



IN THE AUSTRALIAN COMPETITION TRIBUNAL

## Statement

No. ACT of 2017

Tabcorp Holdings Limited

**Proposed acquisition of Tatts Group Limited by Tabcorp Holdings Limited by way of scheme of arrangement**

### STATEMENT OF DAMIAN RAEDLER

Statement of: Damian Raedler  
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Date: 18 February 2017

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I, Damian Raedler, Operations Manager of Albion Park Harness Racing Clubs (APHRC or “the Club”), in the State of Queensland, say that:

- 1 I am currently Operations Manager of APHRC and have held the position since September 2014. This role is the lead executive management position at the Club, as there is no Chief Executive Officer. I am responsible for making a broad range of decisions about the daily management of the Club, and report directly to the Chairman and the Committee. The Committee is the decision-making body of the Club. Amongst other things, this includes responsibility for the maintenance of the harness racing track as well as liaison with the Club

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caterer, with Racing Queensland (the landlord of the complex), and with the other major Albion Park tenant, the Brisbane Greyhound Racing Club.

- 2 I make this statement in my position as Operations Manager and on behalf of APHRC, in relation to an application by Tabcorp Holdings Limited (**Tabcorp**) to the Australian Competition Tribunal (the **Tribunal**) for the authorisation of the proposed merger of Tatts Group Limited (**Tatts**) and Tabcorp.

## **PERSONAL BACKGROUND**

### **Previous professional experience in the racing industry**

- 3 My curriculum vitae is annexed at **Annexure DR-1**.
- 4 My first involvement in the racing industry was in race radio broadcasting. From 1978 to 1981, I worked full time as a race caller for 2GB Radio, beginning as an understudy to John Tapp and calling races at major thoroughbred and harness racing tracks around NSW.
- 5 From 1981 to 1983, I was Sporting and Racing Coordinator for Radio 2KY in Sydney, where I was responsible for coordinating the relay of a range of sporting and racing services from 2KY in Sydney to a vast network of radio stations around Australia.
- 6 In 1983, I moved to Queensland to serve as the Marketing Manager of the APHRC, where I was promoted to Secretary and Manager after 15 months. I spent the next 20 years at APHRC, spanning from 1983-2003. In my role as Secretary/Manager, I was responsible for all aspects of staging race meetings at Albion Park. This encompassed overseeing wagering operations (including TAB, on-course totalisator and bookmakers); planning special events; managing the Club's finances, membership, sponsorships, and strategic planning; and coordinating Club relations with industry bodies.
- 7 In particular, during my tenure, I oversaw the "Inter Dominion Championships" of 1986, 1993, 2001 and 2009. The "Inter Dominion Championships" are a rotating harness racing series, hosted each year by an Australian or New Zealand harness racing club. I also sat on the management team of the World Trotting Conference, whilst also being involved in the management of several World Driving Championships.
- 8 In 1993, I successfully negotiated with TAB Queensland for the Club to manage and operate the Albion Park on-course totalisator via Direct Link Totalisator. This increased the Club's share of commission and resulted in the Club not having to engage a private contractor to conduct the on-course totalisator operations.
- 9 From 1987 to 1991, I held the position of Company Secretary of the Australian Pacing Gold Series. In this role, I was responsible for overseeing the development of this inaugural sales-

funded series, taking an unprecedented event in Australian harness racing from concept to serious fruition. I was also instrumental in negotiating the underwriting of the series by Carlton and United Breweries (CUB).

- 10 Over the same period (1987 – 1991), I was appointed Secretary of the Albion Park Trust. In addition to my duties as Secretary/Manager of the APHRC, I was responsible to the Trustees of Albion Park for implementing policies for the efficient operation and maintenance of the complex and race track. In particular, this included negotiating catering, sponsorship and exclusive rights contracts with large companies (such as Coca Cola, CUB and Taralba/Delaware North) to generate income for the Club.
- 11 In 2003, I left APHRC to take up the position of Chief Executive Officer on the Commercial Board of Harness Racing New South Wales in Sydney. Whilst in this role, I was responsible for contributing to the Strategic Plan of Harness Racing NSW; developing effective marketing and sponsorship strategies; and building strong relationships with key stakeholders including the HRA, the Department of Gaming and Racing, TAB Limited, Clubs, Sponsors, and other industry participants. I also took part in the successful renegotiation of a long term Broadcast Rights Agreement with Sky Channel on behalf of Harness Racing NSW, which has had significant long term financial benefits for the harness racing industry across NSW.
- 12 In 2004, I returned to Queensland following the downsize and amalgamation of the (previously separate) Commercial and Regulatory Boards in NSW.
- 13 From 2005 - 2008, I acted as Manager for Product Development for the Queensland Harness Racing Board (QHRB). There, my role was to seek to increase wagering turnover on local harness racing product as a means of ensuring the sustainability of the Queensland racing industry.
- 14 In September 2008, the operations of QHRB were taken over by Harness Racing Queensland (HRQ), which was incorporated at that time. I was appointed Racing Operations Manager for HRQ. In this position, I was responsible for coordinating many facets of state-wide harness racing, including programming, handicapping, registration, futurities, video finish, electronic timing, integrity television coverage, Sky Racing transmission and reception, wagering, clubs, capital works, equipment, and contracts with third party service providers.
- 15 In 2010, the management and operation of the three racing codes (thoroughbred racing, harness racing and greyhound racing) were merged into one body, Racing Queensland. Racing Queensland jointly represents the 3 codes.
- 16 At that time, I was appointed Harness Racing Manager for Racing Queensland. I undertook a similar role to my previous role at HRQ. During this time, I also held the position of Greyhound Racing Manager for approximately two years.

- 17 I retired from Racing Queensland and the racing industry in March 2014, however I returned to APHRC five months later at the request of Mr Kevin Seymour (APHRC Treasurer). Whilst I initially returned on a part time consultancy basis, I soon took on a more prominent role as Operations Manager of APHRC, after one of the permanent staff members passed away.

#### **Personal involvement in the racing industry**

- 18 Between the move back from Sydney and beginning my tenure at Racing Queensland, I operated a TAB agency in Everton Park, which I conducted under a formal agreement with UNiTAB. Here, I improved the wagering turnover significantly, bringing it from a year-to-date decline of 21% in July 2004, to a more respectable shortfall of 2% by November 2004, as compared to the same period the previous year. This is the only time that I have operated a TAB. I gave up this role upon commencing my position at Racing Queensland.
- 19 I have never been a private owner or trainer of race horses. However, occasionally I had an interest in race horses as part of a syndicate – including some thoroughbred and, to a greater extent, harness horses.

#### **Accolades**

- 20 In 2008, I was awarded the Harness Racing Australia "Distinguished National Service Award" for my contributions to the harness racing industry.
- 21 Upon my retirement in 2014, I also received an "Outstanding Service Award" from Racing Queensland for my four decades of dedicated service to the harness, greyhound and thoroughbred racing industries.

#### **Education**

- 22 I have the following qualifications:
- (a) Intermediate Certificate, St. John's College, Woodlawn, Lismore, NSW (1960);
  - (b) Telecommunications Technician Certificate, PMG Department, Sydney (1965);
  - (c) Senior Telecommunications Technician Certificate, PMG Department, Sydney (1966);
  - (d) Telecommunications Technical Officer Certificate (equivalent of Electronics and Communication Certificate), Telecom Australia, Sydney (1976);
  - (e) Marketing Intelligence, Bond University, Gold Coast (1992);
  - (f) Sports Management, AIC, Sydney (1992);
  - (g) Management and Leadership, AIC, Sydney (1992); and

- (h) Dynamic Event Creation and Management, AIC, Sydney (1994).

