

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: Dr Eliot Forbes
Address: 6 Racecourse Road, Deagon, Queensland 4017
Occupation: Chief Executive Officer
Date: 8 March 2017



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This document contains confidential information which is indicated as follows:

[HIGHLY Confidential to Racing Queensland and Tabcorp] [....]

I, Dr Eliot Forbes, Chief Executive Officer (**CEO**) of the Racing Queensland Board, trading as Racing Queensland (**Racing Queensland**) in the State of Queensland say that:

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BACKGROUND

- 1 I am currently the CEO of Racing Queensland and have held this role since 22 August 2016. I have been involved in the racing industry for over 20 years as a clinical veterinarian and veterinary steward in Australia and overseas and in racing industry executive level roles.
- 2 I make this statement in relation to an application by Tabcorp Holdings Limited (**Tabcorp**) to the Australian Competition Tribunal for authorisation of the proposed merger of Tatts Group Limited (**Tatts**), in my position as CEO of Racing Queensland, and on behalf of Racing Queensland.

Current role at Racing Queensland

- 3 My appointment as CEO at Racing Queensland in August 2016 followed a complete change of the Racing Queensland Board as part of broader initiative of the Queensland Government to turnaround the financial position of Racing Queensland. It is well documented (including in the current Racing Queensland Annual Report) that the most significant challenge facing Racing Queensland is its financial position, as it has faced six straight years of losses, including a \$21.8 million loss for 2015-2016.
- 4 I have included a copy of the current Racing Queensland Annual Report for the 2015-2016 financial year (**Annual Report**) at **Annexure EF-1** to this statement. I refer to the Annual Report throughout this statement.
- 5 Given the current financial position of Racing Queensland, my key strategic objective as CEO is to get Racing Queensland back onto a sustainable financial footing. Currently, some of Racing Queensland's shortfall is funded by the State Government, but there is an expectation from Government, and a commitment from Racing Queensland that it should become financially independent by growing revenue and managing costs.
- 6 As CEO of Racing Queensland, I am responsible for the ongoing management of the organisation in accordance with the strategy, policies and programs approved by the Racing Queensland Board (see Annexure EF-1, page 58). Currently there are 132 racing clubs located across the state of Queensland that fall under the broad governance of Racing Queensland (see Annexure EF-1, page 2).
- 7 As CEO, I am responsible for managing an executive leadership team that operates through each of the corporate service areas of Racing, Infrastructure, Sales and Marketing, Strategy, Financial Management and Legal.

Previous racing industry experience

- 8 I began my professional veterinarian career in the racing industry in 1995 and continued to work as a veterinarian, with a particular focus on equine veterinary practice, until June 2004. My

equine veterinary experience includes roles with international jockey clubs, such as the Macau Jockey Club, the Abu Dhabi Equestrian Club and the Qatar Racing and Equestrian Club.

- 9 Between 2004 – 2010, I was employed by the Emirates Racing Authority (ERA) as the Veterinary Steward, as well as serving as an executive member of the ERA steering committee and sitting on the ERA Steward's Panel from 2005-2010 and on the Appeals Panel from 2006-2010.
- 10 In my capacity as Veterinary Steward at the ERA, I was responsible for racing operations, equine welfare and drug control for the world's richest race, the US\$10 million Dubai World Cup. In my role on the ERA steering committee, I was responsible for the strategic and operational oversight of all racing regulatory functions in the United Arab Emirates.
- 11 During my time at the ERA, I had a key role in successfully launching the equine operations of a new \$3 billion Meydan racecourse in 2010, as well as leading ERA staff and industry participants through a transformation of race day operations and critical integrity processes.
- 12 Prior to commencing my current role at Racing Queensland, I was the CEO of Tasracing, the Tasmanian State-owned three-code racing body, from August 2012 – August 2016. Before my appointment as CEO of Tasracing, I held the role of Chief Operating Officer at Tasracing from July 2010 – July 2012. During my tenure at Tasracing, I:
 - (a) delivered successful commercial outcomes, including a financial turnaround of the company, restoring it to profitability in 2016, driven by, inter alia, race field revenue growth of 53% over a three year period;
 - (b) was responsible for the implementation of new technologies, including the StrideMASTER sectional timing system to assist with thoroughbred performance analysis; and
 - (c) secured key media rights agreements as well as the expansion of the international export of the Tasmanian racing product into France, Singapore and South Africa.

Other Representative Roles

- 13 I currently hold the following additional racing representative roles:
 - (a) Alternate Director, board of Racing Australia;
 - (b) Alternate Director, board of Greyhounds Australasia.
 - (c) Member of Veterinary and Analysts Committee for Racing Australia, Harness Racing Australia and Greyhounds Australasia;

- (d) Chairman of the Retirement of Racehorses Committee of Racing Australia;
- (e) Member of the Standardbred Welfare Advisory Group for Harness Racing Australia; and
- (f) Member of the steering committee of the International Forum for the Aftercare of Racehorses.

14 I have also previously held the following relevant positions in the racing industry:

- (a) Alternate Director - Racing Information Services Australia (2013 – 2015);
- (b) Executive Director to Racing Australia Board (2012-2015);
- (c) Executive Council representative, Asian Racing Federation (2006 – 2007); and
- (d) Executive Council representative, International Group of Specialist Racing Veterinarians (2004 – 2010).

RACING QUEENSLAND

- 15 The Racing Queensland Board, trading as Racing Queensland (previously the Queensland All Codes Racing Industry Board trading as Racing Queensland), was established under the *Racing Act 2002* (QLD) on 1 May 2013 and is a statutory body under the oversight of the Minister for Racing (see Annexure EF-1, page 2). Racing Queensland oversees the strategic direction for all codes in Queensland (see Annexure EF-1, page 30).
- 16 Racing Queensland is the control body for the three codes of racing (thoroughbred, harness and greyhound) in Queensland and coordinates, manages and regulates the industry including by:
- (a) making rules of racing;
 - (b) licensing race clubs and venues and monitoring their activities and performance;
 - (c) allocating race dates;
 - (d) administering industry funding and commercial arrangements;
 - (e) providing an effective and efficient system for the distribution of prize money; and
 - (f) representing the Queensland racing industry on the three peak national bodies: Racing Australia, Harness Racing Australia and Greyhounds Australasia Limited (see Annexure EF-1, page 41).

Social and economic contribution of Queensland racing industry

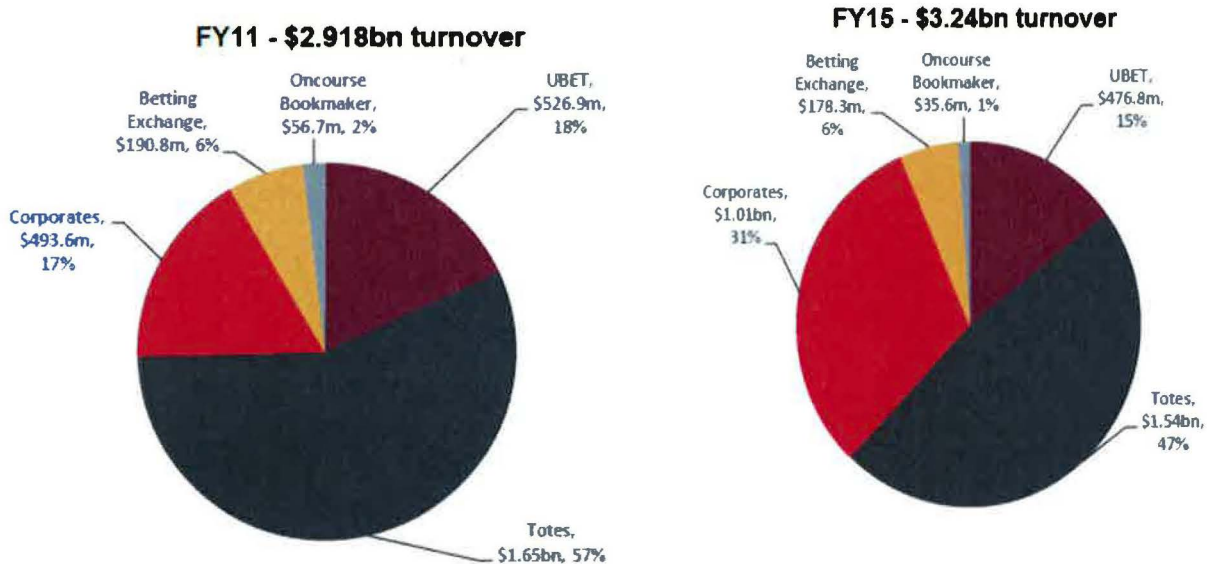
- 17 The racing industry in Queensland contributes to the State Government's objectives for the community in a number of ways, in particular by creating jobs and contributing to the economy.
- 18 I am aware that Racing Queensland commissioned IER Pty Ltd to prepare the "Size and Scope of Racing in Queensland" report that was completed in April 2009 (the **Size and Scope Report**). A copy of the Size and Scope Report is at **Annexure EF-2** to this statement. The Size and Scope Report indicates that the Queensland racing industry employs 29,000 individuals in full time, part time and casual employment (see Annexure EF-2, page 5). Those individuals are employed in a range of vocations from horse and greyhound trainers to veterinary surgeons, stewards, administrators, jockeys and drivers.
- 19 Importantly, the industry provides employment, occupation and opportunity to many people from a wide diversity of backgrounds and skills. This public benefit is most pronounced in regional areas.
- 20 The Queensland racing industry also facilitates employment in a range of related industries from feed and stock to transport and civil works. Breeding industries attract investment from overseas and interstate and produce a range of employment opportunities for Queenslanders (see Annexure EF-1, page 18).
- 21 Racing is conducted across more than 110 venues throughout the State of Queensland, with racecourses in metropolitan and country areas playing a key role in bringing communities together.
- 22 There is a high level of participation in the racing industry in Queensland, as there is throughout Australia. The Annual Report cites the Racing Australia Fact Book in support of this, noting that there were approximately 75,000 individuals in Australia who owned a racehorse in 2014-2015. This means one in every 320 Australians has an interest in a racehorse, compared to just one in around every 8000 people in Great Britain (see Annexure EF-1, page 7).
- 23 Australia has the highest or second highest horse ownership, prizemoney, venues, races, breeding animals and race day attendances per capita in the world. Consequently, our affinity with and love of the animal and race is second to none and is an essential part of the fabric of many communities, especially those in regional and rural areas.
- 24 Racing also provides an essentially egalitarian ethos as a battler's horse can and often does beat a billionaire's in races from the Melbourne Cup through to a country race.

RACING QUEENSLAND AND INDUSTRY FUNDING ARRANGEMENTS

- 25 The racing industry in Queensland, and elsewhere in Australia, is sustained by wagering revenue as its largest source of income (see Annexure EF-1, page 8, 20). Racing Queensland collects fees from wagering operators, based on wagering turnover and/or net revenue, which it then distributes to the three racing codes, primarily in the form of prize money. In 2015-2016, Racing Queensland received total wagering revenue of \$203.3million.
- 26 UBET Qld Pty Ltd (**UBET**), owned by Tatts, is currently the exclusive licence holder for race and sports wagering in Queensland. UBET operates the "UBET pool" and pools together pari-mutuel bets from Queensland, Northern Territory, South Australia and Tasmania.
- 27 Racing Queensland has a 30-year product agreement in place with UBET, which commenced on 1 July 2014. As part of this agreement, Racing Queensland receives a variable product fee associated with racing, being 39% of gross wagering revenue (both pari-mutuel and fixed odds) and an annual fixed fee of \$15million, indexed at 80% of CPI.
- 28 Racing Queensland also receives revenue from wagering operators, including corporate bookmakers, in the form of "race information fees". This revenue is a function of legislation that requires wagering providers to pay a fee for the use of each Australian State's race field information (see Annexure EF-3, page 55). Under these arrangements, Racing Queensland sets a fee for the use of its race field information and wagering services providers who elect to accept wagers on Queensland racing must pay this fee (see Annexure EF-3, page 55). The fee set for the use of Racing Queensland's race field information is lower than the variable product fee payable by UBET.
- 29 A priority for Racing Queensland is addressing the challenging financial conditions it has faced over the last 5 years. As reported in the Annual Report, Racing Queensland delivered five years of operating losses and had no cash reserves to fund ongoing losses and a loss of \$21.8m for 2015 – 2016 (see Annexure EF-1, page 22).
- 30 As a result, the State Government agreed to fund Racing Queensland's operational cash shortfalls for the short term, on the understanding that Racing Queensland would implement a plan for delivering sustainable operations. Following extensive consultation with State Government, Racing Queensland released the "*Tracking Towards Sustainability Plan*" (the **TTS Plan**) on 3 December 2015. A copy of the TTS Plan is at **Annexure EF-3** to this statement.
- 31 As prizemoney makes up the largest portion of Racing Queensland's expenditure, the TTS introduced an amendment to prizemoney levels taking into consideration the profitability of the industry overall and the profitability of each code. The amendment to prizemoney levels including details of the percentage reduction in prizemoney introduced by the TTS Plan is set out on pages 77 to 80 of the TTS Plan (see Annexure EF-3).

- 32 As outlined in the TTS Plan, Racing Queensland considered that a shift in wagering turnover and the changing nature of industry returns was adversely impacting Racing Queensland's revenue. In particular, the TTS Plan identified the following four key factors in respect of the shift in wagering turnover and the changing nature of industry returns:
- (a) the move away from traditional pari-mutuel betting towards fixed odds betting had reduced Racing Queensland's revenue;
 - (b) increased interstate product fees;
 - (c) wagering activity through corporate bookmakers has increased, while UBET's wagering turnover has plateaued since FY12; and
 - (d) sports wagering has continued to grow (see Annexure EF-3, page 28).
- 33 The TTS Plan forecast that although wagering activity was expected to increase in Queensland, Racing Queensland's revenue was anticipated to decrease due to:
- (a) the increase in wagering activity through corporate bookmakers, from which Racing Queensland receives a lower return; and
 - (b) the shift towards fixed odds wagering, which leads to a lower return for Racing Queensland than traditional pari-mutuel wagering (see Annexure EF-3, page 31).
- 34 The findings of the TTS Report are consistent with my own industry experience, in that I have observed profound shifts in wagering customer behaviour over recent years including a shift towards fixed odds wagering from pari-mutuel betting, as well as a marked decline in wagering through traditional channels, such as retail channels, with the rise of digital and mobile wagering, in particular with corporate bookmakers. There has also been significant growth in wagering on sports which is a competing wagering product.

- 35 The graphs below, extracted from the TTS Plan (see Annexure EF-3, page 28), show the increase in corporate bookmaker's share of wagering turnover between FY2011 – FY2015:



- 36 This decline in UBET's share of wagering revenue negatively affects the revenue that Racing Queensland receives as bets placed with UBET provide Racing Queensland with greater returns than bets placed with corporate bookmakers or interstate totes (page 58 of Annexure EF-3 contains a table which sets out the comparison for the 2015 Financial Year).

VIEWS ON THE PROPOSED MERGER OF TABCORP AND TATTS

- 37 I am aware of Tabcorp's proposal to acquire the issued shares of Tatts by way of scheme of arrangement (the **Proposed Transaction**), including from attending briefings and holding discussions with Tabcorp executives regarding the Proposed Transaction.
- 38 I consider that the Proposed Transaction is significant to the racing industry in Queensland because the clear majority of racing industry funding comes from UBET and, if the Proposed Transaction proceeds, this revenue source would ultimately come from a different partner.
- 39 When I first became aware of the Proposed Transaction, I identified as a general commercial concern the relative size and importance of the Queensland operations under a merged entity and the possibility that this could lead to less of a focus on the Queensland racing industry, given the larger wagering markets in NSW and Victoria. I was concerned that, following the Proposed Transaction, Queensland would shift from being the most prominent wagering and racing state under UBET, to less commercially significant for the combined entity.
- 40 Following the announcement of the Proposed Transaction, Racing Queensland relayed this concern to senior representatives of Tabcorp over the period from in or around November 2016 and in or around March 2017. As a result of those discussions, a confidential commercial arrangement has been reached between Racing Queensland and Tabcorp which satisfactorily

resolves my concerns, [HIGHLY Confidential to Racing Queensland and Tabcorp] [REDACTED]

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42 [HIGHLY Confidential to Racing Queensland and Tabcorp] [REDACTED]
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- 43 With the confidential commercial arrangement between Tabcorp and Racing Queensland referred to at paragraph 39 in place, I believe that the Proposed Transaction will be meaningfully beneficial overall to Racing Queensland. I consider that it is likely to improve the financial sustainability of the Queensland racing industry, which is our primary focus. This would in turn facilitate greater financial independence from the Queensland Government and reduce the need for direct financial support from public finances.
- 44 Generally, and quite aside from the commercial arrangement, I consider that the Proposed Transaction is likely to deliver better returns for the racing industry in Queensland because of the relative strength of Tabcorp's business when compared to Tatts. I consider that Tabcorp is better positioned to compete with corporate bookmakers and has the potential to deliver an improved wagering product in Queensland because Tabcorp has:
- (a) invested in innovative technologies, such as the Longitude system (for which I understand Tabcorp holds the exclusive licence), which I consider will help it to develop innovative parimutuel products. This should help to reinvigorate the tote product and put it in a better position to compete with "exotic" products offered by corporate bookmakers;
 - (b) a strong track record managing its yield on its fixed odds book; and
 - (c) a strong, longstanding "TAB" brand in the retail channel, that Queenslanders are familiar with and relate to.
- 45 I understand that Tabcorp considers that one of the potential benefits of the Proposed Transaction is that the merged entity potentially provides a pathway to national pooling. As there has never been a national totalisator pool in Australia, I consider there is a degree of uncertainty around the overall impact a national pool would have in terms of wagering and racing industry funding. However, I do consider that the smaller harness and greyhound codes, which have smaller totalisator pools, would undoubtedly benefit from a national pool, as larger pools provide stability and may reinvigorate pari-mutuel wagering for these codes in competition with the fixed odds offerings of corporate bookmakers. This in turn would lead to greater funding flows to Racing Queensland.
- 46 If, as I expect it would, the Proposed Transaction does result in financial and racing industry funding benefits to Racing Queensland, I consider that one area that these funds would be directed would be to enhance funding for stakes prize money. Racing Queensland is mindful of the need to provide enhanced and comparable prize money to the that on offer in New South Wales and Victoria, as prize money is an essential component of sustaining the depth and quality of Queensland race fields.
- 47 Racing Queensland is familiar with and has an effective working relationship with Tabcorp (and its subsidiary Sky Racing) and is confident that we can work with them as the wagering operator

in Queensland. It is imperative to Racing Queensland's financial sustainability that it has a stronger, successful and effective wagering partner and the success of the Queensland racing industry depends on it, because Racing Queensland's wagering partner provides the primary source of industry funding.

