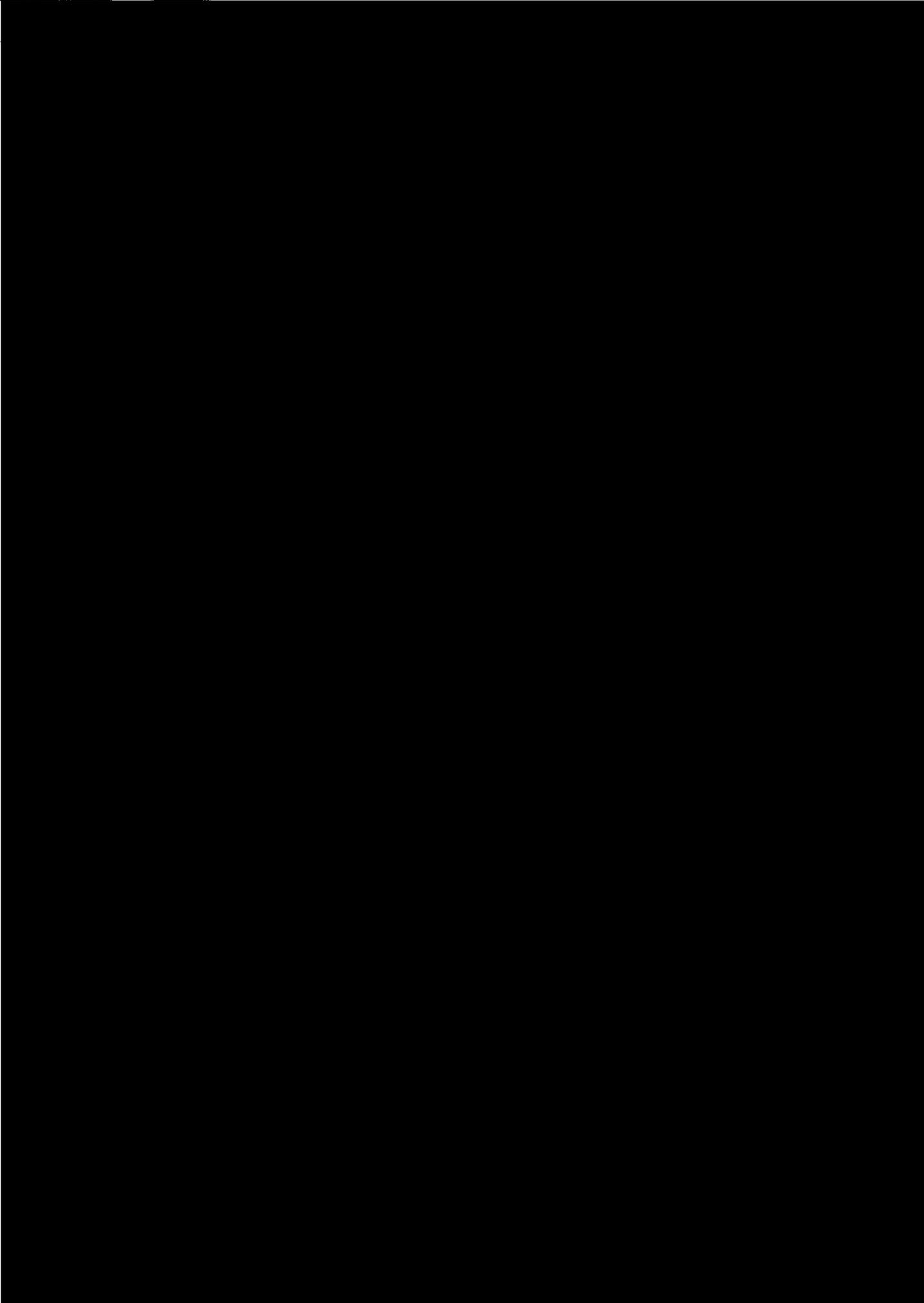
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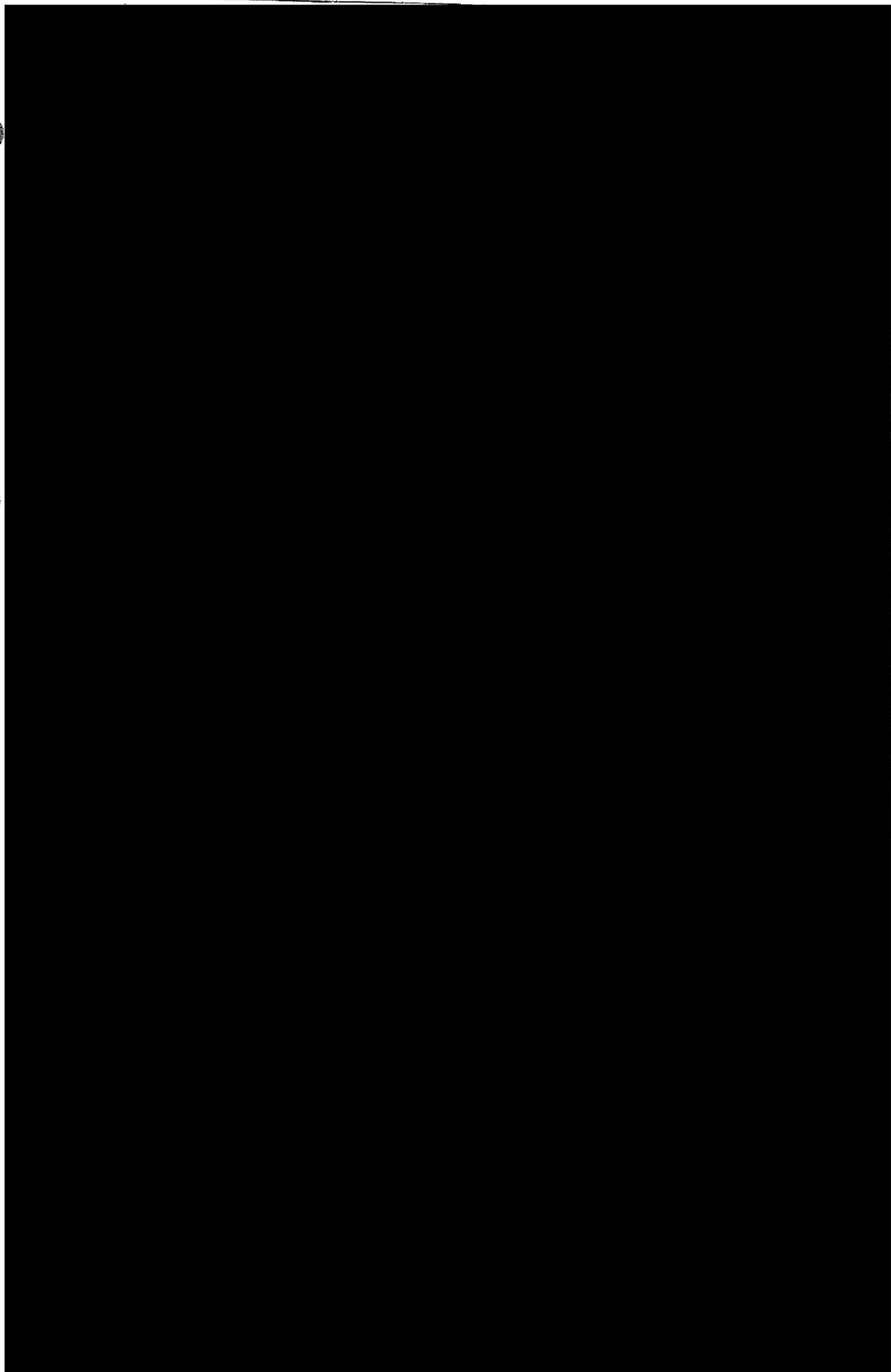














Racing Queensland - Albion Park
Alex Beavers to: pdann, NCastles
Cc: Natalie Barber, Drew Ellem

06/09/2010 01:27 PM

Re: Cabinet Budget Review Committee Submission

Neil/Peter

Racing Queensland is planning a major revamp of its facilities in Queensland, the funding of which would necessitate it selling Albion Park Raceway.

Racing Queensland claims the valuation metrics support a valuation for Albion Park in the order of \$100M.

Racing Queensland would not be able to vacate Albion Park until 2012 (after which point they would go to the market with a detailed Master Plan already done) but need funding up front to commence the redevelopment of the other facilities.

Because a lender would only lend a percentage based on the valuation, and it is an awkward type of transaction for a commercial lender, they have approached the Government asking for the State to underwrite/guarantee a \$100M loan facility from a commercial lender.

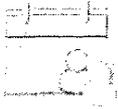
Treasurer has asked us to consider what the best way would be for Government to assist Racing Queensland (from a State financial/risk mitigation perspective) - albeit that Government hasn't yet formally decided on the matter.

The next step in this process is that a fellow called Mark Snowden (former Watpac) who is working for Racing Queensland to come in and take us through his financial model. Looks like this Friday is the day.)

Would one of you be able to attend?

Obviously looking to avoid RNA style complexity, and imagine in some respects they are in a similar starting position.

Alex



Presentation by Racing Queensland Calendar Entry

Fri 10/09/2010 2:00 PM - 3:00
PM

Chair: Alex Beavers/TO/QTreasury

Sent by

Location: Conference Room A, Level 9, Executive Building, 100 George Street

Required:

bbentley@racingqueensland.com.au, Carol Perrett/OR/QTreasury@QTreasury,
mtuttle@racingqueensland.com.au, rwhitchurch@racingqueensland.com.au

Description

RACING INDUSTRY PROPOSAL

Tax Sharing

RQ seeking an additional two years in tax sharing beyond the ~~four~~ originally approved, bringing total funding to approximately \$120M. Tax sharing to fund:

Gold Coast	\$48.3M
Country Racing Facilities WH&S	\$0.9M
Beaudesert	\$20.8M
Cairns	\$4.3M
Mackay	\$18.3M
Rockhampton	\$4.2M
Interest on loan below	\$23.0M
Total	\$119.8M

Albion Park

Sale of Albion Park for approximately \$100M in 2012 to fund:

Deagon	\$57.1M
Ipswich	\$28.3M
Townsville	\$12.2M
Total	\$98.6M

RQ wants State to guarantee a commercial loan facility for \$100M.

RQ has done a credible job bringing Albion Park proposal together from a development perspective and Treasury has no reason to doubt the quality of the work. Fact remains though:

- RQ is seeking to borrow to a maximum of the current valuation and leaving little room to move financially.
- Would be very difficult for State to take ownership of Albion Park in the event something went wrong and would put State in the middle of planning and community issues regarding future land use.
- Very generous deal for commercial lender – presumably gets to charge quasi commercial rates while State guarantee removes or reduces the risk.

Assuming Government wishes to approve the two year extension of tax sharing, this brings the nominal value of the arrangement to \$120M over 6 years. Using QTC's cost of funds (approx 6%), the present value of the tax sharing arrangement is in the order of \$100M.

Treasury's preference, in order, would be as follows:

1. Offer RQ a borrowing facility of \$100M through QTC, with the tax sharing amounts paid directly from Government to QTC to pay off the facility by 2016-17. Government avoids the risk of Albion Park, while RQ gets lower cost of funds and avoids complex financing arrangement.
2. Deposit the \$100M in the QTC cash fund and let RQ draw down as needed. More generous than 1. above to RQ because it gets to earn interest on the unused balance, but downside for State is that it needs to borrow the \$100M upfront.
3. Provide the guarantee to the commercial lender secured against Albion Park.

Catherine McLennan

From: Justin Murphy [Justin.Murphy@premiers.qld.gov.au]
Sent: Wednesday, 22 September 2010 9:03 AM
To: Nicholas Lindsay
Subject: FW: Racing Queensland CBRC Submission

Attachments: Albion Park.doc



Albion Park.doc (31 KB)

Nick

Fyi - might be worth discussion with the Tsy person J

-----Original Message-----

From: Alex.Beavers@treasury.qld.gov.au [mailto:Alex.Beavers@treasury.qld.gov.au]
Sent: Tuesday, 21 September 2010 12:34 PM
To: Justin Murphy
Subject: Racing Queensland CBRC Submission

Justin - would you pls ring me about this some time. There is a future CBRC sub intended and I don't want you to be surprised.

Alex
X42566

----- Forwarded by Alex Beavers/TO/QTreasury on 21/09/2010 11:59 AM -----

From: Alex Beavers/TO/QTreasury
To: Carol Perrett/OR/QTreasury@QTreasury
Cc: Natalie Barber/TO/QTreasury@QTreasury, Robert Fleming/TO/QTreasury@QTreasury
Date: 21/09/2010 10:24 AM
Subject: Racing Queensland

Hello Carol

You will recall that last week I undertook to provide some text that could be dropped into a CBRC submission on Racing Queensland's Strategic Asset Plan. Pls see attached, which deals with the financial arrangements. Hopefully should be a relatively simple submission to bring together from here.

(See attached file: Albion Park.doc)

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RACING QUEENSLAND LIMITED

KEY PROJECT PROPOSALS

Albion Park Raceway

1. Albion Park Raceway was previously owned by the Queensland Government and transferred to the greyhound and harness racing control bodies in joint ownership in 2003. It is now owned by Racing Queensland Limited (RQL) and is used as a TAB harness and greyhound racing and training facility.
2. RQL's proposal concludes that the venue is surplus to industry requirements and envisages sale proceeds of approximately \$100 million to be applied towards a number of key industry projects at Deagon, Ipswich and Townsville.
3. Under RQL's proposal, Brisbane Greyhound Racing Club Inc and Albion Park Harness Racing Club Inc, which currently conduct race meetings at Albion Park, would conduct these meetings under a lease arrangement at Deagon Racecourse.
4. The Racing Science Centre, a unit of the Office of Racing, is located on government owned land adjoining Albion Park Raceway. Easements over a portion of the Albion Park Raceway provide road and services access to the Racing Science Centre.
5. Provision of \$6 million has been made in RQL's plan for the construction of new premises for the Racing Science Centre at Deagon Racecourse. RQL has advised that it will seek government approval for the government-owned land, on which the Racing Science Centre is currently located, to be transferred, at no cost, to RQL in order to optimise proceeds from the disposal of Albion Park Raceway. RQL proposes to offset this land transfer through the transfer of RQL-owned land identified for the location of new Racing Science Centre premises at Deagon Racecourse, to the Queensland Government.

Parklands Gold Coast

6. The Parklands Gold Coast venue, located at Southport, is owned by the State of Queensland. Trustees of Parklands Gold Coast are appointed under the *Racing Venues Development Act 1982* to control land for establishing, extending or developing the land as a racing venue, and for any other purpose decided by the Governor in Council.
7. The major tenants of the venue include the Gold Coast Harness Racing Club, the Gold Coast Show Society, and the Parklands Indoor Sports Centre. Other intermittent users include the organisers of "The Big Day Out", who use the grounds for one-off annual events.

Attachment 1

8. In July 2007, the government announced the preferred site for the new Gold Coast University Hospital. The selected site included a portion of the land that was occupied by the Parklands Gold Coast Trust. In stage 1 of a two stage Gold Coast University Hospital development process, the Gold Coast Greyhound Racing Club was required to vacate the Parklands site by 1 September 2008.
9. Stage 2 of the development process is to see the resumption of the balance of the Parklands site by 30 June 2013 with the remaining tenants of the Trust, including the Gold Coast Harness Racing Club Inc, required to vacate the site by this date.
10. RQL proposes that the construction of a new harness racing and training facility at Bundamba Racecourse will offset the loss of the Parklands harness facility from June 2013. RQL has suggested that the Gold Coast Harness Racing Club Inc and the Ipswich Greyhound Racing Club Inc would conduct TAB greyhound and harness race meetings at Bundamba Racecourse. Thoroughbred racing would continue to be conducted at the venue.

Redcliffe

11. The Redcliffe Paceway site is State owned land administered by the Redcliffe Peninsula Harness Racing and Sporting Club Inc under a Deed of Grant in Trust. The club currently conducts TAB races at the venue.
12. RQL proposes the venue be retained as a non-TAB harness racing and training facility and that TAB race meetings would be transferred to the replacement Albion Park facility at Deagon and/or new Bundamba racecourse harness racing facility.

Ipswich Showground

13. The showground site is State owned land administered by the Ipswich Show Society under a Deed of Grant in Trust. The Ipswich Greyhound Racing Club Inc is a tenant of the Show Society.
14. RQL proposes that greyhound racing will cease at the showground and will be transferred to a new multi-purpose racing facility at Bundamba Racecourse.
15. RQL also advises that it would be possible to conduct the Ipswich Show at the redeveloped Bundamba Racecourse site should the government determine that the current showground site be required for alternative community purposes, for example, as the site for a new hospital.

Logan site

16. The construction of the new Gold Coast University Hospital required the Gold Coast Greyhound Racing Club to vacate the Parklands site by September 2008. The last race meeting conducted by the Gold Coast Greyhound Racing Club at Parklands was held in July 2008.

17. On 16 July 2008, the Treasurer announced compensation of \$10 million would be provided to the control body on the condition the control body applied the funds to the development of a new greyhound racing facility.
18. The control body for greyhound racing at the time, Greyhounds Queensland Limited, believed this to be an opportunity to rationalise industry venues and infrastructure and develop a viable stand-alone greyhound racing facility on government-owned land at Logan, located at 146 Kingston Road, Slacks Creek (known as "Cronulla Park").
19. Greyhounds Queensland had written to the Treasurer requesting the transfer of the Logan land at no cost. The Treasurer provided in-principle approval to the transfer at nil cost, without competition. The Property Management Committee, a Cabinet Budget Review Committee Sub-Committee, has endorsed this proposed strategy enabling the Minister to approve the actual disposal of the land at any time.
20. On 7 May 2010, a Deed of Grant for the Cronulla Park site was issued to the Department of Employment, Economic Development and Innovation, enabling the Minister to transfer the freehold title of the land if later required.
21. RQL's plan proposes the development of a new greyhound racing facility at Deagon as part of a multi-use venue with the Cronulla Park site no longer required for this purpose.

Deagon Racecourse

22. Deagon Racecourse is owned by RQL. The headquarters of RQL is located there and it is used as a public thoroughbred training facility with approximately 30 trainers leasing stables at the venue. A further 80-100 trainers work their horses at the track (Number's TBC).
23. RQL's proposal envisages the development of Deagon into a multi purpose greyhound and harness racing venue. It also proposes the further development of the RQL's headquarters and the construction of new Racing Science Centre premises. A parcel of the Deagon Racecourse land on which it is proposed to construct new premises for the Racing Science Centre would be transferred to the government as an offset for the transfer of the government land adjoining the Albion Park Raceway, on which the Racing Science Centre is currently situated, to RQL.

Bundamba Racecourse (Ipswich)

24. Bundamba Racecourse is owned by the Ipswich Turf Club Inc and is used to conduct TAB racing.
25. RQL proposes to construct new TAB harness and greyhound racing and training facilities and improved thoroughbred and patron facilities at Bundamba Racecourse. Thoroughbred training facilities would no longer be offered at Bundamba Racecourse.