## **ALBION PARK HARNESS RACING CLUB**

### **General information**

- 23 The Albion Park Harness Racing Club (ABN 20 915 436 422) has been active as an incorporated association since 8 May 2000. However, harness racing has been occurring at Albion Park, in some form, since 1968. It is now the leading metropolitan harness race club in Queensland, with a current membership of around 500 people. Annexed at **Annexure DR-2** is a copy of relevant extracts from APHRC's Annual Report for the financial year ending 30 June 2016 referred to in this statement.

### **Governance**

- 24 The business and affairs of the APHRC are decided upon by Racing Queensland and the Albion Park Committee, which conducts meetings on a monthly basis. As Racing Queensland is the control body under the *Racing Act 2002* (Qld) that sets and monitors the racing rules and is responsible for TAB distributions, all Queensland race clubs including the APHRC are under the control and supervision of Racing Queensland. The current APHRC Committee Members are: David Fowler (Chairman), Kevin Seymour AM (Treasurer), Paul Ellis (Deputy Chairman), Damian Courtney, Trevor O'Reilly, Linda Graham, Max Simpson and Nathan Hand (Members).

### **Albion Park Raceway**

- 25 Albion Park Raceway contains two tracks: an inner greyhound race track and an outer harness race track. Albion Park Harness Racing Club hosts race meetings 3 times per week, totalling over 150 races a year. The major race meeting is held every Saturday night (comprised of 10 races), with two smaller meetings held midweek, on Tuesday and Friday evenings (usually 8 or 9 races).
- 26 Annual headline harness racing events are spearheaded by the Winter Carnival conducted in July each year, where the feature events are the "Blacks A Fake" a prestigious Grand Circuit event, the Queensland Derby and Oaks as well as the sought after QBred features for two year old horses. This carnival is complimented by the Summer Carnival that is conducted in November and December of each racing season which also caters for a plethora of feature races.

### **Relationship of APHRC with Racing Queensland**

- 27 Albion Park Raceway is owned by Racing Queensland. APHRC is an occupant of the raceway, holding a racing licence and operating under a facilities agreement with Racing Queensland.

- 28 APHRC has had a somewhat strained relationship with Racing Queensland in recent years. Over the past 12 months according to the Club's 2015 – 2016 Annual Report, communications have regularly stalled, with significant delays in Racing Queensland delivering a lease agreement to APHRC and disappointingly, no serious advance made for the construction of a new grandstand at the track (see page 4 of Annexure DR-2).
- 29 The Club has now been without a purpose-built grandstand for the past 8 years. I consider that sub-standard facilities have continually limited the Club's ability to gain further sponsorship to offset its increasing loss on racing activities (see page 4 of Annexure DR-2). In addition, this has posed an ongoing challenge to Club marketing, and income from food and beverage sales has suffered (see the Treasurer's Report at page 7 of Annexure DR-2). Whilst the application to fund the grandstand is still before the Racing Queensland Board, APHRC is now planning to seek compensation from Racing Queensland for the loss of revenue that has resulted from the delay (see the Treasurer's Report at page 7 of Annexure DR-2).
- 30 I hope that the recent appointment of a new Board to Racing Queensland in August 2016 will bring opportunities to participate in a more positive dialogue, and that Albion Park will benefit from more infrastructure funding in the 2016-2017 period.

#### **Patrons and spectators**

- 31 A central part of harness racing is the ability for patrons and viewers to place a bet on the outcome of the harness race. In this way, the availability of wagering options on harness racing draws punters to attend, view and engage with harness racing. As a result, wagering and harness racing are closely linked and benefit from the success of one another.
- 32 Historically, if a member of the public wanted to view and place a bet on a harness race meeting they had to attend a racecourse, where they had the opportunity to place a bet with on-course bookmakers. In the 1960s, the Queensland totalisator agency board was established, allowing punters to place wagers with the off-course Queensland totalisator (or "tote"). The ability for punters to bet on, and eventually view (via broadcast arrangements), race meetings without attending the racecourse, resulted in a decrease in race day patrons and a drop in wagering activity with on-course bookmakers. This development resulted in a strong Queensland totalisator operator, eventually seeing the establishment of the on-course tote (i.e. outlets at race meetings where punters could place a bet through the tote) and the decline of on-course bookmakers.
- 33 As time passed, technological advances resulted in broader distribution of the vision of race meetings (ie, via Sky Racing and digital platforms), as well as the rise of online and mobile corporate bookmakers. These developments have allowed punters to bet and view harness race meetings from just about anywhere.

- 34 Today, APHRC offers free admission and parking to all attendees on race days. Due to the changes outlined above, race day attendance remains low and I have observed that the limited attending patrons tend to bet via mobile applications with corporate bookmakers rather than through the on-course tote outlet that is available. Albion Park no longer has on-course bookmakers for harness race meetings.

### **Wagering**

- 35 Wagering options on harness racing meetings are offered by both totalisator operators and corporate bookmakers. A totalisator (or "tote") operator offers a type of wagering known as "pari-mutuel" wagering. Pari-mutuel wagering involves all bets on a race being pooled together. The totalisator operator deducts a fixed percentage from the pool of bets, with the remainder of the pool available as a dividend for the winning punter(s).
- 36 In pari-mutuel betting, the potential dividend quoted to the punter is a function of the percentage of the total pool on each selection. It follows that each new bet placed into the pool impacts the size of the total pool and therefore the dividend potentially received by each punter. The smaller the totalisator pool, the larger the impact of subsequent bets on the potential payout of preceding bets. As a result, smaller totalisator pools are less attractive for punters, as the return that the punter ultimately receives is more volatile and difficult to predict.
- 37 There is only one licensed retail totalisator operator in each state or territory. In Queensland, the totalisator operator is UBET, owned by Tatts. UBET operates the "UBET pool" and pools together pari-mutuel bets from Queensland, Northern Territory, South Australia and Tasmania. Other pari-mutuel pools in Australia are the SuperTAB pool (Western Australia, Victoria and ACT) and the NSW TAB pool. Those pools are run by Tabcorp, which operates under the "TAB" brand.
- 38 UBET has a commercial agreement with Racing Queensland that results in substantial funding flowing back to the racing industry (described at paragraphs 62 to 63 below).
- 39 Corporate bookmakers (as well as UBET and TAB) provide fixed odds betting, where the punter retains the odds that have been quoted to them at the time when they place the bet. Fixed odds betting differs to pari-mutuel betting in that the bookmaker is essentially a party to the wager and carries the risk associated with the bet.
- 40 Based on my experience in the industry, I consider that corporate bookmakers are predominantly concerned with profit. Due to the nature of fixed odds betting, if punters start winning too often, corporate bookmakers may shut down their accounts and refuse to take their bets. I am aware of this because I know of people who have had their accounts with corporate bookmakers shut down. On the other hand, totalisator operators offering pari-mutuel betting products have no incentive to deter winning since they receive a fixed percentage of revenue so

that a higher number of winners is helpful because it attracts more punters. In light of this, I am of the view that the interests of the Queensland racing industry are more closely aligned with totalisator operators than with corporate bookmakers. This is due to the industry funding arrangements (described below) as well as the nature of fixed odds betting as opposed to pari-mutuel betting.