ANNEXURES

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



Signature

Dr Eliot Forbes, Chief Executive Officer, Racing Queensland.

Date:  March 2017



SCHEDULE A

TABLE OF ANNEXURES REFERRED TO IN STATEMENT OF DR ELIOT FORBES

Annexure	Title	Confidentiality
EF-1	Racing Queensland Annual Report 2015-2016	-
EF-2	"Size and Scope of Racing in Queensland", IER Pty Ltd, dated April 2009	-
EF-3	Racing Queensland " <i>Tracking Towards Sustainability Plan</i> ", dated 3 December 2015	-



ANNUAL REPORT FOR QUEENSLAND ALL CODES RACING INDUSTRY BOARD

2015-16





Queensland All Codes Racing
Industry Board trading as
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September 14, 2016

The Hon Grace Grace
Minister for Employment and Industrial Relations
Minister for Multicultural Affairs and
Minister for Racing

Dear Minister Grace

RE: ANNUAL REPORT 2015-16 FOR THE QUEENSLAND ALL CODES RACING INDUSTRY BOARD

I am pleased to present the Annual Report 2015-16 and financial statements for the Queensland All Codes Racing Industry Board trading as Racing Queensland.

I certify that this annual report complies with:

The prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found on page 42 of this annual report.

Yours faithfully

Steve Wilson AM
Chair
Racing Queensland

Annual Report for Queensland All Codes Racing Industry Board 2015-16

ISSN 2202-4409

Purpose of the report

This annual report details the financial and non-financial performance of the Queensland All Codes Racing Industry Board trading as Racing Queensland from July 1, 2015 to June 30, 2016.

It highlights the work, achievements, activities and strategic initiatives of Racing Queensland and satisfies the requirements of Queensland's *Financial Accountability Act 2009*.

Your feedback

The annual report is an important document representing communication and accountability. Racing Queensland values comments and welcomes feedback from readers.

To provide feedback, please email: info@racingqueensland.com.au

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[About-Us/Annual Report](#)

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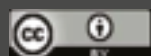
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September 2016

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ABOUT RACING QUEENSLAND

The Queensland All Codes Racing Industry Board (Racing Queensland) came into being through an Act of Queensland Parliament on May 1, 2013 and is a statutory board under the oversight of the Minister for Racing.

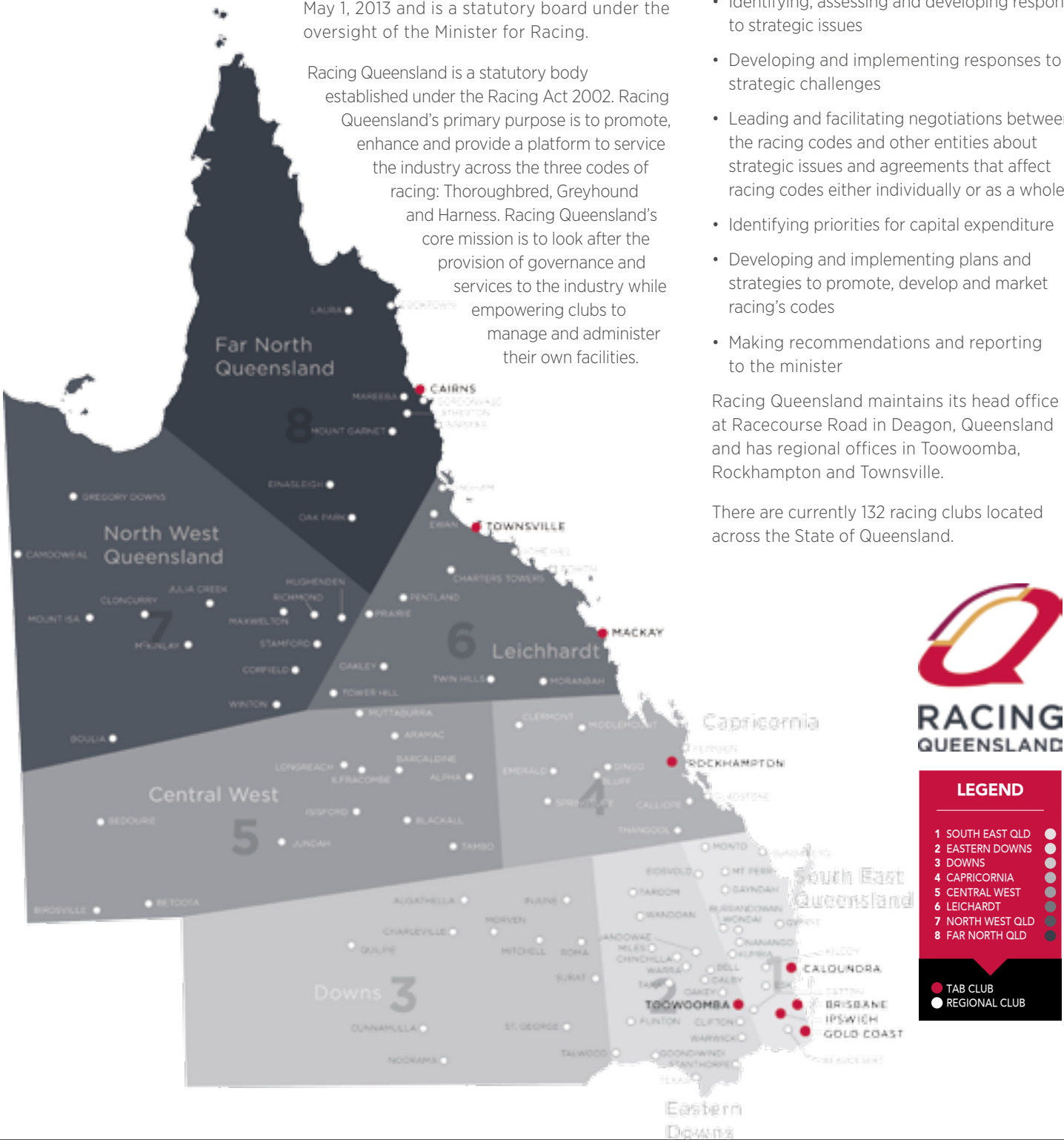
Racing Queensland is a statutory body established under the Racing Act 2002. Racing Queensland's primary purpose is to promote, enhance and provide a platform to service the industry across the three codes of racing: Thoroughbred, Greyhound and Harness. Racing Queensland's core mission is to look after the provision of governance and services to the industry while empowering clubs to manage and administer their own facilities.

The functions of the All-Codes Board are to drive for commercial outcomes by:

- Identifying, assessing and developing responses to strategic issues
- Developing and implementing responses to strategic challenges
- Leading and facilitating negotiations between the racing codes and other entities about strategic issues and agreements that affect racing codes either individually or as a whole
- Identifying priorities for capital expenditure
- Developing and implementing plans and strategies to promote, develop and market racing's codes
- Making recommendations and reporting to the minister

Racing Queensland maintains its head office at Racecourse Road in Deagon, Queensland and has regional offices in Toowoomba, Rockhampton and Townsville.

There are currently 132 racing clubs located across the State of Queensland.



ORGANISATION MISSION AND VALUES

Racing Queensland's mission statement is to take the industry forward through the implementation of C.A.R.E:

COLLABORATE:

Working together for the benefit of the racing industry

ASSIST:

Providing assistance and services to encourage people in the industry to be self-sufficient and viable

REGULATE:

Regulating the industry to ensure integrity and compliance with standards, policies and rules

ENABLE:

Enabling the industry to participate in racing.

Racing Queensland's values are:

- Professional and ethical. We will at all times be professional and ethical in our dealings with stakeholders and colleagues
- Results-orientated. We will ensure that our day-to-day activities are consistent with and contribute to achieving our goals
- Teamwork. We are committed to working as a team to deliver the best solutions for our stakeholders, recognising and rewarding both team and individual contributions
- Stakeholder service excellence. We strive to serve our customers with excellence
- Balance between professional and personal life. We recognise people are our main asset so achieving a balance between professional and personal time is in the best interests of individuals and the organisation.

SERVICE AREAS AND RESTRUCTURING

SERVICE AREA	DESCRIPTION
Stewarding, Integrity and Licensing Services	<p>The department is made up of the Operational Steward's Panels, Integrity Regulatory Unit, Betting Compliance and Monitoring Division, Veterinary Services Division and Licensing and Registrations Division.</p> <p>Its purpose is to provide the highest level of integrity services to the industry's participants and supporters.</p> <p>The restructure of Integrity Services in light of the Commission of Inquiry was a key priority in 2015-16 and is now reflected in the separation of Queensland Racing Integrity Commission (QRIC) from Racing Queensland.</p>
Animal Welfare Services	<p>The restructure of Integrity Services including animal welfare services in light of the Commission of Inquiry was a key priority in 2015-16 and is now reflected in the separation of animal welfare from Racing Queensland, into the QRIC structure.</p>
Training	<p>As a registered training organisation, Racing Queensland offers nationally recognised training thanks to funding assistance from the Department of Education and Training.</p> <p>Racing Queensland provides ongoing industry-standard training and mentoring to apprentice and working jockeys/drivers, trainers, stable hands, track work riders and strappers, as well as industry employers.</p> <p>All programs delivered are from qualifications in the nationally recognised Racing Training Package.</p>
Racing Operations	<p>Racing Queensland is responsible for developing the most innovative and effective allocation of race dates as well as allocating prizemoney and developing state-wide racing programs and feature race schedules that maximise wagering returns.</p> <p>The division also provides:</p> <ul style="list-style-type: none">• Representation on the Australian Pattern Committee and the National Racing Committee• An interface with the RISA Service Centre and the provision of handicapping services across the codes to the state• Management of breeding schemes
Infrastructure and Safety	<p>Key function is to deliver projects in line with the Industry Infrastructure Strategy (IIS) to create modern, 21st century racecourses, multi-purpose sports stadia and entertainment precincts.</p>
Finance and IT	<p>Racing Queensland is responsible for policy and performance across the three codes of racing in the following areas and services: Information technology, prizemoney distribution, risk and compliance, commercial and industry analysis, industry insurances and club subsidy distribution.</p>
Strategy, Marketing and Communications	<p>Racing Queensland is responsible for creating a sustainable industry for participants by maximising wagering revenue.</p> <p>The division maximises exposure and engagement in the industry's three racing codes amongst the sports' constituents and the broader community via its advertising and marketing programs.</p> <p>Media accreditation for Queensland racecourses is open to all practising media representatives but it is subject to Racing Queensland's approval.</p> <p>Racing Queensland also implements and administers Race Information Fees across the corporate bookmaker network.</p> <p>Racing Queensland is responsible for the control of racing bookmakers in the state of Queensland.</p>
Internal Audit	<p>Racing Queensland is accountable for examining, evaluating and monitoring the adequacy and effectiveness of controls that exist to regulate the activities and operations of Racing Queensland.</p> <p>Internal Audit maintains a program for the auditing of Clubs, including financial and governance aspects, as part of the annual Internal Audit Program.</p>



CHAIR'S REPORT

Queenslanders love sport and entertainment, and during 2015-16, Racing Queensland has worked to advance the racing codes as competitive, vibrant and growing sports.

Although the past financial year has been one of substantial losses and immense change, I am confident in future years we will look back on this time as a crucial turning point, pivotal to setting a strong future for our industry.

The Board's resolve has been to focus on strengthening the business and offerings to meet an ever-changing marketplace, while limiting the impacts these changes may have on stakeholders.

Certainly, we at Racing Queensland have a major responsibility to seek to work with all our partners for the improvement of racing – but all codes, clubs and participants also have a role to play in creating and delivering events with the capacity to attract new fans, whilst also remembering the fine traditions of racing.

Financial Position

Racing Queensland's financial position continues to present the most significant challenge, producing a parent entity loss of (\$19.9m) compared with an (\$11.2m) loss in 2015 or (\$21.8m) versus (\$12.7m) on a consolidated basis.

This result was not unexpected, but with six straight years of losses and cash reserves depleted, it is unsustainable.

Fiscal reform is imperative and this Board and its leadership are committed to improvement.

This reform includes the Tracking Towards Sustainability (TTS) Plan announced on December 3, 2015.

The TTS plan was developed after an extensive consultation process with industry participant groups, and is focussed on prudent expenditure management.

The themes outlined in the TTS plan represent the start of a process that will steer the industry towards viability, with a view to creating a strong and sustainable future.

We are pleased that the Queensland Government is supporting Racing Queensland and the industry during this important transition period.

Over time, Racing Queensland is committed to becoming more financially independent from Government, but our industry must show true leadership, managing our costs while growing revenue.

Establishing the QRIC

Financial issues are not the only challenge we as an industry face. There is no doubt the actions of those involved in the vile practice of live baiting in Greyhounds has had far-reaching consequences on all codes, most obviously in New South Wales.

In Queensland, we acted aggressively with the formation of the Queensland Racing Integrity Commission (QRIC) which commenced operations on July 1, 2016. The establishment of the QRIC model sees the complete separation of commercial and integrity aspects of the Queensland industry.

This separation allows Racing Queensland to concentrate on the business of racing and QRIC, on ensuring the welfare of our animals and integrity within the industry.

On May 1, 2016 Ross Barnett was appointed as Queensland's first Racing Integrity Commissioner. Ross is a former deputy commissioner of the Queensland Police Service and worked for nearly 40 years as one of the state's most distinguished officers.

Animal welfare is an essential part of racing's DNA and Racing Queensland will fully support QRIC in maintaining a 'Gold Standard' of care for our animals.

New Board and CEO

Following my appointment to the position of Interim Chairman of Racing Queensland in April 2016, Racing Minister Grace Grace announced the full composition of a new Racing Queensland Board. These appointments now see a Board in place with demonstrated achievements in business, media, marketing, property, tourism and racing.

The skills of this talented group will be invaluable as we chart a course towards success and we are a Board committed to delivering outcomes.

The Board will be supported by newly appointed Chief Executive Officer Dr Eliot Forbes.

Eliot is a Queenslander returning home with proven performance in the commercial management of racing. He is also a qualified veterinarian who brings with him the unique combination of a deep interest in animal welfare, and a global understanding of all aspects of racing from club, owner, trainer, rider, punter and spectator.

Growing the Industry

Australia is renowned as a great sporting nation and we are blessed with the likes of "The Race that Stops a Nation" and Queensland's own Winter Racing Carnival. In addition to these big-city events, there is hardly a Queensland country community whose biggest sports day and community event isn't its country cup race meeting. All of these are vital to racing's fabric and contribute towards keeping racing a vibrant part of the Australian sporting landscape.

The Racing Australia Fact Book tells us there were around 75,500 individuals in Australia who raced a Thoroughbred racehorse in 2014-15. This means one in every 320 Australians has an interest in a racehorse compared to just one in around every 8000 people in Great Britain.

Expand these numbers to include the many thousands of Harness and Greyhound owners across Australia and it is clear that racing retains a place in the heart and soul of Australians.

Yet despite these outstanding attributes, community connection with racing across the nation is shrinking and we must address this as a priority.

Racing across all codes needs more markets, more fans, more owners and a fresh approach to attract participants to this deeply connected industry. It is imperative that racing reaches out and into the communities our 132 racing clubs service.

Highlights on the track

The 2016 racing season delivered some outstanding highlights across all codes.

Record wagering turnover results on Magic Millions Race Day signified the importance of Australia's richest race day to fans. The event high-point for many was surely the success of Queensland icon, Buffering, who has become a cult hero and of course others were captivated by the performance of Capitalist who took out the Two-Year-Old Classic.

The pinnacle of the Thoroughbred season is the Queensland Winter Racing Carnival. The Carnival delivered well, despite poor weather resulting in the abandonment of Oaks Day and the delay of the much anticipated return to Eagle Farm.

The cancelled meeting did provide an opportunity to re-program key races to Stradbroke Handicap Day the following week and with four Group 1 and four Group 2 races, fans were treated to a Super Saturday of racing which included the outstanding performance of Under the Louvre when taking out the \$1.5m Stradbroke Handicap.

The Queensland Winter Carnival's Harness feature, Blacks A Fake final night, was also hampered by weather conditions. It didn't

dampen the spirits of enthusiasts however, with such high quality fields of interstate and overseas competitors taking on Queensland's best. Fans were buoyed when Ohoka Punter defeated a field of Australasian stars in the \$200,000 Group 1 Blacks A Fake.

There were many firsts for the Greyhound code during the year with the Cairns Greyhound Racing Club conducting their first televised TAB race meeting and the Capalaba Greyhound Racing Club becoming the trial venue for Racing Queensland's live streaming channel. On the track, it was probably the 'Queen of the Creek', Cyndie's Magic, who stole the heart of Greyhound fans throughout the year.