26. RQL has advised that the Gold Coast Harness Racing Club Inc (currently based at Parklands) and the Ipswich Greyhound Racing Club Inc (currently based at the Ipswich Showground) would conduct TAB greyhound and harness race meetings at Bundamba Racecourse.
27. The new TAB harness racing and training facilities would offset the loss of the Parklands harness racing facility from July 2013.
28. Thoroughbred trainers would be offered the alternatives of training their horses at Gatton, Corbould Park (Caloundra) or Beaudesert.

Cluden Park Racecourse (Townsville)

29. Cluden Park Racecourse is owned by the Townsville Turf Club Inc and is used to conduct TAB racing.
30. RQL proposes improvements to the existing thoroughbred racetrack and facilities and the construction of on-course stables and a new greyhound racing facility and improved patron facilities at the site.
31. The Townsville Greyhound Racing Club currently operates from the Townsville Showground conducting TAB racing under a lease with the Townsville Show Society, which administers the government site under a Deed of Grant in Trust.

Bundall Racecourse (Gold Coast)

32. Bundall Racecourse is owned by the Gold Coast Turf Club Limited which is used to conduct TAB thoroughbred racing.
33. RQL proposes to upgrade the racing and training infrastructure on the site and improve patron facilities.

Beaudesert Racecourse

34. The Beaudesert Racecourse is a government reserve administered by the Scenic Rim Regional Council and is used by the Beaudesert Race Club Inc, which leases the racecourse to conduct non-TAB racing.
35. RQL proposes to approach the government to transfer the land the control body and to upgrade the existing thoroughbred racing and training facilities in order to conduct TAB racing and to improve patron facilities.
36. RQL has advised that the Scenic Rim Regional Council is supportive of Racing Queensland becoming the owner of the land.

Cannon Park Racecourse (Cairns)

37. Cannon Park Racecourse is owned by the Cairns Jockey Club Inc and is used to primarily conduct non-TAB racing. A small number of TAB race meetings are

conducted on the site by the Cairns Jockey Club and the Far North Queensland Amateur Turf Club, which conducts the high profile annual Cairns Amateurs race meeting. Non-TAB greyhound racing is also conducted at the site by the Cairns Greyhound Racing Club Inc.

38. Trafalgar Corporate Pty Ltd (Trafalgar) commenced proceedings in the Supreme Court against the Cairns Jockey Club Inc for damages as a result of the decision not to proceed with the development of a new racing venue at Warner Road, Cairns.
39. RQL is in ongoing discussions with the Cairns Jockey Club Inc and Trafalgar with a view to settling the court action but it is understood that this matter has yet to be resolved.

Ooralea Park Racecourse (Mackay)

40. Ooralea Park Racecourse is owned by the Mackay Turf Club Inc and is used to conduct TAB thoroughbred racing.
41. RQL proposes to upgrade the existing thoroughbred racing and training and to improve patron facilities.

Callaghan Park Racecourse (Rockhampton)

42. Callaghan Park Racecourse is owned by the Rockhampton Jockey Club Inc and is used to conduct TAB thoroughbred racing. Non-TAB greyhound racing is also conducted at the site by the Rockhampton Greyhound Racing Club Inc.
43. RQL proposes to upgrade the existing greyhound racing, upgrade irrigation infrastructure and to improve patron facilities.

Workplace Health and Safety – Country racing

44. RQL is to provide \$900,000 during 2010-11 to assist country (non-TAB) race clubs in meeting minimum venue and equipment standards recently introduced by the control body.

RACING INDUSTRY PROPOSAL FINANCIAL ISSUES

On 26 November 2009, Cabinet Budget Review Committee approved (Decision No. 2863) the establishment of a Racing Industry Capital Development Scheme funded by a Racing Industry Development Levy. The Levy was to be the equivalent of 50 per cent of net wagering tax over the period 2010-11 to 2013-14 – at the time estimated to provide the industry with \$85M over the four years.

Racing Queensland (RQ) has since developed an Industry Strategic Asset Plan and has recently presented it to Ministers. To fund the Plan, RQ is asking the State to:

1. extend the tax sharing agreement for a further two years beyond the four originally approved, bringing total funding under this arrangement to approximately \$120M-\$125M;
2. provide a State guarantee to commercial lender for facility of \$100M. This lending facility would be secured by a mortgage over Albion Park Raceway, which RQ intends to dispose of/or develop from 2012 to repay the loan. The sale or development of Albion Park would be earmarked to fund works at Deagon (\$57.1M), Ipswich (\$28.3M) and Townsville (\$12.2M).

Treasury, Queensland Treasury Corporation (QTC) and OLGR attended a detailed presentation by RQ and have had the opportunity to review a detailed submission.

The financial policy issues surrounding the consideration of the extension of the tax sharing arrangement is a matter for CBRC to consider in the context of relative priorities.

RQ seems to have done a credible job bringing the Albion Park proposal together from a development perspective and Treasury and QTC have no reason to doubt the quality of the work. However, as the financial viability of the Albion Park proposal is heavily predicated on development assumptions, the State would have to find and appoint an expert to conduct genuine due diligence.

There is however a number of higher level reasons not to support the RQ proposal for the State guarantee, as outlined below:

- RQ is seeking to borrow to a maximum of the current valuation and is leaving little room for it to move financially should the valuation prove optimistic or should exiting or selling Albion Park prove more complex and time-consuming. There are a number of scenarios under which RQ could be under financial stress.
- While, in theory, the State would be protected by virtue of a first or second mortgage over the Albion Park site, it would be very difficult (and costly) in practice for the State to take possession.
- Taking possession of the Albion Park would also put the State in the middle of planning and community issues regarding the future use of the site – potentially compromising the ability of the State to recover its funds.
- Such an arrangement is likely to be overly generous to the private lender, which presumably would get to charge a quasi commercial rate while the taxpayer (by virtue of the State guarantee) bears the real risk.

The objective of RQ in seeking the guarantee is to gain immediate access to funds to commence its capital investment program. Should Government wish to facilitate this, Treasury's preference is to provide RQ with a funding facility through QTC rather than a guarantee to a commercial lender.

The QTC loan should be repaid by RQ assigning the future cash flows from the tax sharing arrangement back to the State (to QTC). This will significantly reduce the risk to the State and the need to take other forms of security – effectively “closing out” the financial arrangement between the State and RQ.

Using QTC's cost of funds, the present value of the six year tax sharing arrangement is in the order of \$100M. More precise calculations would be undertaken closer to the point at which the loan is required and depend in part on RQ's needs in terms of the structure of the loan.

To ensure that the loan funding is used for the purposes intended by CBRC, an approved scope of works/project list could be included as an annexure to the loan.

Recommendation

That Cabinet Budget Review Committee:

1. **Note** Racing Queensland's Industry Strategic Asset Plan;
2. **Approve** a two year extension of the wagering tax sharing arrangements to 2015-16;
3. **Approve** QTC lending to Racing Queensland on the basis that the loan is to be repaid in full by the end of 2015-16 through the assignment back to the State of the revenues arising from the wagering tax sharing arrangements.
4. **Approve** that the amount of the loan (indicative \$100M) cannot exceed the amount calculated with reference to 3. above.
5. **Delegate** to the Treasurer and the Minister for Tourism and Fair Trading the authority to approve the final terms and conditions for the loan.

Catherine McLennan

From: Alex.Beavers@treasury.qld.gov.au
Sent: Thursday, 7 October 2010 7:52 AM
To: Nicholas Lindsay
Cc: Drew Ellem; Natalie Barber
Subject: Re: Racing CBRC Submission

Nick

I was involved in the seeing the presentations from the Racing Industry and providing advice on an alternative to Racing Queensland's proposal that we provide a guarantee to a commercial lender for a borrowing secured by a mortgage over Albion Park. We have come up with an alternative which we think is a much more prudent approach (State lends, but Racing Queensland assigns its tax sharing cash flows back to the State).

I don't think we have done a brief on it yet - Natalie's area will do that. We will obviously be seriously questioning the relative priority of providing the Racing Industry with more assistance, but will say that if the Government is going to do it, the Treasury proposal re financing is far preferable to Racing Queensland's request.

Alex

From: Nicholas Lindsay <Nicholas.Lindsay@premiers.qld.gov.au>
To: "'Alex.Beavers@treasury.qld.gov.au'"
<Alex.Beavers@treasury.qld.gov.au>
Date: 06/10/2010 02:08 PM
Subject: Racing CBRC Submission

Hi Alex

I understand that you may be handling this issue yourself.

Do you have a copy of the Treasury brief that you could share with us?

Regards

Nick

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Catherine McLennan

From: David Hourigan [David.Hourigan@premiers.qld.gov.au]
Sent: Wednesday, 6 July 2011 11:51 AM
To: Nicholas Lindsay; Justin Murphy
Subject: FW: Racing
Attachments: 2011070610493057.PDF

fyi

David Hourigan
Executive Director
Economic Policy
Department of the Premier and Cabinet
Ph: (07) 322 45870
Mob: 0403 607 981
david.hourigan@premiers.qld.gov.au
Tomorrow's Queensland: strong, green, smart, healthy and fair - www.towardQ2.qld.gov.au

From: John O'connell
Sent: Wednesday, 6 July 2011 10:56 AM
To: David Hourigan
Cc: Natalie Barber; Alex.Beavers@treasury.qld.gov.au
Subject: Racing

David

as discussed attached is a copy of my billet. it is yet to be reviewed by Gerard.

john

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TREASURY DEPARTMENT

CABINET BUDGET REVIEW COMMITTEE BRIEFING NOTE

Sub No: 4210 Minister: Mulherin Briefing Officer: Natalie Barber Tel: (W) (07) 322 44475
XXXX (M) 0412 566 242

Racing Industry Capital Development Scheme (RICDS)

PURPOSE

1. Seeks approval in principle for Racing Queensland Limited's (RQL) capital works program, and approval of a one year extension of the wagering tax sharing arrangement; an increase in the RICDS from \$85M to a maximum of \$104M; the business case for capital works at Ooralea Park Racecourse, Mackay and payment of \$4.946M from the RICDS; and \$100M borrowings for RQL.

BACKGROUND AND ISSUES

2. On 26 November 2009, CBRC (Decision 2863) approved the implementation of the RICDS, where 50% of the net wagering tax received is to be directed to the RICDS up to a maximum of \$85M over four years. A program of capital works was to be developed for CBRC consideration with funding on priority capital works based on the submission of business cases.
3. An amended program of capital works (program) is now submitted for CBRC approval. However the program totals \$110.7M, exceeding the RICDS limit by \$25.7M. Most of this shortfall is proposed to be met from a one year extension of the wagering tax sharing arrangement sought in this submission.
4. The program allocates \$35.5M to the Gold Coast, \$40M to Deagon to accommodate greyhounds (relocated from Parklands) and harness facilities, with the balance of \$35.2M distributed across other regional venues. Note that should the limit be held at \$85M, \$9.5M would be available for distribution amongst regional venues.
5. The submission and business case seeks \$7.443M over 2 years for Ooralea Park Racecourse (Mackay), with \$4.946M as an immediate payment. The business case advises that the venue would cease to operate as a TAB venue should the workplace health and safety issues not be addressed as a matter of urgency. Treasury has requested, but is yet to be advised, of the portion of the \$4.946M which relates to workplace health and safety associated works.

FINANCIAL CONSIDERATIONS

6. The submission's preferred Option 2 seeks a one year extension to the wagering tax sharing arrangement and an increase in the available funds from \$85M up to \$104M (an increase of \$19M). If Option 2 is approved it would result in a further \$19M in wagering tax revenue being redirected from the State's revenues to the RICDS.
7. It seeks a QTC loan of up to \$100M to be repaid from the tax revenue stream to enable funds to be drawn to meet the proposed infrastructure program. The submission does not include information on the cashflow needs of the proposed program but includes an estimate of \$6M for interest costs, presumably arising from the timing differences between drawdown of debt and the collection of tax revenues.
8. It also seeks a further \$9.852M from the balance of the State's \$10M compensation commitment arising from the closure of the Parklands Gold Coast venue (greyhounds). Funds are held in Treasury for this commitment.

TREASURY POSITION

9. Treasury supports Option 1 which maintains the current wagering tax sharing arrangement of 4 years and up to \$85M. Treasury supports a QTC loan of up to \$85M to be repaid from the tax revenue stream to manage the cashflow needs of the program.
10. The balance of \$9.852M from the \$10M commitment to compensate for the closure of the Parklands Gold Coast (greyhounds) venue is currently held in Treasury Department and is available to be paid on agreement between DEEDI and Treasury.

11. Treasury considers that the Ooralea Park Racecourse business case only just meets the minimum standards for a business case and would benefit from the identification of the workplace health and safety related works and further details and information of the other proposed works and their costs. Treasury will work with DEEDI to discuss the minimum information it considers future business cases should include.

RECOMMENDATION

12. Treasury does not support recommendations 1, 2, 3 and 4.

13. Treasury supports the following in relation to recommendations 1 to 4:

- In principle approval of Racing Queensland's capital works program, subject to its amendment to the \$85M limit.
- Approval of Option 1 as outlined in paragraph 9 above.
- In principle approval of the Ooralea Park Racecourse business case subject to separate identification of the workplace health and safety related works and the remaining proposed works and their costs. The amended business case should be provided to DEEDI and Treasury for approval by the Treasurer.
- All future business cases under the program of works should be approved by the Treasurer prior to the release of funds from the Racing Industry Capital Development Scheme.
- Treasury to work with DEEDI to define the minimum information required in a business case.
- A QTC loan of up to \$85M be provided based on the current wagering tax sharing arrangements (up to \$85M to be directed to Racing Queensland over four years to service the debt).

14. Treasury supports recommendations 5, 6, 7, 8 and 9.



John O'Connell
Assistant Under Treasurer

Date: 6-7-11

Under Treasurer

Date:

TREASURY DEPARTMENT

CABINET BUDGET REVIEW COMMITTEE BRIEFING NOTE

Sub No: 4210 Minister: Mulherin Briefing Officer: Natalie Barber Tel: (W) (07) 322 44475
 XXXX (M) 0412 566 242
Racing Industry Capital Development Scheme (RICDS)

PURPOSE

1. Seeks approval in principle for Racing Queensland Limited's (RQL) capital works program, and approval of a one year extension of the wagering tax sharing arrangement; an increase in the RICDS from \$85M to a maximum of \$104M; the business case for capital works at Ooralea Park Racecourse, Mackay and payment of \$4.946M from the RICDS; and \$100M borrowings for RQL.

BACKGROUND AND ISSUES

2. On 26 November 2009, CBRC (Decision 2863) approved the implementation of the RICDS, where 50% of the net wagering tax received is to be directed to the RICDS up to a maximum of \$85M over four years. A program of capital works was to be developed for CBRC consideration with funding on priority capital works based on the submission of business cases.
3. An amended program of capital works (program) is now submitted for CBRC approval. However the program totals \$110.7M, exceeding the RICDS limit by \$25.7M. Most of this shortfall is proposed to be met from a one year extension of the wagering tax sharing arrangement sought in this submission.
4. The program allocates \$35.5M to the Gold Coast, \$40M to Deagon to accommodate greyhounds (relocated from Parklands) and harness facilities, with the balance of \$35.2M distributed across other regional venues. Note that should the limit be held at \$85M, \$9.5M would be available for distribution amongst regional venues.
5. The submission and business case seeks \$7.443M over 2 years for Ooralea Park Racecourse (Mackay), with \$4.946M as an immediate payment. The business case advises that the venue would cease to operate as a TAB venue should the workplace health and safety issues not be addressed as a matter of urgency. Treasury has requested, but is yet to be advised, of the portion of the \$4.946M which relates to workplace health and safety associated works.

FINANCIAL CONSIDERATIONS

6. The submission's preferred Option 2 seeks a one year extension to the wagering tax sharing arrangement and an increase in the available funds from \$85M up to \$104M (an increase of \$19M). If Option 2 is approved it would result in a further \$19M in wagering tax revenue being redirected from the State's revenues to the RICDS.
7. It seeks a QTC loan of up to \$100M to be repaid from the tax revenue stream to enable funds to be drawn to meet the proposed infrastructure program. The submission does not include information on the cashflow needs of the proposed program but includes an estimate of \$6M for interest costs, presumably arising from the timing differences between drawdown of debt and the collection of tax revenues.
8. It also seeks a further \$9.852M from the balance of the State's \$10M compensation commitment arising from the closure of the Parklands Gold Coast venue (greyhounds). Funds are held in Treasury for this commitment.

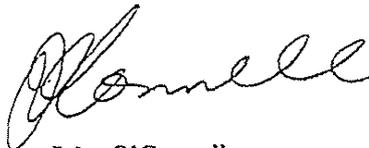
TREASURY POSITION

9. Treasury supports Option 1 which maintains the current wagering tax sharing arrangement of 4 years and up to \$85M. Treasury supports a QTC loan of up to \$85M to be repaid from the tax revenue stream to manage the cashflow needs of the program.
10. The balance of \$9.852M from the \$10M commitment to compensate for the closure of the Parklands Gold Coast (greyhounds) venue is currently held in Treasury Department and is available to be paid on agreement between DEEDI and Treasury.

11. Treasury considers that the Ooralea Park Racecourse business case only just meets the minimum standards for a business case and would benefit from the identification of the workplace health and safety related works and further details and information of the other proposed works and their costs. Treasury will work with DEEDI to discuss the minimum information it considers future business cases should include.