- 41 For these reasons, I consider the Queensland totalisator operator to be integral to the prosperity of harness racing (and racing generally) in Queensland. From my point of view, ensuring that the totalisator operator retains punters and maintains wagering volume is a primary concern.
- 42 Additionally, I have observed corporate bookmakers providing fierce competition to the totalisator operators. Corporate bookmakers have deployed marketing and promotional campaigns that have been successful in attracting and retaining the business of punters by offering extra incentives including reward points and rebates. For example, I am aware that for major feature races, corporate bookmakers have offered punters their money back if their horse runs second or third. The totalisator operators are subject to heavy regulation that often makes them sluggish in responding to this competition and adapting to change. While UBET has to some extent taken steps to respond to the marketing and promotional campaigns of corporate bookmakers, they have been slow to do so and lag behind in terms of product innovation and customer incentives.

#### **Views on wagering operators**

- 43 I believe that attractive wagering options increase the public's engagement with harness racing. I have observed (including when I operated the UNiTAB outlet) that the key characteristics of races and wagering options that attracts punters are even race fields and large totalisator pools.
- 44 In respect of even race fields, I have learnt that punters will generally respond well (by betting more) if the field is more even and there are no odds on favourites. This is because, by backing a horse at even money a punter may, for example, put \$1 on and receive \$2 back. If a punter backs a horse that is "odds on" they may put a \$1 on and receive \$1.50 back. As "odds on" horses pay short returns, this often deters punters from placing a bet on a race as it reduces the attractiveness of betting for the favoured horse. That is, with more even fields, punters can see that, should they win, they are more likely to obtain a better return. The preference of punters to place bets on even fields is reflected in the common saying amongst punters that you should "never bets odds on or run upstairs". In order to further encourage betting in the tote pools, the Club endeavours to eradicate odds on favourites by implementing strategic handicapping in Albion Park harness races. In harness racing, horses are handicapped by their starting position on class. This is either the position a horse draws at the mobile start barrier, with gate one being the best gate, or the starting mark for standing-start races.



- 45 In respect of totalisator pools, I am of the view that totalisator pools need to be of a sufficient size to ensure certainty for punters and appear attractive. To achieve this, by way of example, the APHRC guarantees a pool at the Club's cost, with the aim of trying to increase the overall wagering turnover. As an additional strategy, there is often a "jackpot" contained within some of the Club's pools, guaranteeing, for example, \$200,000 to the winner (rather than a variable sum based on other bets that might be placed). I refer to this APHRC promotion strategy further at paragraph 55 below. Further, I am supportive of "comingling" pools - making them more "buoyant" and more attractive to the punter.

#### **ALBION PARK HARNESS RACING CLUB – FINANCIAL INFORMATION**

- 46 For the past two financial years, APHRC has recorded operating losses of \$34,634 in FY2015 and \$316,273 in FY2016 (see page 10 of Annexure DR-2). This operating loss relates to the insufficient facilities at the park, compounding the general downward trend in race day attendances (see the Treasurer's Report at page 7 of Annexure DR-2).

#### **Costs associated with running APHRC**

- 47 In order for APHRC to host successful race meetings throughout the year, it is important that it provides an enjoyable experience for owners, trainers and punters. In order to do this, APHRC must incur substantial costs in ensuring the track and spectator facilities are in good condition.
- 48 The key categories of expenses for APHRC in FY2016 were as follows (see page 10 of Annexure DR-2):
- (a) Employee expenses - \$730,181. This amount comprises of wages and superannuation expenses for office staff, track staff, race day staff and totalisator staff.
  - (b) Racing expenses - \$495,377. This amount covers a range of race day expenses including: leasing of video hiring equipment, payments to race callers, barrier costs, ambulance costs, costs for photographers, trackside commentary, trophies, winner circle food and beverages etc.
  - (c) Promotional activities - \$193,933. This amount includes function and catering expenses, advertising, media expenses, live hosting by Sky Channel, and website and IT expenses.
  - (d) Repairs and maintenance - \$50,792. This includes costs for track equipment, track maintenance, building repairs and general maintenance.

#### **Revenue**

- 49 In order to meet the costs outlined above, APHRC sources revenue from a range of income streams, including race day income (such as: food and beverage sales, on-course totalisator operations etc.), broadcasting revenue and distributions from Racing Queensland. In FY 2016,

APHRC derived revenue of \$1.5 million, with the majority of this coming from distributions from Racing Queensland.

- 50 The current Racing Queensland funding model under which the APHRC operates is confidential and commenced in mid- 2014. In general terms, pursuant to this arrangement the APHRC receives funding from Racing Queensland based on:
- (a) a fixed-base funding allocation;
  - (b) a variable funding allocation based on pari-mutuel and fixed odds wagering turnover; and
  - (c) a race meeting allocation, which varies and is lower for the Saturday (premium) race meetings and higher for the Tuesday and Friday race meetings.
- 51 APHRC is not privy to the formula that Racing Queensland uses to calculate the variable funding allocation referred to at 50(b) above.

*Revenue from food and beverage sales*

- 52 Distributions from Racing Queensland aside, APHRC's income comes predominantly from patrons purchasing food and beverages from park vendors on race days.
- 53 Previously, the Club's on-course restaurant attracted crowds of about 700 people every Saturday night. However, due to the old grandstand being declared structurally unsound, the restaurant was dismantled. Currently, Albion Park has a smaller restaurant that is operated by a private caterer, Queensland Catering, contracted by Racing Queensland. Both the harness and greyhound racing clubs receive a minor commission on the restaurant's turnover.

*Revenue from off-course and on-course totalisator operations*

- 54 APHRC acts as an agent of UBET, and is paid a commission of the wagers placed at the on-course totalisator. The commission is paid to APHRC, by UBET, through Racing Queensland. The on-course totalisator operations only just break even each year, as APHRC is responsible for the operating costs associated with running the outlet
- 55 Overall, APHRC generated increased wagering revenue in 2015/2016, with a growth of almost 50% over the past five years without any additional race meetings (see the Treasurer's Report at page 7 of Annexure DR-2). I consider the key driver behind this increase in wagering revenue is APHRC's marketing strategy of providing guarantees for exotic bet types, pursuant to an arrangement with UBET. This is principally through APHRC's premium guaranteed exotics on the first race every Saturday night. This guarantee promotes off-course and on-course wagering activity because punters know they have access to a \$200,000 trifecta pool on a fortnightly basis and a \$50,000 first four on alternate Saturdays that therefore guarantees

larger pay-outs. This in turn promotes greater levels of wagering turnover for APHRC pursuant to the distribution arrangements with UBET as well as promoting the harness racing code.

#### *Broadcasting Agreement*

- 56 APHRC has a domestic rights agreement and an international marketing agreement with Sky Racing for the digital broadcasting of harness race meetings hosted by APHRC. Under the international agreement, APHRC provides the vision of APHRC race meetings and Sky Channel exports the vision internationally, providing 50% of the net revenue received from international broadcasters back to APHRC. Under the domestic agreement, APHRC provides vision of APHRC race meetings on a no-fee basis for the broadcast of APHRC races on Sky 1 and APHRC also receives a small amount of advertising allocation on a no fee basis. The cost of the racing broadcast, for both domestic and international broadcasts, is covered by Racing Queensland out of UBET TAB distributions on behalf of APHRC. APHRC uses the domestic advertising allocation to market and promote exotic bet types offered for APHRC races, in particular the promotional guarantees that are available for Saturday night races (referred to at paragraph 55 above). These racing vision arrangements are central to the promotion of wagering activity on APHRC races as, with the decline of on-course attendance, wagering activity is very closely linked to punters being able to access racing vision.
- 57 APHRC holds these contracts itself, rather than via Racing Queensland, and maintains a good relationship with Sky Channel.