Thankyou

In closing, I would like to take this opportunity to thank Ian Hall and Sam Adams who, as Acting CEOs, safely guided the organisation through a turbulent time. I would like to commend the staff of Racing Queensland for their dedication, hard work and achievements in difficult times.

This is also an opportune time to place on record the contribution of The Honourable John Muir QC who, for most of the 2016 financial year, single handedly assumed the role of the Queensland All Codes Racing Industry Board. We are indebted to his outstanding leadership during a time of significant change and challenge.

Finally, I would like to acknowledge and thank the Honourable Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Multicultural Affairs and Minister for Racing, for her enthusiasm and genuine support of our industry.



Steve Wilson AM

Chair – Racing Queensland

STATEMENT FROM THE ACTING CEO

As mentioned by the Chair, there were many challenges for our organisation and industry in the 2015-16 financial year but as a result, Racing Queensland has mapped a path to a sustainable future for Queensland's racing codes.

The first stage in the much-needed financial transformation process was the establishment of the TTS Plan in the first half of 2016. Before TTS was implemented, unsustainable prizemoney levels and expenditure had Racing Queensland budgeting a well-publicised loss of (\$28m).

In just a short time, the TTS Plan has started to improve Racing Queensland's financial position, reducing the parent company loss to (\$19.9m).

We still have a long way to go and constraining expenditure whilst seeking to grow revenue, will remain common themes for the foreseeable future.

Industry Milestones

The 2015-16 financial year saw key milestones for the industry in Queensland with the return to racing at the redeveloped Eagle Farm, along with the re-opening of the upgraded Townsville track at Cluden Park.

In addition to these major projects, Racing Queensland has also made key changes to the Thoroughbred race dates calendar for 2016-17 which features the re-introduction of Tuesday racing and the development of extended day/night race meetings that will feature up to 12 races. Both of these initiatives will provide additional wagering opportunities for the industry.

The re-introduction of Tuesday racing has led to 19 race meetings being transferred to the premier channel of Sky Racing 1 which would not be possible if run on Saturdays.

Total wagering turnover on the three codes of racing in Queensland increased from \$3.2bn in 2014-15 to \$3.5bn in 2015-16. This

comprised total wagering of approximately \$2.5bn for Thoroughbreds, \$450m for Harness and \$630m for Greyhounds, representing a year-on-year growth of 9.4 per cent. Of course, this growth is offset by the changing dynamics of the wagering industry. The movement from totalisator betting to fixed-odd betting, and the continued growth of corporate bookmakers, has impacted overall yields.

Throughout 2015-16, Racing Queensland introduced a range of initiatives aimed at driving growth in wagering turnover including innovative promotions such as the Origin Jockey Series, the UBET Picket Fence and the UBET Super Six Trainers' Challenge.

The inaugural Origin Jockey Series was introduced for the 2015 Summer Racing Carnival and attracted some of Australasia's leading jockeys including three-time Melbourne Cup winning jockey Glen Boss, champion Victorian jockey, Craig Williams, and New Zealand's leading riders, Opie Bosson and Danielle Johnson.

The UBET Picket Fence promotion attracted some of Australasia's best pacers to race at the Queensland Winter Racing Carnival including New Zealand superstar, Christen Me, HectorJayJay (Victoria), Major Crocker (Victoria) and Nek Time (NZ).

The UBET Super Six Trainers' Challenge was developed in order to enhance the calibre of interstate and Queensland horses entered for the six Group 1 days of the Thoroughbred Queensland Winter Racing Carnival, and in-turn, drive wagering and interest in the state's showpiece event.

These concepts are all new measures which will be reviewed and refined over time.

Racing Queensland also recently engaged the services of rugby league superstar and Queensland sporting icon, Billy Slater, as an ambassador for all three racing codes. As part of his role, Slater will attend race meetings across Queensland,

encouraging engagement and participation in the racing industry.

Although the racing industry has had its challenges in recent times, there is reason for greater optimism for the future of the racing industry in Queensland.

I am confident we are heading in the right direction. The focus of the business is very much on getting things done and working with the industry, our partners and customers to deliver a product which is renowned as being the wagering product of choice.

Sam Adams

Acting CEO Racing Queensland

MAJOR 2015-16 INITIATIVES

As an industry in a highly competitive sporting and business environment, we must be race-ready and resolute in maintaining and increasing our relevance and market share. Progress in a fast-changing world is impossible without change.

Now more than ever it is vital the industry comes together to work as one to address the challenges that confront us, such as aging infrastructure, animal welfare needs and our financial viability.

Throughout the past financial year, a number of initiatives were put in place to help tackle some of the challenges we face, with the major ones outlined in the following pages.

Tracking Towards Sustainability Plan

The Racing Queensland Tracking Towards Sustainability (TTS) Plan was a significant project undertaken by Racing Queensland in 2015-16.

TTS was prepared in accordance with the Treasurer's direction of August 27, 2015 requiring Racing Queensland to prepare a plan that would enable it to return to profitability from July 1, 2016.

At this time, past operating losses had exhausted Racing Queensland's cash reserves and with a loss of approximately \$28m budgeted on a business as usual basis for 2015-16, there was a clear and urgent need to take action.

TTS was developed after an extensive consultation process with industry participant groups. The Plan endeavoured to balance the needs of the racing industry's various participant groups and to ensure that, through the consultation process, there are no unforeseen adverse consequences for any participant group.

Most significantly, TTS announced the introduction of new prizemoney levels from April 1, 2016. Importantly, the revised prizemoney levels remain higher than those in place before the prizemoney increases implemented on October 1, 2014.

Several key cost reduction initiatives outlined in TTS related to non-TAB country racing.

The Queensland Government subsequently announced the introduction of the Country Racing Support Program (CRSP), which is designed to help

replace the funding withdrawn under TTS and assist country race clubs to build capacity, improve their financial performance and ultimately reduce their dependence on Racing Queensland subsidies.

Establishment of the Queensland Racing Integrity Commission

In April 2016, legislation was passed facilitating the split of the commercial and integrity functions of Racing Queensland via the formation of the Queensland Racing Integrity Commission (QRIC).

Ross Barnett, one of the state's most senior police officers, was appointed as QRIC's first Commissioner and formal separation of the QRIC and Racing Queensland commenced on July 1, 2016. QRIC is responsible for racing integrity and animal welfare.

Club Liaison and Development

In 2015-16, Racing Queensland introduced a newly formed Club Liaison and Development Team to enable Racing Queensland to better assist the state's race clubs in the development of alternate revenue streams and to improve management across the industry's three racing codes.

Reporting to Head of Operations, the team is managed by David Aldred and will assist clubs with a variety of operational functions including annual club licensing, wagering data, race day operations, race meeting subsidies, training track subsidies, minimum standards, venue compliance, workplace health and safety, minor projects, venue development, accessing funding grants, corporate sponsorship, alternative events and event planning.

The Club Liaison and Development Team will also manage CRSP during the next four years.

Club Liaison and Development is already making a difference in this area with the development of new digital reporting technology to record track inspections and racetrack manager's track ratings in real-time. This information is then supplied to clubs and industry service providers as necessary.

Another popular team initiative is the Q-Club E-Newsletter which has up to date industry news for each of the three racing codes with news and photo contributions from race clubs throughout the state.

STRATEGY FOR THE YEAR AHEAD

Racing Queensland is focused on delivery. We know action continues to be needed to create confidence and strong foundations for future growth. There is no good reason why racing cannot have a bright and profitable future here in Queensland.

We have a top quality product, top quality animals and importantly top quality people from world-class jockeys and drivers to premier breeders and trainers. We need to unlock this talent and potential to improve economic returns and grow our contribution to Queensland.

Throughout 2016-17 we will build on the work of the past year as we continue to tackle the challenges before us and also take advantage of some significant opportunities on the horizon.

The following table provides a snapshot of the challenges facing the entire industry and the proactive mitigation plans and actions in place to address them.

CHALLENGE	HOW IT IS BEING ADDRESSED (OPPORTUNITIES)
Budget pressures	<ul style="list-style-type: none">• The implementation of TTS.• In consultation with participants, develop a Strategic Plan with vision and focus on growth.• Strengthen governance, policies and procedures.• Enhance Business Intelligence Systems.
Returns to owners and participants	<ul style="list-style-type: none">• Focus thinking and strategy on revenue improvements and allow participants to directly benefit from wagering growth.• Implement programs that attract new owners to the racing industry.
Improve wagering performance	<ul style="list-style-type: none">• Strengthen the partnership between the Queensland racing industry, Racing Queensland and UBET.• Implement marketing programs that grow engagement with existing punters and attract new customers to racing including developing Racing Queensland's digital assets.• Create additional opportunities for wagering service providers to market and promote Queensland racing.• Improve wagering opportunities by making continuous improvements to the racing calendar.• Develop a racing program that balances the need for club sustainability and the need to maximise wagering outcomes.• Develop an equitable Race Information Fee Policy that maximises revenue for the racing industry.• Implement programs that stimulate long-term revenue growth and address current stagnation of wagering growth on Queensland racing product.• Develop opportunities with UBET to maintain and retain pari-mutuel customers.• Ensure Queensland's racing vision is widely available to all stakeholders.
Ageing infrastructure, facilities and racetracks	<ul style="list-style-type: none">• Racing Queensland will develop an Infrastructure Plan that manages the funds available and supports projects which demonstrate value creation for the racing industry.
Balance club needs for funding support against the overall budget position of the industry	<ul style="list-style-type: none">• Develop a clear, transparent and sustainable funding model for clubs.



INDIVIDUAL RACING CODE HIGHLIGHTS

THOROUGHBRED

The volume of TAB racing remains strong with 417 race meetings conducted and 3110 individual races being run.

Non-TAB racing's outcomes were also pleasing with more than 11,400 starters contesting 1401 races.

Despite a decrease in the foal crop from the season prior, the QTIS scheme again provided significant returns to stakeholders. The mere fact that a filly winning a QTIS race at a Saturday metropolitan race meeting can pocket more than \$76,000 for her connections speaks for the scheme and it is hoped it will be the catalyst for long-term growth.

Club infrastructure, and specifically tracks, undoubtedly played a pivotal role in the Thoroughbred code throughout the season. The ongoing effects of the continued outage at Eagle Farm lingered and the ramifications of its unavailability were significant, both from racing and wagering perspectives. Eagle Farm's long awaited return on Stradbroke Day was not without teething issues but the state's industry can rightly look forward to having its premier racing venue back at the peak of its powers. The redevelopment of the track at Townsville also had a major impact on racing in North Queensland during the early part of the season. That process has, however, laid the platform for the future of racing at the Cluden Park venue, which is now an excellent racing surface.

The Summer Carnival, which commenced in earnest at Doomben in late November, saw the majority of the Group race spoils stay within the state, with Queensland based trainers, Tony Gollan, Toby Edmonds and Kevin Kemp, amongst the most successful. The Carnival also included the hosting of the inaugural UBET Origin Jockey Series which attracted high profile jockeys such as Glen Boss, Craig Williams and Opie Bosson to ride in Queensland, attracting a significant

level of profile and media attention across the nation. New Zealand ultimately took out the team honours but Queensland, Victoria and New South Wales ensured it went right down to the wire. As is always the case, the Carnival built to a crescendo with Magic Millions Day proving the highlight. The quality of the winners was high, a prime example of this was when the Magic Millions Two-Year-Old Classic was taken out by the Peter and Paul Snowden trained juvenile, Capitalist, who subsequently went on to further glory in the autumn by winning the Golden Slipper.

The pinnacle of Queensland's racing product is of course the Winter Racing Carnival, which returned to its more traditional format. It again proved to be very successful and was highlighted by the eagerly anticipated return to Eagle Farm, even though it was delayed by a week due to torrential weather and the subsequent cancelling of Oaks Day. The silver lining for the code was a "Super Saturday" of racing on Stradbroke Handicap Day after the Brisbane Racing Club and Racing Queensland decided to re-program some of the feature races from Oaks Day. The result was a landmark day for the industry in Queensland, during which four Group 1 races and four Group 2 races were run.

It was particularly pleasing from a local perspective to see two Queensland-trained horses victorious in Group 1 races. In some outstanding training efforts, Bryan Guy and Kelly Schweida produced Eagle Way and Miss Cover Girl to win the Queensland Derby and Tattersall's Tiara respectively. New Zealand trainer Tony Pike, also had a Carnival to remember, taking the lion's share of the purses of the Queensland Oaks and J.J Atkins back across the Tasman with Provocative and Sacred Elixir. The time-honoured Stradbroke Handicap, saw a two-horse war unfold over the concluding stages, with the Robert Smerdon-trained, Under The Louvre, prevailing over Darren Weir's Black Heart Bart.

The full list of Group 1 winners for the season was:			
RACE	HORSE	TRAINER	JOCKEY
JJ ATKINS	SACRED ELIXIR	Tony Pike	Zac Purton
QUEENSLAND OAKS	PROVOCATIVE	Tony Pike	Leith Innes
QUEENSLAND DERBY	EAGLE WAY	Bryan Guy	Tommy Berry
BTC CUP	MALAGUERRA	Lee & Anthony Freedman	Glen Colless
DOOMBEN 10,000	MUSIC MAGNATE	Bjorn Baker	Kerrin Mcevoy
STRADBROKE HANDICAP	UNDER THE LOUVRE	Robert Smerdon	Dwayne Dunn
TATTERSALL'S TIARA	MISS COVER GIRL	Kelly Schweida	Damian Browne
DOOMBEN CUP	OUR IVANHOWE	Lee & Anthony Freedman	Kerrin Mcevoy

Pleasingly, from a wider industry and breeding perspective, the Australian Pattern Committee ratings for the eighty Black Type Races run throughout the season were very strong.

The season's Winter Carnival also saw the advent of the UBET Super Six Trainers' Challenge won this year by Chris Waller. The series was a standout because the much-coveted major prize was the choice of either a new BMW or a VIP Kentucky Derby trip for the successful trainer and six of his/her owners. The Waller juggernaut had a fruitful Carnival on many fronts with its Super Six Trainers' Challenge win providing the final highlight.

Trainer Tony Gollan and his hard-working Eagle Farm based team again took the spoils with a third straight Metropolitan Trainers' Premiership. In what was a tremendous season for the stable, it amassed well over \$4m in prizemoney for connections with an impressive strike rate to boot.

In the jockey ranks, the Metropolitan title race was very keenly contested, with the evergreen, Jeff Lloyd, prevailing after a titanic struggle with perennial title aspirant, Jim Byrne. Special

mention needs to be made of the achievement of Lloyd who has had some immense challenges to overcome in recent times.

It is sheer testimony to Jeff's character and dedication that he was able to salute the judge in taking out the premiership.

The race for the Apprentice rider title became a one-act affair when James Orman won 67 races (prior to his apprenticeship ending before season's end) and amassed over \$3m in prizemoney for connections of the horses he piloted.

Premierships aside, all of the hard working trainers and riders throughout Queensland are to be commended for their tireless efforts throughout the entirety of the season.

Finally, it would be remiss not to mention Buffering. The magnificent son of Mossman, not only again flew the flag for the state in the nation's premier sprints (winning two Group 1s and the Magic Millions QTIS Open), but took his already remarkable career to higher levels by winning the highly prestigious Group 1 Al Quoz Sprint in Dubai in March.

INDIVIDUAL RACING CODE HIGHLIGHTS

HARNESS

The structure of the Harness Racing Calendar remained reasonably consistent with the previous financial year with regular TAB events held at Albion Park (Tuesday, Friday and Saturday) and Redcliffe (Wednesday and Thursday). The TAB meetings were complimented by 12 Marburg Non-TAB race meetings, the Warwick Father's Day meeting and dual-code racing at Deagon, Gympie and Kilcoy.

Show Racing continued this year at Toowoomba, Nanango, Gympie, Boonah, Caboolture and the Brisbane Exhibition, which continues to be well-received and offers Harness racing great exposure to a wider audience.

The 2015-16 Winter Carnival was successful from a programming perspective with plenty of high-quality interstate and overseas competitors meeting Queensland's best. Participation was enhanced by the ground-breaking UBET Picket Fence Promotion, which created much talk and anticipation about the Carnival and saw trainers targeting particular pathways, as they attempted to win the bonus for winning three races on the trot.

Racing Queensland Ambassador and Queensland Rugby League Champion, Billy Slater, was a major attraction on Oaks night during the Winter Carnival – an event that produced some outstanding racing with top class Victorian, Hectorjayjay, producing an astonishing performance to win the Sunshine Sprint.

The final night of the Albion Park Winter Carnival saw a large crowd in attendance despite the poor weather conditions to witness the running of three Group 1 races including Queensland's biggest race of the year; The Blacks A Fake, the two-year-old QBRED Triad Finals and the Group 2 Queensland Derby. Attracting a fine field of Australasian superstars, the \$200,000 Blacks A Fake was taken out by Ohoka Punter, trained by young Nathan Purdon. Ohoka Punter tasted

Group 1 success for the first time, defeating the brilliant Victorian, Hectorjayjay, and Ultimate Art in a Grand Circuit quality field, which also featured outstanding New Zealander, Christen Me, and reigning Queensland Horse of the Year, Avonnova.

The Group 1 QBRED Triad Finals were won by Changeoverme, who caused an upset in the Colts and Geldings division for trainer Kylie Rasmussen, driver Mat Neilson, and owner/breeders Gayle, Chris and Rodney Garrard. Im Norma Jean collected the Fillies trophy for trainer Peter Greig, visiting driver Amanda Turnbull and successful owner/breeders, Jeff and Lee-Ann Wallace.

The Group 2 Queensland Derby attracted a great cross-section of Australasia's best three-year-olds, with three Queenslanders meeting four New South Wales based horses, three Victorian and two New Zealand visitors. Queensland celebrated a local victory with Catcha Lefty claiming victory for his emotional trainer, owner and breeder, Cristina Monte, and driver Shane Graham, in what was an outstanding race.