RECOMMENDATION

12. Treasury supports the alternate set of recommendations at Attachment A.



John O'Connell
Assistant Under Treasurer

Date: 6-7-11

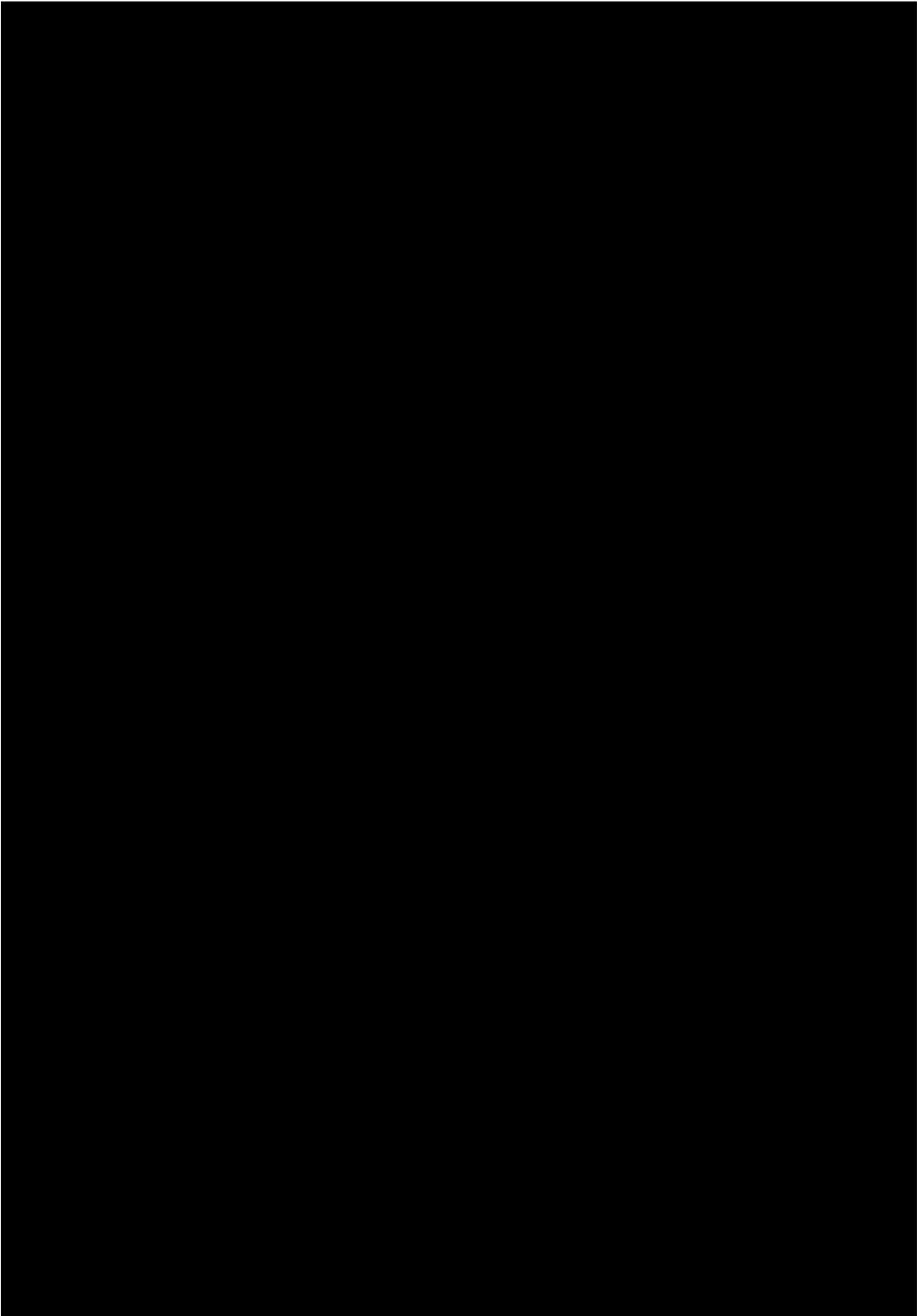


Under Treasurer

Date: 6.7.11

Attachment A

1. Note the Racing Queensland's proposed capital works program, as outlined in the revised infrastructure plan (Attachment 1), noting that the total Government contribution will not exceed \$95 million;
2. Approve Option 1 as outlined in the submission being a loan of up to \$85 million from the Queensland Treasury Corporation (to be repaid through the assignment back to the State of the revenues arising from the wagering tax sharing arrangements), in addition to a previous Government commitment to provide the balance of a \$10 million grant as compensation for greyhounds vacating Parklands Gold Coast;
3. Note the business case (Attachment 2) totalling \$7.443 million for works under the Scheme at Ooralea Park, Mackay and approve:
 - funding to undertake urgent works necessary for maintaining worker and public safety, as identified in a safety audit to be undertaken by a Workplace Health and Safety Queensland approved auditor; and
 - the remaining proposed works and their costs be subject to an amended business case being provided to the Department of Employment, Economic Development and Innovation, Department of the Premier and Cabinet and the Treasury Department for approval by the Treasurer and Minister for State Development and Trade.
4. Approve Queensland Treasury Corporation lending to Racing Queensland up to \$85 million on the basis that the loan is to be repaid in full by 30 June 2014 through the assignment back to the State of revenues arising from wagering tax sharing arrangements;
5. Note that access to loan draw downs would only be available once a business case for each project has been provided to the Department of Employment, Economic Development and Innovation, Department of the Premier and Cabinet and the Treasury Department for approval by the Treasurer and Minister for State Development and Trade;
6. Note the provision of a one-off grant of \$9.852 million (the balance of the original grant of \$10 million) to Racing Queensland, subject to an approved business case, fulfilling a previous Government commitment to provide funding towards the establishment of a new greyhound racing facility as compensation for vacating the Gold Coast Parklands venue; and
7. Ratify the Treasurer's decision of 7 March 2011 to advance the allocation of \$2.35 million from the Scheme to Racing Queensland.



BRIEFING NOTE

FROM	Treasury		
FOR	Treasurer Minister for State Development and Trade		
SUBJECT	Racing Industry Capital Development Scheme and Proposed Urgent Capital Works at Ooralea Park Racecourse, Mackay.		
Contact Officer:	Natalie Barber – Director, Resources and Economic Development Branch Ph 322 44475, Mb 0412 566 242	Record No: QTO-12187	Date: 30 June 2011
Requested by:	Jonathan Scott	Date Approval Required By: 4 July 2011	

PURPOSE

1. The purpose of this submission is to seek your:
 - Approval not to advance Racing Queensland Limited (RQL) \$4.946 million from the Racing Industry Capital Development Scheme (RICDS) for urgent capital works at Ooralea Park Racecourse, Mackay; and
 - Signature on the letter to the Minister for Agriculture, Food and Regional Economies, The Honourable Tim Mulherin MP, advising your decision not to approve the requested \$4.946 million advance and requesting the preparation of a submission for consideration by CBRC.

BACKGROUND

2. On 26 November 2009, CBRC (Decision No. 2863) approved the implementation of the RICDS, where 50% of the net wagering tax received is to be directed to the RICDS up to a maximum of \$85 million over four years. These funds are to be used to rebuild racing facilities across the state. The decision stated that industry would submit business cases on priority capital works to be funded by the RICDS and that CBRC would approve the capital works program based on advice from Treasury and DEEDI on industry submissions.
3. RQL commissioned inspections of the Ooralea Park Racecourse facilities in 2010 that identified issues with the racing and public facilities which require rectification.
4. Minister Mulherin wrote to you on 22 June 2011 seeking your approval to advance RQL \$4.936 million from the RICDS so that urgent works may be undertaken to address the workplace health and safety related capital works at the Ooralea Park Racecourse and to ensure the racecourse may continue to operate as a TAB racing venue. A business case for the proposed works has been prepared by RQL and Minister Mulherin also seeks your approval of the business case.
5. In March 2011, \$2.65 million was released to RQL from the RICDS for flood remediation works (\$1.65 million) and to assist country race clubs in meeting minimum health and safety standards (\$0.7 million).

ISSUES

6. The letter from Minister Mulherin requests your approval to release \$4.946 million from the RICDS and proposes that should your approval be provided, that in accordance with CBRC's Decision 2863, CBRC's ratification of your decision will be sought.

7. Treasury notes that this request is not consistent with CBRC's Decision 2863 in that the decision provides for CBRC to approve the capital works program, rather than yourself. There is no delegated power for you to make decisions in respect of the RICDS.
8. Treasury considers that a CBRC submission should be prepared as soon as possible so the matter may be considered by CBRC at the earliest opportunity. This has been discussed with DEEDI's Office of Racing Regulation at officer level and DEEDI is now preparing a CBRC submission.
9. The business case states that the standards at Ooralea Park Racecourse are falling below that required for TAB racing and if not addressed, the racecourse will lose its TAB status. It also lists a variety of works to be undertaken, many of which appear to 'upgrades'. The CBRC submission should clearly state what works are required to bring the racecourse up to the TAB standard, what the cost of this will be and who has verified these costs.
10. Treasury considers the business case should also clearly state what works are required to bring the racecourse up to the TAB standard, the costs and the financial implications if these works are not completed.

RECOMMENDATION

11. That you:
 - Do not approve the business case or the advance of \$4.946 million from the Racing Industry Capital Development Scheme for urgent capital works at Ooralea Park Racecourse, Mackay; and
 - Sign the letter to the Minister for Agriculture, Food and Regional Economies, The Honourable Tim Mulherin MP, advising your decision not to approve the business case and the \$4.946 million advance. The letter also requests further information to be included in the business case and requests the preparation of a submission for consideration by CBRC.

Gerard Bradley
Under Treasurer Date / /

<input type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input type="checkbox"/> Noted
Treasurer Minister for State Development and Trade	Comments	
Andrew Fraser Treasurer Minister for State Development and Trade / /		

Name:	*Action Officer/Author: Michael Buckby	Director: Natalie Barber	(Initials)	ED/AUT: John O'Connell	(Initials)	OUT:	(Initials)
Branch/Division:	Resources and Economic Development	Resources and Economic Development					
Telephone:	323 79999	322 44475					
Date:	30/06/2011	30/06/2011		30/06/2011		/ /	

* This officer may be required to provide further detailed information regarding the issue

QTO-12187

The Honourable Tim Mulherin MP
Minister for Agriculture, Food and Regional Economies
GPO Box 46
BRISBANE QLD 4001

Thank you for your letter of 22 June 2011 seeking my approval of the business case for capital works at Ooralea Park Racecourse, Mackay, and my approval for the release of \$4.946 million from the Racing Industry Capital Development Scheme for these capital works.

Approval for the release of funds from the Racing Industry Capital Development Scheme should be sought from Cabinet Budget Review Committee. Discussions have taken place at officer level between Treasury and the Office of Racing Regulation within the Department of Employment, Economic Development and Innovation and a submission is now being prepared for consideration by Cabinet Budget Review Committee. The business case and submission should state what works are required to bring the racecourse up to the TAB standard mentioned in your letter, the estimated costs of these works and the financial implications should the work not be completed.

Should your officers wish to discuss this matter further, they may contact Ms Natalie Barber, Director Resources and Economic Development Branch on 322 44475.

Yours sincerely

ANDREW FRASER

edoc 824899

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditure		
Contact Officer:	Najela Berbe - Director, Resources and Economic Development Branch Tel: 3035 1414, Mb: 0412 565 242	Record No: TRX-18459	Date: 10 February 2012
Requested by:	N/A	Date Approval Required By: N/A	

PURPOSE

1. The purpose of this submission is to:
 - inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Beaudesert, Cairns and Rockhampton race courses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Mulherin MP, Minister for Agriculture, Food and Regional Economics, informing him of Treasury's conclusions.

BACKGROUND

2. On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
3. On 16 December 2011 a business case was provided to Treasury requesting the release of \$7,271,512 held under the RICDS for infrastructure expenditure at Beaudesert race course.
4. On 5 January 2012 Treasury provided written feedback to DEEDI's Office of Racing requesting further information. A revised business case for Beaudesert race course was provided to Treasury on 24 January 2012 with business cases for Cairns and Rockhampton race courses provided on 31 January 2012.
5. On 30 January 2012 Cabinet noted a revised IIP which redirected \$37.9 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$8 million), works at Ipswich Turf Club (\$8 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.75 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton race courses.

ISSUES

6. Proposed expenditure on infrastructure projects at Beaudesert (\$8.2 million), Cairns (\$2.2 million) and Rockhampton (\$1.8 million) race courses total \$12.2 million of the \$110 million IIP, or 11 per cent of the overall program.
7. The business cases demonstrate that, following completion of the infrastructure works at Beaudesert, Cairns and Rockhampton race courses, all three clubs will continue to report an operating deficit throughout the forecast period 2012-16. This in effect demonstrates that in each case, the club is forecast to be commercially unviable without some level of subsidy.

8. As substantial public funds are proposed to be invested in capital projects at these clubs, it is important from a stewardship perspective, that the business cases demonstrate that the clubs have the financial capacity to operate the new facilities to be funded by the State and that the clubs are viable in the medium to longer term. In each business case Treasury has reviewed, this position has not been demonstrated.
9. It is apparent that there is a generally accepted view by the industry that racing clubs are not financially viable businesses. Indeed the business cases advise that "no TAB race club in Queensland is financially viable without financial support from Racing Queensland" and that RQL has subsidised the costs of racing at every race club in Queensland.
10. The business cases indicate that the cumulative subsidies required from RQL to meet the deficits of the three race courses would increase from \$0.177 million for 2010-11 to \$0.806 million for 2013-14 (refer graph at Attachment 1).

FINANCIAL IMPLICATIONS

11. Treasury's review of the three business cases has identified that there is a consistent trend towards an increasing gap between revenues forecast to be generated by clubs and their costs of operating. On the basis of the current business cases under review, Treasury considers there is a strong likelihood that this position will be replicated across the whole IIP.
12. RQL contends that it has the necessary financial resources to continue to fund the operation of race clubs Queensland-wide.
13. It further contends that the deficits are largely on account of depreciation. However, this is only the case for Cairns, which has a more modest operating loss of some \$117,000. RQL's forecast financials for Beaudesert indicates that operating (cash) costs increase significantly from \$355,000 to \$913,000 with depreciation listed separately at \$186,000. Similarly, the projections for Rockhampton include a relatively modest depreciation charge. For both Beaudesert and Rockhampton, the projected racing operations are profoundly non profitable.
14. RQL's revenue is largely comprised of its share of wagering revenue from UNTAB in accordance with the agreement by the Government to issue UNTAB with an exclusive wagering licence. It is noted that RQL's wagering revenue has fallen from \$140 million in 2008-09 to \$134 million in 2010-11. It is likely that wagering revenues will decline in the future because of the impacts of recent legal challenges to exclusive wagering licences in other jurisdictions, and also due to the impact of technology enabling access by non state-based wagering operators.
15. RQL's 2011 Annual Report shows that it had receipts of \$159 million. It provided prize money and other distributions of \$105 million, and on face value it appears would have some capacity to support clubs. However, it is unclear what impact the increased deficits will have across the whole program, and to what extent existing commitments can be realigned.
16. Given that the business cases are being progressed individually, Treasury is unable to form a view as to whether RQL has the capacity to subsidise increasing operating deficits for clubs across the whole program. Without a transparent disclosure of RQL's strategy for underwriting the deficits, it is not possible to be assured that the capital program is sustainable in the longer term.
17. Treasury therefore considers the risk of an increasing subsidisation requirement from RQL is a financial risk to the Government also, as it not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance.

- 3 -

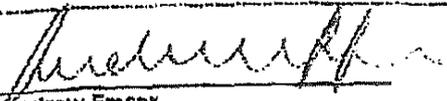
18. Following an analysis of the business cases for Beaudesert, Cairns and Rockhampton, Treasury has concluded that as the clubs are not viable in the medium to longer term, funds should not be advanced from the RICDS towards the capital projects identified for those clubs.
19. However, should RQL be able to demonstrate that it has in place an overall rationalisation strategy which supports an increase in subsidies for some clubs with at least an offsetting decrease in other less profitable clubs, Treasury considers that may be an acceptable position. To this end, Treasury recommends that a letter of comfort be sought from RQL which provides an outline of RQL's program strategy and risk management approach across the whole of the IIP and which clearly outlines RQL's commitment to support the IIP and any emerging subsidies across the program.
20. Furthermore, Treasury recommends that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenue to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

RECOMMENDATION

21. It is recommended that you:

- o Note that Treasury has reviewed the business cases for Beaudesert, Cairns and Rockhampton Racing Clubs and has concluded that the business cases do not demonstrate the ongoing viability of those clubs without some level of subsidy, and that this precludes Treasury from endorsing the release of public funds to those clubs in the absence of an assurance from Racing Queensland Ltd that it is committed and has the resources to meet any ongoing operating deficits;
- o Approve that you request Minister Mulherin to seek a letter of comfort from Racing Queensland Ltd to provide an assurance to Government that Racing Queensland Ltd has the capacity to fund the ongoing operating deficits (including depreciation) of Queensland race clubs, following the investment of State funds in racing club assets; and
- o Subject to your approval, sign the attached letter to Minister Mulherin which has been prepared on this basis.
- o Note that subject to receiving the letter of comfort from RQL, Treasury will review subsequent business cases under the IIP and advise Government of its assessment, but that the advancement of funds would not be precluded, should the business cases demonstrate future viability issues for the relevant racing club.

G.B. Bradley
Gerard Bradley
 Under Treasurer Date 10/2/12

<input checked="" type="checkbox"/> Approved Deputy Premier, Treasurer and Minister for State Development and Trade	<input type="checkbox"/> Not approved Comments	<input type="checkbox"/> Noted
<div style="text-align: center;">  Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade 15/2/12 </div>		

Name:	Action Officer/Author:	Director:	ED/AUT:	DUT:
Michael Eychby	Michael Eychby	Kate Barber	Stuart Barber	
Resources and Economic Development				
Telephone: 07 5036 7423	07 5036 7423	07 5036 1414	07 5036 1860	
Date: 10/02/12		10/02/12	10/02/12	

Docs: 075221

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditure		
Contact Officer:	Nicole Barber – Director, Resources and Economic Development Branch Tel: 3033 1414, Mh: 0412 668 242	Record No: TRX-18459	Date: 14 February 2012
Requested by:	N/A	Date Approval Required By: N/A	

PURPOSE

1. The purpose of this submission is to:
 - Inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Beaudesert, Cairns, Rockhampton and Logan race courses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Mulherin MP, Minister for Agriculture, Food and Regional Economics, informing him of Treasury's conclusions.

BACKGROUND

2. On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
3. On 16 December 2011 a business case was provided to Treasury requesting the release of \$7,271,512 held under the RICDS for infrastructure expenditure at Beaudesert race course.
4. On 5 January 2012 Treasury provided written feedback to DEEDI's Office of Racing requesting further information. A revised business case for Beaudesert race course was provided to Treasury on 24 January 2012 with business cases for Cairns and Rockhampton race courses provided on 31 January 2012. On 8 February 2012 a further business case for the establishment of greyhound racing venue at Cronulla Park Logan was received.
5. On 30 January 2012 Cabinet noted a revised IIP which redirected \$37.9 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$6 million), works at Ipswich Turf Club (\$6 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.76 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton race courses.

ISSUES

6. Proposed expenditure on infrastructure projects at Beaudesert (\$8.2 million), Cairns (\$2.2 million), Rockhampton (\$1.8 million) and Logan (\$24 million) race courses total \$36.2 million of the \$110 million IIP, or 33 per cent of the overall program.

7. The business cases demonstrate that, following completion of the infrastructure works at Beaudesert, Cairns and Rockhampton race courses, all three clubs will continue to report an operating deficit throughout the forecast period 2012-16. This in effect demonstrates that in each case, the club is forecast to be commercially unviable without some level of subsidy. The Logan facility is forecast to achieve profitability in 2016-17, however this is achieved with a substantial subsidy (over \$1 million annually) from Racing Queensland Limited (RQL).
8. As substantial public funds are proposed to be invested in capital projects at these clubs, it is important from a stewardship perspective, that the business cases demonstrate that the clubs have the financial capacity to operate the new facilities to be funded by the State and that the clubs are viable in the medium to longer term. In each business case Treasury has reviewed, this position has not been demonstrated.
9. It is apparent that there is a generally accepted view by the industry that racing clubs are not financially viable businesses. Indeed the business cases advise that "no TAB race club in Queensland is financially viable without financial support from Racing Queensland" and that RQL has subsidised the costs of racing at every race club in Queensland.
10. The business cases indicate that the cumulative subsidies required from RQL to meet the deficits of the three race courses would increase from \$0.177 million for 2010-11 to \$0.806 million for 2013-14 (refer graph at Attachment 1). The position is less clear for the greyhound racing venue at Logan which may in the long term act as a substitute for existing venues.