#### *Co-payments and subsidies from Racing Queensland*

- 58 APHRC receives a range of payments from Racing Queensland each financial year. These payments are subject to negotiations between Racing Queensland and APHRC. Racing Queensland receives distributions from the wagering service provider (UBET – described in detail below) and is then responsible for issuing subsidies to racing clubs across all three Queensland racing codes. For APHRC, these subsidies are typically \$4,000 for a day-time meeting, and \$3,000 for a night meeting, plus the prizemoney allocated for the race meeting.
- 59 The provision of prizemoney is a cornerstone of the harness racing industry. A key part of the racing product is the fact that punters can place a bet (or bets) on a race, and that this then provides a principal source of funding for future race meetings, and the support of their participants. Prizemoney is the main source of money going to owners, drivers and trainers, and is crucial to their continued engagement in the sport.
- 60 Under the current funding model, the Club is able to negotiate with Racing Queensland as to how much prizemoney is received as well as how it is allocated between races. However, Racing Queensland has the final decision on the quantity and allocation of prizemoney. Payments of prizemoney by Racing Queensland, for APHRC races, are not recorded on

APHRC's accounts, instead they are paid directly to winners by Racing Queensland. I understand that in 2015/2016 the prizemoney spend for APHRC funded from UBET TAB distributions was \$10,767, 928 for standard prizemoney with an additional \$886,076 prizemoney spend for feature races under a "QBred" feature race scheme, which operates as a breeding and ownership incentive scheme for Queensland horses.

- 61 APHRC contributes a relatively small amount of funds to prizemoney in addition to the amounts committed by Racing Queensland. In 2014, APHRC was able to offer a total of \$286,000 in prizemoney to harness racing participants. This increased to \$314,695 in FY2015, however decreased to \$73,419 in FY2016 (see pages 10 and 12 of Annexure DR-2) as a result of cessation of sponsorship arrangements.

#### **RACING QUEENSLAND AND INDUSTRY FUNDING**

- 62 As outlined above, the current model in Queensland involves wagering operators funding all three racing codes. As the control body for all three racing codes in Queensland (that is, harness, greyhound, and thoroughbred racing), Racing Queensland is responsible for collecting this funding and distributing it to racing clubs. Annexed at **Annexure DR-3** is an ASX announcement from Tatts Group on 27 June 2014 in relation to the framework for race and sports wagering that was entered into between the Queensland Government and Racing Queensland in 2014. Broadly, and based on Racing Queensland's 2016 Annual Report, I understand that Racing Queensland collects the following fees from wagering operators:

- (a) **Product and Program Fees** - the "Product and Program Fee" is a fee associated with the "racing product". That is the participation, composition and broadcast of the race event, and the programming of that product. This fee is collected by Racing Queensland from the Queensland totalisator operator (ie, UBET) in respect of its totalisator and fixed odds operations and comprises:
- (i) a variable product fee associated with racing, being 39% of gross wagering revenue (both pari-mutuel and fixed odds) (with certain offsets for race information fees – see below);
  - (ii) a variable product fee associated with sports, being 2.5% of fixed-price sports betting revenue generated from Queensland 'bricks and mortar' retail outlets, capped at \$5 million per year (as at 2014/15 financial year, subject to indexation); and
  - (iii) a fixed fee of \$15 million per year (as at 2014/15 financial year, indexed to 80% of CPI).

This fee is not payable by other wagering operators.

- (b) **Race Information Fees** – licensed wagering operators require race field information in order to offer wagering on races. To obtain that information, they are required to pay Race Information Fees to Racing Queensland. Race Information Fees apply to all three codes of racing and are calculated as a percentage of turnover the wagering operator's turnover. Broadly, for the 2016 financial year, for the first \$5 million of turnover, the fee is fixed at a flat rate of 1.5%. Thereafter, the fee ranges from 1.5% to 3% depending on the category of the race meeting (standard, intermediary or premium) and the kind of bet placed (totalisator, fixed fee etc.). Following a review of the race information fee policy, I understand that the model used to charge race information fees has been changed by Racing Queensland. I am not familiar with the detail of this new model, but I am aware that it commenced on 1 January 2017 and will be reviewed by Racing Queensland after 12 months, with possible further industry consultation.

- 63 Subsequently, Racing Queensland has the power to distribute amounts as prizemoney for races, and/or to racing clubs for purposes relating to the operations of the club. It is under these mechanisms that co-payments and subsidies are received by APHRC from Racing Queensland.

#### **VIEWS ON THE PROPOSED TRANSACTION**

- 64 I understand that Tabcorp has proposed to acquire the issued shares of Tatts by way of a scheme of arrangement (the **Proposed Transaction**). I am of the view that the Proposed Transaction will not lessen competition in the wagering market and instead will benefit APHRC and the Queensland harness racing industry generally.
- 65 I attended a presentation from Tabcorp executives to Queensland industry stakeholders in relation to the Proposed Transaction.
- 66 Additionally, I understand, including from the presentation I received from Tabcorp, that if the Proposed Transaction proceeds, the resulting Tabcorp / Tatts business intends to introduce a new digital commission model for venues. Broadly, this new commission model will involve the Tabcorp / Tatts business:
- (i) paying venues a commission when a punter bets digitally with the merged Tabcorp / Tatts business within the retail venue; and
  - (ii) paying venues a commission on customers acquired by the merged Tabcorp / Tatts business within the venue for their digital wagering activity that occurs outside of the venue and on-course environment.

I understand that this digital commission model has recently been implemented in the ACT, New South Wales and Victoria. I also understand that Tabcorp is reviewing the appropriateness for this type of digital commission model to be used to pay racing clubs a commission on customers acquired by the merged Tabcorp/ Tatts business on-course.



- 67 To the extent this occurs, these are new sources of funding for APHRC which I expect to be of considerable benefit to APHRC and to other racing clubs.
- 68 Should additional revenue flow to APHRC, it would be at the committee's discretion as to how to utilise the additional funds. With that being said, there are a range of expenses that it could be used on, from additional race meeting subsidy, to increased prizemoney, to building a new grandstand and restaurant.

#### **Expected impact on APHRC and the Queensland harness racing industry**

- 69 For the reasons described above, I am of the view that the Queensland racing industry's funding and long term prosperity is closely aligned with the success of the Queensland totalisator operator. In light of this, I consider that the Proposed Transaction will result in a stronger totalisator operator and in turn, a stronger Queensland racing industry for four reasons.