The win of Catcha Lefty provided a special tribute to the gelding's dam Lefty who produced two winners for Cristina on the night as Bring On Lefty won the Rising Stars Championship earlier in the evening. Incredibly Lefty's last foal, Lucky Lefty, won days earlier providing the mare with the perfect record of 11 foals born and 11 winners.

The final running of Queensland's only Grand Circuit race, the \$200,000 Group 1 Queensland Pacing Championship in October, saw 2015 Blacks A Fake winner in Victorian-based Philadelphia Man return to Queensland as a short-priced favorite. However, it was an all-local finish with the Ian Gurney trained Our Hi Jinx claiming Group 1 glory from Caesars Folly and Avonnova in a highly competitive and entertaining race.

Group One Winners			
RACE	HORSE	DRIVER	TRAINER
GOLD COAST CUP	BLING IT ON	Luke McCarthy	Belinda McCarthy
DARRELL ALEXANDER MEMORIAL TROTting CHAMPIONSHIP	MY VALERIE NZ	Pete McMullen	Blake Fitzpatrick
QUEENSLAND PACING CHAMPIONSHIP	OUR HI JINX NZ	Greg Sugars	Ian Gurney
QBRED TRIAD FINAL - 3YO COLTS & GELDINGS	FRANKIE ROCKS	Grant Dixon	Grant Dixon
QBRED TRIAD FINAL - 3YO FILLIES	GET IN THE GROOVE	Grant Dixon	Grant Dixon
QBRED TRIAD FINAL - 2YO COLTS & GELDINGS	CHANGEOVERME	Mathew Neilson	Kylie Rasmussen
QBRED TRIAD FINAL - 2YO FILLIES	IM NORMA JEAN	Amanda Turnbull	Peter Greig
THE BLACKS A FAKE	OHOKA PUNTER	Nathan Purdon	Nathan Purdon

Queensland's best young drivers did battle in the 2016 BOTRA Queensland Young Drivers Championship and the series was taken out by former New South Wales driver Paul Diebert, defeating Matt Elkins and Amy Rees. Special congratulations to all drivers who competed in the series for their conduct and professionalism.

Queenslander Grant Dixon was recognised on a National level for his success as winner of the National Trainer's Premiership with 246 winners in the 2015-16 season, 25 clear of his nearest rival.

Racing Queensland introduced a number of initiatives during 2015-16 in an attempt to enhance the wagering product. These initiatives have resulted in favorable results, namely:

- A reduction in the number of races containing odds-on favorites by 3 per cent, when compared to the previous financial year (38.1 per cent 2014-15, 35.1 per cent 2015-16).
- Average field sizes up 5.5 per cent from 9.1 in 2014-15 to 9.6 in 2015-16.
- Foal numbers increased by 8 per cent to 365 in 2015-16.

INDIVIDUAL RACING CODE HIGHLIGHTS

GREYHOUNDS

On the track, few Greyhounds thrilled the community as much as the Bill Elson-trained Cyndie's Magic, largely due to her exciting racing pattern of dropping out to last early and coming home like a rocket. She was dubbed 'The New Queen of the Creek' by race caller Paul 'Dogsy' Dolan after winning 13 Class 1 races during the racing season. At the end of the year, she had collected three feature race victories in the President's Cup (710m), the Rockhampton Cup (510m) and the Winter Chase (710m). Showing her capabilities at the highest level, she was also Group 1 placed in both the Brisbane Cup (520m) and the Gold Cup (710m). If you get the opportunity to watch her race replays they are well worth the time and effort.

Fabulous Storm started the racing season with a bang for Queensland trained Greyhounds winning the Group 1 Winter Cup 520m for Reg Hazelgrove. Interstate Greyhounds proved hard to beat in the other major Group races for the remainder of the year, with Dyna Double One (VIC) taking out the Group 1 Brisbane Cup (520m) and My Boy Brodie (NSW) taking out the Group 1 Gold Cup (710m).

NSW Northern Rivers trainers had group race success with Norm The Storm (Matthew Reid), Cash In Motion (Robert Cooke) and France Soir (Robert Cooke). Queenslanders got some back with Velocity Shirl winning the Group 3 Big Dog Cup for Peter Wilson, Magical Yessam winning the Group 2 Ipswich Auction Series for Don Massey, and who could forget the

dead-heat in the world's richest Maiden, the Vince Curry Memorial, between Split Image and Paua to Avoid, both trained by Tony Brett. Tony also had interstate success with Thirty Talks claiming the \$100,000 Richmond Puppy Classic.

Further north, Dallas Beckett had a good year taking out the Rockhampton Grand Prix (510m) and Anniversary Trophy (510m) with Twelve Plus Two, and the Rockhampton Young Guns (407m) with Little Ach Cee, who also ran 2nd to Cyndie's Magic in the Rockhampton Cup.

Not Today Mate did well to win feature races in both Bundaberg (RQ Maiden 1000 - 460m) and Rockhampton (Young Guns - 510m). Rocket's Magic established himself as the king of the north for trainer, Rob Lound, with five feature race victories at both Townsville and Cairns, including the Young Guns (380m), Townsville Derby (498m), Easter Sprint (380m), Anzac Trophy (498m) and Cairns Grand Prix (544m).

All told, 464 TAB meetings and 112 Non-TAB meetings were held in 2015-16. The number of individual races increased due to the volume of nominations, resulting in extra races at Albion Park and Townsville. The average field size for TAB races remained steady in comparison to 2014-15 at 7.8 Greyhounds per race. Wagering turnover and revenue increased significantly throughout the year in a clear show of confidence in the industry from the punting community.

Group One Winners		
RACE	HORSE	TRAINER
WINTER CUP	FABULOUS STORM	Reg Hazelgrove
BRISBANE CUP	DYNA DOUBLE ONE	Mrs Andrea Dailly
GOLD CUP	MY BOY BRODIE	Mr Trevor Rice

Off the track, the Grading Policy Working Party was established and introduced a number of changes designed to make racing more competitive in Queensland and to give opportunities to a wider spectrum of Greyhounds. City class dogs are now upgraded on lower class tracks if they have won more than four city races. The upgraded city class Greyhounds were often victorious in the higher grade and the standard of 5th grade racing became more manageable for genuine 5th grade Greyhounds.

Further to this, Masters racing was introduced for the first time for 5th grade Greyhounds more than 42 months of age. The concept requires further refinement with some dominant performers across the state but became a regular fixture of the Ipswich (Friday) and Albion Park (Sunday) race meetings, and also branched out to Bundaberg, Rockhampton and Townsville during the year.

Restricted class racing was also introduced for Maidens (no wins in six starts) and 5th grades (no wins in the last six starts). Overall, the number of individual winners-to-races ratio increased from 36 per cent in 2015 to 47 per cent in 2016, indicating that more Greyhounds are winning races and having the chance to be competitive. Further work will continue in this area in 2016-17 with the introduction of Pathways Racing (reverse selection order) and the continued development of a National Grading System which may incorporate ratings for all Greyhounds.

The Cairns Greyhound Racing Club and Capalaba Greyhound Racing Club both experienced first-time-ever events during the year.

Cairns held its first televised TAB race meeting on June 28, 2016 with the running

of the Cairns Cup heats. The meeting was a great success for the industry with 10 races broadcast on Sky Racing 1. Emma Bryant and the team at Cairns must be congratulated for the enormous amount of work undertaken between April and June to make this event a reality.

Capalaba became the trial venue for the establishment of a Racing Queensland live streaming channel via Ustream, meaning for the first time, there was live vision and off-course wagering on Capalaba Non-TAB meetings. The Ustream trial is expected to continue at other Non-TAB venues in 2016-17.

All-in-all 2015-16 will be remembered as a watermark year for the Greyhound code as it looks to rebuild after the live baiting scandal. There are strong signs though that the industry is in recovery and looking forward to the year ahead.

QUEENSLAND GOVERNMENT'S OBJECTIVES FOR THE COMMUNITY

The racing industry in Queensland contributes to the State Government's objectives for the community by:

Creating jobs and a diverse economy

- The Queensland Racing industry employs tens-of-thousands of people directly in a range of vocations from horse and Greyhound trainers to veterinary surgeons, stewards, administrators, jockeys and drivers
- The racing industry also facilitates employment in a range of supplementary industries from feed and stock to transport and civil works
- Racing's breeding industries attract investment from overseas and interstate and produce a range of employment opportunities for Queenslanders
- Delivers capital works and industry infrastructure programs

Protecting the environment

- All Racing Queensland-approved infrastructure projects are constructed in line with responsible development procedures and all relevant planning legislation, including those relative to environment and heritage protection
- Furthermore, all future development projects will be encouraged to explore the possibility of multi-use facilities to ensure the best-possible use of space, including sports facilities and park areas
- Vaccination of horse populations against viruses in areas impacted by "bat colonies"

Delivering quality frontline services

- Racing Queensland is committed to ensuring our staff are provided with opportunities to develop their vocations for their own individual benefit and the benefit of the wider industry
- Racing Queensland is committed to providing opportunities for those pursuing a career in the racing industry to have access to adequate training in their chosen field
- Providing opportunity for owners to participate in the racing industry, at low cost

Building safe, caring and connected communities

- Racing is conducted across more than 130 venues throughout the length and breadth of the state. Racecourses throughout metropolitan and country Queensland play a role in galvanising communities as people come together to celebrate the iconic sport of racing.

FINANCIAL PERFORMANCE

Annual Financial Statements

The annual financial statements present the consolidated financial results for 2015-16 of the Queensland All Codes Racing Industry Board (QACRIB) trading as Racing Queensland, and its subsidiaries.

CONTROLLED ENTITIES	OWNERSHIP
Queensland Race Product Co Limited <i>(dormant entity and was deregistered during the year ended June 30, 2016)</i>	100%
Sunshine Coast Racing Pty Ltd atf Sunshine Coast Racing Unit Trust	84.6%
Rockhampton Racing Pty Ltd	63.8%

Since forming in 2010-11, the consolidated group has presented total comprehensive losses ranging between (\$13.9m) in 2011-12 and (\$3.8m) in 2012-13. The financial performance of the consolidated group for 2015-16 is summarised:

ENTITY	FINANCIAL RESULTS
Racing Queensland	(\$19.9m)
Queensland Race Product Co Limited	Nil
Sunshine Coast Racing Pty Ltd atf Sunshine Coast Racing Unit Trust	(\$1.2m)
Rockhampton Racing Pty Ltd	(\$0.6m)
Consolidation adjustments	(\$0.1m)
Consolidated Group Loss for the Year	(\$21.8m)
Other Comprehensive Income where items will never be reclassified to profit or loss	
Increase in asset revaluation surplus	\$3.5m
Total Comprehensive Loss	(\$18.3m)

The consolidated group loss of (\$21.8m) for 2015-16 is primarily attributable to the financial performance of the group's parent and main operating entity, Racing Queensland, which posted an annual loss of (\$19.9m).

Revaluation of Assets

The financial statements report a \$3.5m increase in the value of assets due to the independent valuations of all land, buildings and tracks undertaken by Australis Asset Advisory Group using 'fair value principles' on June 30, 2016.

Properties impacted by the increase in the asset revaluations surplus of \$3.5m include:

- Rockhampton Racing Pty Ltd: \$0.8m increase due to the net of \$1.2m increase in the value of the administration building and facilities, (\$0.1m) decrease in the value of the land, and decrease due to deferred tax liability on the 2015-16 revaluation of (\$0.3m).
- Sunshine Coast Racing Pty Ltd: \$0.2m increase in the land value, \$0.2m increase in the value of the track, \$0.2m increase in the value of the grass and synthetic tracks and track irrigation, \$0.1m increase in the lighting and \$0.2m increase across earthworks, drainage, grandstand, and day stalls.

In addition to this, Racing Queensland also recorded a \$1.5m increase in the value of land, buildings and tracks at the following locations:

- Albion Park: \$0.6m increase in the value of the land.
- Deagon: \$0.3m increase in the value of the land and \$0.2m increase in the assets primarily in the perimeter fence, grass and sand track, and the Deagon Office Building.
- Slacks Creek (Logan) \$0.3m increase in the value of the land.

RACING QUEENSLAND REVENUE

Wagering

Wagering revenue is the largest source of income for Racing Queensland. In 2015-16 Racing Queensland received gross wagering revenue of \$204.9m, an increase of \$2.5m on 2014-15.

Wagering Revenue – UBET

Total UBET turnover displayed an increase from 2014-15 of around 2.1 per cent, however, wagering revenue received from UBET was \$129.8m, down (\$2.4m) on 2014-15.

The graph below highlights the decline in UBET turnover on Queensland racing since the Eagle Farm track closure in August 2014. With the track’s reopening in June 2016, it is anticipated there will be a noticeable increase in turnover into the future. Pleasingly, in 2015-16, UBET turnover on Queensland racing showed positive growth for the first time since 2011-12.

Since the Eagle Farm track closure there has also been a visible increase in wagering through UBET on interstate and overseas racing products.



Pari-mutuel vs. Fixed Odds Wagering

Racing Queensland’s wagering revenue is impacted by customer movement between fixed odds and pari-mutuel betting. In recent years, there has been a continuing trend for customers to move away from pari-mutuel, preferring to bet on fixed odds markets.

Wagering Revenue – UBET Other

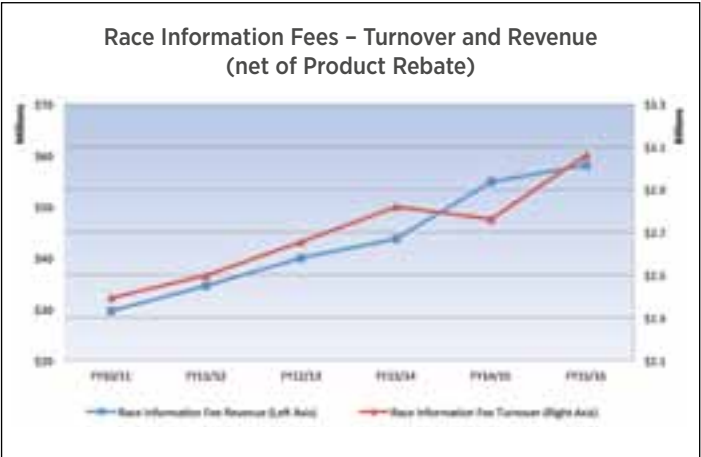
The 30-year Product Agreement with UBET commenced on July 1, 2014. As part of the agreement, Racing Queensland receives an annual fixed fee of \$15m indexed at 80 per cent of CPI. In 2015-16, Racing Queensland received approximately \$15.2m from UBET in the form of the fixed fee.

Racing Queensland also received a return from UBET’s sports betting operations of approximately \$0.2m, down from \$0.3m in 2014-15.

Revenue from Interstate Totes and Wagering Service Providers

Race information fees reflect the revenue Racing Queensland receives from interstate totes, corporate bookmakers and betting exchanges for their wagering activities on Queensland racing product.

Total Queensland race information fee turnover showed a healthy increase, with revenue (net of Queensland product fee rebates) up around \$3.3m or 6 per cent on 2014-15.



Other Revenue Movements

Other significant revenue movements include a (\$1m) reduction in Government grant income and a \$3.7m increase in sponsored prizemoney income.

WAGERING TURNOVER SUMMARY

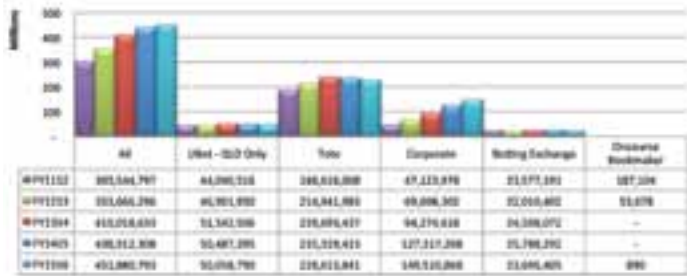
QLD Wagering Turnover – All



QLD Wagering Turnover – Thoroughbred



QLD Wagering Turnover – Harness



QLD Wagering Turnover – Greyhound



RACING QUEENSLAND EXPENDITURE

Prizemoney

Prizemoney makes up the largest portion of Racing Queensland's expenditure.

The 2015 annual report disclosed an (\$11.2m) operating loss for Racing Queensland as parent entity of the consolidated group. At this time, Racing Queensland had delivered five years of operating losses, had no cash reserves to fund ongoing losses and had budgeted a loss of (\$28m) for 2015-16.

The State Government agreed to fund Racing Queensland's operational cash shortfalls as Racing Queensland embarked on developing a future sustainability process, on the basis that such funds will be repaid when Racing Queensland is financially able.

In addition, the Queensland Audit Office noted as part of its assessment of the 2015-16 Annual Financial Statements, that RQ requires ongoing

Government support in order to remain a viable going concern.

Following extensive consultation, Racing Queensland released *Tracking Towards Sustainability* (TTS) Plan on December 3, 2015.

The TTS Plan introduced an amendment to prizemoney levels from April 1, 2016. Importantly, the revised prizemoney levels remain higher than those in place before the prizemoney increases implemented on October 1, 2014.

As part of the TTS, a mechanism has been put in place that allows prizemoney to be reviewed on a quarterly basis, taking into consideration the profitability of the industry overall and the profitability of each code.