FINANCIAL IMPLICATIONS

11. Treasury's review of the three business cases for the horse racing venues has identified that there is a consistent trend towards an increasing gap between revenues forecast to be generated by clubs and their costs of operating. On the basis of the current business cases under review, Treasury considers there is a strong likelihood that this position will be replicated across the whole IIP. The business case for the Logan greyhound racing venue forecasts a relatively stable operating deficit requiring funding from RQL. This is an entirely new facility and therefore the forecasts are not based on historical data.
12. RQL contends that it has the necessary financial resources to continue to fund the operation of race clubs Queensland-wide.
13. It further contends that the deficits are largely on account of depreciation. However, this is only the case for Cairns, which has a more modest operating loss of some \$117,000. RQL's forecast financials for Beaudesert indicates that operating (cash) costs increase significantly from \$355,000 to \$913,000 with depreciation listed separately at \$186,000. Similarly, the projections for Rockhampton include a relatively modest depreciation charge. For both Beaudesert and Rockhampton, the projected racing operations are profoundly non profitable. As previously noted the new venue at Logan will require an operating subsidy of over \$1 million per annum to achieve break even.
14. RQL's revenue is largely comprised of its share of wagering revenue from UNNITAB in accordance with the agreement by the Government to issue UNNITAB with an exclusive wagering licence. It is noted that RQL's wagering revenue has fallen from \$140 million in 2008-09 to \$134 million in 2010-11. It is likely that wagering revenues will decline in the future because of the impacts of recent legal challenges to exclusive wagering licences in other jurisdictions, and also due to the impact of technology enabling access by non state-based wagering operators.
15. RQL's 2011 Annual Report shows that it had receipts of \$159 million. It provided prize money and other distributions of \$105 million, and on face value it appears would have some capacity to support clubs. However, it is unclear what impact the increased deficits will have across the whole program, and to what extent existing commitments can be realigned.

16. Given that the business cases are being progressed individually, Treasury is unable to form a view as to whether RQL has the capacity to subsidise increasing operating deficits for clubs across the whole program). Without a transparent disclosure of RQL's strategy for underwriting the deficits, it is not possible to be assured that the capital program is sustainable in the longer term.
17. Treasury therefore considers the risk of an increasing subsidisation requirement from RQL is a financial risk to the Government also, as it not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance.
18. Following an analysis of the business cases for Beaudesert, Calma and Rockhampton, Treasury has concluded that as the clubs are not viable in the medium to longer term, funds should not be advanced from the RICDS towards the capital projects identified for those clubs. The new Logan venue also requires substantial ongoing support from RQL to remain viable.
19. However, should RQL be able to demonstrate that it has in place an overall rationalisation strategy which supports an increase in subsidies for some clubs with at least an offsetting decrease in other less profitable clubs, Treasury considers that may be an acceptable position. To this end, Treasury recommends that a letter of comfort be sought from RQL which provides an outline of RQL's program strategy and risk management approach across the whole of the IIP and which clearly outlines RQL's commitment to support the IIP and any emerging subsidies across the program.
20. Furthermore, Treasury recommends that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenue to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

RECOMMENDATION

21. It is recommended that you:

- o Note that Treasury has reviewed the business cases for Beaudesert, Cairns and Rockhampton Racing Clubs and the new Logan venue, and has concluded that the business cases do not demonstrate the ongoing viability of those clubs without some level of subsidy, and that this precludes Treasury from endorsing the release of public funds to those clubs in the absence of an assurance from Racing Queensland Ltd that it is committed and has the resources to meet any ongoing operating deficits;
- o Approve that you request Minister Mulhern to seek a letter of comfort from Racing Queensland Ltd to provide an assurance to Government that Racing Queensland Ltd has the capacity to fund the ongoing operating deficits (including depreciation) of Queensland race clubs, following the investment of State funds in racing club assets; and
- o Subject to your approval, sign the attached letter to Minister Mulhern which has been prepared on this basis.
- o Note that subject to receiving the letter of comfort from RQL, Treasury will review subsequent business cases under the IIP and advise Government of its assessment, but that the advancement of funds would not be precluded, should the business cases demonstrate future viability issues for the relevant racing club.

G Bradley
 Gerard Bradley
 Under Treasurer Date 14/2/12

<input type="checkbox"/> Approved Deputy Premier, Treasurer and Minister for State Development and Trade	<input type="checkbox"/> Not approved Comments	<input type="checkbox"/> Noted
Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade		

Name:	*Action Officer/Author:	Director:	ED/AUT:	OUT:
Michael Buckley	Michael Barber	Sharon Ecker		
Resources and Economic Development	Resources and Economic Development	Resources and Economic Development		
Telephone: 07 3035 1223	07 3035 1414	07 3035 1660		
Date: 14/02/2012				

EDcls: 223291

edocs 824921

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditures -- Gold Coast and Ipswich		
Contact Officer:	Natasha Barber - Director, Resources and Economic Development Branch Tel: 3035 1414, Mo: 0412 690 242	Record No: TRX-18557	Date: 17 February 2012
Requested by:	N/A	Date Approval Required By:	N/A

PURPOSE

1. The purpose of this submission is to:
 - inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Gold Coast and Ipswich racecourses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Metherell MP, Minister for Agriculture, Food and Regional Economies, informing him of Treasury's conclusions.

BACKGROUND

2. On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
3. On 30 January 2012, Cabinet noted a revised IIP which redirected \$37.9 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$8 million), works at Ipswich Turf Club (\$8 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.75 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton racecourses.
4. Business cases for Beaudesert, Cairns, Rockhampton and Logan racecourses have recently been reviewed by Treasury (refer TRX-18459). As the business cases for the projects did not demonstrate the ongoing viability of those clubs without some level of subsidy, Treasury was precluded from endorsing the release of public funds and recommended that a letter of assurance be sought from Racing Queensland to underwrite the forecast losses.
5. On 14 February 2012 Racing Queensland Limited (RQL) provided a written financial assurance to Government that RQL has the capacity to underwrite the operation of the new and upgraded facilities and their maintenance into the future. Following receipt of this assurance you approved the release of funds for the capital works proposed at Beaudesert, Cairns, Rockhampton and Logan racecourses. The funds total \$36.2 million which represents 33% of the \$110 million IIP.

ISSUES

6. Proposed expenditure on capital works at the Gold Coast (\$35.48 million) and Ipswich (\$5 million) racecourses total \$41.48 million or a further 38% of the \$110 million IIP.
7. Business cases for capital works at the Gold Coast and Ipswich racecourses were received by Treasury on 15 and 18 February 2012 respectively. Given the limited time available to review the documentation, Treasury has examined the key aspects of the business cases and has formed its conclusions within a restricted framework.

Gold Coast Turf Club (GCTC)

8. The business case for the GCTC indicates that, following the reconstruction works, the club will report continuing operating deficits of around \$0.4 million per annum after including a \$1 million subsidy from RQL. The RQL subsidy is not forecast to change from its current level. The operating deficits can be attributed to non-cash expenses, with depreciation of approximately \$1.9 million per annum, therefore the club should achieve a positive cashflow. However the inability to cover depreciation costs may indicate that in the long term, further government assistance could be sought, as there would be insufficient provision to replace the assets if the deficit position was sustained. This is consistent with the other business cases submitted.
9. In the limited time available, Treasury has not conducted a thorough analysis of the underlying assumptions of the business case. However it is noted that the business case contains limited analysis of the financial risks faced by the GCTC once works have been completed and insufficient analysis of how these risks may be mitigated.
10. Treasury is therefore not assured that the club will remain viable in the longer term without further assistance. The letter from RQL provides an important assurance that RQL has the capacity to provide any further assistance necessary to the GCTC.

Ipswich Turf Club

11. The business case for the Ipswich Turf Club (ITC) at Bundamba indicates that the proposed capital expenditure will not enhance the ability of the club to conduct meetings, nor will it provide any direct benefit to the racing industry in general or to RQL. Instead, the expenditure will enable the ITC to take advantage of the relocation of facilities in order to enter into a commercial development on a vacated portion of the facility.
12. The business case assumes that the club will become profitable in 2015-16 due to income received from the proposed commercial development. Treasury considers that the relocation of facilities should be a cost to the proposed commercial project, which Treasury understands to be a prospective joint arrangement between the ITC and a commercial developer.
13. Treasury considers that providing RICDS funding for this project would not be in accordance with the aims of the RICDS.

FINANCIAL IMPLICATIONS

14. Treasury notes that RQL has provided a letter to the Minister for Racing undertaking to support the racing clubs as necessary, and advising that it has financial capacity to fulfil these obligations. Nevertheless Treasury considers that the risk of an increasing subsidisation requirement from RQL and falling wagering tax revenues is a financial risk to the Government, as it is not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance, despite the written financial assurance provided by RQL.

15. Furthermore, Treasury reiterates its previous recommendation that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenues to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

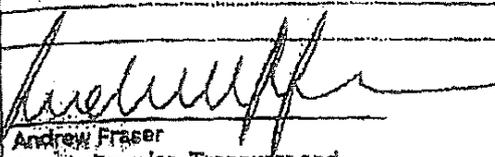
16. **RECOMMENDATION**

17. It is recommended that you note that Treasury has reviewed the business cases for the Gold Coast Turf Club and the Ipswich Turf Club and:

- Treasury does not endorse the business case for the Gold Coast Turf Club due to the forecast operating deficits, however does not object to the release of funds to the project under the RICDS on the basis of the assurance received from Racing Queensland Limited on 14 February 2012; and
- Treasury does not approve the business case for the Ipswich Turf Club and does not recommend the release of funds under the RICDS as the project is not considered to have met the objectives of the scheme.

The attached letter to Minister Metherin has been prepared on this basis for your consideration.


 Gerard Bradley
 Under Treasurer Date 17/2/12

<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input type="checkbox"/> Noted
Deputy Premier, Treasurer and Minister for State Development and Trade		Comments
 Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade 17/2/12		

Notes	Action/Officer/Author	Director	ED/AUT	OUT
	Lizbeth Buehler	Natalie Berger	Stuart Barker	
Branch/Division	Resources and Economic Development	Resources and Economic Development	Resources and Economic Development	
Telephone	07 3055 1423	07 3025 1416	07 3055 1800	
Date	17/02/2012			
eDoc#	L24850			

AB12



Fw: Business Case Questions

Stuart Booker to: Gerald W Foley, Michael Buckby
Cc: Natalie Barber

01/02/2012 09:23 AM

FYI

Lets finalise list of questions asap.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 01/02/2012 09:22 AM -----

From: Stuart Booker/TO/QTreasury
To: Alex Beavers/TO/QTreasury@QTreasury, Natalie Barber/TO/QTreasury@QTreasury
Cc: Gerard Bradley/TO/QTreasury@QTreasury
Date: 01/02/2012 09:22 AM
Subject: Fw: Business Case Questions

Alex,

I understand.

We think QRL needs to review the activity level of its Loss Making Facilities, otherwise, without modifying some of the base parameters such as the number of (loss making) meetings per year, I don't see how we can support long term arrangements which depend on a funding source (TAB alloc) which may/will become diminished in the medium term.

Otherwise, if we were to accept the current Beaudesert business case and others like it, we are effectively being asked to endorse a partially unfunded initiative.

That said, we are currently working with the Office of Racing to see how the Beaudesert facility can be improved in is "viability" context.

I suggest we continue this and hopefully bring something more acceptable to you later today - or would you prefer to meet early today to discuss approach etc.. ?

SB

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 01/02/2012 09:08 AM -----

From: Alex Beavers/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Cc: Gerard Bradley/TO/QTreasury@QTreasury, Natalie Barber/TO/QTreasury@QTreasury
Date: 01/02/2012 09:02 AM
Subject: Re: Fw: Business Case Questions

Thanks Stuart

I agree with your thinking on this.

My understanding though is that Government today will announce the revised infrastructure plan allocations - which went to Cabinet on Monday as a matter to note. The Tsr understands our views and concerns, but on balance feels the announcement can proceed.

Perhaps we should have a round table on this later today and work out the way forward as to we approach these business cases.

Alex

Alex Beavers
Deputy Under Treasurer
Queensland Treasury
(07) 3224 2566
email: alex.beavers@treasury.qld.gov.au

Stuart Booker

Alex, We will look at the business model for B...

31/01/2012 06:03:05 PM

From: Stuart Booker/TO/QTreasury
To: Alex Beavers/TO/QTreasury@QTreasury
Cc: Garard Bradley/TO/QTreasury@QTreasury, Sharon Humphreys
<Sharon.Humphreys@ministerial.qld.gov.au>, Natalia Barber/TO/QTreasury@QTreasury
Date: 31/01/2012 06:03 PM
Subject: Fw: Business Case Questions

Alex,

We will look at the business model for Beaudesert with Racing Qld and quickly explore ways to moderate the operating subsidies (including a focus on the cash operating needs as well as accounting expenses). The subsidies look like increasing by a factor of 15+ for Beaudesert, as it is currently planned. ie \$20,000 growing to \$300,000 - \$400,000.

As I briefly mentioned, I would also like to test whether an element of the \$39.9 M which was earmarked for the Deagon facility, now not proceeding, could be reserved to fund the operating deficits.

A reserve fund of say \$20 M would be very useful in terms of shielding CF from calls to supplement Racing sourced revenue, which may decrease substantially over the next decade, due to emerging structural changes in the industry. In order to obtain this reserve fund, we would need to limit the reallocation of Deagon's \$39.9 M capital allocation - which RQL already have plans to redistribute to other facility improvements.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 31/01/2012 05:52 PM -----



Re: Fw: relocation of greyhound track 
 Natalie Barber to: Stuart Booker
 Cc: Gerald W Foley, Michael Buckby

13/02/2012 01:29 PM

Stuart

This is one of the many business cases we have recently received for consideration from Office of Racing. We received this one about a week ago.

We are working through Treasury's evaluation of the business case, but on face value it has the same characteristics as the three business cases we have already reviewed which are the subject of our current brief to the Treasurer ie. forecast operating loss. We would most likely form the same conclusion as for the others - ie. cannot support without an assurance from RQL to meet future operating deficits of clubs.

Given the Matter to Note on the RICDS recently sent to Cabinet, I'm no longer sure what Govt considers to be the approval process, but Treasury would not endorse release of the funds prior to formally briefing the Treasurer and, as per our current brief, before receiving the letter of comfort from the RQL.

Thanks,
 Natalie

Natalie Barber
 Director

Resources & Economic Development Branch / Treasury
 Phone 322 44475 / Rm 10.20 Executive Building

Stuart Booker	Natalie - I thought this had gone through CBR...	13/02/2012 01:05:37 PM
---------------	--------------------------------------------------	------------------------

From: Stuart Booker/TO/QTreasury
 To: Natalie Barber/TO/QTreasury@QTreasury, Gerald W Foley/TO/QTreasury@QTreasury, Michael Buckby/TO/QTreasury@QTreasury
 Date: 13/02/2012 01:05 PM
 Subject: Fw: relocation of greyhound track

Natalie - I thought this had gone through CBRC ???

Stuart Booker
 Assistant Under Treasurer
 Ph: 3035 1860
 M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 13/02/2012 01:04 PM -----

From: "Jonathan Scott" <Jonathan.Scott@ministerial.qld.gov.au>
 To: <stuart.booker@treasury.qld.gov.au>
 Date: 13/02/2012 01:01 PM
 Subject: relocation of greyhound track

Hi Stuart

I've been advised the Treasurer has been asked to sign off the release of some \$24m in relation to the relocation of the Greyhound Track from Deagon to Logan. I assume this is from within the RICDS.

Is this something that's sitting with Treasury now or is this for Mulherin to approve?

Cheers

Jon

Jonathan Scott | Policy Advisor - State Development

Office of the Hon Andrew Fraser MP
Deputy Premier and Treasurer of Queensland
Minister for State Development and Trade
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✉ Jonathan.scott@ministerial.qld.gov.au

♻️ Please consider the environment before printing this email



RQL Assurance / Confidential

Stuart Booker to: Natalie Barber

Cc: Gerald W Foley, Michael Buckby, Jamie Overton, Kassia Rouw

14/02/2012 09:13 AM

Confidential

Hi Natalie,

I spoke to GB this morning about the Assurance issue with RQL, and subsequently briefed Gerry and Michael.

We need to extend the letter to include a reference about Logan - I don't think we should indicate a "blanket" release of all funds to all projects - just the four, based on an unequivocal assurance that all projects which proceed should rely on the Assurance from RQL that it will meet future deficits arising through the facilities etc.

I said we would follow up with an amended letter urgently and the UT agrees we need to obtain closure on the assurance asap.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

RACING QUEENSLAND LIMITED
PRESENTATION TO TREASURY

AB13A

Strategic Asset Plan
For Queensland All Codes

10 September 2010



The asset plan is predicated on the multi use of venues operating at the greatest possible capacity with modest facilities

RATIONALISATION OF THE NUMBER OF VENUES

- DEAGON Multi use Harness & Greyhounds 2 Code Primary Venue and full training for both codes
- IPSWICH Multi use 3 Code racing facility. (Training for Greyhound & Harness only)
- CAIRNS Multi use Greyhounds & Thoroughbreds, including training
- TOWNSVILLE Multi use Greyhounds & Thoroughbreds, including training
- ROCKHAMPTON Multi use Greyhounds & Thoroughbreds, including training
- BEAUDESERT Thoroughbred Racing & training and conversion to TAB status

THE ABOVE RATIONALISATION

- Compensates for the loss of Parklands Greyhounds
- Compensates harness and greyhounds for the loss of Parklands Harness – tax redirection for 6 years compensates for any perceived loss to the racing industry of Parklands
- Gives both harness and greyhound codes a Parklands style venue with back to back grandstands and racing on trackside in the metro area
- Vacates the Ipswich Show Grounds for proposed hospital use
- Redcliffe ceases as TAB harness racing venue and reduced reliance by the industry.
- Sale of Albion Park to contribute to the asset plan funding
- Returns the Logan land to Government for other allocation
- Allows Queensland industry to maintain its position in Australian Racing as part of the Big 3

PROPOSED CONSULTANTS

Project Manager	RQL will employ on a full time basis a experienced Project Manager to manage projects. Expected engagement 1 st October, 2010
Civil Engineer	RQL will contract a Civil Engineer to oversee all projects in the field
Media	Sequel Communications <i>Please note media strategy is in draft form</i>
Other Consultants	Professionals will be hired when required

FINANCIAL MANAGEMENT

- Tax direction paid directly into a special purpose account on a monthly basis.
- Compensation funds from Logan Greyhounds paid to the special purpose account on 1st November, 2010.
- Albion Park negotiated commercial bank loan funds will have a draw down facility to the special purpose account providing the Government's agreement to underwrite the value of Albion Park. It will be required to be finalised by the 1st November, 2010 with commercial facility to allow the start of the Gold Coast development for completion January, 2012.
- Financial Management – RQL will appoint a sub-committee to review all invoices prior to payment against each infrastructure project.
- RQL provides project plans for each project.
- Government approves expenditure total per project as per plan.
- RQL pays all project costs as per government approved expenditure guidelines.
- RQL will provide 6 monthly reports for treasury audit.