#### *Additional product offerings*

- 70 Firstly, I understand that the Proposed Transaction is expected to result in many of TAB's products being introduced in Queensland's on- and off-course totalisator retail outlets. These products include:
- (i) Trackside – a wagering product allowing punters to bet on simulated visual representations of thoroughbred, harness and greyhound racing; and
  - (ii) Quaddie cash out - picking the winners of four TAB nominated races (typically races 5, 6, 7 and 8), and having the ability to take a payout before the end of the fourth race.
- 71 Additionally, I understand that the introduction of Longitude – a pari-mutuel betting product that co-mingles pools (eg, co-mingling the pools for the quinella, exacta and trifecta on a certain race), is also being considered by Tabcorp.
- 72 I understand that these additional product offerings will also be paired with a more complete and consistent product offering by the new Tabcorp / Tatts business on all races. To the extent that this occurs, Queensland punters will have an increased range of wagering product offerings from the Tabcorp / Tatts business. Any additional wagering product offerings by the Tabcorp / Tatts business will likely lead to additional revenue for the Queensland totalisator operator by, which in turn, will result in further funding to the Queensland racing industry via the "Product and Program Fee" described above. This is because the percentage of wagering turnover payable by UBET as the totalisator operator to Racing Queensland is significantly higher per dollar wagered than the percentage payable by interstate and corporate bookmakers on their betting turnover on Queensland events. As a result, I am aware that a much greater share of the racing industry funding that Racing Queensland receives and distributes to racing clubs is sourced from UBET as opposed to corporate bookmakers.

### *Cost synergies*

73 Secondly, I am aware that Tabcorp and Tatts expect the Proposed Transaction to result in substantial cost synergies, including:

- (i) cost savings from de-duplicating functions;
- (ii) procurement economies of scale;
- (iii) common IT development and maintenance;
- (iv) one marketing and promotional approach; and
- (v) joint R&D and innovation programs.

74 I am aware that Tabcorp and Tatts expect these cost synergies to enhance the merged business' ability to invest in innovation, marketing and customer experience. To the extent cost synergies are achieved by the merged Tabcorp / Tatts, I understand that there will be an increase in resources available to the merged company to invest in marketing, product development and innovation. With further resources and investment in these areas, I believe the merged Tabcorp / Tatts business should result in a stronger Queensland totalisator operator. A stronger totalisator operator is likely to lead to increased betting through the tote in competition with fixed-odds betting offered by corporate bookmakers, which benefits the industry via the funding arrangements described above.

### *Stronger totalisator brand*

75 Thirdly, I am of the view that the merged Tabcorp / Tatts will bring a stronger brand to pari-mutuel betting in Queensland. A stronger brand for the Queensland totalisator operator is likely to increase the attractiveness of betting with the tote, resulting in an increase in pari-mutuel betting by Queensland punters in competition with the fixed-odds products offered by corporate bookmakers and further funding for the industry.

### *Larger totalisator pools*

76 Finally, a merged Tabcorp / Tatts is likely to have the opportunity (subject to regulatory and industry approval) to comingle totalisator pools which are currently separate. This would expand the pari-mutuel betting pool available to Queensland punters. If this occurs, the pari-mutuel betting product being offered by the Queensland totalisator would be more attractive to punters and would enable the totalisator to better compete with corporate bookmakers. This is because punters are attracted to bet into larger pools, such as the current New South Wales and Victorian pools, as larger pool sizes provide for larger and more stable dividends. A more

attractive pari-mutuel product would result in increased wagering turnover with the Queensland totalisator operator, including because Queensland punters would have access to larger pools and would not have the same incentive to place wagers interstate as well as making pari-mutuel wagering more attractive when compared to the fixed-odds offerings of corporate bookmakers, with subsequently greater funds flowing back to the Queensland harness racing industry via the current funding arrangements.

- 77 In particular, I am of the view that the expansion of the totalisator pool would benefit most directly the two minor racing codes – harness and greyhound racing – as their pools are typically smaller in size than the thoroughbred racing pools.
- 78 For these reasons, I am of the view that the Proposed Transaction will have material benefits for APHRC and the Queensland harness racing industry. In particular, because the Proposed Transaction is likely to result in increased revenue from Racing Queensland, which would enable APHRC to continue to fund and provide additional funding into the various initiatives referred to at paragraph 68 above.

#### **ANNEXURES**

- 79 Set out in Schedule "A" of my statement is a table of annexures that I refer to in my statement.



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Signature of witness

**Damian Raedler, Operations Manager, Albion Park Harness Racing Clubs**

Date: *18th February* 2017



**SCHEDULE A**

**TABLE OF ANNEXURES REFERRED TO IN STATEMENT OF DAMIAN RAEDLER**

<b>Annexure</b>	<b>Title</b>	<b>Confidentiality</b>
<b>DR-1</b>	Curriculum vitae of Damian Raedler	-
<b>DR-2</b>	Extracts from APHRC Annual Report for Financial Year ending 30 June 2016	-
<b>DR-3</b>	Tatts Group ASX announcement dated 27 June 2014 entitled <i>"New Framework for Race and Sports Wagering in Queensland"</i>	-



# CURRICULUM VITAE

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**DAMIAN JOHN RAEDLER  
43 PHILLIPS STREET  
BRACKEN RIDGE Q 4017**

**(07) 3269 9373 (Home)**

**(0415) 087 038 (Mobile)**

## **EMPLOYMENT**

### **APRIL 2016 – CURRENT – Operations Manager for the APHRC**

In April 2016 was appointed Operations Manager for the Albion Park Harness Racing Club (APHRC) the lead Executive Management position reporting directly to the Chairman on all matters pertaining to the management and operation of the club.

### **SEPTEMBER 2014 – MARCH 2016 – Racing Operations Manager for the APHRC**

In August 2014, I was approached by the APHRC to take up a part-time/permanent position with the club as the Racing Operations Manager to which I accepted.

### **MARCH 2014 – AUGUST 2014 – Retirement**

On retirement in February 2014, I was awarded an **Outstanding Service Award** by Racing Queensland for some four decades of dedicated service to the thoroughbred, harness and greyhound racing industries.

### **JULY 2010 – FEBRUARY 2014 – Harness Racing Manager for Racing Queensland**

With the amalgamation of the three codes of racing in 2010 was appointed the Harness Racing Manager that had a similar role profile as that of my previous role at HRQ. During this time I also jointly held the position of Greyhound Racing Manager for a period of approximately two years.

### **SEPTEMBER 2008 – JUNE 2010: Racing Operations Manager for Harness Racing Queensland**

With the birth of HRQ as a corporate entity in September 2008 was appointed the Manager - Racing Operations responsible for racing, programming, handicapping, registration, futurities, video finish, electronic timing, integrity television coverage, Sky Racing transmission & reception, wagering, clubs, venues, capital works, plant & equipment and related contracts with third party service providers in these specific areas.

### **Achievements**

- ◆ Played an important role in the purchase of the North American champion pacer and prospective sire Mr. Feelgood USA who was imported to Australia by Messrs Kevin Seymour AM and Peter O'Shea. History shows that Mr. Feelgood USA the

winner in North America of the prestigious 'Little Brown Jug', 'The Presidential' and 'The Graduate' in his opening racing season 'down under' captured the two rich plums on the Grand Circuit in the A G Hunter Cup and the Watpac Inter Dominion Pacing Championship.

- ◆ In 2008 received the **National Distinguished Service Award** from Harness Racing Australia for outstanding service and contribution to the Australian harness racing industry over a sustained period of time.
- ◆ Part of the HRQ management team that bought the corporatisation of HRQ to fruition in September 2008.
- ◆ Headed up the Racing Operations Department of HRQ that played an integral part in the conduct of the highly successful 2009 Watpac Inter Dominion Pacing Championship at Parklands on the Gold Coast in March 2009.