Racing Queensland Contribution to Prizemoney and Breeding Schemes

CODE	2010-11 \$M	2011-12 \$M	2012-13 \$M	2013-14 \$M	2014-15 \$M	2015-16 \$M
Thoroughbred	\$ 76.4	\$ 78.5	\$ 81.2	\$ 84.0	\$ 93.5	\$ 98.5
Harness	\$ 14.2	\$ 14.2	\$ 14.9	\$ 14.2	\$ 16.5	\$ 16.6
Greyhound	\$ 7.9	\$ 9.6	\$ 10.4	\$ 10.8	\$ 14.7	\$ 14.0
Total	\$ 98.5	\$ 102.3	\$ 106.5	\$ 109.0	\$ 124.7	\$ 129.1

Industry Infrastructure Strategy Summary

The following table outlines Racing Queensland and the State Government's investment in key projects under the infrastructure strategy.

PROJECT	FUNDS RECEIVED FROM GOVERNMENT FOR THE LIFE OF THE PROJECT TO 30/06/16 (INCLUDING INTEREST EARNED)	ACTUAL PROJECT COSTS FOR THE LIFE OF THE PROJECT TO 30/06/16	APPROVAL PER FUNDING DEED	% COMPLETE
Cronulla Park, Logan	1,479,271	1,479,271	12,000,000	on hold
Eagle Farm Track, Brisbane	9,268,187	9,271,187	10,000,000	92.7%
Cluden Park, Townsville	6,942,436	6,920,084	7,000,000	98.9%
Eagle Farm Infield, Brisbane	12,118,907	11,914,949	12,000,000	99.3%
TOTAL	29,808,802	29,585,491	41,000,000	

THREE CODES’ INDIVIDUAL PERFORMANCES

As parent of the consolidated group, Racing Queensland’s overall loss increased by (\$8.7m) to (\$19.9m) in the 2015-16 financial year, with overall revenue increasing by \$5.2m and expenditure increasing by \$13.9m on the previous year.

The overall revenue increase of \$5.2m was mainly due to increased sponsored prizemoney and wagering revenue.

The table below shows that:

- Greyhound racing delivered a better than break even position in delivering a profit of \$0.3m in 2015-16.
- Thoroughbred racing generated a loss of (\$12.4m) in 2015-16, which was approximately 7.2% of its revenue.
- Harness racing had a loss of (\$7.8m) in 2015-16, which was approximately 34 per cent of its revenue.

	For the period 1 July 2015 to 30 June 2015			
	RACING QUEENSLAND	THOROUGHBRED	HARNESS	GREYHOUND
	\$'000	\$'000	\$'000	\$'000
Total Revenue	229,229	172,844	22,662	33,723
Total Expenditure	247,124	184,129	30,148	32,847
Earnings / (Loss) Before Depreciation	(-17,895)	(-11,285)	(-7,486)	876
Depreciation	2,023	1,120	338	565
Profit / (Loss) for the Year	(-19,918)	(-12,405)	(-7,824)	311

Three Codes Snapshot

RACING ACTIVITY	2011-12	2012-13	2013-14	2014-15	2015-16
Number of Meetings					
THOROUGHBREDS					
TAB	438	443	440	406	417
Non TAB	274	281	290	282	269
ALL	712	724	730	688	686
HARNESS					
TAB	257	289	314	270	262
Non TAB	50	20	15	13	17
ALL	307	309	329	283	279
GREYHOUNDS					
TAB	407	409	443	457	464
Non TAB	119	133	138	108	112
ALL	526	542	581	565	576

RACING ACTIVITY	2011-12	2012-13	2013-14	2014-15	2015-16
Number of Races					
THOROUGHBREDS					
TAB	3,182	3,272	3,343	3,040	3,110
Non TAB	1,384	1,468	1,458	1,461	1,401
All	4,566	4,740	4,801	4,501	4,511
HARNESS					
TAB	2,030	2,270	2,454	2,339	2,229
Non TAB	254	106	72	68	78
All	2,284	2,376	2,526	2,407	2,307
GREYHOUNDS					
TAB	4,063	4,117	4,429	4,534	4,717
Non TAB	930	1,011	1,046	826	796
All	4,993	5,128	5,475	5,360	5,513

RACING ACTIVITY	2011-12	2012-13	2013-14	2014-15	2015-16
Number of Starters					
THOROUGHBREDS					
TAB	32,148	34,632	31,906	30,230	30,758
Non TAB	11,336	11,196	11,787	11,726	11,436
All	43,484	45,828	43,693	41,956	42,194
HARNESS					
TAB	19,164	21,450	22,153	21,403	21,433
Non TAB	2,199	856	550	547	593
All	21,363	22,306	22,703	21,950	22,026
GREYHOUNDS					
TAB	31,515	31,667	33,849	35,297	36,565
Non TAB	6,271	7,084	7,368	6,170	5,718
All	37,786	38,751	41,217	41,467	42,283

RACING ACTIVITY	2011-12	2012-13	2013-14	2014-15	2015-16
Wagering Turnover					
THOROUGHBREDS					
TOTAL QLD	\$ 2,341,467,988	\$ 2,363,007,440	\$ 2,384,717,252	\$ 2,234,212,293	\$ 2,459,312,570
HARNESS					
TOTAL QLD	\$ 303,544,797	\$ 353,666,296	\$ 410,018,633	\$ 438,912,308	\$ 451,880,793
GREYHOUNDS					
TOTAL QLD	\$ 397,010,148	\$ 452,605,059	\$ 537,998,497	\$ 564,256,476	\$ 631,594,032



COUNTRY RACING CONTRIBUTION

Racing Queensland Country Racing Contribution

RACING QUEENSLAND	2015-16
Product and Program Fee	\$ 129,829,841
Race Information Fees deducted by UBET	(\$ 31,478,647)
Net Product and Program fee paid to Racing Queensland	\$ 98,351,194
5.32% of Net UBET Product Fee as Prizemoney Obligation under the Act	\$ 5,232,284
Prizemoney paid excluding value add prizemoney by the clubs	\$ 9,458,407
QTIS Paid	\$ 668,150
Total Prizemoney paid includes QTIS and excluding value add prizemoney	\$ 10,126,557
Additional prizemoney paid by RQ over and above the 5.32% under the Act	\$ 4,894,273
STATE OF QUEENSLAND COUNTRY RACING SERIES FUNDING CONTRIBUTION	\$ 973,531

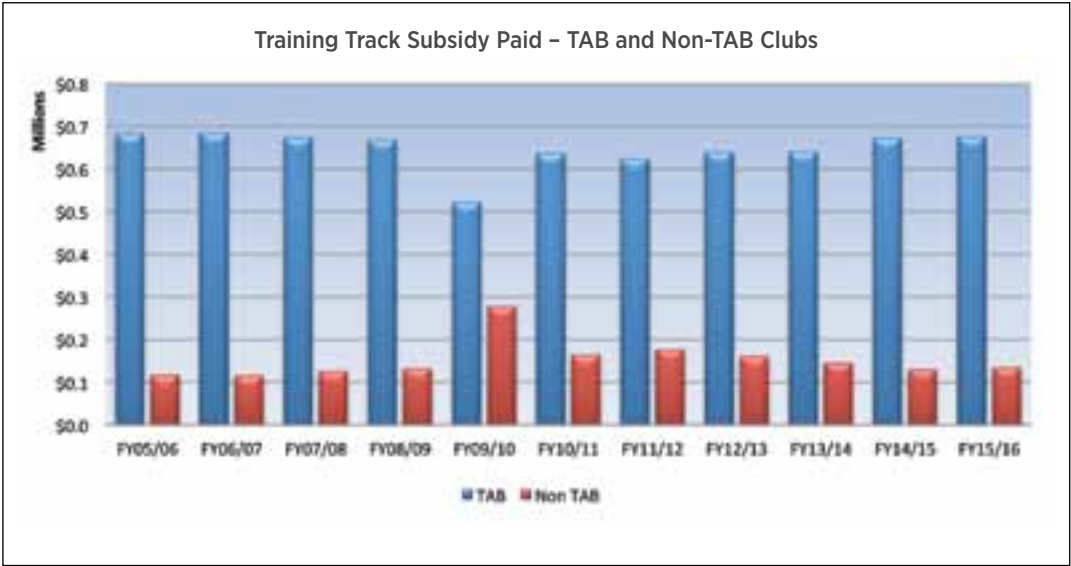
In addition, Racing Queensland also assists to facilitate race meetings at non-TAB venues by funding a range of club subsidy payments, jockey riding fees etc.

TRAINING TRACK SUBSIDY

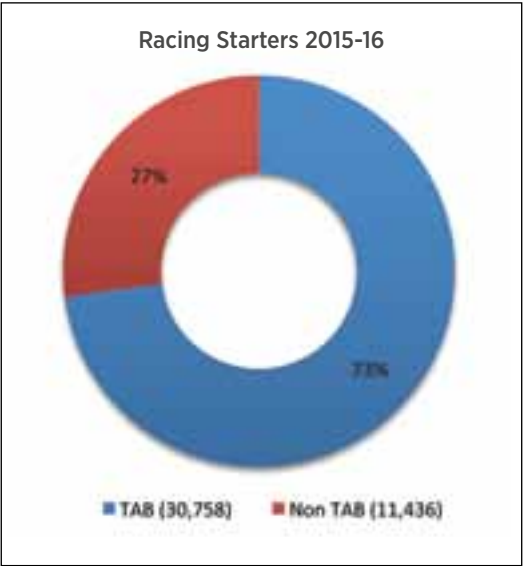
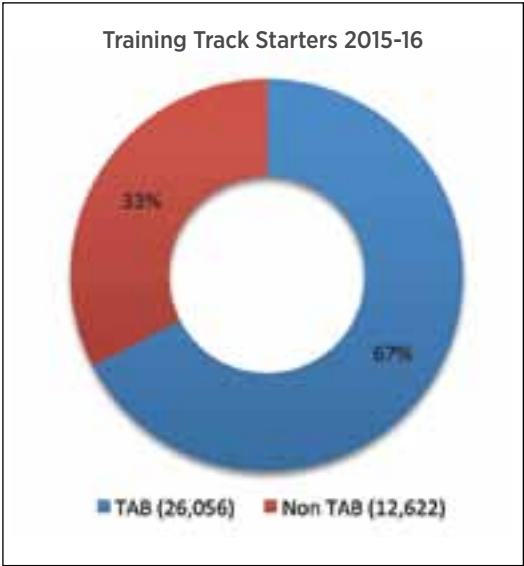
In 2015-16, the State Government provided funding of \$2m under the Thoroughbred Code Training Track Subsidy Scheme, which is distributed to race clubs that provide much needed training facilities for the industry.

Funding under this scheme is separated into two components:

- A threshold component of \$1.2m paid directly by the State Government to race clubs in accordance with the quality and extent of training facilities provided by the club; and
- An incentive component consisting of \$800,000 distributed by Racing Queensland in accordance with a formula recognising the number of starters produced annually by individual race clubs.



The graphs below highlight the distribution of starters between TAB and non-TAB clubs that receive the training track subsidy. The total number of starters between TAB and non-TAB meetings is also shown below for comparison.



INDUSTRY LICENSING

The following tables outline the number of licences issued as at June 30, 2016:

CATEGORY	NUMBER
THOROUGHBRED	
Total Trainers	918
Total Jockeys	260
Total Stable Staff	2,743
Bookmakers	91
Bookmakers Clerks	441
Riders Agents	31
Total Visiting Licenses	299
Total Thoroughbred	4,783
HARNESS	
Total Trainer/Drivers	182
Total Drivers	31
Total Trainers	115
Total Stable hands	159
Total Harness	487
GREYHOUND	
Total Trainers	687
Attendants	357
*Breeders License	355
Stud masters	34
Track Operators	7
Total Greyhound	1,440

TOTAL 132 LICENSED CLUBS				
	Thoroughbred	Harness	Greyhound	Total
TAB	13	2	4	19
NON TAB	107	3	3	113
Total	120	5	7	132

OBJECTIVES AND KEY PERFORMANCE INDICATORS

The following Key Performance Indicator (KPIs) areas are contained in the Racing Queensland Strategic Plan 2014-17. In 2015-16, Racing Queensland's performance against the KPIs has to some extent been influenced by the release and implementation of the TTS in December 2015.

Organisational KPIs will be reviewed as Racing Queensland works towards releasing a new Strategic Plan in 2016-17. However, the following table summarises Racing Queensland's performance against specific KPIs outlined in the existing plan.

OBJECTIVE AREA	KPIs 2015-16	RESULT 2015-16	COMMENT
Grow Wagering Revenue \$m	\$158.1m	\$151.7m	Includes revenue from UBET and Wagering Service Providers and is provided in this context exclusive of race information fee deductions, the UBET fixed fee, product rebates and income from UBET sports retail.
Increase Breeding Registrations	2,547		Data not available at time of production
Increase Prizemoney \$m	\$111.1m	\$137.9m	Includes prizemoney and breeders' bonus payments. Prizemoney levels were reduced from April 1, 2016.
Increase Integrity Tests	16,974	17,446	Racing Queensland exceeded the KPI in further proof of its ongoing commitment to uphold the integrity of racing across the three codes. Of all tests only 0.52% returned positive results.
Integrity Costs of Total Expenditure	6.39%	5.65%	Prizemoney levels have increased significantly since KPIs were established, impacting integrity costs as a portion of overall Racing Queensland expenditure.
Increase Number of Starters	118,753	106,503	The number of starters is consistent with the number of starters in previous years.
Grow Attendance	771,750		Attendances for FY15-16 were not available at the time of print as club annual reports are not due until September 30, 2016.
Increase Total Number of Trainers	2,872	1,902	The number of trainers is consistent with the number of trainers at the same point in time in 2014-15. The 2015-16 figure will increase as registration periods close.
Increase Total Licensees	7,140	6,710	The number of total licensees decreased slightly from the 6,932 licensees recorded in 2014-15.
Grow Total Number of Owners	18,685		Data not available at time of production
Increase Total Number of Participants	*		Unable to quantify.
Improve Turnover of Total Participants	*		Unable to quantify.
Improve Voluntary Employee Turnover Rate	<5%	13.67%	Staff turnover rate almost halved in 2015-16 from 24% the previous year.

* This KPI is listed in the Racing Queensland Strategic Plan 2014-17 but is unable to be measured under existing conditions. The data source from which the KPI was created is unknown.

BOARD AND MANAGEMENT

RACING QUEENSLAND BOARD

On May 1, 2013, Racing Queensland was established as the new control body for Greyhound, Harness and Thoroughbred racing in Queensland. As part of the new governance arrangements for racing in Queensland, control boards for each code of racing were also established on May 1, 2013.

Racing Queensland and the control boards collectively oversee the strategic direction of racing for all codes in Queensland.

On March 2, 2015, the Minister for Agriculture and Fisheries, Sport and Racing initiated a systems review of the regulation of the Greyhound Racing Industry and that review was followed by the establishment of a Commission of Inquiry into the Queensland Greyhound Racing Industry.

On June 1, 2015, Commissioner Alan MacSporran QC, found the regulatory framework of Racing

Queensland to be deficient in that it did not adequately assess risk and failed to plan an overall strategy to deal with the risk to integrity and animal welfare across all three codes of racing.

All members of the Board of Racing Queensland and of the boards of each of the three racing codes were removed and the Honorable John Muir QC was appointed Interim Chairman of the Board of Racing Queensland on June 4, 2015.

On March 30, John Muir's term concluded and on April 1, Steve Wilson AM was appointed as the Independent Chairperson of the Queensland All Codes Racing Industry Board.

At the same time, three industry members representing each code were also appointed; Dale Cartwright, Marg Reynolds and Jim Rundle (resigned on April 4).

RACING QUEENSLAND BOARD			
NAME	POSITION	BOARD	TERM
The Hon. John Muir QC	Chairperson	Queensland All Codes Racing Industry Board	July 1 2015 – March 30 2016
Steve Wilson AM	Chairperson	Queensland All Codes Racing Industry Board	April 1 2016 – June 30 2016
Dale Cartwright	Member	Queensland All Codes Racing Industry Board	April 1 2016 – June 30 2016
Margaret Reynolds	Member	Queensland All Codes Racing Industry Board	April 1 2016 – June 30 2016
Jim Rundle	Member	Queensland All Codes Racing Industry Board	April 1 2016 – April 4 2016



BOARD APPOINTMENTS – RACING QUEENSLAND

The Honorable John Muir

John Muir retired as a judge of the Queensland Court of Appeal on December 26, 2014. He was appointed to the Court in July 2007 after serving as a trial division Judge from April 1997. For the five years prior to his appointment to the Court of Appeal, he was the senior commercial list judge.

John has served as; chairman of the Queensland Law Reform Commission; president of the Land Appeal Court; chairman of the Committee of the Bar Practice Centre and chairman of the Rules Committee constituted under the *Supreme Court of Queensland Act 1991*.

He was awarded the Centenary Medal in 2003 and is a Fellow of the Institute of Arbitrators and Mediators Australia. Between 2007 and 2014, he was the secretary of the judicial section of Law Asia, and secretary of the biennial conferences of Chief Justices of Asia and the Pacific.

Independent Chair – Steve Wilson AM

Steve is the former chief executive officer and chairman of Wilson Group Ltd, one of Australia’s leading funds management and stockbroking firms. He has honorary doctorates of philosophy and was awarded an AM in 2011 for services to the financial services sector and the community. With extensive business and corporate governance experience, he has served as Chairman of Southbank Corporation, Hyperion Asset Management, Queensland Rugby Union, St John’s Cathedral Completion Fund and on the boards of Telstra and Queensland Tourism.

Industry member – Margaret Reynolds

Margaret was the secretary/treasurer of the Queensland Breeders Owners Trainers Reinspersons Association. She is a former director of the Queensland Harness Racing Board and was also secretary/manager of North Qld Harness Racing Club.

Industry member – Dale Cartwright

Dale is the past president of the Brisbane Greyhound Racing Club and was a committee member for six years. He is the past vice-president of the Brisbane Greyhound Racing Club and has been involved in Greyhound racing for more than 30 years. Dale chaired the meetings of the Queensland Greyhound Affiliation which dealt with industry and welfare issues in 2015.

