

Supplementary Statement of Ronald Mathofer

I, **Ronald Mathofer**, Senior Business Analyst of Racing Queensland, of Racecourse Road, Deagon in the State of Queensland do solemnly and sincerely declare that:-

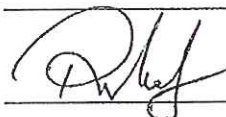
1. This statement is provided to supplement the one I previously provided to the Racing Commission of Inquiry dated 9 August 2013.

Contract Management and Financial Accountability

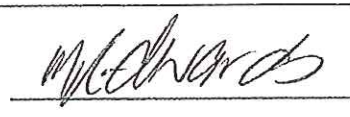
2. Although as mentioned in my previous statement I had no role in the drafting of the RQL Purchasing Policy prior to 2011, when preparing for drafting of the Addendum to the RQL Purchasing Policy in mid to late 2011 I had reference to the existing Purchasing Policy as well as the provisions of the Queensland Government Procurement Policy. I attach:

- (a) as "**RM-60**"[RQL.136.001.0526], version 1.08 of the Purchasing Policy as amended on 25 October 2011 and approved by the RQL board in that form on 4 November 2011; and
- (b) as "**RM-61**", the contents of a working folder that I created at the time to assist me in drafting the Addendum to the Purchasing Policy. I have maintained that working folder in the same form until this day ("**Working Folder**"). The Working Folder includes:

- i. Industry Infrastructure Plan Control Group Meeting Agenda a draft minutes for the meeting which occurred on 23 November 2011 [RQL.137.006.0001];
- ii. Racing Queensland Limited - Infrastructure Plan Internal Financial Process [RQL.137.006.0027];
- iii. Purchasing Policy, version 1.08 [RQL.137.006.0038];
- iv. Purchasing Policy, version 1.04 [RQL.137.006.0059];
- v. Process for Application for Sole Supplier [RQL.137.005.0001];



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- vi. an email from Carol Perrett to Malcolm Tuttle and Michael Kelly dated 10 November 2011 [RQL.137.005.0005];
- vii. Queensland Government Request for Offer of Purchase form [RQL.137.005.0008];
- viii. Self-Assessment Checklist: For Compliance with the State Procurement Policy [RQL.137.005.0014];
- ix. State Procurement Policy, September 2010 [RQL.137.005.0018];
- x. Ethics, Probity and Accountability in Procurement [RQL.137.005.0056];
- xi. Better Purchasing Guide - Prequalifying Suppliers [RQL.137.005.0085];
- xii. Better Purchasing Guide - Engaging and Managing Consultants [RQL.137.005.0108];
- xiii. How to appoint and manage design consultancy for a sport or recreation facility [RQL.137.005.0128];
- xiv. Better Purchasing Policy - Inviting Offers [RQL.137.005.0151];
and
- xv. Procurement Strategy and Contract Selection [RQL.137.005.0167].

3. In relation to the Purchasing Policy, my understanding when drafting the Addendum was that:

- (a) the matters under the heading "Capital Works Projects" covered situations where capital works were being done by a club and RQL was essentially just advancing them the money subject to the procedures set out, I am referring to situations where a club would approach RQL with a project in mind and have either external funding arranged or more likely seek funding from RQL. These projects are different to the



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large infrastructure projects that were being considered by RQL in late 2011. I do not believe it applied to projects of the kind in which Contour was involved, in relation to development of synthetic tracks or the subsequent IIP projects;

- (b) contracts that Contour entered into with RQL with respect to the engineering and consultancy services would however have been covered under the heading "Consulting Services", either under the part relating to short term "one-off" contracts or that relating to "longer-term" consultancy arrangements;
- (c) the concept of "preferred suppliers", referred to under the heading "Consulting Services" referred to in sub-paragraph (b) above, essentially contemplated suppliers or consultants who had been satisfactorily utilised by RQL in the past, but not necessarily selected by any competitive process to become recognised as a preferred supplier; and
- (d) the heading "Other Capital Purchases" also would not have applied to the work being done by Contour, but was aimed at internal capital purchases such as photocopiers and computers and the like.