#### **FEBRUARY 2005 – AUGUST 2008: Manager - Product Development for the QHRB**

Responsible to the Board for the Product Development Department that encompassed racing, wagering, communications and industry based marketing. On two occasions during this time deputised as CEO for the day-to-day operation of the QHRB with the resignation of two Chief Executives.

##### **Achievements**

- ◆ Part of the team that has improved the local harness racing product to a national all time high.
- ◆ Responsible for the fine tuning of the delivery of the local harness racing product to the wagering clients that has resulted in a positive YTD result from a turnover perspective on TABQ when compared to the same period as last year.
- ◆ Responsible for International Rights Agreements being offered to the Gold Coast and Redcliffe that will generate significant revenue for these clubs.
- ◆ Responsible for the successful negotiation with a commercial publisher in regard to the QHRB's publication of its monthly magazine at more than half the cost it had been paying in the past.

#### **JULY 2004 – FEBRUARY 2005: UNiTAB Agent at Everton Park**

Agency conducted under a formal agreement with UNiTAB with the agent totally responsible for the conduct of the business at the site.

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**Achievement**

- ◆ Improved the wagering turnover significantly by some 19% from a YTD downturn of 21% to July 2004 to a more respectable shortfall of 2% to November 2004 when compared to the same period the previous year. It is worth noting that Melbourne Cup week was up by a mammoth 61% on the same period in 2003.

**MARCH 2003 – MARCH 2004: Chief Executive Officer Harness Racing New South Wales**

Responsible to the Board for the commercial aspects of Harness Racing in NSW

- ◆ Contributing to and driving the Strategic Plan
- ◆ Marketing/Sponsorship Strategies
- ◆ Developing effective Service Level Agreements
- ◆ Building strong relationships with key stakeholders including the HRA, Department of Gaming and Racing, AHRC, TAB Limited, Clubs, Sponsors, Industry Participants and Associations

**Achievements**

- ◆ Responsible for the finalisation of the Strategic Plan with the Board and Consultant
- ◆ Successful renegotiation of a long term Broadcast Rights Agreement with Sky Channel that has a significant financial benefit to the industry in NSW

**JUNE 1984 – FEBRUARY 2003: Secretary/Manager Albion Park Harness Racing Club Inc, Brisbane**

Responsible to Management Committee for implementation of policy and efficient operation of Club including:

- ◆ Staging of race meetings including all facets of control and conduct of meetings;
  - ◆ Marketing including sponsorship, advertising, promotion and publicity;
  - ◆ Wagering including TAB, on-course totalisator and bookmakers;
  - ◆ Planning special events such as Inter Dominion Championships;
  - ◆ Management of Club's finances; track and plant maintenance; strategic planning; membership; catering; media liaison including preparation of media releases; liaison with fraternity, industry bodies and government departments at state, national and international level.
-

## Achievements

- ◆ Planned, negotiated sponsorship and successfully staged special events such as:
  - Foster's Golden Jubilee Inter Dominion Championship 1986 including live television coverage by ABC and TVNZ;
  - Legs of World Drivers' Championships 1985 and 1991;
  - Australian Derbies 1984 (CIG), 1988 (CIG), 1992 (Jones Lang Wootton), 1997 (APHRC);
  - Australian Pacing Championships 1983 (Carlton & United Breweries, 1989 (Richard Ellis), 1996 (Civil & Civic), 1998 (Tuza Floats), 1999 (Coca-Cola), 2000 (Auto Group), 2001 (Garrard's);
  - Conrad Jupiters Inter Dominion Pacing Championship 1993, including live television coverage by the ABCTV, TV Australia (South East Asia) and Action TV (New Zealand);
  - Toast.com Inter Dominion Championships 2001, including live television coverage by Sky Channel, SkyRacing on Foxtel, Optus and Austar service providers, Trackside in New Zealand.
- ◆ Member of executive team that planned and hosted the successful World Trotting Conference, Brisbane 1985;
- ◆ Visited racing venues and facilities throughout North America, Europe and Asia observing:
  - Management, marketing, sponsorship, advertising, promotion, publicity, wagering, simulcasting, track design and maintenance;
  - Major international events such as Breeders Crown, Hambletonian, Arc 'd Triumpe and North American Grand Circuit;
  - Challenge of conducting racing as a cost-effective business amidst technological revolution and increasing competition;
- ◆ Successful computerisation of Club's finances, reporting and analytical data with networking capability;
- ◆ In 1993 successfully negotiated with TAB Queensland for Club to manage and operate on-course totalisator via Direct Link Totalisator, increasing Club's share of commission significantly and dispensing with the services of a private contractor;
- ◆ Co-ordinated installation of Club's closed circuit television and steward patrol service, saving Club major expense by dispensing with the services of a private contractor;
- ◆ Successfully negotiated and co-ordinated the cost effective industry Ambulance Service, which is a joint venture with the Redcliffe and Rocklea Clubs;
- ◆ Successfully negotiated a number of exclusive rights television contracts with Sky Channel;

- ◆ Member of working party and National Chief Executive Officers meetings which developed and recommended to the Australian Harness Racing Council the National Uniform Handicapping System which commenced in September 1996;
- ◆ Co-ordinated and developed a Strategic Plan for the Club in consultation with the Committee, with regular reviews of this most important benchmark document;
- ◆ Supervised installation of video finish equipment and indoor electronic semaphore board, which is the latest technology in this field;
- ◆ Responsible for a feasibility study relating to the operation of a Betting Auditorium and Licenced Club at the Albion Park Raceway;
- ◆ Responsible for the Club's response to KPMG's call for a written submission from interested parties in regard to the Queensland Racing Industry Strategic Plan prior to privatisation of TAB Queensland;
- ◆ Responsible for the co-ordination of the Australasian Feature Race Dates;
- ◆ As CEO of an Australian Principal Club has a practical understanding of HaRVEY the national computer software for harness racing;
- ◆ Member of the Club Executive responsible for the recent conceptual design process in regard to the future of the Albion Park Raceway;
- ◆ Member of the Club Executive responsible for negotiating with the Board in regard to the governance restructuring of the industry and the disbursement of funds for the 2002/2003 financial year.

#### **AUGUST 1987 - AUGUST 1991: Secretary Albion Park Trust, Brisbane**

This position was held jointly with position as Secretary/Manager, Albion Park Harness Racing Club, responsible to Trustees of Albion Park for implementation of policy and efficient operation and maintenance of complex and race track.

#### **Achievements**

- ◆ Negotiated catering contracts with major firms (Taralba/Delaware North and Sutcliffe/P&O), generating \$4M income;
- ◆ Negotiated series of sponsorship/exclusive rights contracts with CUB and Coca-Cola Bottlers, generating \$1.6M income;
- ◆ Generated other significant income from major signage, trade shows and the like.

#### **MARCH 1987 - JUNE 1991: Company Secretary, Australian Pacing Gold Limited, Brisbane.**

This position was held jointly with position as Secretary/Manager, Albion Park Harness Racing Club, responsible to Board of Directors for the development and overseeing of this sales-funded race series.

**Achievements**

- ◆ Took unprecedented event in Australian harness racing from concept to successful fruition;
- ◆ Series I Final at Albion Park in 1990 was worth \$500,000 - still highest prizemoney for a juvenile harness race in Australia;
- ◆ Negotiated the underwriting of the series by CUB.

**MARCH 1983 - JUNE 1984: Assistant Secretary/Manager, Albion Park Harness Racing Club Limited, Brisbane.**

Position entailed assisting the Secretary/Manager with the main focus on marketing, promotion, publicity and opening of redeveloped Albion Park complex.