On July 1, 2016, the following Board members were appointed:

Independent member and Deputy Chair – Sharon Dawson

Sharon is the chief executive officer of the Dawsons Group, a diversified heavy engineering and services company with operations in Cairns, Townsville and Charters Towers. She is also a former member of the Advisory Committee for TAFE North and previously sat on the management committee for Advance Cairns. Sharon has a strong knowledge of country and regional racing.

Industry member – Mark Sowerby

Mark is the founder and managing director of Blue Sky Alternative Investments Ltd, an alternative asset manager. In March 2016, Blue Sky was admitted to the ASX index as one of Australia’s top 300 listed companies with a market capitalisation in excess of \$500m and 85 people across offices in Brisbane, Sydney, Melbourne, Adelaide and New York. Mark raced horses across

country NSW and now has an involvement in more than 25 thoroughbreds. He has a deep understanding of all aspects of the thoroughbred industry and an ongoing interest and passion for the industry, its participants and its future.

Independent member – Susannah George

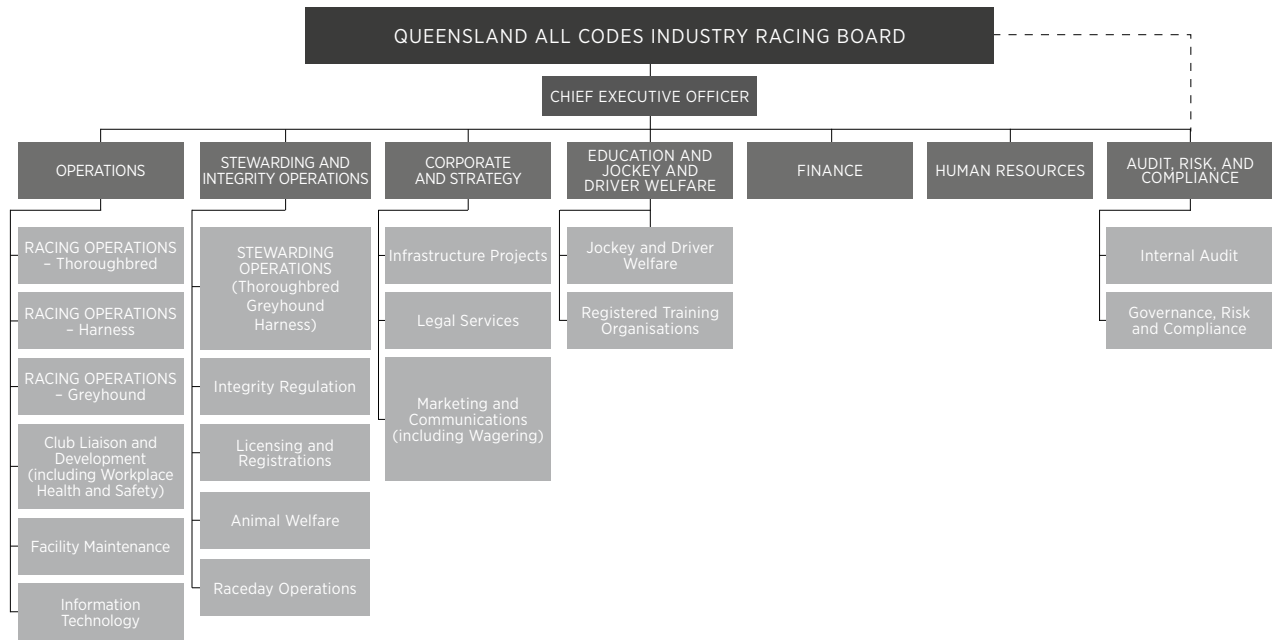
Susannah is the founder and director of *The Urban List*, one of Australia’s fastest-growing and most influential digital lifestyle platforms, attracting an audience of more than 1.6 million readers per month. As a great Brisbane success story, *The Urban List* began in Queensland and now operates in Sydney, Melbourne, Perth and Auckland. Susannah was named “Woman of the Year” in the B&T Women in Media Awards in 2015 and won the digital category for her work with *The Urban List*. Susannah has familial connections with the racing industry - her great grandfather Daniel O’Mara and grandfather Judge Eddie

Broad are both previous chairmen of the Brisbane Amateur Turf Club.

Independent member – Max Walters OAM FCA

Max was a senior executive with the Seven Network for 26 years and is a lifelong follower of racing across all codes. Max’s initial background is finance and he is a Fellow of the Institute of Chartered Accountants. During his career, he has been responsible for highly successful marketing, promotional and broadcast agreements between the Seven Network and both the South Australian Jockey Club and the Brisbane Racing Club. Max was awarded the Order of Australia Medal in 2011 for services to cricket, the community and the media.

RACING QUEENSLAND STRUCTURE as at June 30, 2016



OUR PEOPLE

In 2015-16, Racing Queensland employees continued to professionally deliver services and implement new initiatives to support the racing industry across the Thoroughbred, Harness and Greyhound codes.

Racing Queensland employs a range of people with diverse experience in a number of industry specific roles including: stipendiary stewards, handicappers, graders, veterinarians, sample collection officers, licensing and registration officers, facility maintenance and development officers, animal welfare staff, workplace educators, jockey mentors, wagering and data analysts, infrastructure projects staff and club liaison and development officers.

These roles are supported by corporate functions including: legal, audit, risk and compliance, marketing and communications, information technology, finance and human resources. All employees are employed under individual employment agreements.

- Racing Queensland implemented an organisational structure realignment to assist with workforce planning. Vacant positions that cannot be filled internally are advertised externally to attract candidates from an inclusive, diverse and capable workforce. The performance management system was updated but not implemented due to the delayed creation of the Queensland Racing Integrity Commission commencing July 1, 2016.
- All new employees attend a corporate induction on their first day covering the Code of Conduct, general Racing Queensland policies and procedures, as well as human resources and workplace health and safety systems, and processes.

As at June 30, 2016, Racing Queensland employed 122 full-time equivalent (FTE) permanent employees, 24 fixed-term contract employees

(excluding board members) and 114 casual employees across 142 FTE permanent positions and 15 temporary positions. The separation rate was 13.7 per cent compared to 23.9 per cent for 2014-15.

- Flexible working arrangements were in place on June 30, 2016, for 12 permanent employees working part-time and three employees participating in formal telecommuting arrangements. Other employees work adjusted start and finish times either formally or on an ad hoc basis.

During 2015-16, Racing Queensland acknowledged the following recognition of service rewards:

- 5 years' service – 8 employees
- 10 years' service – 10 employees
- 20 years' service – 1 employee

We continued to provide health and wellbeing services including:

- Monthly information sheets and website links on the Employee Assistance Program and topics such as: mental health (goal setting, stress, anxiety, depression, understanding suicide, domestic and family violence); physical health (nutrition and exercise); financial health (surviving the holidays, budgeting and responsible credit); and promoting the GreatLife app focusing on mind, body, money, relationships, work and family
- Influenza vaccinations provided to 34 employees
- Linking to QSuper financial fitness program
- Implementing a workstation ergonomic assessment process and providing equipment
- Appointing a Workplace Health and Safety adviser to focus on the commencement of developing and updating all workplace health and safety-related documentation and practices.

EXECUTIVE LEADERSHIP TEAM

Acting Chief Executive Officer – Samuel Adams

Sam was the acting chief executive officer from April 1, 2016 to August 21, 2016. Between July 1, 2016 and March 31, 2016, Sam's role as head of corporate and strategy was to lead the organisation's legal, infrastructure, wagering, marketing and communications functions.

Head of Operations – Declan Martschinke

Declan leads the racing operations department, which works with clubs across the three codes of racing to develop the most innovative and effective allocation of race dates, scheduling prizemoney, developing state-wide racing programs and feature race schedules. His other responsibilities include; developing and implementing the Tracking Towards Sustainability Plan, consulting with industry discussion groups, the provision of handicapping and grading services, club liaison and development, facility maintenance, creating business intelligence reporting, rolling out new information technology infrastructure and moving to the Single National System – Thoroughbred.

Acting Head of Stewarding and Operations – James Dart

Jamie leads the Stewarding and Integrity Department to conduct inquiries, undertake stable and kennel inspections, provide veterinary services, introduce a focused animal welfare function, implement the Greyhound Adoption Program and manage race day operations. Jamie also led the department to identify the functions to be transferred to the Queensland Racing Integrity Commission and the implementation of the change management process for staff and industry participants.

Acting Head of Corporate and Strategy – Doug Cross

Doug was responsible for managing the Corporate and Strategy team from April 2016 to August 2016. Prior to this, his position was that of general manager marketing and communications.

Head of Audit, Risk and Compliance – Michael Campbell

Michael leads the audit, risk and compliance department created in January 2016 to conduct internal audits and investigations, manage club compliance, undertake a legislative compliance review, implement the risk management system, control track, and commence the review of the procurement function and the review of organisational policies and procedures.

General Counsel – Allan Lonergan

Allan commenced with Racing Queensland in November 2015 and is responsible for legal services including; litigation matters, requests for information, land resumption matters, contract management and providing specialist legal advice across all areas of the business.

Education Manager – Robyn Bell

Robyn commenced with Racing Queensland in March 2016 and is responsible for managing a team of workplace educators and apprentice coaches aligned to the registered training organisation and implement the jockey and driver welfare function. Robyn has more than 12 years' experience within the vocational education and training sector and brings with her a wealth of knowledge in contract compliance, program development and community and industry capacity building.

Finance Manager – Sharon Drew

Sharon leads the finance department to provide accounts payable and receivable, prizemoney distribution, management accounting and reporting and ensuring financial compliance and audit requirements are met.

Human Resources Manager – Erica Urselmann

Erica leads the human resources department to deliver payroll services, recruitment and selection, workforce reporting, performance management and employee and industrial relations matters.

CORPORATE GOVERNANCE

The governance structure of Racing Queensland has been established to set direction and oversee performance. Information about strategic and operational performance is provided by Racing Queensland's performance reporting, human resource and financial systems. Strategic and operational direction is communicated and managed through Racing Queensland's Business Plan, quarterly plans, key performance measures and targets as well as a structured risk management process.

Compliance

The Queensland All Codes Racing Industry Board (trading as Racing Queensland) was established under s9AA of the *Racing Act 2002*. Racing Queensland is a statutory body under the *Financial Accountability Act 2009* and *Statutory Bodies Financial Arrangements Act 1982* and a unit of public administration under the *Crime and Misconduct Act 2001*.

Governance

Each accountable officer and statutory body must ensure a governance framework appropriate for the accountable officer's department or the statutory body is established. Governance, for a statutory body, is the way the statutory body manages the performance of its functions and operations.

Racing Queensland's Governance incorporates the cultural and operational aspects of our organisation that are influenced by our actions and decisions and includes the concepts of:

- (i) Openness, integrity and accountability
- (ii) Due care
- (iii) Public defensibility

Racing Queensland commenced updating the Code of Conduct to reflect the Queensland Public Service Code of Conduct and aligns to the *Public Sector Ethics Act 1994* principles, values and the obligations of public officials. This is supported by a separate policy focusing on actual or perceived conflicts of interest related to the racing industry that is required to be completed as part of the pre-employment check. All new employees receive training on these

topics during their induction. The finalisation of the updated Code of Conduct and retraining for all employees has been identified as a focus for 2016-17.

Racing Queensland's governance groups and committees oversee all major activities and areas of decision-making and ensure the organisation has a clear direction, operates efficiently and fulfills its legislative responsibilities. These groups are:

- Executive Leadership Team
- Audit and Risk Committee
- Workplace Health & Safety Committee
- Licensing Committee
- Remuneration Committee

Executive Leadership Team

The executive leadership team oversees the organisation's strategic direction and performance. The group is assisted by the audit and risk committee and other governance groups. The executive leadership teams' role is to:

- Administer the rules of racing
- Implement sound policies
- Establish and maintain standards of safety and integrity
- License industry participants
- License race clubs, venues and monitor their activities and performance
- Monitor the condition of racecourses and work with race clubs to ensure courses are developed to a suitable standard
- Commission and undertake research and promotional activities
- Administer industry funding and commercial agreements
- Represent the Queensland racing industry on the three peak national bodies; the Australian Racing Board (ARB) and its subcommittees, Harness Racing Australia (HRA) and Greyhounds Australasia Limited (GAL)
- Develop an effective product and program mix
- Provide an effective and efficient system for the distribution of prizemoney

DIRECTION FROM THE MINISTER

In accordance with the *Racing Act 2002* (the *Racing Act*), Racing Queensland received the following ministerial directions:

- Direction from Hon. Steve Dickson, Minister for National Parks, Recreation, Sport and Racing (NPRS) on July 18, 2013, requiring the Queensland All Codes Racing Industry Board to seek approval from the Minister prior to:
 - Paying any account, debt or other payment, however described, exceeding \$1m
 - Entering into any legally binding agreement where consideration may exceed \$1m for any individual agreement
 - Entering into more than one agreement with the same entity or a related body to that entity, where the agreements are for substantially the same matters, where the consideration for the totality of such agreements may exceed \$1m

This above direction does not apply to:

- The payment of prizemoney published in the racing calendar by Racing Queensland or
- The payment of recurring salaries and wages of employees of Racing Queensland, or superannuation and tax payments associated with such recurring salaries and wages
- Direction from Hon. Bill Byrne MP, Minister for Agriculture and Fisheries and Minister for Sport and Racing, on March 16, 2015 confirming the above direction is still in effect and will continue until otherwise advised
- Direction from Hon. Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Sport and Minister for Multicultural Affairs on December 21, 2015, confirming the direction issued July 18, 2013, is still in effect and will continue until otherwise advised

- Direction from the Hon. Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Sport and Minister for Multicultural Affairs on March 16, 2016 that Racing Queensland facilitates the following:

- The obtaining of advice from the Commissioner in the evaluation of Racing Queensland's finances, assets and systems by allowing access to all necessary information
- The preparation for transfer of officer from Racing Queensland to Queensland Racing Integrity Commission (QRIC) by providing access to all personnel files and information, which may include but is not limited to names, addresses, bank details, remuneration packages, superannuation, employment conditions and historical personnel files
- The transfer of resources from Racing Queensland (once identified) to QRIC, which will include staff, positions, funding, assets and or supporting systems and tools related to the functions of QRIC
- Following the implementation of Recommendation 1 of the Queensland Greyhound Racing Industry Commission of Inquiry (the Commission) through the establishment of and transfer of functions to QRIC, the minister also requested that Racing Queensland:

- Informs the national bodies, in writing, about the current reforms being implemented in Queensland and the impact that these reforms will have on Racing Queensland's ability to comply with the requirements of the national bodies
- Takes carriage for the resolution of any issues arising from the implementation of the reforms in Queensland raised by the national bodies

- Advises the director-general, NPSR and the commissioner, as soon as possible, of any issues that arise related to the national bodies that could impede the effective operation of the racing industry following the implementation of the reforms

- Advises how Racing Queensland proposes to resolve any of those issues

- Direction from Hon. Grace Grace MP, Minister for Employment and Industrial Relations, Minister for Sport and Minister for Multicultural Affairs on May 24, 2016, subsequent to ministerial direction of March 16, 2016, requiring RQ provide Racing Queensland's accounts payable master data to the department. The data should include:
 - all relevant employee and trading vendor master data records as required by the department to ensure the QRIC required accounts payable functionality is built into its new financial management system ready for operation from July 1, 2016.

AUDIT AND RISK COMMITTEE

As a result of the structure of the board throughout the 2015-16 financial year, no audit and risk committee was established. With the

full board having been appointed on July 1, 2016, an audit and risk committee has been established.

INTERNAL AUDIT

Internal audit is an integral part of Racing Queensland's corporate governance framework, established to provide an independent appraisal and advisory function to the chief executive officer and the Queensland All Codes Racing Industry Board.

Responsibilities also include; providing assessment and evaluation of the effectiveness and efficiency of financial and operating systems, compliance and reporting processes and activities. The internal auditor retains an independent and direct reporting relationship to the board.

Internal audit operates under an internal audit charter which defines the purpose, responsibilities and function of the Audit. The charter was developed, as required by the Financial and Performance Management Standard 2009, and is consistent with accepted auditing and ethical standards, including the International Professional Practices Framework approved by the Institute of Internal Auditors and the Auditing and Assurance Standards Board.

Internal audit has also paid due regard to Queensland Treasury's audit committee guidelines in performing its function, with a view to improving accountability and performance.

Internal audit worked to the three-year Internal Audit Plan, containing the 2015-16 annual Internal Audit Plan, approved by the audit and risk committee. A risk-based approach was applied in developing the annual audit plan, while maintaining an appropriate balance of review of core business processes.

Internal audit reported on the outcome of audits undertaken, progress in relation to the annual plan and the implementation of audit recommendations. The most significant work reported on in the 2015-16 financial year was in the following areas:

- Race club governance, operations and management
- Race information fees
- SKY Channel licence fees

General Information

Open Data Initiative

In line with the Queensland Government's open data initiative, Racing Queensland has developed an open data policy and publishes a wide range of data on the web which may be available to interested parties as part of this initiative. Information available online includes Racing Queensland's overseas travel and consultancy information.

Information Systems and Recordkeeping

Racing Queensland has previously worked with the state archivist with a view to finalising its retention and disposal schedule. Racing Queensland will continue to work with the state archivist to adapt the current schedule to apply to all racing agencies and put in place retention and disposal schedules covering the entire industry.

Racing Queensland continues to review its record keeping with a view to establishing best practice and to better facilitate compliance with the *Public Records Act 2002*, *Information Privacy Act 2009*, and *Right to Information Act 2009*.