- 4. As to the concept of preferred suppliers, I can see that the wording of the Purchasing Policy contemplates a supplier becoming preferred as a result of a competitive process, but I cannot recall if I understood that at the time of commencing consideration of purchasing for the purpose of drafting the Addendum. I had no role at any stage in determining whether any supplier should be treated as preferred. I understand now that there was never a "current preferred supplier list" of the kind contemplated under point 1.2 on page 8 of the Purchasing Policy.
- 5. The purpose of the Addendum, as I understood it, was to incorporate the concepts in the existing Purchasing Policy into one document (being the Addendum) which included further concepts and could then be used for purchasing activities related to the Industry Infrastructure Plan (IIP). For procurement in relation to IIP projects, the intention was that, in the usual



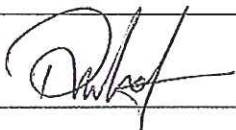
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course, it would be necessary only to have regard to the Addendum. My understanding and intent in drafting the Addendum was that it would apply not only to any procurement by RQL for IIP purposes but also, if RQL deferred or delegated the process of selecting subcontractors to a consultant such as Contour, also to that consultant. That is, my expectation would be that the consultant should have been told that they were also required to comply with the Addendum. I understood that the Purchasing Policy itself was intended to work in the same way.

6. I observe, in comparing the Purchasing Policy and the Addendum, that:
- (a) the "Key Principles" are the same, except that I also included the concept of "probity" in the Key Principles in the Addendum;
 - (b) the text of the Addendum section headed "Suppliers" essentially replicates the "preferred suppliers" part of the Purchasing Policy;
 - (c) there are new concepts in the Addendum of "Prequalification of Suppliers", "Outsourcing of Supplier Panel Selection" and "Application for Sole Supplier", which do not appear in the Purchasing Policy (and are addressed below);
 - (d) the section "Consulting Services" is the same in the two documents, except for reordering of the bullet points in relation to longer term consultancy arrangements; and
 - (e) there are new sections in the Addendum on conflicts of interest and recommended practice in that regard which, despite the reference to "probity auditor or advisor", were intended to apply to contractors, suppliers or consultants.
7. As to preferred suppliers, I can see that the wording in part 1.2 of the Addendum does not apparently contemplate any competitive process being undertaken in order for a supplier to become recognised as preferred. However, by working with a supplier on a regular basis you become familiar with the quality of their work. If the quality of the work is good, they are effectively pre-screened and will likely be used again. If their work is poor



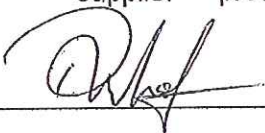
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then that supplier would not be used again. With respect to the section describing longer term consultancy arrangements under the "Consulting Services" heading, it does stipulate a competitive process. I do not perceive a conflict with these provisions. If RQL had used a consultant previously and had formed a favourable opinion of that consultant then it is possible that consultant would be seen by those responsible for applying the policy at that time as a preferred supplier. If a consultant in a new discipline had to be retained by RQL then those applying the policy at the time would have the ability to apply the competitive tendering process.

8. I can see that in comparing the documents listed in attachment RM-61 and the Addendum, the new sections concerning prequalification and applications for sole supplier appear in the copies of the documents attached at RM-61 that I utilised to draft the Addendum, in particular, in relation to sole suppliers, at page RQL.137.006.0001 of the document titled Process for Application for Sole Supplier and in relation to prequalification, at page RQL.137.005.0085. Attachment **RM-62** [RQL.143.005.0001] is a copy of an email dated 1 December 2011 (together with its attachments) sent by me to all members of the Industry Infrastructure Planning Committee (IIPC). This email attached, amongst other documents, the draft addendum I had prepared. This draft of the Addendum does not have included in it the sole supplier provisions. I did not hold any discussions with Mr Kelly of the Office of Racing in relation to the Addendum. I am uncertain whether Mr Snowdon held any such discussions. All of my discussions with persons from the Office of Racing about the Addendum were with Ms Carol Perrett.
9. On 8 December 2011 I attended an IIPC meeting. I note that at item 6 of the minutes it is said that Adam Carter received amendments to the draft Addendum prior to the Addendum being forwarded to the Board. I have no recollection of what documents or amendments were given to Adam Carter at that meeting or who gave them to him. The policy was subsequently approved by the Board.
10. I do know that on 13 December 2011 I forwarded the draft Addendum to Ms Carol Perrett of the Office of Racing. That draft Addendum included the sole supplier provisions (at paragraph 1.5). Attachment **RM-63**



