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10th November, 2009

Dear Ken

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

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

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

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

Yours sincerely

R.G. BENTLEY
Chairman



QUEENSLAND RACING

**QRL Constitution
The Case For Change**

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Overview

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

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

Evolution of historical structures

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

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

The club committee voting process

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

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

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

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

Should the clubs have a vote?

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

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

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

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

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

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

Observations on the Australian experience

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

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

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

Current control body

The control body structure must be independent of the club system and those participants that the constitution and the *Racing Act* sets out to license and administer. The Government attempted to achieve this outcome with the enactment of the *Racing Act* and establishment of corporate entities as racing control bodies. However, due to political constraints that existed at the time and the impact of AR¹ the government was not able to fully implement its

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

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

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

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

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

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

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

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

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

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

Pre 1981

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

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

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

1981 - 2001

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

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

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

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

2002

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

2004

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

Result - Failed

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

2006

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

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

Result - Failed

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

2008

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

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

Result

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

2009

William (Bill) Bernard Andrews v Queensland Racing Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other models

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

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

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

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

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

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

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

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

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

The question needs to be asked?

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

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

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

Why not change the current constitution?

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

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

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

Industry issues

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

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

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

Stability of the Board

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

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

QRL board achievements since 2006:

Listed below are major projects completed by QRL since 2006:

- \$6.2M synthetic track installation at Corbould Park, Caloundra;
- \$4.55M injection into TAB prizemoney levels over the past two years;
- \$1.2M increased annual contribution to country racing from July 1, 2009, with minimum prizemoney levels at strategic meetings increased to \$6k;
- \$4.83M QTIS 600 Race, Bonus Series and Sale;
- \$7.2M lighting installation covering both tracks at Corbould Park, Caloundra; and
- \$800k investment into world class training equipment available to Queensland apprentices, jockeys and trackwork riders throughout the State.
- \$10M synthetic track installation at Clifford Park, Toowoomba, commenced in February 2009;

Listed below are projects either commenced or due for commencement:

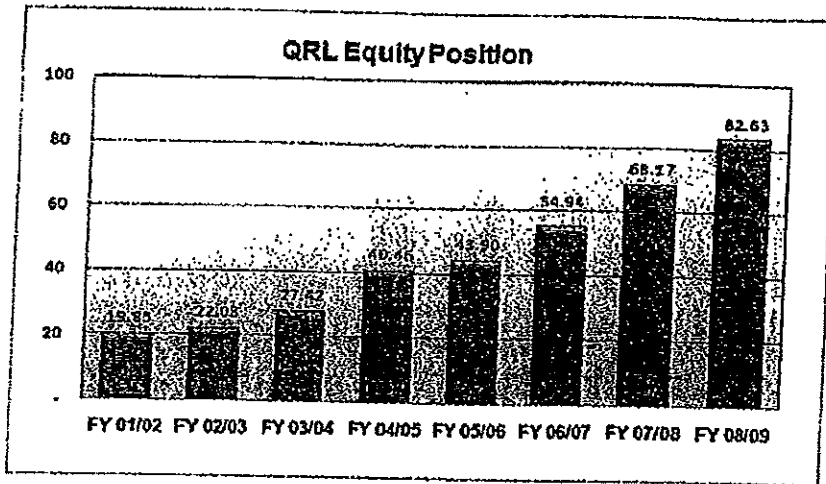
- \$6M upgrade of Callaghan Park, Rockhampton, due for commencement in May, 2009; and
- \$16M stabling project for 416 horses at Corbould Park, Caloundra, due for commencement in May 2009.