FUNDING FLOW

- State Government to underwrite \$100m loan facility
Commercially underwritten by Government to an approved lender on the sale price of Albion Park (\$100m) to commence operations and begin to deliver projects by second half of 2011. Valuation of Albion Park included in report.
- Tax redirection:

» Year 1	2010/11	50%
» Year 2	2011/12	50%
» Year 3	2012/13	50%
» Year 4	2013/14	50%
» Year 5	2014/15	50%
» Year 6	2015/16	50%
- Redirection of \$10m Logan project compensation from Parklands cessation of racing.
- The State Government to agree to redirect \$10m allocated to Logan Greyhounds to be used in overall asset development plan.
- Stamp duty relief on any assets transfers from clubs and RQL to the joint partnership company to facilitate the partnership agreement with clubs. Prior to commencement of the strategic asset plan development a duty free transaction of assets will need to be facilitated to the new partnership company, from the club.

FINANCIAL TIME LINES

ACTION	EXPECTED COMPLETION DATE
Submission of Albion Park valuation to the Treasurer	COB 10 th September, 2010
Submission of Cash Flow analysis and concept drawings of projects	COB 10 th September, 2010
Decision of Treasurer on <u>underwriting</u> Albion Park land and approval of the asset plan	ASAP by 30 th September, 2010
Confirmation of extended tax direction 2010	ASAP by 30 th September, 2010
Negotiation of Commercial Loan on Albion Park covenants with financier	During October, 2010

POTENTIAL PROJECT TIMELINES

Beaudesert	November 2010 to July 2011
Cairns	December 2010 to April 2011
Gold Coast	January 2011 to November 2012
Rockhampton	January 2011 to June 2012
Townsville	April 2011 to November 2011
Deagon Greyhound & Harness Primary Venue & associated works	May 2011 to May 2012
Ipswich	June 2011 to May 2012
Mackay	July 2011 to May 2012

Gold Coast development is urgent due to workplace safety concerns and a completion for the 2012 Magic Millions Carnival.

Deagon development is critical for the ongoing viability of metropolitan harness and greyhound racing and the requirement to provide disabled access to facilities (currently 3 outstanding complaints).

CURRENT GREYHOUND / HARNESS LOCATION

	AREA	GREYHOUNDS	HARNESS
GOLD COAST	Oxenford to NSW Border	76	147
WEST	Canungra to Ipswich	1504	849
SOUTH	Oxenford to Brisbane	695	296
NORTH	Brisbane to Gympie	496	384
	TOTAL	2771	1676

This slide is provided to show that the greyhound and harness population is best managed from Deagon and Ipswich and is critical when explaining the non replacement of Parklands.

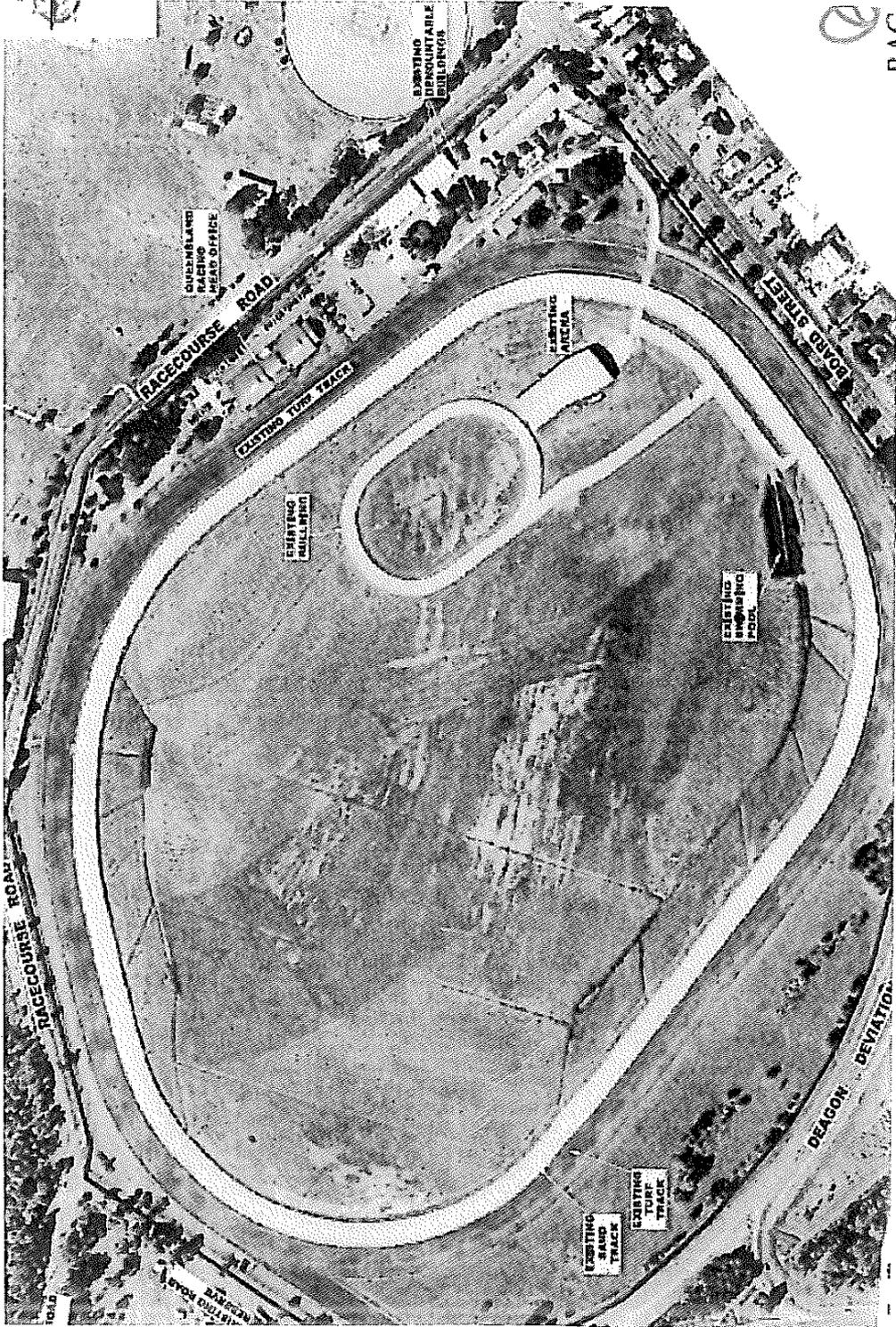
PROJECTS FUNDED FROM PROPOSED SALE OF ALBION PARK

\$57.69m

- DEAGON DEVELOPMENT (Greyhound & Thoroughbred)
 - Primary venue for the Greyhound & Harness codes racing
 - Administration facilities for the Harness & Greyhound Clubs
 - Multi use facility operating minimum 5 days
 - Training & trial infrastructure for Harness & Greyhounds
 - Oncourse stabling for harness horses to alleviate loss of Parklands
 - Training centre for industry apprentices – all codes
 - Rehabilitation facility for jockeys
 - Relocated Science Centre for drug testing all codes
 - Continuing Head Office for all codes Racing Queensland
 - Maintain approx 60% green space on completion of these works



DEAGON - CURRENT



3
D.A.C.

DEAGON – PROPOSED DEVELOPMENT

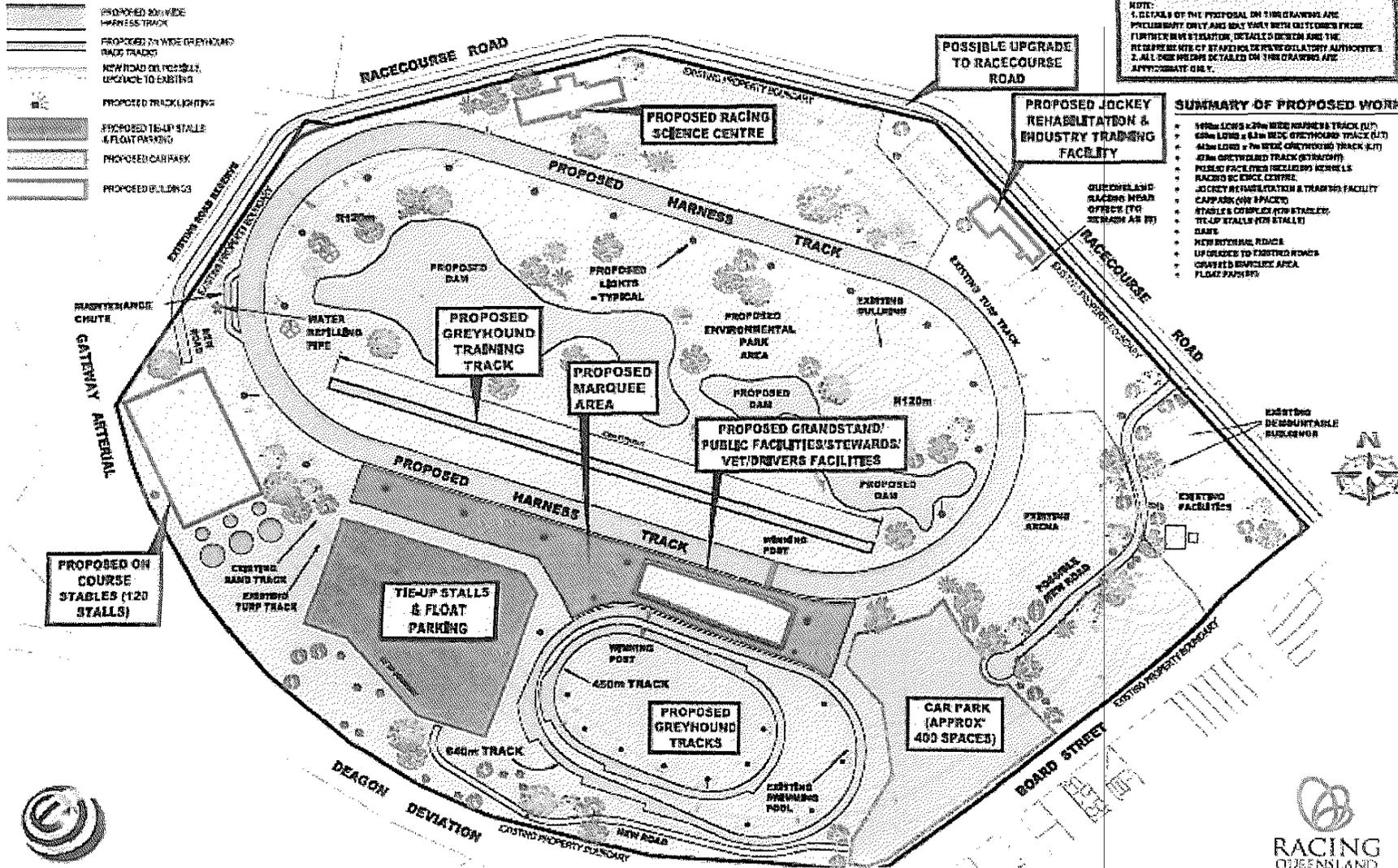


- PROPOSED 20m WIDE HARNESS TRACK
- PROPOSED 7m WIDE GREYHOUND RACE TRACK
- NEW ROAD OR POSSIBLE UPGRADE TO EXISTING
- PROPOSED TRACK LIGHTING
- PROPOSED TIE-UP STALLS & FLOAT PARKING
- PROPOSED CAR PARK
- PROPOSED BUILDINGS

NOTE:
 1. DETAILS OF THE PROPOSAL ON THIS DRAWING ARE PRELIMINARY ONLY AND MAY VARY WITH OTHERS FROM FURTHER INFORMATION, DETAILS OF DESIGN AND THE REQUIREMENTS OF ANY APPLICABLE STATE OR LOCALITY AUTHORITIES.
 2. ALL DIMENSIONS DETAILLED ON THIS DRAWING ARE APPROXIMATE ONLY.

SUMMARY OF PROPOSED WORK

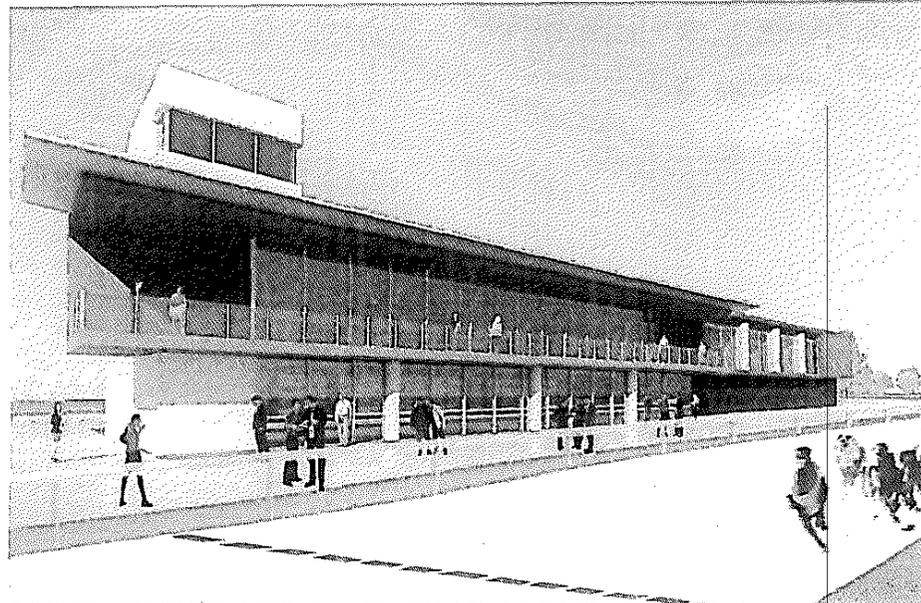
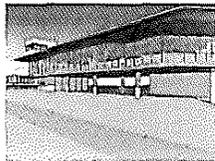
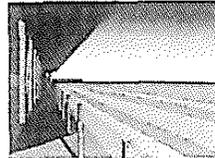
- * 1490m x 67m WIDE HARNESS TRACK (LTP)
- * 650m x 6.5m WIDE GREYHOUND TRACK (LTP)
- * 450m x 6.5m WIDE GREYHOUND TRACK (LTP)
- * 640m GREYHOUND TRACK (STRAIGHT)
- * PUBLIC FACILITIES INCLUDING KITCHENS
- * RACING SCIENCE CENTRE
- * JOCKEY REHABILITATION & TRAINING FACILITY
- * CAMP AREA (NEW TRACKS)
- * STABLES & COTTAGES FOR STABLES
- * TIE-UP STALLS (NEW STALLS)
- * GATE
- * NEW INTERNAL RIDGE
- * UPGRADGE TO EXISTING ROADS
- * GRAVELLED BRACKLE AREA
- * FLOOD PROOFING



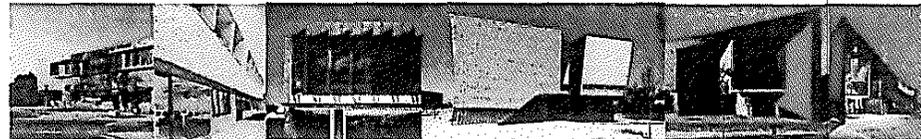
DEAGON – PROPOSED DEVELOPMENT (ARTISTS IMPRESSION)

Racing Queensland

function building concept



corporate function building

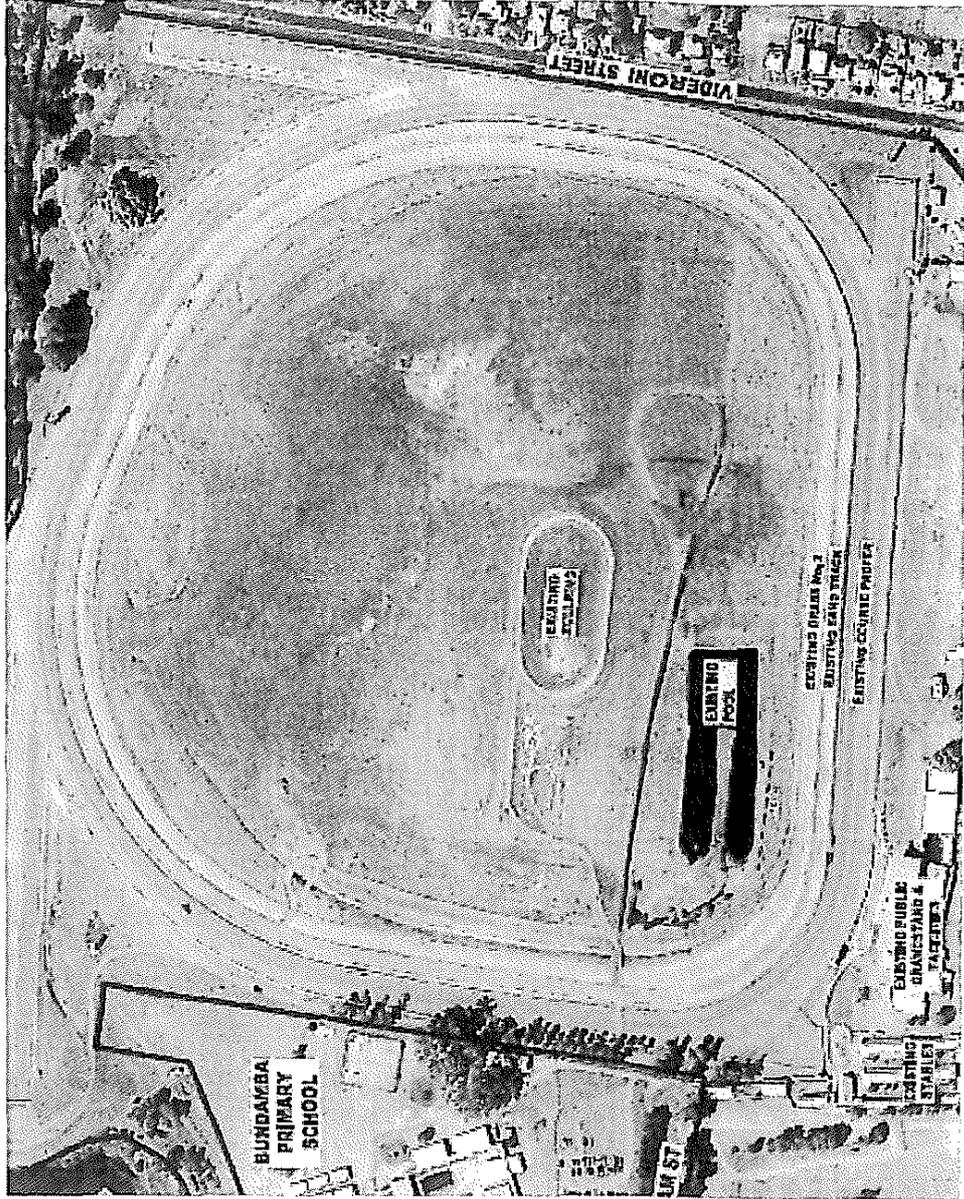


concept images

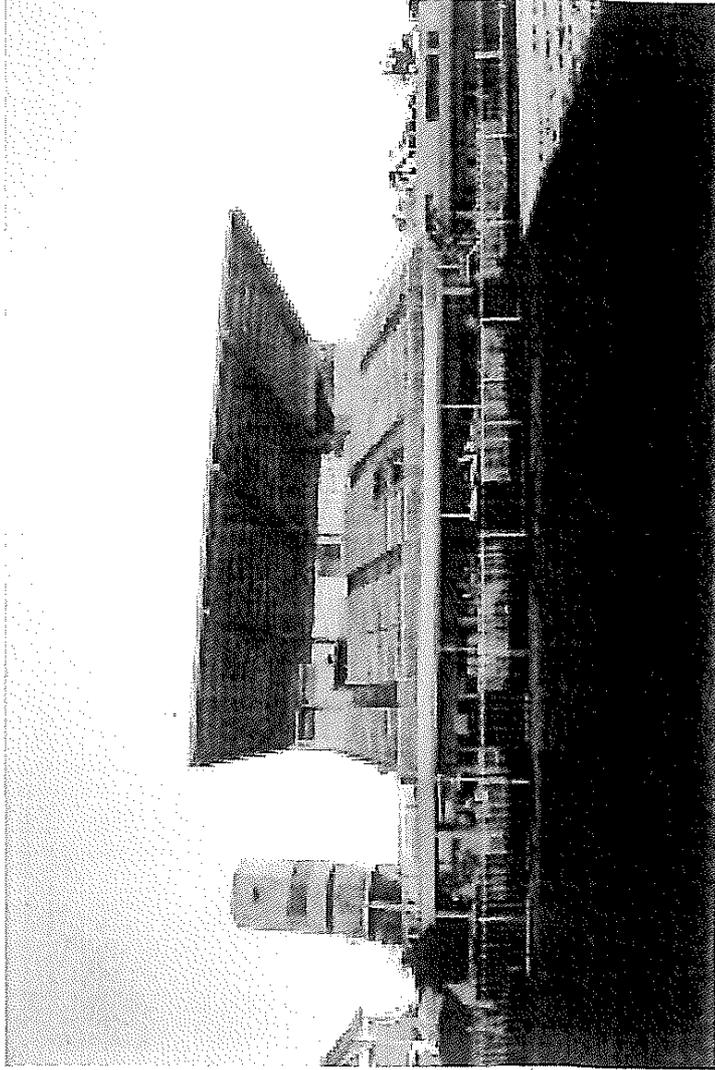
\$28.6m

- IPSWICH DEVELOPMENT (Thoroughbred, Greyhound & Harness)
 - Provincial Greyhound track with lights
 - Provincial Harness track with lights
 - Training track Greyhounds
 - Training track Harness
 - Tunnels for off road parking
 - Conference centre (400 capacity) and Harness & Greyhound race day
 - Approx 5.24 hectares grassed and contoured green space for community fields
 - Continuing use as a Thoroughbred race course