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[RQL.141.005.0445], [RQL.141.005.0446], [RQL.141.005.0456], [RQL.141.005.0467] is a copy of the email and its attachments that I sent to Ms Perrett dated 13 December 2011. I have checked the records I kept at the time of drafting the Addendum and have located a State Purchasing document entitled "Process for Application for Sole Supplier". I have now compared the wording in that document to the wording of the sole supplier provisions of the Addendum and note that I extracted the wording of this section of the Addendum from the Process for Application for Sole Supplier. I have no recollection of who provided this document to me or why the document was provided to me. However, from my perusal of the document it was clearly a State Government document and therefore I considered it appropriate to be included in the Addendum. Attachment RM-64 [RQL.137.005.0001] is a copy of the Process for Application for Sole Supplier held by me and which appears as part of my Working Folder.

11. As to prequalification, I understood that this could occur by an internal pre-screening process whereby RQL had utilised the services of a particular entity and had experienced no negative issues in doing so. I can see in looking at the wording of this section of the Addendum, however, that it could contemplate something more formal involving the assessment against predetermined criteria and usually then inclusion of successfully prequalified suppliers on a data base. At this time I recall that we were starting to look at the "Local Buy" product that I referred to in my first Statement. This concept was only in development at the time of my drafting the Addendum, as something that would be useful for RQL to start doing. The draft I forwarded to the IIPC members on 1 December included reference to pre-qualification (as referred to below). I am not aware of any pre-qualification database other than the list of suppliers within the finance systems readily available; by this I mean a list of all suppliers previously used by RQL.
12. As to outsourcing of supplier panel selection, this section of the Addendum recognises that the types of major projects contemplated by the IIP are outside the usual work of a control body such as RQL. It was therefore likely to be helpful in some cases to utilise what were essentially prequalification lists which had been developed by third parties. Local Buy is an example of



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such an organisation, as described in the Addendum. I remember when I was working on the Addendum that I checked to see whether Contour and some of their associated entities including Duke Environmental were already on the Local Buy list. They were, with a pricing schedule.

13. As to the sole supplier section of the Addendum, I can see that each of the reasons for exemption listed as (a) to (d) applied, or arguably applied, to Contour at the time I was drafting the Addendum, in that:

- (a) Contour was a preferred supplier, in the sense I noted above of being a supplier previously successfully utilised to RQL's satisfaction;
- (b) Contour was already part of the multi-stage procurement process involved in the IIP and intended projects under the IIP;
- (c) Contour was considered to have a high degree of technical expertise relevant to developing race tracks, when there are not many suppliers or consultants who have that expertise, and had essentially been operating as a sole supplier in providing project management/consultancy services and engineering services on the IIP projects; and
- (d) at least in respect of the Mackay project, I understood that there was a genuine urgency because of the state of disrepair of the Mackay track and associated facilities.

14. The sole supplier section of the Addendum did apply to Contour to an extent, because it was obviously a known quantity at the time in that it had provided good services to RQL previously including in the Corbould Park racetrack. I can see that Contour could have been treated as the sole supplier pursuant to this part of the Addendum, but I do not know whether this in fact occurred because I was not privy to decisions about the application of the Addendum once prepared. I did not draft this or any part of the Addendum with the specific intent of application to Contour.