**Achievements**

- ◆ After just 15 months was appointed Secretary/Manager of Club.

**1981 - MARCH 1983: Sporting/Racing Co-ordinator, Radio 2KY, Sydney.**

- ◆ Responsible for co-ordination of sporting/racing service from 2KY in Sydney on relay to a vast network of stations throughout Australia.

**1978 - 1981: Sporting Editor/Race Caller/Co-ordinator, 2GB/Macquarie Network, Sydney.**

- ◆ Responsible to Station Manager for all matters pertaining to this senior position.

**Achievements**

- ◆ Appointed Sporting Editor just 12 months after joining 2GB/Macquarie;
  - ◆ Co-ordinated and programmed Wednesday/Saturday Macquarie Racing Service emanating from 2GB in Sydney on relay to a vast network of Stations throughout Australia;
  - ◆ Called harness races from Harold Park, as understudy to John Tapp called thoroughbred races at all Sydney metropolitan and NSW major provincial tracks;
  - ◆ Deputised for John Tapp as race caller/presenter/interviewer on TV's 'National Nine News' and 'Wide World of Sports'.
-

**1966 - 1978: Telecommunications Technician/Senior Technician/Technical Officer at Telecom Australia, Sydney.**

- ♦ Responsible for manufacture and installation of automatic telephone exchanges.

**Achievements**

- ♦ Vast experience in telecommunications and business including contract liaison with manufacturers; estimating, costing, budgeting; supervision of staff; and strategic planning.

**1961 - 1965: Technician-In-Training, PMG Department, Sydney.**

- ♦ Five year certificate in theory and practice of all facets of telecommunications.

**EDUCATION**

**1976:** Telecommunications Technical Officer Certificate (equivalent of Electronics and Communication Certificate), Telecom Australia, Sydney.

**1966:** Senior Telecommunications Technician, PMG Department, Sydney.

**1965:** Telecommunications Technician Certificate, PMG Department, Sydney.

**1960:** Intermediate Certificate, St. John's College, Woodlawn, Lismore, NSW.

**Additional Courses**

**1992:** Marketing Intelligence, Bond University, Gold Coast.

**1992:** Sports Management, AIC, Sydney.

**1992:** Management and Leadership, AIC, Sydney.

**1994:** Dynamic Event Creation and Management, AIC, Sydney



**REFEREES**

**John Tapp**  
**Racing Commentator**  
Sky Racing  
Phone: (0411) 233190

**Kevin Seymour AM**  
**Chairman**  
Seymour Group Pty Ltd  
(0418) 842233

**Peter V'Landys**  
**Chief Executive**  
Racing New South Wales  
(0419) 291714

**John Dumesny**  
**Chief Executive**  
Harness Racing New South Wales  
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## Chairman's Report

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The wheels have moved frustratingly slowly for the Albion Park Harness Racing Club in the 2015-16 financial year.

The interim administrative rule introduced just before this period saw Racing Queensland's management team basically going through the motions.

Your club was regularly stalled in its communications with RQ management on several significant matters.

A lease agreement was promised and not delivered. It is now expected in January 2017.

Disappointingly, no serious advance was made by RQ on the construction of a purpose-built grandstand facility.

It is timely to note, for the record, this club has been without such a fixture for eight years.

Pleasingly, a new Board was appointed in the latter part of the financial year and the highly-regarded administrator Dr Eliot Forbes assumed the CEO role in August 2016.

These appointments were welcomed by your committee as a mark of stability and the opportunity to participate in positive dialogue.

The club's executive (Chairman and Treasurer) can confirm these expectations are being met and is hopeful that Albion Park will be a beneficiary of infrastructure funding in the 2016-17 period.

The potential to secure outside revenue streams to offset the loss on racing activities was mentioned in last year's report and the club welcomed the second staging of the two-day Beer And Cider Festival in September.

Red Hair Events who conduct the well-attended Festival has expressed an interest in using the Albion Park Raceway for future events and the dialogue between both parties is ongoing.

While sub-standard facilities provide little enticement to potential sponsors, the club is still determined to pursue opportunities in this area and has contracted our popular photographer Dan Costello to manage this role.

Dan will also engage with present sponsors and those that were previously with the club.

Kevin and Kay Seymour continued to blaze a trail with their generosity while the Garrards family maintain a long term association with the club.

Our major wagering provider UBET once again added prestige to the Group 1 The Blacks A Fake while the Gurney Group Of Companies were significant sponsorship partners.

Our long-term relationship with All Crowd Catering saw the Silks Marquee utilised during the Winter Carnival and several weeks leading up to the Christmas period.

The affordable seafood buffet combined with the marquee's "up close" location to the track has seen increased patronage at those times of the year.



## Treasurer's Report

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Well 2015/16 has been a turbulent year with the Club facing many challenges.

Our investment portfolio has been affected by the share market movements.

Thankfully, we are only invested in Blue Chip stocks which are producing high yields.

The Club has faced challenges in marketing our product with sub-standard facilities and therefore, our food and beverage income has suffered as a result.

We have lost substantial revenue and this will form part of our claim for damages as a consequence of not having our new grandstand.

On the positive side, we generated increased wagering revenue and as an industry we have increased our market percentage. The net result has been wagering growth of nearly 50% over the past five years without any additional meetings.

We still have not been reimbursed for the stable rent at Albion Park which has been paid by our tenant to Racing Queensland and should have been refunded to the Club.

The trading result for last financial year was less than satisfactory.

Management decisions in relation to marketing and expenditure were not sustainable in the longer term and changes have been made to ensure we have a balanced budget in the current year.

This year we have budgeted for substantial growth in sponsorships and signage sales which had not been pursued in the past year.

This year's budgeted income should produce a positive result, providing Racing Queensland does not change the ground rules.

**Kevin W Seymour, AM**

Honorary Treasurer



# Albion Park Harness Racing Club Inc

## Statement of Comprehensive Income

For the year ended 30 June 2016

	2016	2015
	\$	\$
Revenue	1,550,065	1,732,084
Other income	144,458	252,790
Racing Expense	(495,377)	(569,294)
Members Expense	(2,910)	(5,828)
Audit Fees	(13,827)	(11,261)
Bank Charges	(2,240)	(2,567)
Employee Expenses	(730,181)	(695,980)
Legal	(21,594)	(26,059)
Drivers Room	(13,618)	(13,290)
Repairs and Maintenance	(50,792)	(44,455)
Administration	(42,492)	(55,777)
Prizemoney Contribution	(73,419)	(314,695)
Promotional Activities	(193,933)	(275,251)
Travel and Entertainment	(5,840)	(706)
Depreciation	(40,691)	(17,471)
Fair Value Gains/(Losses) on Financial Assets	(71,491)	-
Gain on Disposal of Property, Plant and Equipment	3,060	-
Gain/(Loss) on Disposal of Financial Assets	(81,217)	116,219
Bad Debts	(52,478)	(56,740)
Other Expenses	(121,756)	(46,353)
<b>Profit/(Loss) before income tax</b>	<b>(316,273)</b>	<b>(34,634)</b>
Income Tax Expense	-	-
<b>Profit/(loss) for the year</b>	<b>(316,273)</b>	<b>(34,634)</b>
Other comprehensive income	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>(316,273)</b>	<b>(34,634)</b>