IPSWICH – CURRENT



IPSWICH – CURRENT



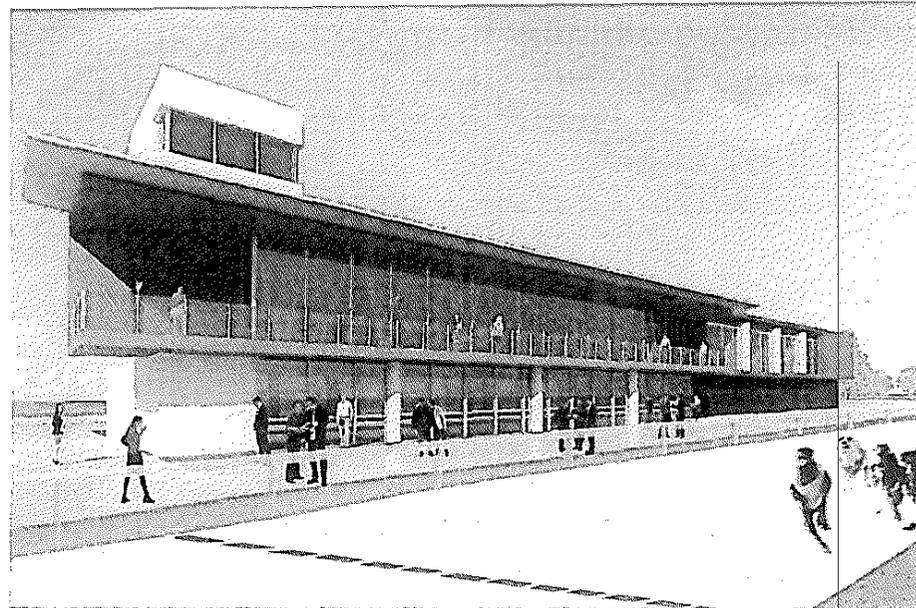
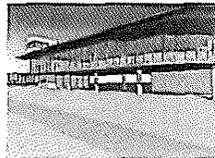
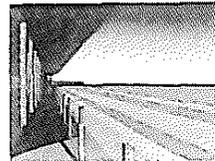
IPSWICH – CURRENT



IPSWICH – PROPOSED DEVELOPMENT (ARTISTS IMPRESSION)

Racing Queensland

function building concept



corporate function building



concept images

\$14.5m

- TOWNSVILLE (Thoroughbred & Greyhound)
 - Transfer of Greyhound track and facilities to Cluden Park for multi purpose venue.
 - Renovation of the course proper, irrigation and drainage.
 - 100 stables and associated infrastructure, new swab stall.
 - Townsville Turf Club Machinery

TOTAL PROJECTS FUNDED BY ALBION PARK \$100.79m

Interest component will be accounted for in the combined cash flow

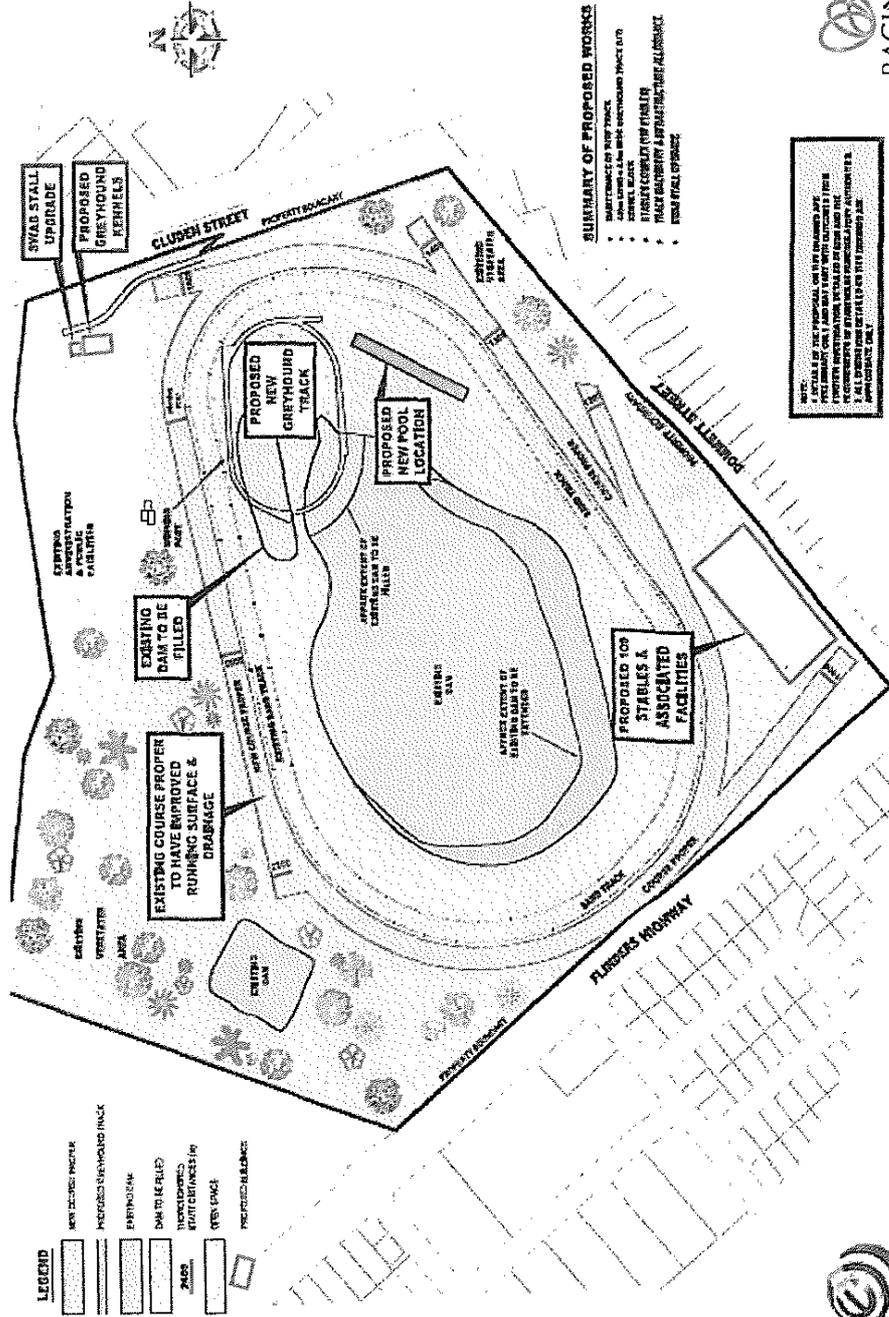


TOWNSVILLE – CURRENT

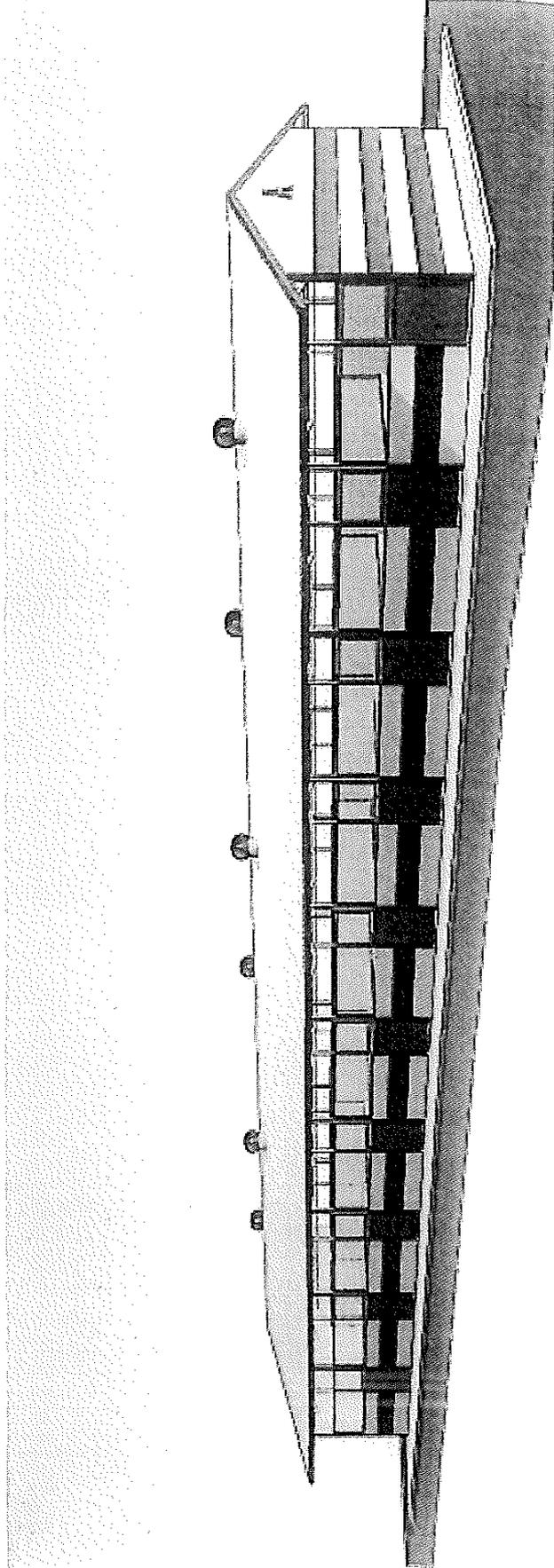




TOWNSVILLE – PROPOSED DEVELOPMENT



TOWNSVILLE – PROPOSED STABLE
DEVELOPMENT



20 Module Stable Building

PROJECTS FUNDED FROM GOVERNMENT TAX REDIRECTION

- GOLD COAST (Thoroughbred only venue)
 - Metro standard course proper
 - New synthetic track
 - New sand track
 - New No 2 grass track
 - Mounting yard reconfiguration
 - Major drainage upgrades and stormwater
 - Horse and pedestrian tunnel
 - Trafficable tunnel, pedestrian & vehicular access
 - Fencing & landscaping
 - Equine swimming pool
 - Upgrade of fibre optic communicate cable
 - Upgrade of members facilities

- FACILITIES (as discussed and agreed with GCTC)
 - Demolish dome & rebuild facility for 500 members
 - Extension to members
 - 10 corporate boxes
 - Contribution by Club of \$2m (agreed)
 - Contribution by Club of two blocks (agreed) \$5m
 - Asset Plan contribution \$7m
 - GCTC Plan \$7m (funded by GCTC)