15. In terms of timing of production of the Addendum, it appears from the annexed draft Addendum and records of RQL noted below that:



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- (a) the need for a comparison of the State Procurement Policy with the RQL Purchasing Policy was identified in an exchange of emails between Malcolm Tuttle and Michael Kelly and Carol Perrett of the Office of Racing on 9 and 10 November 2011, which exchange is attached as "RM-65" [RQL.110.001.0002];
- (b) the above emails were discussed at the IIPCG meeting of 10 November 2011, where the minutes record:

"Mr Ron Mathofer undertook to work through the RQL purchasing policy and the state purchasing policy, paying particular attention to the points raised by Ms Perrett in her email of November 10. Mr Mathofer and Mr Snowdon undertook to identify any discrepancies in the purchasing policies and discuss them with Mr Mike Kelly of the Office of Racing to rectify any issues. The outcome required is that the procurement document is further developed, meeting both RQL and government standards on value, transparency and probity";

Attached as **RM-66** [RQL.110.004.0141] is a copy of the minutes dated 10 November 2011.

16. I do not recall the precise process between my production of a first draft of the Addendum and its finalisation, but I know, from my email of 1 December 2011 that I circulated it to other members of the organisation including Mark Snowdon, Paul Brennan, Blair Odgens, Deanna Dart, Kearra Christensen, Malcolm Tuttle, Shara Reid and Adam Carter before it was considered more formally. As I have explained, the first draft of the Addendum I forwarded on 1 December 2011 did not include the sole supplier provisions. At the meeting on 8 December 2011 of the IIPC amendments to the Addendum were handed to Adam Carter. On 13 December I forwarded a further version of the Addendum to Carol Perrett with the sole supplier provisions included. I now have no recollection of how those provisions were brought to my attention and who instructed me to include those provisions.
17. In relation to the Internal Financial Process document mentioned previously:



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(a) I attach as "RM-67" [RQL.136.004.0045], a version dated 19 September 2011, indicated in the title to have been "Endorsed by the Audit Committee" on 10 October 2011 and making reference to Contour including on page 1 "*Project Director is to liaise with Contour... to ensure the budget is on track and to ensure an up to date cash flow and reconciliation is in place*";

(b) Attachment RM-68 [RQL.141.005.0337] shows Mr Tuttle responding to my circulation of the document (and the draft Addendum) for review and feedback by saying on 6 December:

"Tks Ron

I am not sure if you have had much feedback on these documents but I note a fundamental problem with the [Internal Financial Process] document where in the opening para it requires the project Director to liaise with Contour.

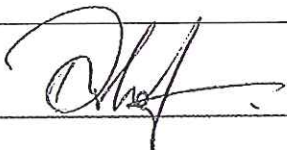
This clearly suggests that Contour has a predetermined roll [sic] with the Plan.

Could I suggest you include documents on the next agenda of the IIPCG and that you step us through the docs. We have a meeting on Thursday";

(c) the IIPCG minutes of 8 December 2011 referred to above indicate that amendments, apparently in relation to the draft Addendum and the Internal Financial Process document, were provided to Mr Carter prior to going to the RQL Board;

(d) I attach as "RM-69" [RQL.118.013.0200] a subsequent version of the Internal Financial Process document dated 12 December 2011, without any reference to endorsement by the Audit Committee and with references to Contour removed.

18. I was not involved in drafting the Internal Financial Process document, although I was of course aware of it at the time. I have no recollection of any discussion with anyone about the question of the removal of Contour from the documents and I do not know how that reference was removed.