Listed below are projects under investigation by QRL:

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

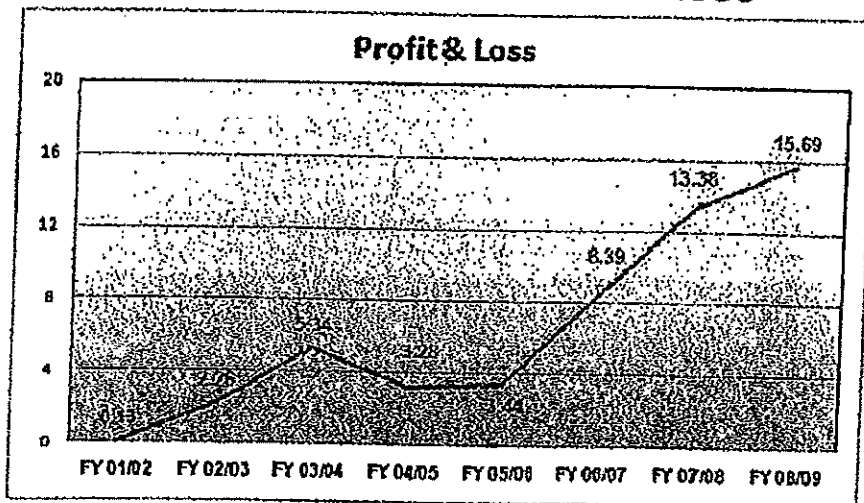
Financial KPI's

Financial Outcomes - Equity



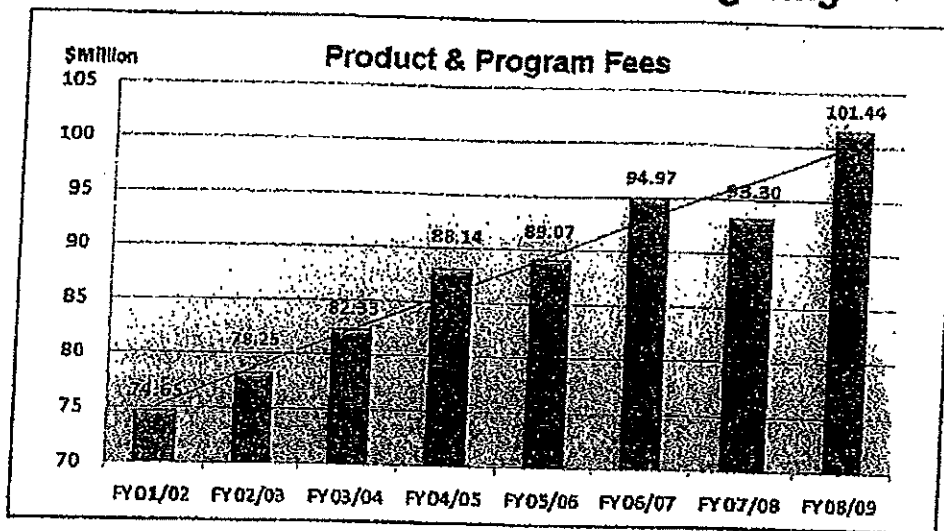
Queensland Racing's equity has increased to \$82.63M. Equity has continued to grow since FY 01/02 and has quadrupled from FY01/02 highlighting strong investment in the QLD racing industry

Financial Outcomes - Profit/Loss



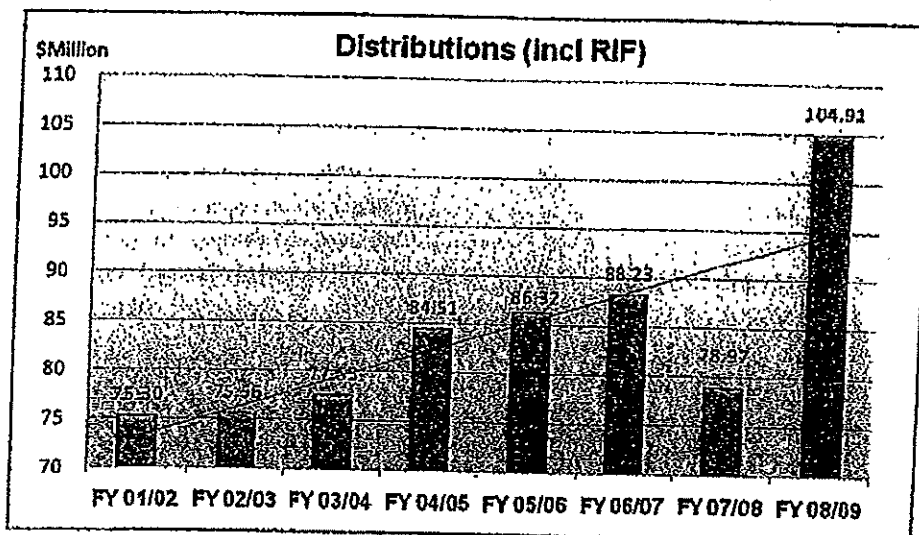
QRL continues to build a solid surplus position since FY01/02