\$48.3m

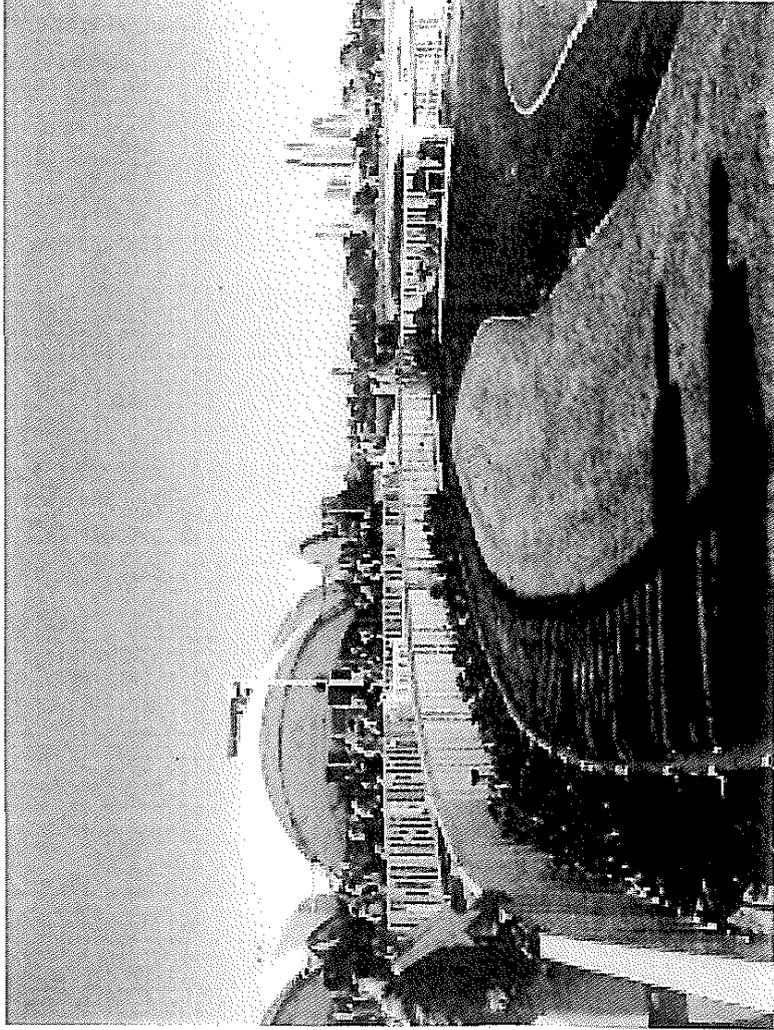
GOLD COAST – CURRENT



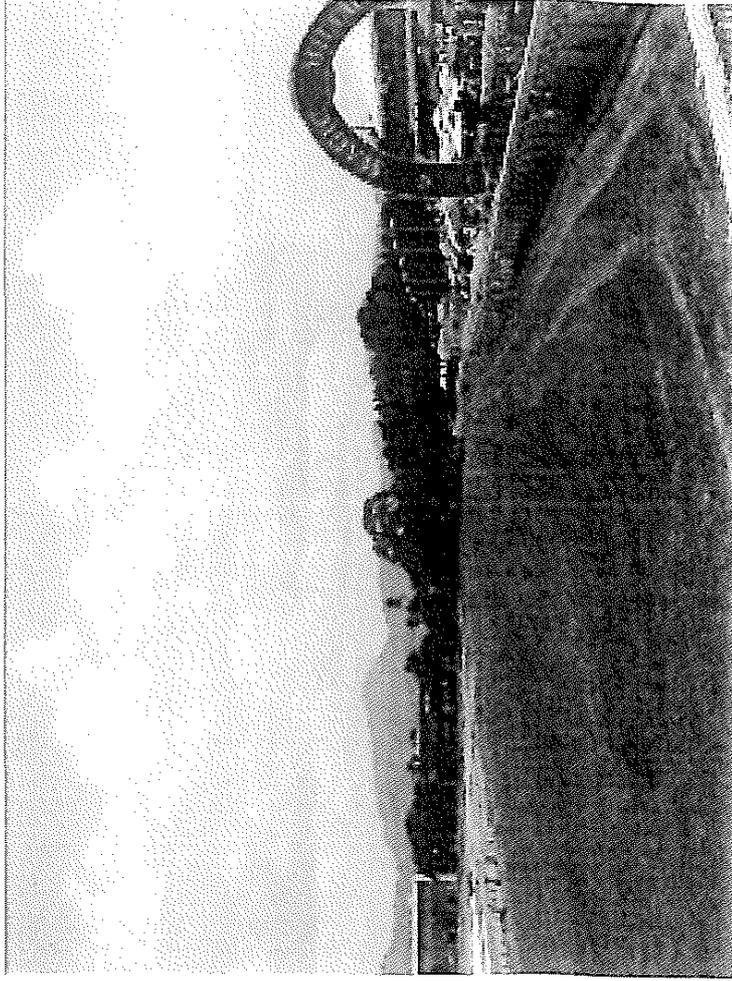


RACING
QUEENSLAND

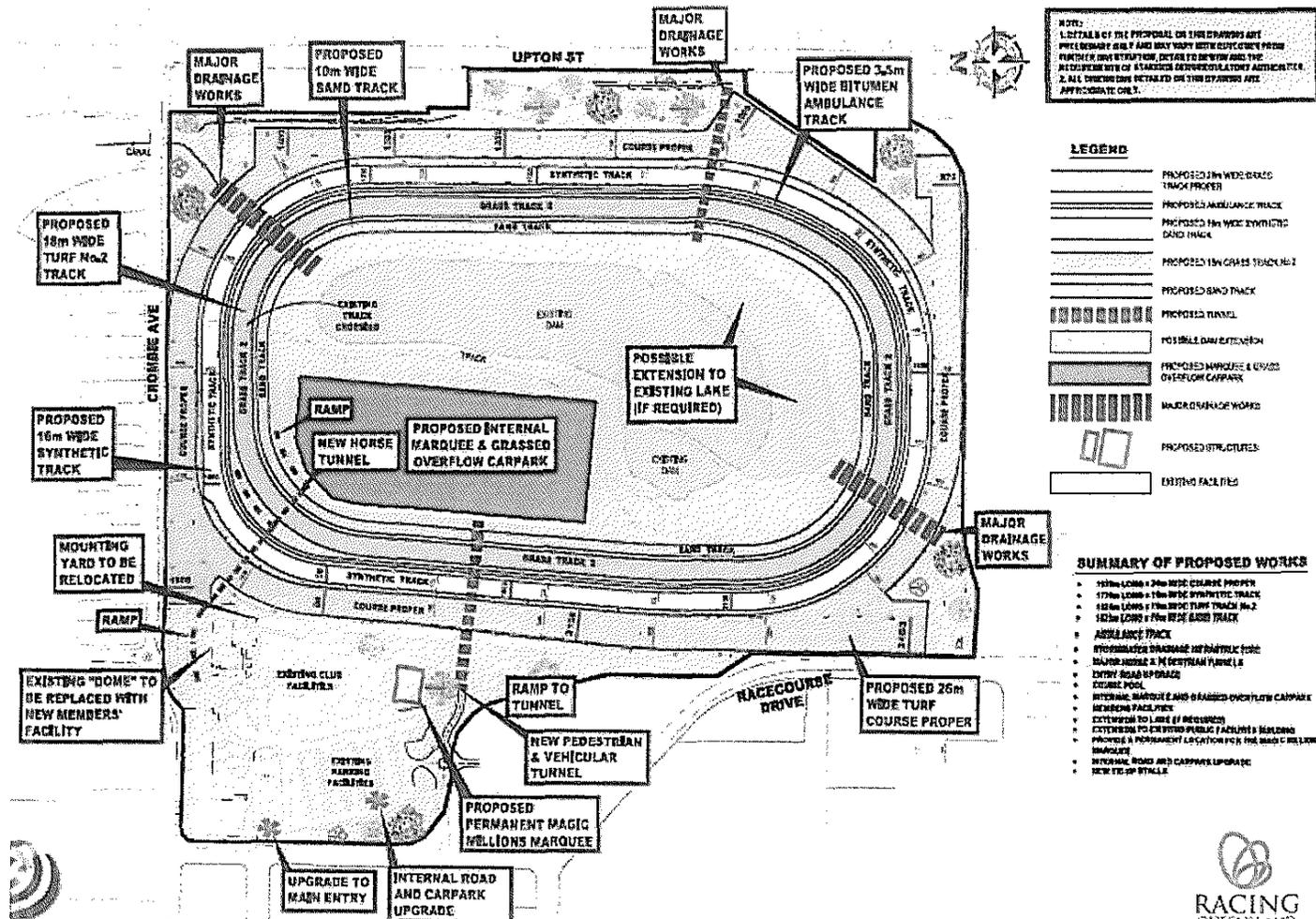
GOLD COAST – CURRENT



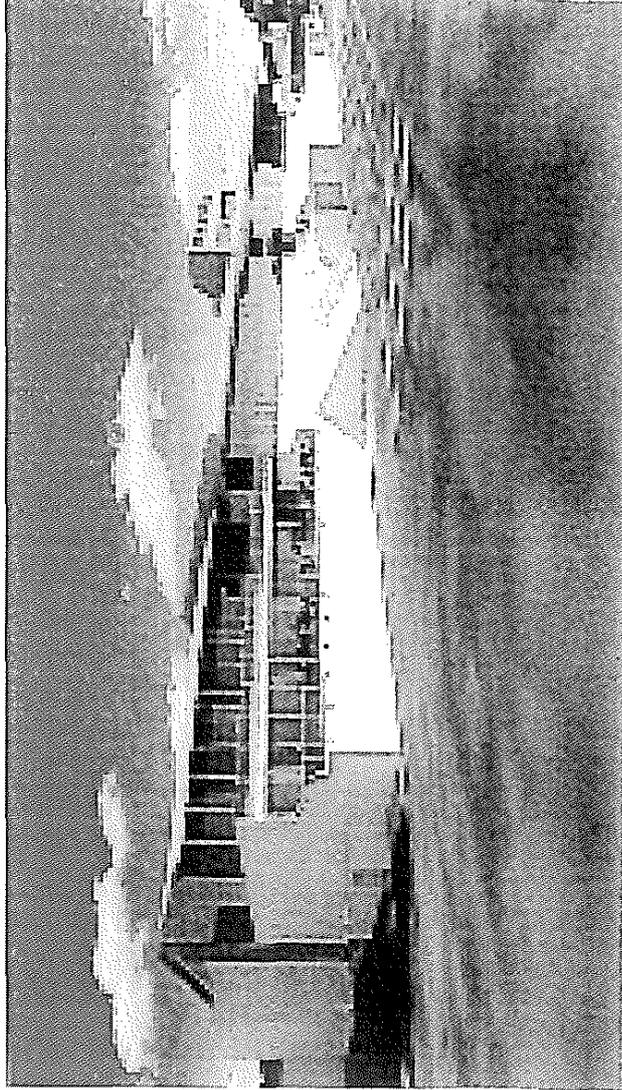
GOLD COAST – CURRENT



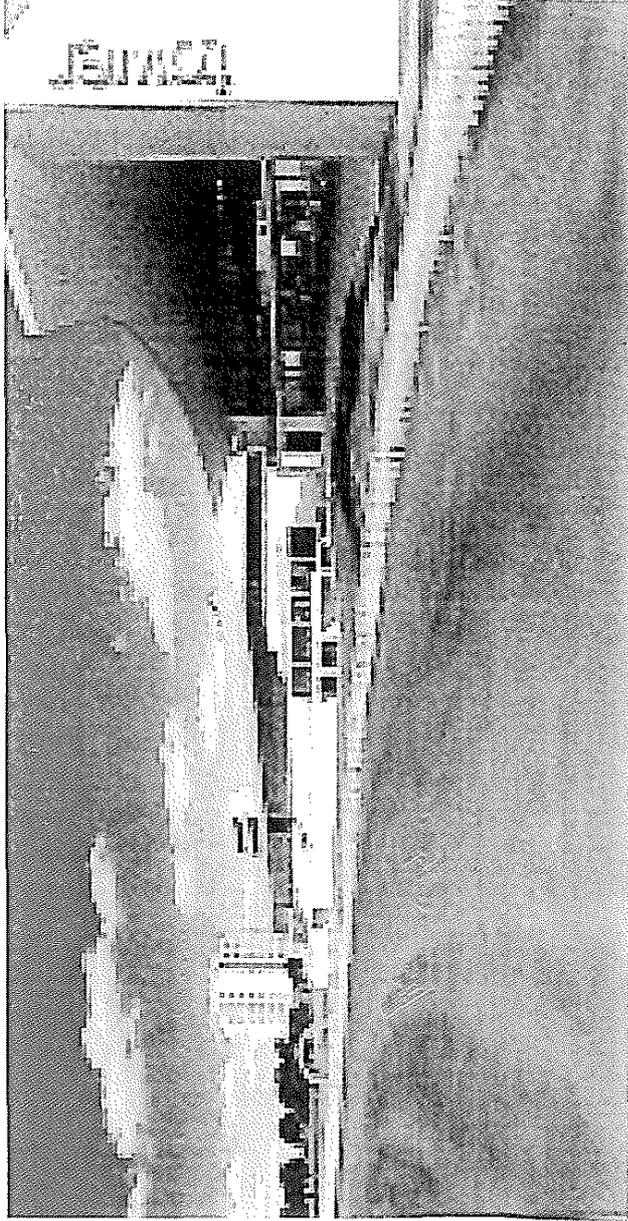
GOLD COAST – PROPOSED DEVELOPMENT



GOLD COAST – PROPOSED DEVELOPMENT (ARTISTS IMPRESSION)



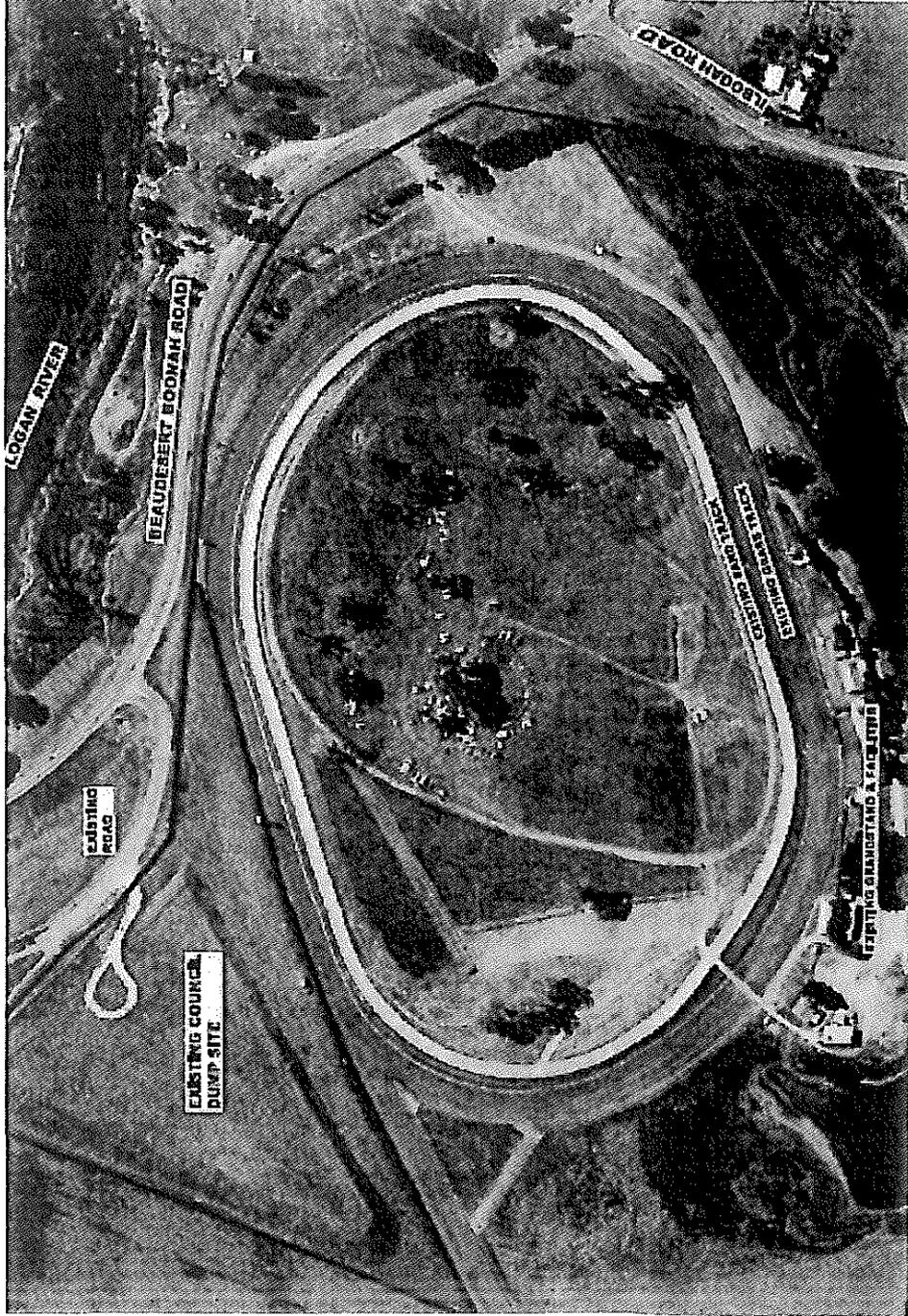
GOLD COAST – PROPOSED DEVELOPMENT (ARTIST'S IMPRESSION)



\$20.8m

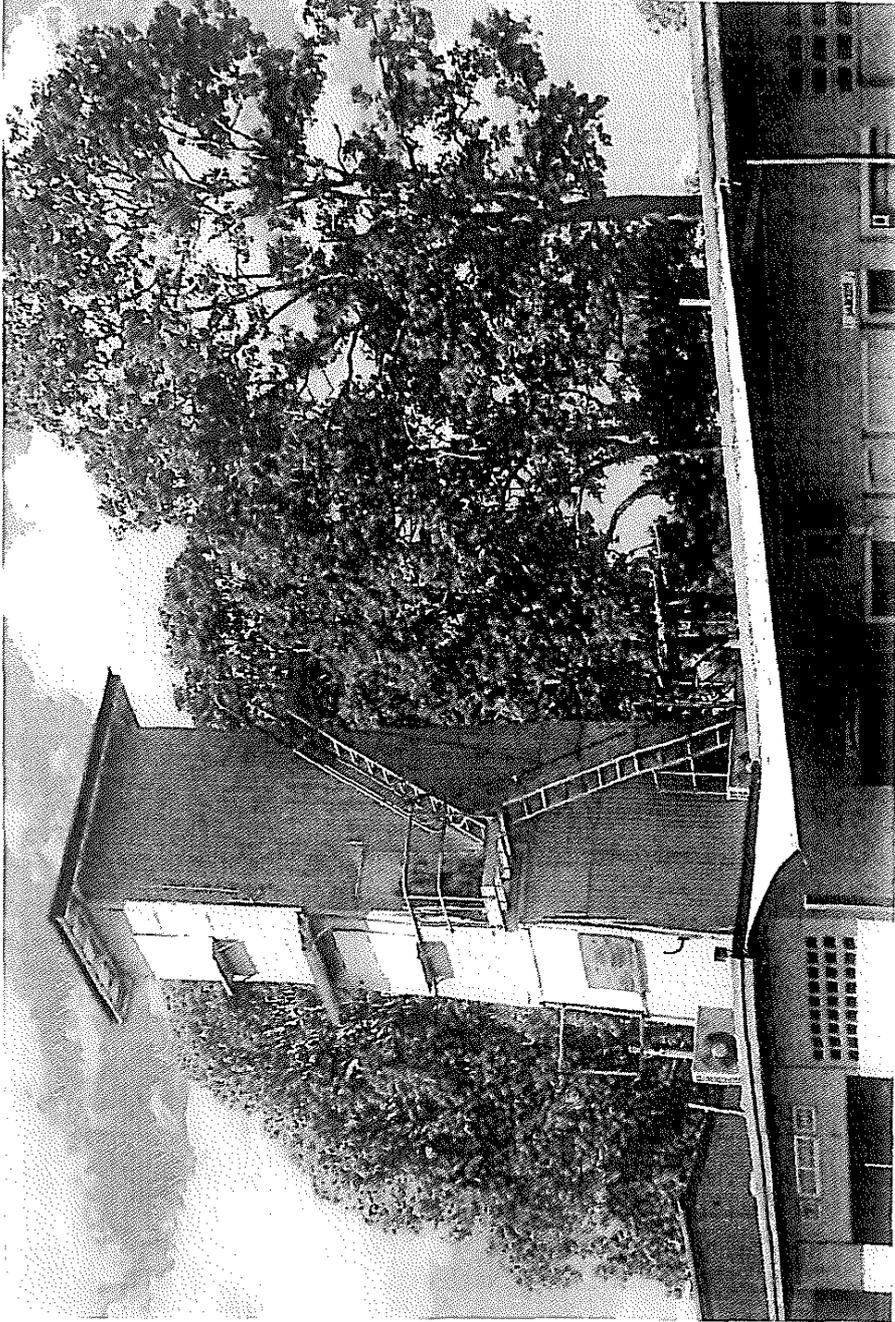
- BEAUDESERT (Thoroughbred only venue)
 - Widen and renovate the course proper
 - Modest race day amenities
 - 100 stables construction
 - Upgrade of training tracks for 100% increase in horse numbers

BEAUDESERT – CURRENT





BEAUDESERT – CURRENT



BEAUDESERT – PROPOSED PUBLIC FACILITY



\$4.3m

- CAIRNS (Thoroughbred only venue)
 - Course proper drainage and flood mitigation
 - Remediation of stables
 - Electrical & communications upgrade
 - Rescue financial package

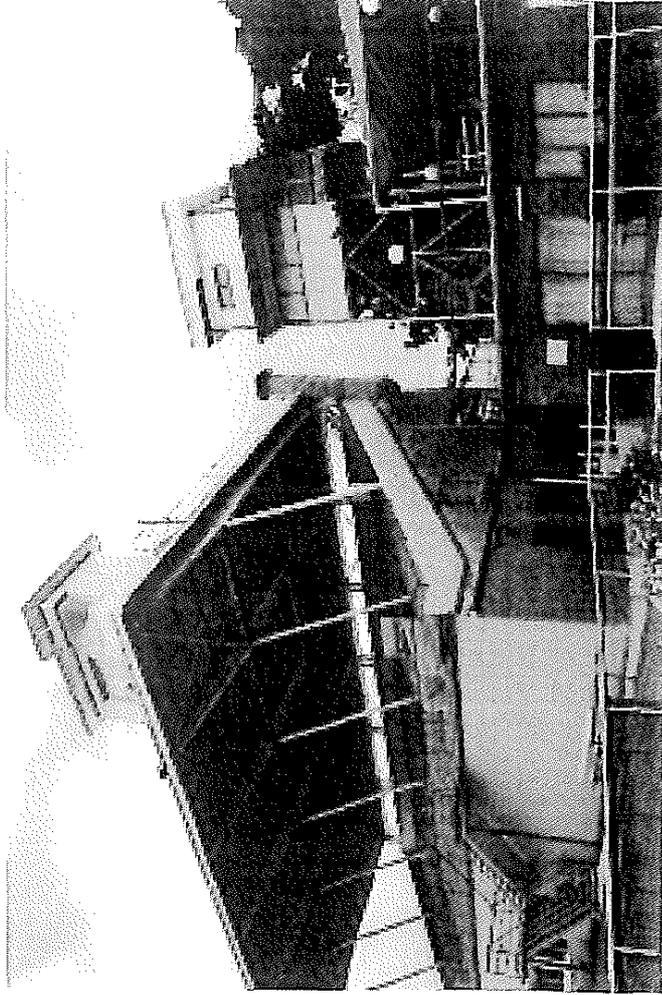
CAIRNS – CURRENT



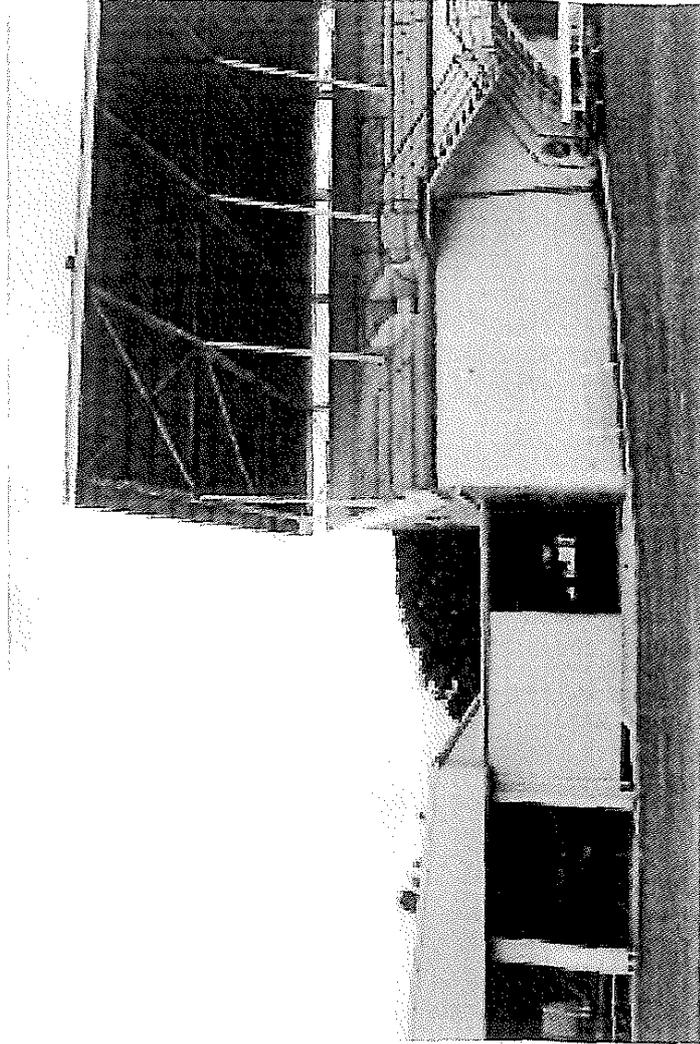
\$18.3m

- MACKAY (Thoroughbred only venue)
 - Reconstruct grass track
 - Reconstruct training facilities
 - Communications & electrical upgrade
 - Off street car park
 - 80 stables and associated works
 - New swab stall
 - New tie up stalls
 - Modest upgrade of Mackay infrastructure