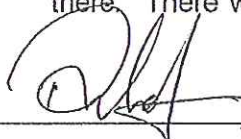


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19. At paragraphs 14 and 81 of my previous statement, I mention my involvement in assessing the financial viability of IIP projects and preparing business case analyses and supporting information. In paragraph 82, I note that the clubs' financial positions meant that very few if any would be in a position to fund or repay the level of funding required in many of the intended projects, so that it seemed to me the ability for a club to repay funding was not a relevant consideration when deciding whether to recommend a project. To put this in simple terms, if there was to be \$7m or \$8m worth of expenditure on a development at a regional club then it would be essentially impossible for it to ever generate sufficient return from its activities to justify the expenditure from a purely financial perspective.
20. I would however say that the benefits flowing from such expenditure were benefits for the industry at large, including:
- (a) meeting the need, for the product fee to be generated via TAB racing, to provide sufficient racing product for punters to bet on;
 - (b) increasing the capacity or capability of the venue to function as a successful racing facility, with all of the subsidiary benefits for providers of services (including food and beverage) and also for horse breeders and trainers associated with the club;
 - (c) to indirectly encourage activity at non-TAB venues, where breeders and trainers can have a more substantial TAB venue in the region to aspire to; and
 - (d) in summary, it would be good for wagering outcomes and good for the industry at large by increasing participation rates.
21. In connection with the above, I note that I had some involvement in relation to equity arrangements between RQL and clubs where capital investments were made or to be made. The general idea for RQL to seek such arrangements was so that the industry would have a stake in what was being developed, rather than it simply being an asset of the club. An equity arrangement was entered with Sunshine Coast prior to the construction of the synthetic track there. There was also one entered at Rockhampton. A dispute arose with



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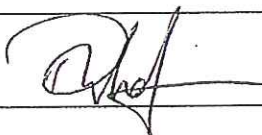
Toowoomba about whether it had agreed to provide equity in return for funding and, although I was not closely involved in that dispute, my understanding is that equity arrangements were not pursued after that.

Management

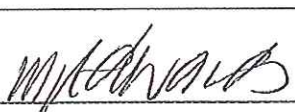
22. As stated in paragraph 26 of my Statement dated 9 August 2013, when I first commenced employment with RQL in July 2010, my impression was that everyone already there was across their brief. The business was quite well organised. As I developed relationships with the various people in management with whom I had interaction, I did not observe any particular issues that I considered warranted any concern. They all seemed professional and focused on their jobs.
23. There was an initial sense that the integration of the three codes under one umbrella and their physical location into RQL's head office led to each code having their own corner and being effectively "siloes". However, there was an interactive process to emphasise that we were catering to all three codes and this broke down the divisions between them within RQL as time went on. Adam Carter was significantly responsible for moving things in this direction. There were more meetings initiated between management and there was more discussion about inclusiveness and ensuring that everyone was working in the same direction. Although there has always been a lot of speculation, internally and externally, about whether one code was looked after more than others in terms of funding and prize money, my observations do not support there having been any intention of doing so within RQL.

Queensland Race Product Code and Tatts Group

24. I refer to paragraph 71 of my previous Statement and attachment "RM-43" concerning my modeling in respect of racing information fees. Part of the point of that exercise was that RQL gets 39% of wagering revenue generated through TattsBet, but Tatts is entitled to deduct 100% of expenses incurred including race information and other third party fees. My modeling considered what would be the effect of the deductions being limited to 39%, to match the



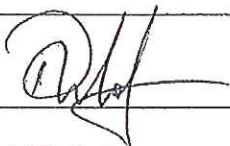
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revenue position, and what would be the effect if the third party fees were not deductible at all so that RQL received its share of revenue without deduction.

25. I am not sure how I came to be responsible for drafting the paper containing this modeling. However, I do not recall anyone specifically asking me to review these issues. Rather, I think I looked at the issues at my own initiative as a business analyst and discussed it with Adam Carter before drafting the paper. The Product Co board was obviously concerned about the issues. In part, this sort of analysis was necessary in preparation for negotiations towards a new Product & Program Agreement after the existing one expires in 2014.



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

Dated: 5 September 2013

Signed and declared by Ronald Mathofer
at Brisbane in the State of Queensland this
5 day of September 2013

Before me:



Signature of person before whom the
declaration is made



Signature of declarant

Matthew Glen Edwards - Solicitor

Full name and qualification of person before
whom the declaration is made