# Albion Park Harness Racing Club Inc

## Statement of Changes in Equity

For the year ended 30 June 2016

	Retained Earnings	Total
	\$	\$
At 1 July 2014	2,606,050	2,606,050
Comprehensive Income		
Profit/(loss) for the year	(34,634)	(34,634)
Total Comprehensive Income/(loss)	(34,634)	(34,634)
Other Comprehensive Income	-	-
Total Comprehensive Income/(loss)	(34,634)	(34,634)
At 30 June 2015	2,571,416	2,571,416
At 1 July 2015	2,571,416	2,571,416
Comprehensive Income		
Profit/(loss) for the year	(316,273)	(316,273)
Total Comprehensive Income/(loss)	(316,273)	(316,273)
Other Comprehensive Income	-	-
Total Comprehensive Income/(loss)	(316,273)	(316,273)
At 30 June 2016	2,255,143	2,255,143

The accompanying notes form part of these Financial Statements

# ASX ANNOUNCEMENT

27 June 2014



## NEW FRAMEWORK FOR RACE AND SPORTS WAGERING IN QUEENSLAND

Tatts Group today reached in-principle agreement with the Queensland Government and Racing Queensland (**RQ**) to establish a new framework for the conduct of race and sports wagering in Queensland. This new model has been established following the call for Expressions of Interest issued by RQ on 17 January 2014. The new arrangements are subject to legislative amendments.

In announcing the new framework Tatts Group's Managing Director and CEO, Robbie Cooke said:

*"We believe the new model builds a true partnership approach between Racing Queensland, the Government and Tatts to drive a prosperous future for racing in Queensland through a sustainable model that recognises the needs of all participants."*

The new arrangements will see the term of Tatts' sports wagering licence extend 61 years and brought into line with the Group's race wagering licence, with both licences to expire on 30 June 2098. Importantly retail exclusivity has been secured for a further 30 years under each licence (until 30 June 2044).

The new framework seeks to level the playing field, which to date has enabled out-of-state betting operators to exploit more beneficial tax regimes to target Queensland customers, siphoning significant revenues away from the Queensland industry. Specifically the new Queensland regime will see the tax rate on pari-mutuel betting reduce from 20% to 14% of commissions, whilst the rate applicable to fixed-price betting will decrease from 20% to 10% of gross revenue. In commenting on this Robbie Cooke said:

*"Our wagering franchise is now well positioned to fight back against the predatory operators who have for too long exploited the fiscal imbalance that has existed in the Australian wagering landscape"*

Existing product fee arrangements with the racing industry will be maintained with the continuation of the current variable product fee at 39% of gross wagering revenue. Tatts' right to directly offset race field fees from the product fee payable will continue as has occurred in the past - except in the event that the offset exceeds RQ's race field fee receipts from other operators (or if the offset exceeds the portion of product fee generated from non-Queensland racing), in which case the shortfall will be shared 60% by Tatts and 40% by RQ. In this scenario the parties may seek to renegotiate the appropriate approach in apportioning any future shortfall.

A new \$15 million (indexed to 80% of CPI) annual fixed product fee will be paid to the racing industry, together with a 2.5% share of fixed-price sports betting revenue generated from 'bricks and mortar' retail outlets (capped at a maximum of \$5 million p.a. indexed).

Tatts will pay the State \$150 million as a license fee, to be paid in four equal instalments on 1 July 2014, 1 July 2016, 1 July 2020 and 1 July 2023.

In addition RQ and Tatts have agreed to form joint ventures in the future on a number of initiatives that will generate potential additional revenue for the racing industry.

In announcing this new deal, RQ and Tatts have also agreed to end the current litigation with respect to the treatment of race field fees on the basis that each party release each other from all claims and meet their own costs.

More details with respect to the new arrangements can be found in the Annexure attached.

**Contact: Robbie Cooke, CEO & Managing Director (07) 3435 4478**

TATTS GROUP LIMITED ABN 19 108 686 040 | [www.tattsgroup.com](http://www.tattsgroup.com)



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# ASX ANNOUNCEMENT

27 June 2014



## ANNEXURE

### KEY TERMS – NEW FRAMEWORK FOR RACE AND SPORTS WAGERING QUEENSLAND

Item	Existing Framework	New Framework
<b>1. Licencing Framework</b>	<p><b>A. <u>Race Wagering Licence</u></b></p> <p>(a) Expiry date 30 June 2098</p> <p>(b) Sole retail license</p> <p><b>B. <u>Sports Wagering Licence</u></b></p> <p>(a) Expiry date 30 June 2037</p> <p>(b) Sole retail income until 30 June 2014</p>	<p><b>A. <u>Race Wagering Licence</u></b></p> <p>(a) No change</p> <p>(b) Sole retail license</p> <p><b>B. <u>Sports Wagering Licence</u></b></p> <p>(a) Expiry date 30 June 2098</p> <p>(b) Sole retail license until 30 June 2044 (30 years)</p>
<b>2. Tax Framework (inc. GST)</b>	<p><b>A. <u>Pari-mutuel Racing &amp; Sport</u></b></p> <p>(a) 20% of commission (gross deduction)</p> <p><b>B. <u>Fixed-price Racing &amp; Sport</u></b></p> <p>(b) 20% of gross revenue (player loss)</p>	<p><b>A. <u>Pari-mutuel Racing &amp; Sport</u></b></p> <p>(a) 14% of commission (gross deduction)</p> <p><b>B. <u>Fixed-price Racing &amp; Sport</u></b></p> <p>(b) 10% of gross revenue (player loss)</p>
<b>3. Product Fee</b>	<p><b>A. <u>Variable Product Fee</u></b></p> <p>(a) 39% of gross wagering revenue</p> <p>(b) Direct offset against variable product fee for Australian race field fees and international racing costs (<b>Offset</b>)</p>	<p><b>A. <u>Variable Product Fee</u></b></p> <p>(a) No change</p> <p>(b) No change – except in circumstances where Offset amount exceeds Racing Queensland race field receipts (or exceeds portion of product fee generated from non-Queensland racing product) – in which case resultant shortfall shared 60/40 Tatts/Racing Queensland. In this situation any party may seek to renegotiate the appropriate approach to apportioning any future shortfall.</p> <p>(c) A 2.5% share of fixed-price sports betting revenue generated from Queensland 'bricks and mortar' retail outlets capped at \$5 million p.a. (indexed).</p> <p><b>B. <u>Fixed Product Fee</u></b></p> <p>(a) \$15 million per annum (Indexed to 80% of CPI percentage increase).</p>
<b>4. Licence Payment</b>	-	<p>\$150 million paid to the State via staged payments:</p> <ul style="list-style-type: none"> <li>- 25% 1 July 2014</li> <li>- 25% 1 July 2016</li> <li>- 25% 1 July 2020</li> <li>- 25% 1 July 2023</li> </ul>
<b>5. Regional Marketing Fund</b>	-	Commitment to expend \$5 million over 5 years on incremental marketing and promotional activities to promote regional and country racing in Queensland.

# ASX ANNOUNCEMENT



6. Joint Ventures	-	RQ and Tatts have agreed to create 50/50 joint ventures in the future on a number of initiatives that will generate potential additional revenue for the racing industry. The conduct of virtual racing in 'bricks and mortar' retail outlets is expected to be the first opportunity investigated
7. On-course betting signage	-	Exclusive betting partner for on-course advertising.
8. Business Commitment Undertaking	-	Tatts has committed to agreed levels of marketing activities and network expansion (including Self Service Terminals).