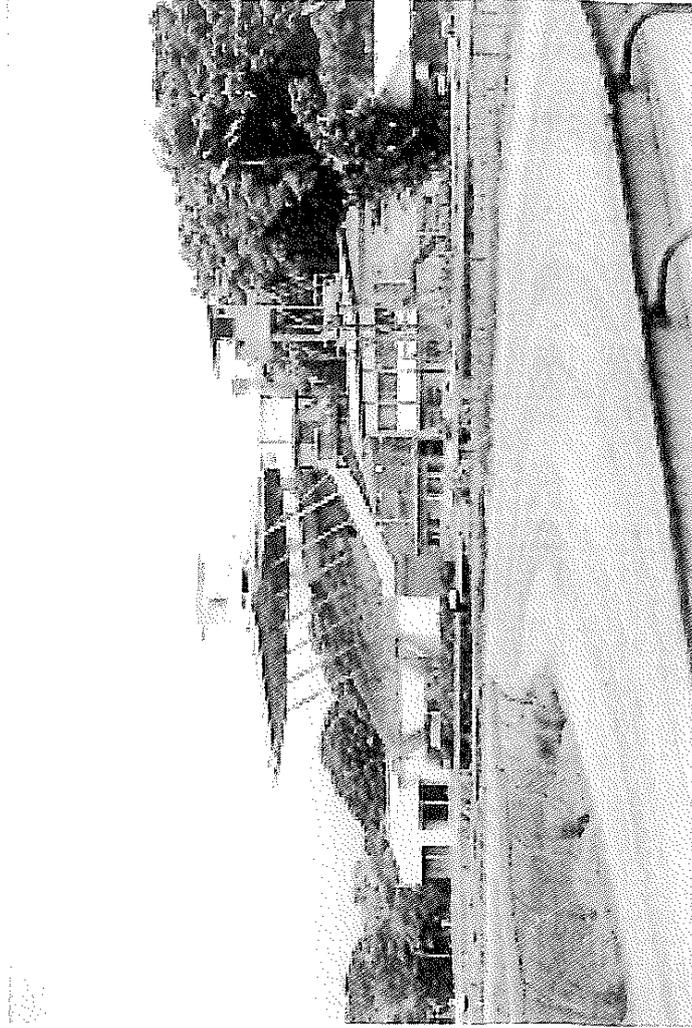
MACKAY – CURRENT



MACKAY – CURRENT



MACKAY – CURRENT



- ROCKHAMPTON
 - Greyhound facilities
 - Upgrading the supply of recycled water

\$4.2m

COUNTRY RACING

- Country Club's WH&S contribution

\$0.9m

- INTEREST ON LOANS

- The combined cash flow will spread the interest component between all projects

\$23.0m

TOTAL FROM TAX REDIRECTION

\$119.8m

ISSUES ARISING FOR RQL

- DEAGON
 - Trainers will need to be provided free rent for 6 months at another venue
 - Project is too important for Harness & Greyhounds not to have this facility

- IPSWICH
 - Thoroughbred trainers will need to transfer – transfer to Gatton or Beaudesert – some compensation – full support by Ipswich Turf Club

- LOGAN
 - Proposed development was not self sustaining as a stand alone track, not really supported by stakeholders – Stakeholders surveyed are not concerned at exact location. One track northside, one track southside

- TOOWOOMBA
 - Not included

- ALL PROJECTS
 - Fully supported

PROJECTS NOT FUNDED

Sunshine Coast	\$21.50m
Toowoomba	\$4.2m

It is requested that should savings be made from projects committed than any surplus will be applied to the unfunded projects.

RQL will not exceed budgets on other projects.

ALBION SALE
SEPARATE
PRESENTATION



OVERALL CASHFLOW BUDGETS SEPARATE PRESENTATION

AB14

From: "Roslyn Raleigh" </o=msb/ou=msbd20/cn=recipients/cn=roslyn.raleigh">
To: "Peter Lawlor" <peter.lawlor@ministerial.qld.gov.au>; "Lachlan Smith"
<lachlan.smith@ministerial.qld.gov.au>; "Sharon Humphreys"
<sharon.humphreys@ministerial.qld.gov.au>; <alex.beavers@treasury.qld.gov.au>
Cc: "Linda Whatman" <linda.whatman@ministerial.qld.gov.au>
Sent: Monday, 13 September 2010 6:11 PM
Subject: Racing and Tabcorp - Minister Lawlor and Lachlan Smith (Sharon)

16/07/2013



Racing and Tabcorp - Minister Lawlor and Lachlan Smith (Sharon)

Tue 14/09/2010 3:45 PM - 4:15 PM

Attendance is required for Alex Beavers

Client: Andrew.Fraser@ministerial.qld.gov.au

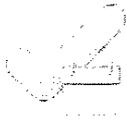
Sender: "Roslyn Raleigh" <Roslyn.Raleigh@ministerial.qld.gov.au>

Location: A10, Parliament House

Required:	Peter.Lawlor@ministerial.qld.gov.au, Lachlan.Smith@ministerial.qld.gov.au, Sharon.Humphreys@ministerial.qld.gov.au, Alex Beavers/TO/QTreasury
Optional:	Linda.Whatman@ministerial.qld.gov.au

Description

Personal Notes



Racing and Tabcorp - Minister Lawlor and Lachlan Smith (Sharon)

Tue 14/09/2010 3:45 PM - 4:15 PM

Attendance is required for Alex Beavers

Organised by: Andrew.Fraser@ministerial.qld.gov.au

Location: "Roslyn Raleigh" <Roslyn.Raleigh@ministerial.qld.gov.au>

Location: A10, Parliament House

Required:	Peter.Lawlor@ministerial.qld.gov.au, Lachlan.Smith@ministerial.qld.gov.au, Sharon.Humphreys@ministerial.qld.gov.au, Alex Beavers/TO/Q Treasury
Optional:	Linda.Whatman@ministerial.qld.gov.au

Description

Personal Notes

7473 75 To
2009/32574

BRIEFING NOTE

FROM	Treasury		
FOR	Treasurer Minister for State Development and Trade		
SUBJECT	Flood Remediation Works Funding for the Racing Industry		
Contact Officer:	Natalie Barber, Director, Resources and Economic Development Branch	Record No: QTO-11622	Date: 04/03/2011
Requested by:	Jonathan Scott	Date Approval Required By: 4/3/11	

PURPOSE

1. The purpose of this submission is to seek your approval to advance Racing Queensland (RQ) funds of \$2.35M from the Racing Industry Capital Development Scheme (RICDS) for urgent flood remediation works, and your signature on the attached letter to The Honourable Tim Mulherin MP, Minister for Agriculture, Food and Regional Economies (Minister Mulherin).

BACKGROUND

2. The former Minister for Tourism and Fair Trading, the Honourable Peter Lawlor MP, wrote to you on 18 February 2011 seeking your approval to advance RQ \$2.35M of funding from the RICDS. The funding has been sought to undertake flood remediation works (\$1.65M) and to help country race clubs achieve minimum health and safety standards (\$0.7M).
3. Minister Mulherin wrote to you on 25 February 2011, seeking urgent consideration of this matter.

ISSUES

4. CBRC approved (Dec. No. 2863) the implementation of the RICDS, with the stipulation that RQ was to provide CBRC with a business case for any capital works, prior to funds being released to RQ.
5. The capital works are required to undertake flood remediation at a number of key racecourses and to enable the country clubs to meet health and safety standards. Treasury supports funding of \$2.35M being released to RQ as an advance against the \$85M scheme.
6. In view of the urgent nature of the funding need, it is recommended that the CBRC requirement for a business case be relaxed in this instance.
7. RQ is also seeking \$1.51M for costs incurred in developing the racing industry infrastructure plan, which was undertaken at the Government's request. Former Minister Lawlor suggested that this matter be considered when the infrastructure plan is formally considered by Government.
8. DEEDI's forward estimates include \$20M appropriation funding in 2010-11 to be advanced to RQ. Therefore there is sufficient capacity to advance the \$2.35M from existing allocations.

FINANCIAL IMPLICATIONS

9. CBRC approved (Dec. No. 2863) that 50% of the net wagering tax be directed into the RICDS (\$85M over four years) to help rebuild racing facilities across the state. RQ is required to provide CBRC with a business plan for each capital project.

RECOMMENDATION

10. That you approve an advance of \$2.35M from the \$85M Racing Industry Capital Development Scheme to Racing Queensland for flood remediation works and to undertake urgent health and safety works at country race clubs, and that you sign the attached letter to The Honourable Tim Mulherin MP, Minister for Agriculture, Food and Regional Economies.

Gerard Bradley

Gerard Bradley
Under Treasurer Date 7/3/11.

<input type="checkbox"/> Approved Treasurer Minister for State Development and Trade	<input type="checkbox"/> Not approved Comments	<input type="checkbox"/> Noted
Andrew Fraser Treasurer Minister for State Development and Trade / /	<p><i>Letter attached to CWS to send. Budget not required to be signed.</i></p>	

Name:	*Action Officer/Author:	Director:	(Initials)	ED/AUT:	(Initials)	UT/DUT:	(Initials)
Samuel Blake	Samuel Blake	Natalie Barber		John O'Connell	JOL	Alex Beavers	
Branch/Division:	Resources & Economic Development Branch	Resources & Economic Development Branch					
Telephone:	(07) 3224 4801	(07) 3224 4475		(07) 3225 1665		322 42566	
Date:	03/03/2011	/ /		7/3/11		/ /	

* This officer may be required to provide further detailed information regarding the issue

AB16



Hon Andrew Fraser MP
Member for Mount Coot-tha



**Queensland
Government**

**Deputy Premier and Treasurer
Minister for State Development
and Trade**

TRX-17947

05 DEC 2011

Mr R G Bentley
Chairman
Racing Queensland Limited
PO Box 63
SANDGATE QLD 4017

I refer to issues you have recently raised regarding the delivery of racing infrastructure under the Racing Industry Capital Development Scheme (RICDS).

I have considered your comments in relation to the cost of preparing business cases for proposed racing infrastructure and have decided to provide access to limited funds from the RICDS to meet external costs incurred on those projects which are significant and have associated delivery risks. This will assist in accessing relevant expert advice necessary where the project scale and risks merit investment in those resources.

I approve funds of up to \$2,750,000 to be drawn for the purpose of reimbursing Racing Queensland Limited (RQ) for the cost of engaging external consultants assisting in the preparation of business cases, and capped internal costs of \$200,000 p.a of internal RQ resources dedicated to this purpose. Requests for reimbursement may be submitted to the Office of Racing in the Department of Employment, Economic Development and Innovation at the end of each calendar quarter.

Note that this will however reduce the funds available for direct investment in capital infrastructure under the RICDS.

Should you require any further information, please contact Mr Stuart Booker, Assistant Under Treasurer on telephone (07) 3238 3059.

Yours sincerely

ANDREW FRASER

Level 9 Executive Building
100 George Street Brisbane
GPO Box 611 Brisbane
Queensland 4001 Australia
Telephone +61 7 3224 6900
Facsimile +61 7 3229 0642
Email deputypremierandtreasurer@qld.gov.au
ABN 65 959 415 158

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Racing Queensland Limited – Racing Industry Capital Development Scheme		
Contact Officer:	Natalie Barber – Director, Resources and Economic Development Branch Ph 3224 4475, Mb 0412 566 242	Record No: TRX-17947	Date: 01 December 2011
Requested by:	Malthev Vagne	Date Approval Required By: N/A	

PURPOSE

- The purpose of this submission is to inform you of issues raised by Racing Queensland Limited (RQ) in relation to the delivery of racing infrastructure under the Racing Industry Capital Development Scheme (RICDS) and to seek your:
 - Approval to provide up to \$2.75M to RQ under the RICDS to meet the cost of procuring external consultants assisting in the preparation of business cases; and
 - Signature on the letter to Mr Bob Bentley, Chairman RQ advising of the above.

BACKGROUND

- On 26 November 2009, CBRC (Decision 2863) approved the implementation of the RICDS, where 50% of net wagering tax received was to be directed to the RICDS, up to a maximum of \$85M over four years.
- On 7 July 2011, CBRC (Decision 3255) approved RQ's capital works program totalling \$110.7M as outlined in its Infrastructure Plan (IP). CBRC also approved a one year extension to 30 June 2015 of the wagering tax sharing arrangements under the RICDS, totalling approximately \$100M-\$104M (depending on the total wagering tax collected). A further \$9.852M was made available to RQ under the RICDS being the balance of \$10M previously committed by the State to the establishment of a new greyhound racing facility.
- Under the CBRC decision access to funds under the RICDS is subject to a business case for each project being submitted and subsequently accepted by Treasury.
- CBRC also approved Queensland Treasury Corporation (QTC) lending to RQ up to \$100M on the basis that the loan is to be repaid in full by 30 June 2015 through the assignment back to the State of revenues arising from the wagering tax sharing arrangements.
- Mr Bob Bentley, Chairman of RQ has recently raised a number of issues on the progress of delivery of racing infrastructure under the RICDS.

ISSUES

FUNDING FOR BUSINESS CASES

- RQ advises that it has progressed eight business cases but does not have the funds to complete the business cases without directing funds away from other priorities within the industry. RQ seeks a preliminary payment of approximately \$3.54M for the continued development of the business cases in advance of submitting business cases to Treasury as approved by CBRC.

8. Treasury considers that it is reasonable to provide RQ access to limited funds from the RICDS to meet the cost of procuring external consultants assisting in the preparation of the business cases where the capital improvement projects are significant and have an associated delivery risk. However Treasury does not support RICDS funds being applied towards reimbursing RQ's internal operating costs as has been requested.
9. Treasury considers up to \$2.75M (approximately 2.5% of the \$110.7M Infrastructure Program) could be made available from the RICDS to meet the cost of preparing business cases. This would mainly relate to the cost of procuring external consultants to assist in the preparation of such business cases, although it would not be unreasonable to also include the direct and indirect costs of a dedicated resource in RQ, up to \$200,000 per annum. Subject to your approval, requests from RQ for reimbursement could be submitted to DEEDI's Office of Racing at the end of each calendar quarter.

REQUIREMENT FOR COUNCIL APPROVALS

10. RQ refers to advice from Treasury that "all council approvals" would need to be in place prior to a business case being lodged and that this would create issues particularly for the proposed Deagon development. As full development funding is to be made available to RQ once the business case has been endorsed by Treasury, Treasury considers it is reasonable that a copy of the Development Approval from the relevant council be included in the business case to provide confidence that the project is able to be delivered.
11. Treasury notes that in the case of the Deagon development, the Brisbane City Council has publicly stated its opposition to the project and this is a key risk to the project's delivery. Treasury has sought to avoid a situation where full development funding is provided to RQ for a development which may not proceed.

TRANSFER DUTY

12. The matter of transfer duty on joint venture transactions has also been raised.
13. RQ advises that the payment of transfer duty has not been factored into its Infrastructure Plan and seeks ex gratia relief of approximately \$3.95M on proposed transactions involving RQ taking an equity position in the Rockhampton Jockey Club, Gold Coast Turf Club and the Townsville Turf Club. Further requests for relief are planned for similar transactions relating to racecourse assets at Cairns, Mackay and Beaudesert.
14. Ex gratia relief from the payment of transfer duty was previously approved for the Sunshine Coast Turf Club, however has not been granted for the payment of transfer duty in relation to arrangements between RQ and the Rockhampton Jockey Club.
15. The Office of State Revenue (OSR) advises that ex gratia relief was approved on the Sunshine Coast Turf Club transaction as the transfer of the racecourse to a new entity was initiated in response to the State Government's policy on the ownership of racing venues. The transaction involved the securing of facilities previously owned by the Caloundra City Council.
16. OSR however considers that the transaction at Rockhampton does not result directly from State Government policy. The transaction involves the transferring of racing assets to a company with shares owned by both the Rockhampton Jockey Club and RQ. OSR advises that ex gratia relief should not be provided as the transaction was voluntary and motivated by commercial considerations relating to RQ's investment in racing facilities and control of racecourse management.
17. DEEDI's Office of Racing advises that while it has been supportive of RQ's approach to take an equity position in the entity holding the assets in exchange for infrastructure funding, it has not advised RQ that an equity position is a pre-condition or requirement for funding.

FINANCIAL IMPLICATIONS

- 18. The provision of up to \$2.75M to RQ to meet consultancy costs incurred in the development of business cases will reduce the amount available for investment in racing infrastructure under the RICDS.
- 19. Transfer Duty for the changes proposed for Rockhampton Jockey Club, Gold Coast Turf Club and the Townsville Turf Club sought by RQ to be refunded is estimated to be \$3.95M.

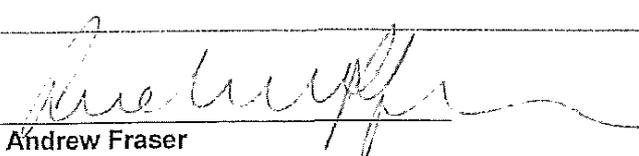
RECOMMENDATION

That you:

- Approve the provision of up to \$2.75M to Racing Queensland under the Racing Industry Capital Development Scheme to meet the cost of procuring external consultants assisting in the preparation of business cases and capped internal costs of \$200,000 per annum. Requests from RQ for reimbursement should be submitted to DEEDI's Office of Racing at the end of each calendar quarter.
- Sign the attached letter to Mr Bob Bentley, Chairman RQ advising of the above.

Gerard Bradley

Gerard Bradley
Under Treasurer Date 2/12/11

<input type="checkbox"/> Approved Deputy Premier, Treasurer and Minister for State Development and Trade	<input type="checkbox"/> Not approved Comments	<input checked="" type="checkbox"/> Noted
		
Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade 5/12/11		

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