Income generated from TAB wagering



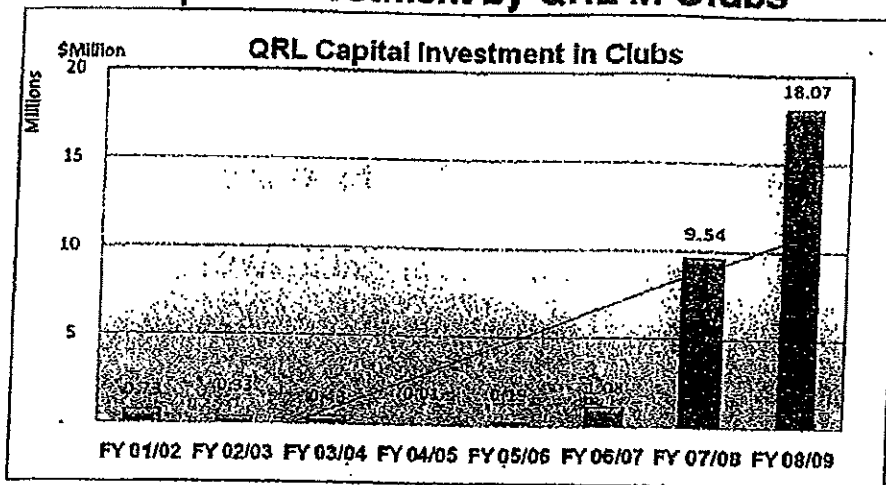
Product and Program Fees continued to grow in FY0809. In what promises to be a difficult year forecast for FY0910 is growth of around 1% in comparison to the 7% achieved in FY0809 due in part to the Global economic downturn

Distribution from QRL to Industry



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

Capital Investment by QRL in Clubs



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

Major Distributions

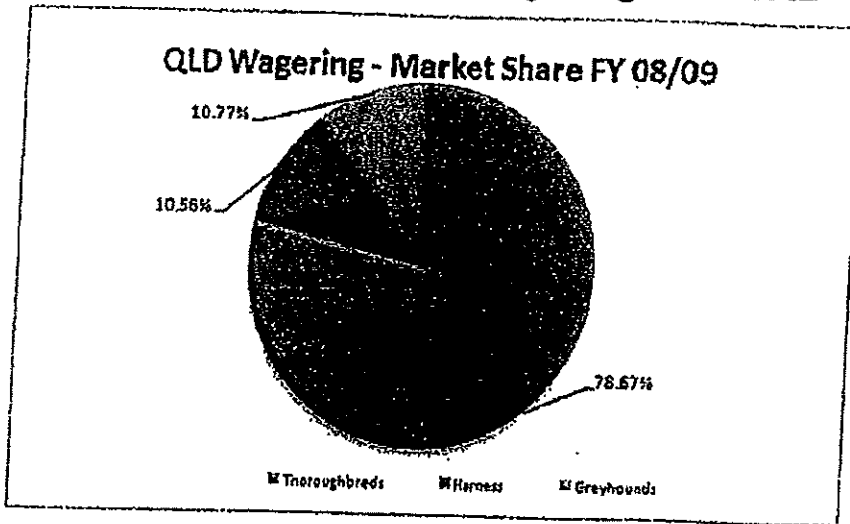
Major 2008/09 Financial Year distributions by QRL are as follows:

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

Code comparisons of relevance

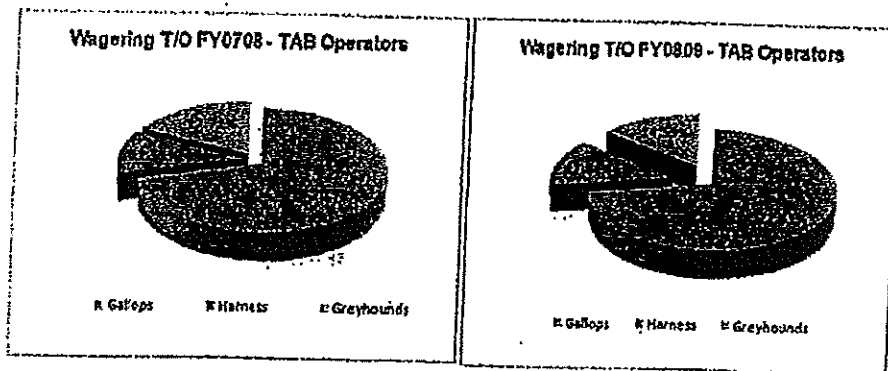
It can be seen from the following graphs that the Harness and Greyhound codes occupy a relatively minor footprint of the racing industry in Queensland.

Market Share of QLD Wagering - UNITAB



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

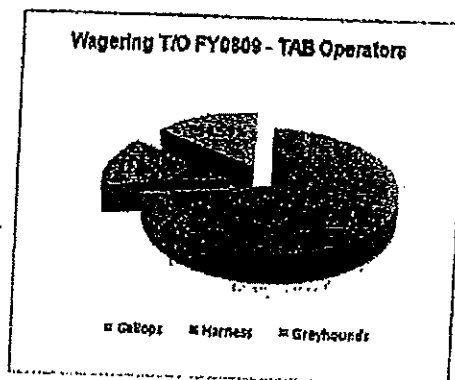
Market Share of QLD Wagering – All TAB Operators



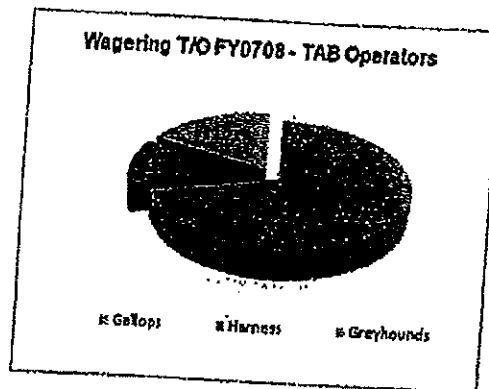
Thoroughbreds dominate All TAB wagering with approximately 71% in FY0708, increasing to 73% in FY0809.

FY0708				
	Gallops	Harness	Greyhounds	All QLD Product
Race Meetings	563	334	637	1,534
Races	3,863		5,827	9,690
Starters	39,212		41,828	81,040
Attendance/Admissions	787,731			787,731
Control Body Staff	162		27	189
Trainers	1,183	436	1,174	2,793
Jockeys/Drivers	274	304	n/a	578
Stable				
Hands/Attendants	2,111	218	656	2,985
Bookmakers	115	9	15	139
Clubs	136	7	9	152
\$'000				
Surplus/Deficit	13,382	477	1,501	11,403.99
Prizemoney paid out	67,532	11,194	7,341	86,066.31
Product & Program fees	93,489	17,865	11,687	123,040.53

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



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



Option to integrate three codes of racing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recommendations

Action for Queensland

Stage 1

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

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

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

Stage 2

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

Constitution of the new control body

Members

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

Founding Directors

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

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

Initial term

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

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

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

Director's selection

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

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

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

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

Director Numbers

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

Remuneration

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

General meeting

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

Product Company

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

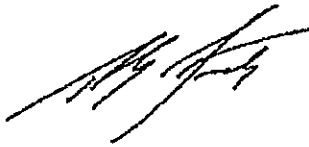
Other Issues

Code Funding

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

Stamp Duty

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



R.G. BENTLEY
Chairman