GLOSSARY OF TERMS

Glossary of terms which may have been used in this report are contained in the table below:

TERM	DEFINITION
Board	The board of Racing Queensland
Breeding Incentive Scheme	A scheme that provides an incentive for Queensland-bred race animals to be purchased and raced in Queensland through the provision of bonus prizemoney
Chairman of Stewards	The most senior steward position responsible for management and oversight of integrity services and stewarding
Code	The type of racing, being one of the following; Thoroughbred Racing, Harness Racing or Greyhound Racing
Control Body	An organisation that exists for the purpose of controlling racing for a particular code or codes empowered by the <i>Racing Act</i>
Country	Areas outside of metropolitan and provincial. Generally country areas
Customers	Individuals, groups or organisations with specific interest in and/or influence on the work of Racing Queensland
Group 1, 2, and 3	A level of quality in terms of performance and prizemoney ascribed to a particular race as set by the Australian pattern committee. Group 1 is the highest level
Integrity	The standards and required behaviours applied to the conduct of races, the rules associated with racing and the resulting confidence, all things being equal, by the public in a fair and equitable race outcome
Metropolitan Racing	The greater Brisbane area. Specifically the venue held by the Brisbane Racing Club
Off-course	Activities conducted outside of a race course venue
On-course	Activities conducted at a race course venue
Pacing or pace	Used to describe the particular style of Harness racing in reference to the horses' gait
Pari-mutuel	Traditional wagering market with floating (variable) odds based on a total market pool of funds wagered
Principal Racing Authority	A state-based organisation that exists for the purpose of managing and administering racing for a particular code or codes
Prizemoney	Funds collected by Racing Queensland through the product and program agreement and race information fees and distributed to owners, trainers, riders, and drivers as a result of winning or placing their animal in a race
Product and Program	The racing product being the participation composition and broadcast race event and the program being the scheduling of that product
Product and Program Agreement	The revenue from wagering distribution agreement between Racing Queensland and Tattsbet
Provincial	Major regional cities as designated by Racing Queensland
QBRED	A Harness racing breeding scheme
Race club	A not for profit association appointed by its members for the purpose of running race meetings at a particular venue
Race Information Fees	The fee charged by Racing Queensland for the use of product and program for the purposes of wagering
Rules of Racing	The rules relating to the participation in and conduct of a particular code of racing as formulated, published and enforced by the control body
Stakeholders	Individuals, groups or organisations with specific interest in and/or influence on the work of Racing Queensland
Speed map	A tool to assist in analysing the way a race is likely to be run in terms of speed, positioning and use of any track bias that may be present
Swab Official	Race day operations employee that performs the duties of swabbing racing animals
Synthetic Track	A race track surface constructed of synthetic material (as opposed to grass)
TAB Meeting	Product and program broadcast on television and radio and wagered on through any wagering operator
Trotting or Trot	Used to describe the particular style of Harness racing in reference to the horses' gait
Wagering	Gambling on code-specific product and program

ACRONYMS

Acronyms which may have been used in this report are contained in the table below:

ACRONYM	DESCRIPTION
2YO	2-Year-Old in relation to a horses age
3YO	3-Year-Old in relation to a horses age
4YO	4-Year-Old in relation to a horses age
ARB	Australian Racing Board
C.A.R.E.	Collaborate, Assist, Regulate, and Enable
CCS	Clubs Cooperation Scheme
CEO	Chief Executive Officer
GAL	Greyhounds Australasia Limited
GAP	Greyhound Adoption Program
HR	Human Resources
HRA	Harness Racing Australia
IIS	Industry Infrastructure Strategy
IP	Intellectual Property
IT	Information Technology
NDR	National Data Repository
PRA	Principal Racing Authority
QCAT	Queensland Civil and Administrative Tribunal
QCRS	Queensland Community Racing Scheme
QREA	Queensland Racing and Equine Academy
QRI	Queensland Race Information
QRIC	Queensland Racing Integrity Commission
QTIS	Queensland Thoroughbred Incentive Scheme
RISA	Racing Information Services Australia
RISE	Racing Information Services Enterprise
RQ	Racing Queensland
RWWA	Race Wagering Western Australia
SCIT	Sunshine Coast Institute of TAFE
TCO2	Total carbon concentration level
TTS	Tracking Towards Sustainability Plan

BOARD MEETINGS

NAME OF GOVERNMENT BODY	Queensland All-Codes Racing Industry Board				
ACT OR INSTRUMENT	Racing Act 2002				
Functions	<p>The Queensland All-Codes Racing Industry Board (the All-Codes Board) (trading as Racing Queensland) was established under s.9AA of the <i>Racing Act 2002</i>. Racing Queensland is a statutory body under the <i>Financial Accountability Act 2009</i> and the <i>Statutory Bodies Financial Arrangements Act 1982</i> and a unit of public administration under the <i>Crime and Misconduct Act 2001</i>.</p> <p>The All-Codes Board is the control body for all three codes of racing (Thoroughbred, Harness, and Greyhound) in Queensland and coordinates, manages and regulates the industry by:</p> <ul style="list-style-type: none">• administering the rules of racing• implementing sound policies• establishing and maintaining standards of safety and integrity• licensing industry participants• licensing race clubs and venues, monitoring their activities and performance• monitoring the condition of racecourses and working with race clubs to ensure courses are developed to a suitable standard• commissioning and undertaking research and promotional activities• administering industry funding and commercial agreements• representing the Queensland racing industry on the three peak national bodies; Racing Australia and its subcommittees, Harness Racing Australia (HRA) and Greyhounds Australasia Limited (GAL)• developing an effective product and program mix• providing an effective and efficient system for the distribution of prize money• maintaining a capital works program across the codes of racing. <p>The role of the All-Codes Board is to provide strategic guidance for the All-Codes and effective oversight of management.</p> <p>In performing its role, the All-Codes Board aspires to excellence in governance standards.</p>				
Achievements	<ul style="list-style-type: none">• Delivered a better than budgeted financial result• Greyhound racing reform• Establishment and separation of QRIC• Delivery of the TTS Plan• Opening of upgraded Eagle Farm and Townsville Racecourses• Reintroduction of Tuesday racing in Queensland• Introduction of new marketing partnerships with UBET				
Financial reporting	The All-Codes Board tables its own Annual Report in Parliament.				
REMUNERATION					
Position	Name	Meetings/sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	John Muir QC	30	58,685.00	Nil	48,302.21
Chair	Steve Wilson AM	3	58,685.00	Nil	14,671.26
Member	Dale Cartwright	3	39,303.00	Nil	9,825.75
Member	Margaret Reynolds	3	39,303.00	Nil	9,825.75
Member	Jim Rundle	0	39,303.00	Nil	302.32
No. scheduled meetings/sessions		33			
Total out of pocket expenses	\$ 6,395.81				

ATTACHMENT B - COMPLIANCE CHECKLIST

	SUMMARY OF REQUIREMENT	BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 8	Inside Cover
Accessibility	Table of contents Glossary	ARRs – section 10.1	Pages 1 & 39
	Public availability	ARRs – section 10.2	Page 1
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3	N/A
	Copyright notice	Copyright Act 1968 ARRs – section 10.4	Page 1
	Information licensing	<i>QGEA – Information Licensing</i> ARRs – section 10.5	Page 1
General information	Introductory information	ARRs – section 11.1	Page 2
	Agency role and main functions	ARRs – section 11.2	Page 2
	Operating environment	ARRs – section 11.3	Page 9 & 10
Non-financial performance	Government's objectives for the community	ARRs – section 12.1	Page 18
	Other whole-of-government plans / specific initiatives	ARRs – section 12.2	N/A
	Agency objectives and performance indicators	ARRs – section 12.3	Page 29
	Agency service areas and service standards	ARRs – section 12.4	Page 4
Financial performance	Summary of financial performance	ARRs – section 13.1	Pages 19 - 28
Governance – management and structure	Organisational structure	ARRs – section 14.1	Pages 32 & 33
	Executive management	ARRs – section 14.2	Page 35
	Government bodies (statutory bodies and other entities)	ARRs – section 14.3	N/A
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 14.4	Page 36
	Queensland public service values	ARRs – section 14.5	Page 3 & 36
Governance – risk management and accountability	Risk management	ARRs – section 15.1	Page 38
	Audit committee	ARRs – section 15.2	Page 38
	Internal audit	ARRs – section 15.3	Page 38
	External scrutiny	ARRs – section 15.4	N/A
	Information systems and recordkeeping	ARRs – section 15.5	Page 38
Governance – human resources	Workforce planning and performance	ARRs – section 16.1	Page 34
	Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> Directive No.16/16 <i>Early Retirement, Redundancy and Retrenchment</i> (from 20 May 2016) ARRs – section 16.2	N/A
Open Data	Consultancies	ARRs – section 17 ARRs – section 34.1	https://data.qld.gov.au
	Overseas travel	ARRs – section 17 ARRs – section 34.2	https://data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 17 ARRs – section 34.3	https://data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	Pages 43 - 47
	Independent auditors report	FAA – section 62 FPMS – sections 50 ARRs – section 18.2	Pages 78 - 79

FAA Financial Accountability Act 2009

FPMS Financial and Performance Management Standard 2009

ARRs Annual report requirements for Queensland Government agencies

Annual report requirements for Queensland Government agencies for the 2015-2016 reporting period

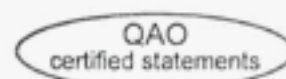
FINANCIAL STATEMENTS

Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733

Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
Continuing Operations					
Revenue and Other Income					
Wagering Revenue	2	203,347	202,404	203,347	202,404
Racing Fees		8,084	7,918	8,084	7,918
Local Breeder Nomination Fees		1,927	970	1,927	970
Government Grant Income	3	1,852	2,823	1,852	2,823
Prizemoney Sponsored Income	4	8,818	5,114	8,818	5,114
Licence and Registration Fees		967	1,169	967	1,169
Integrity Services Revenue		399	368	399	368
Industry Insurance Recoupment		1,148	-	1,148	-
Interest Income		338	403	285	343
Marketing Income		892	867	892	867
Other Revenue	5	1,736	2,192	1,510	2,052
Total Revenue and Other Income		229,508	224,228	229,229	224,028
Expenses					
Wagering Expense	2	36,228	34,984	36,228	34,984
Prizemoney and Breeders Bonus Payments	4	137,899	129,793	137,899	129,793
Supplies and Services	6	18,773	18,067	18,537	17,823
Jockeys and Drivers (excluding Prizemoney)	7	19,362	14,122	19,362	14,122
Grants and Subsidies	8	16,434	17,247	16,430	17,247
Employee Expenses	9	15,452	14,527	15,452	14,527
Marketing Expenditure		1,757	1,778	1,757	1,778
Interest Expense		11	21	11	21
Government Grant Expense		849	2,581	849	2,581
Depreciation Expense	15	3,990	3,021	2,023	1,506
Loss on Disposal of Asset		529	755	529	755
Other Expenses		70	67	70	67
Total Expenses		251,354	236,963	249,147	235,204
(Loss) for the Year		(21,846)	(12,735)	(19,918)	(11,176)
Other Comprehensive Income					
<u>Items that will never be reclassified to Profit or Loss</u>					
Increase In Asset Revaluation Surplus		3,492	36,192	1,769	9,935
Total items that will not be reclassified to Profit or Loss		3,492	36,192	1,769	9,935
Total Comprehensive Income/(Loss)		(18,354)	23,457	(18,149)	(1,241)
(Loss) attributable to members of Racing Queensland		(21,436)	(12,394)	(19,918)	(11,176)
(Loss) attributable to non-controlling interests	23	(410)	(341)	-	-
		(21,846)	(12,735)	(19,918)	(11,176)
Total Comprehensive Income/(Loss) for the period attributable to members of Racing Queensland		(18,378)	18,990	(18,149)	(1,241)
Total Comprehensive Income/(Loss) for the period attributable to non-controlling interests	23	24	4,467	-	-
		(18,354)	23,457	(18,149)	(1,241)

The accompanying notes form part of the financial statements.



Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733
Statement of Financial Position
as at 30 June 2016

	Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
Current Assets					
Cash and Cash Equivalents	11	16,373	4,207	14,147	2,268
Receivables	12	17,149	18,097	17,039	18,005
Other Current Assets		1,631	3,004	1,631	3,004
Total Current Assets		35,153	25,308	32,817	23,277
Non-Current Assets					
Other Non-Current Assets	13	12,211	1,074	12,211	1,074
Other Financial Assets	14	3,711	3,026	29,815	28,839
Property, Plant and Equipment	15	142,947	143,688	82,525	83,487
Total Non-Current Assets		158,869	147,788	124,551	113,400
Total Assets		194,022	173,096	157,368	136,677
Current Liabilities					
Payables	16	16,825	25,132	17,024	25,347
Other Provision	17	4,001	-	4,001	-
Accrued Employee Benefits	18	1,330	1,158	1,330	1,158
Deferred Income	19	91	1,300	91	1,300
Other Liabilities		60	302	60	302
Total Current Liabilities		22,307	27,892	22,506	28,107
Non-Current Liabilities					
Accrued Employee Benefits	18	963	990	963	990
Deferred Tax Liabilities	20	2,426	2,055	-	-
Loans	21	43,783	-	43,783	-
Total Non-Current Liabilities		47,172	3,045	44,746	990
Total Liabilities		69,479	30,937	67,252	29,097
Net Assets		124,543	142,159	90,116	107,580
Equity					
Contributed Equity		122,183	122,183	119,191	119,191
Accumulated Surplus/(Deficit)		(46,719)	(25,283)	(42,726)	(22,808)
Asset Revaluation Surplus	22	35,323	32,265	12,026	10,257
Other Reserves		1,625	940	1,625	940
Capital and Reserves Attributable to Racing Queensland		112,412	130,105	90,116	107,580
Non-Controlling Interests	23	12,131	12,054	-	-
Total Equity		124,543	142,159	90,116	107,580

The accompanying notes form part of the financial statements.

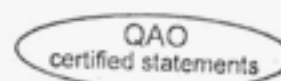
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Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733
Statement of Changes in Equity
for the year ended 30 June 2016

	Contributed Equity	Accumulated Surplus / (Deficit)	Assets & Investments Revaluation	Total	Non- Controlling Interests (Note 23)	Total Equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	122,183	(12,889)	881	110,175	7,547	117,722
Operating Result from Continuing Operations	-	(12,394)	-	(12,394)	(341)	(12,735)
<i>Other Comprehensive Income</i>						
Changes in fair value of land & buildings	-	-	31,384	31,384	4,808	36,192
Total Comprehensive Income for the year	-	(12,394)	31,384	18,990	4,467	23,457
<i>Transactions with Owners as Owners</i>						
- Other reserves*	-	-	940	940	-	940
- Contributions to sinking fund	-	-	-	-	40	40
Net Transactions with Owners as Owners	-	-	940	940	40	980
Balance at 30 June 2015	122,183	(25,283)	33,205	130,105	12,054	142,159
Balance at 1 July 2015	122,183	(25,283)	33,205	130,105	12,054	142,159
Operating Result from Continuing Operations	-	(21,436)	-	(21,436)	(410)	(21,846)
<i>Other Comprehensive Income</i>						
Changes in fair value of land & buildings	-	-	3,058	3,058	434	3,492
Total Comprehensive Income for the year	-	(21,436)	3,058	(18,378)	24	(18,354)
<i>Transactions with Owners as Owners</i>						
- Other reserves*	-	-	685	685	-	685
- Contributions to sinking fund	-	-	-	-	53	53
Net Transactions with Owners as Owners	-	-	685	685	53	738
Balance at 30 June 2016	122,183	(46,719)	36,948	112,412	12,131	124,543

* Racing Australia Ltd investment increase of \$685,000 (2015: \$940,000) (refer note 14).

The accompanying notes form part of the financial statements.



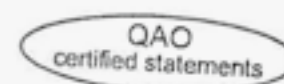
Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733

Statement of Changes in Equity (continued)
for the year ended 30 June 2016

	Contributed Equity	Accumulated Surplus / (Deficit)	Assets & Investments Revaluation	Total Equity
Parent Entity	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	119,191	(11,632)	322	107,881
Operating Result from Continuing Operations	-	(11,176)	-	(11,176)
<i>Other Comprehensive Income</i>				
Changes in fair value of land & buildings	-	-	9,935	9,935
Total Comprehensive Income for the year	-	(11,176)	9,935	(1,241)
<i>Transactions with Owners as Owners</i>				
- Other reserves*	-	-	940	940
Net Transactions with Owners as Owners	-	-	940	940
Balance at 30 June 2015	119,191	(22,808)	11,197	107,580
Balance at 1 July 2015	119,191	(22,808)	11,197	107,580
Operating Result from Continuing Operations	-	(19,918)	-	(19,918)
<i>Other Comprehensive Income</i>				
Changes in fair value of land & buildings	-	-	1,769	1,769
Total Comprehensive Income for the year	-	(19,918)	1,769	(18,149)
<i>Transactions with Owners as Owners</i>				
- Other reserves*	-	-	685	685
Net Transactions with Owners as Owners	-	-	685	685
Balance at 30 June 2016	119,191	(42,726)	13,651	90,116

* Racing Australia Ltd investment increase of \$685,000 (2015: \$940,000) (refer note 14).

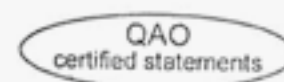
The accompanying notes form part of the financial statements.



Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733
Statement of Cash Flows
for the year ended 30 June 2016

Note	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
Cash flows from operating activities				
<i>Inflows:</i>				
Receipts from customers	226,731	222,935	226,533	217,039
Grants and other contributions	1,852	2,823	1,852	2,823
GST collected from customers	20,999	18,547	20,989	18,539
Interest received	345	384	285	344
<i>Outflows:</i>				
Employee expenses	(15,309)	(14,493)	(15,309)	(14,493)
Supplies and services	(233,027)	(218,878)	(233,075)	(212,363)
GST paid to suppliers	(9,545)	(10,400)	(9,528)	(10,305)
GST remitted to ATO	(11,454)	(8,147)	(11,461)	(8,234)
Net cash provided by/(used in) operating activities	(19,408)	(7,229)	(19,714)	(6,650)
Cash flows from investing activities				
<i>Inflows:</i>				
Sale of property, plant and equipment	413	16	413	-
<i>Outflows:</i>				
Purchase of property, plant and equipment	(556)	(2,763)	(484)	(2,748)
Net cash provided by/(used in) investing activities	(143)	(2,747)	(71)	(2,748)
Cash flows from financing activities				
<i>Inflows:</i>				
Proceeds from borrowings	31,664	-	31,664	-
Repayment by related party	53	45	-	-
Net cash provided by/(used in) financing activities	31,717	45	31,664	-
Net increase/(decrease) in cash and cash equivalents	12,166	(9,931)	11,679	(9,398)
Cash and cash equivalents at the beginning of the financial year	4,207	14,138	2,268	11,666
Cash and cash equivalents at the end of the financial year	16,373	4,207	14,147	2,268

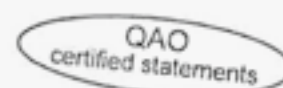
The accompanying notes form part of the financial statements.



Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
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1 Statement of Significant Accounting Policies

(a) Objectives and principle activities of Queensland All Codes Racing Industry Board trading as Racing Queensland (Racing Queensland)

Racing Queensland is the control body for all three codes of racing (thoroughbred, harness, and greyhound) in Queensland and is a statutory body established under the *Racing Act 2002*.

Racing Queensland coordinates, manages and regulates the industry by:

- Administering the Rules of Racing;
- Implementing sound policies;
- Establishing and maintaining standards of safety and integrity;
- Licensing industry participants;
- Licensing race clubs and venues, monitoring their activities and performance;
- Monitoring the condition of racecourses and working with race clubs to ensure courses are developed to a suitable standard;
- Commissioning and undertaking research and promotional activities;
- Administering industry funding and commercial agreements;
- Representing the Queensland racing industry on the three peak national bodies; Racing Australia and its subcommittees, Harness Racing Australia Inc. (HRA) and Greyhounds Australasia Limited (GAL);
- Developing an effective product and program mix;
- Providing an effective and efficient system for the distribution of prizemoney; and
- Maintaining a capital works program across the Codes of Racing.

(b) Statement of Compliance

The financial statements are general purpose financial statements and are prepared on a going concern basis as per note 26.

The financial statements have been prepared on an accrual basis in accordance with:

- Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board based on Tier 2 Reduced Disclosure Requirements and Interpretations.

and in compliance with the:

- *Financial Accountability Act 2009*; and
- *Financial and Performance Management Standard 2009*.

The historical cost convention is used unless otherwise stated.

(c) The Reporting Entity and Controlled Entities

Racing Queensland controls other entities. This means Racing Queensland has the power to control financial and operating policies so as to obtain benefits from its activities.

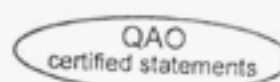
The balances and effects of transactions between controlled entities included in the consolidated financial statements have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Parent Entity.

The Reporting Entity (known as the Parent Entity)

Queensland All Codes Racing Industry Board trading as Racing Queensland

	2016	2015
Controlled Entities:	%	%
Queensland Race Product Co Ltd	100	100
Sunshine Coast Racing Pty Ltd as trustee for the Sunshine Coast Racing Unit Trust	84.6	84.6
Rockhampton Racing Pty Ltd	63.8	63.8

Queensland Race Product Co Ltd is a dormant entity and was deregistered during the year ended 30 June 2016.



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

1 Statement of Significant Accounting Policies (continued)

(d) Other Presentation Matters

Currency and Comparatives

All amounts throughout the financial statements are in Australian dollars and the Statements have a June financial year end. Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Comparative information has been restated in a manner that is more informative to meet the common information needs of users. The comparative operating results have remained consistent with the audited 2014-15 financial statements.

Current / Non-Current Classification

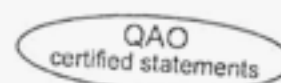
Assets and liabilities are classified as either "current" or "non-current" in the Statement of Financial Position and associated notes. Assets are classified as "current" where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as "current" when they are due to be settled within 12 months after the reporting date, or the Parent Entity does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

(e) New and Revised Accounting Standards

Racing Queensland did not voluntarily change any of its accounting policies during 2015-16. Australian Accounting Standard changes applicable for the first time as from 2015-16 have had minimal impact on Racing Queensland's financial statements.

(f) Issuance of Financial Statements

The financial statements are authorised for issue by the Chief Executive Officer and the Chairperson at the date of signing the Management Certificate.



Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

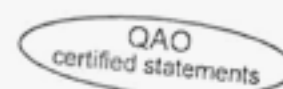
	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
2. Wagering Revenue & Expense				
Wagering Revenue				
Product Fee	129,830	132,229	129,830	132,229
Fixed Fee	15,181	15,000	15,181	15,000
Sports Retail	210	336	210	336
Race Information Fee	59,662	54,839	59,662	54,839
	<u>204,883</u>	<u>202,404</u>	<u>204,883</u>	<u>202,404</u>
Queensland Product Rebate	(1,536)	-	(1,536)	-
Total Wagering Revenue	<u>203,347</u>	<u>202,404</u>	<u>203,347</u>	<u>202,404</u>
Wagering Expense				
Race Information Deductions	36,228	34,984	36,228	34,984
Total Wagering Expense	<u>36,228</u>	<u>34,984</u>	<u>36,228</u>	<u>34,984</u>

Wagering Revenue Recognition

- (i) Wagering revenue is recognised when Product Fee monies are due and payable from UBET QLD Limited.
- (ii) Fixed fee revenue due and payable from Ubet QLD Limited is received in July and amortised throughout the year based on rolling prior three year actual revenue.
- (iii) Sports Retail wagering revenue is recognised when due and payable from UBET QLD Limited.
- (iv) Race Information Fees are brought to account as income during the period to which the amounts relate.

Wagering Expense Recognition

Wagering expenses comprise of overseas and inter-state race information expenses incurred by UBET QLD Limited in generating their wagering revenue.



Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
3. Government Grant Income				
Queensland Government - Infrastructure	69	1,021	69	1,021
Queensland Government - Country Racing	974	1,000	974	1,000
Queensland Government - Training Track Subsidy	809	802	809	802
Total	1,852	2,823	1,852	2,823

Prior year comparatives have been restated in accordance with Note 1(d).

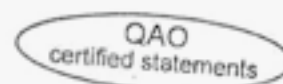
Recognition

Grants that are non-reciprocal in nature are recognised as revenue when Racing Queensland obtains control over them (control is generally obtained at the time of receipt). Where grants received are reciprocal in nature, revenue is progressively recognised over the term of the funding arrangement.

Contributions of assets are received from the Government and other parties. These assets are recognised at fair value on the date of acquisition in the Statement of Financial Position, with a corresponding amount of revenue recognised in the Statement of Comprehensive Income.

Additional Disclosures

Queensland Government – Training Track Subsidy is brought to account in the financial year 2015-2016 as revenue and expense. Racing Queensland receives the incentive component from the Government and distributes to approved thoroughbred clubs each year based on the number of starters generated by a venue.



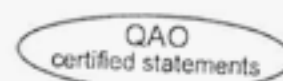
Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
4. Prizemoney and Breeders Bonus Payments				
Prizemoney Sponsored Income - Third Party Sponsored				
Thoroughbred	8,546	4,524	8,546	4,524
Harness	161	469	161	469
Greyhound	111	121	111	121
Total Prizemoney Sponsored Income	8,818	5,114	8,818	5,114
Prizemoney and Breeders Bonus Payments				
Prizemoney Payments - Racing Queensland Funded				
Thoroughbred	91,503	87,179	91,503	87,179
Harness	15,492	15,417	15,492	15,417
Greyhound	14,006	14,478	14,006	14,478
	121,001	117,074	121,001	117,074
Prizemoney Payments - Third Party Sponsored				
Thoroughbred	8,546	4,524	8,546	4,524
Harness	161	469	161	469
Greyhound	111	121	111	121
	8,818	5,114	8,818	5,114
Breeders Bonus Payments				
Thoroughbred	6,970	6,329	6,970	6,329
Harness	1,110	1,038	1,110	1,038
Greyhound	-	238	-	238
	8,080	7,605	8,080	7,605
Total Prizemoney and Breeders Bonus Payments	137,899	129,793	137,899	129,793

Prior year comparatives have been restated in accordance with Note 1(d).

Prizemoney payments expense are shown as gross of third party contributions of sponsored prizemoney that is shown as prizemoney sponsored income under Revenue and Other Income.



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
5. Other Revenue				
Animal Welfare Revenue	27	331	27	331
Harness Racing Australia Income	47	77	47	77
Racing Australia Ltd Distribution Income	-	18	-	18
Land Tax Refund	-	251	-	251
Flood Insurance Proceeds	20	-	20	-
Rental Income	151	265	151	101
Car Parking Revenue	290	220	290	220
Training Revenue	144	238	144	238
Bad Debts Recovered	44	188	44	210
Recognition of Prior Period Provision	575	358	575	358
Sky Racing Product Fee	-	62	-	62
Other Revenue	438	184	212	186
Total	1,736	2,192	1,510	2,052

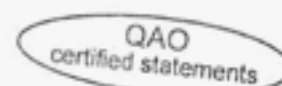
Prior year comparatives have been restated in accordance with Note 1(d).

6. Supplies and Services

Integrity Services Expense	5,121	4,698	5,121	4,698
Race Day Expenses	2,178	2,284	2,178	2,284
Industry Insurances Expense	1,731	1,048	1,731	1,048
Animal Welfare Expense	725	526	725	526
Licence and Registration Expense	154	179	154	179
Venue Expense	2,360	2,350	2,133	2,136
Administration Expense	5,204	5,305	5,200	5,303
Operating Lease Expense	297	380	297	380
External Audit Fees	175	175	170	147
Other Audit Related Services	-	35	-	35
Bad Debts Expense	381	76	381	76
Motor Vehicle and Travel Expenses	305	373	305	373
Other Expenses	142	638	142	638
Total	18,773	18,067	18,537	17,823

Prior year comparatives have been restated in accordance with Note 1(d).

Total external audit fees paid to the Queensland Audit Office, relating to the 2015-16 financial year, are estimated to be \$175,000 (2015: \$174,800).



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
7. Jockeys and Drivers (excluding Prizemoney)				
Jockey Fees	18,393	13,162	18,393	13,162
Drivers Fees	969	960	969	960
Total	19,362	14,122	19,362	14,122

Prior year comparatives have been restated in accordance with Note 1(d).

The ATO issued Racing Queensland with default assessments with respect to superannuation contributions allegedly payable to certain jockeys in relation to the quarters commencing 1 July 2009 and concluding on 30 September 2014. Racing Queensland has lodged an objection against the default assessments and the ATO is considering the objection. Notwithstanding the objection, the obligation to pay the default assessments arises when the default assessment is issued. Racing Queensland has calculated the full extent of superannuation payable for all jockeys for the quarters commencing 1 July 2009 and concluding on 30 September 2014 and has made provision for the amount that would be payable to the ATO if default assessments were issued for all jockeys. This has been disclosed in Note 17.

8. Grants and Subsidies

Club Subsidies	16,434	17,207	16,430	17,207
Club Sustainability	-	2	-	2
Other	-	38	-	38
Total	16,434	17,247	16,430	17,247

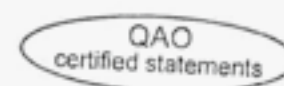
Prior year comparatives have been restated in accordance with Note 1(d).

9. Employee Expenses

Employee Benefits				
Wages and Salaries	11,811	10,944	11,811	10,944
Annual Leave Expense	898	858	898	858
Superannuation Contribution	1,116	1,081	1,116	1,081
Long Service Leave Expense	161	148	161	148
Employee Related Expenses				
Payroll Tax	630	632	630	632
WorkCover	203	168	203	168
Other Employee Related Expenses	633	696	633	696
Total	15,452	14,527	15,452	14,527

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2016	2015
Number of full time equivalents	122.2	124.1



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

9. Employee Expenses (continued)

(a) Recognition

Wages and salaries, annual leave, long service leave, and employer superannuation contributions are regarded as employee benefits. Worker's compensation insurance and payroll tax are not employee benefits and are recognised separately as employee related expenses.

Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at the reporting date are recognised in the Statement of Financial Position at the current salary rates. As Racing Queensland expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at their undiscounted values.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. As it is unlikely that existing accumulated entitlements will be used by employees, no liability for unused sick leave entitlements is recognised.

Sick leave is non-vesting, so an expense is recognised for this leave as it is taken.

Annual and Long Service Leave

Annual leave and long service leave liabilities are accounted for as short term employee benefits if Racing Queensland expects to wholly settle all such liabilities within the 12 months following reporting date. Otherwise, annual leave and long service leave liabilities are accounted for as 'other long-term employee benefits' in accordance with AASB 119 and split between current and non-current components.

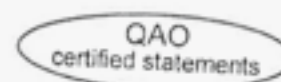
Entitlements expected to be paid within the 12 months following balance date are recognised at their undiscounted values. For those entitlements not expected to be paid within the 12 months following balance date, the liabilities are recognised at their present value, calculated using yields on Queensland Treasury Corporation's AUD Benchmark as at 30 June 2016, after projecting the remuneration rates expected to apply at the time of likely payment.

Long service leave liabilities are estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 8 years of qualifying service, the probability that they will reach the required minimum period of service has been taken into account in estimating the long service leave liability.

All directly associated on-costs (e.g. employer superannuation contributions, payroll tax, and workers' compensation insurance) are also recognised as liabilities where these costs are material.

Superannuation

Racing Queensland contributes to various accumulating Employee Superannuation Funds. Contributions are expensed in the period to which they are paid or payable. Racing Queensland's liability is limited to its contribution to these Funds.



Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

10. Key Management Personnel

Key management personnel and remuneration disclosures are made in accordance with the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

(i) Key Management Personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Racing Queensland during the financial year 2015-2016.

Position	Responsibilities	Contract appointment authority	Date appointed to position	Date removed from position
Board Chairperson	The Chairperson decides the objectives, strategies and policies to be followed by Racing Queensland and ensure it performs its functions in a proper, effective and efficient way.	Appointed by the Governor in Council	1-Apr-16	
Board Interim Chairperson	The Interim Chairperson decides the objectives, strategies and policies to be followed by Racing Queensland and ensure it performs its functions in a proper, effective and efficient way.	Appointed by the Governor in Council	1-Jul-15	30-Mar-16
Board Member	The Member decides the objectives, strategies and policies to be followed by Racing Queensland and ensure it performs its functions in a proper, effective and efficient way.	Appointed by the Governor in Council	1-Apr-16	
Chief Executive Officer	The Chief Executive Officer is responsible for the ongoing management of the organisation in accordance with the strategy, policies and programs approved by the Board. Provides leadership and strategically manages the performance and services delivered through each of the corporate services areas of financial management and compliance, legal, information technology, business analysis, business services and commercial racing development.	Appointed by the Governor in Council	1-Aug-13	1-Jul-15
Acting Chief Executive Officer	The Acting Chief Executive Officer is responsible for the ongoing management of the organisation in accordance with the strategy, policies and programs approved by the Board. Provides leadership and strategically manages the performance and services delivered through each of the corporate services areas of financial management and compliance, legal, information technology, business analysis, business services and commercial racing development.	Appointed by the Board and Governor in Council	1-Apr-16	
Head of Operations	The Head of Operations, provides leadership and strategically manages the performance and services delivered through facilities development and maintenance and racing program management.	Appointed by the Chief Executive Officer	23-Jun-14	
Chief Financial Officer	The Chief Financial Officer is responsible for strategic leadership and direction of efficient, effective and economic financial administration of Racing Queensland.	Appointed by the Chief Executive Officer	1-Aug-13	6-Nov-15

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Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

10. Key Management Personnel (continued)

(i) Key Management Personnel (continued)

Position	Responsibilities	Contract appointment authority	Date appointed to position	Date removed from position
General Manager of Stewarding and Integrity Operations	The General Manager of Stewarding and Integrity Operations is responsible for the effective delivery of licensing, animal welfare, stewarding and integrity services, including veterinarians and swab officials, and operational stewarding throughout the State and is responsible for policy, strategy and performance under these areas, management of the complaints system and investigations as required, and maintaining the interaction with various levels of government. Other responsibilities include the effective delivery of betting analysis and monitoring of all Queensland TAB races.	Appointed by the Chief Executive Officer	1-May-13	8-Jul-15
Acting Head of Stewarding and Integrity Operations	The Acting Head of Stewarding and Integrity Operations is responsible for the effective delivery of licensing, animal welfare, stewarding and integrity services, including veterinarians and swab officials, and operational stewarding throughout the state. The incumbent is responsible for policy, strategy and performance under these areas, management of the complaints system and investigations as required, and maintaining the interaction with various levels of government. Other responsibilities include the effective delivery of betting analysis and monitoring of all Queensland TAB races.	Appointed by the Chief Executive Officer	1-Sep-15	
Head of Corporate and Strategy	The Head of Corporate and Strategy is responsible for legal matters involving Racing Queensland, advising the Board and the organisation on legal issues and leading the development and implementation of Racing Queensland's Strategic Plan.	Appointed by the Chief Executive Officer	11-Jul-14	
Acting Head of Corporate and Strategy	The Acting Head of Corporate and Strategy is responsible for legal matters involving Racing Queensland, advising the Board and the organisation on legal issues and leading the development and implementation of Racing Queensland's Strategic Plan.	Appointed by the Chief Executive Officer	1-Apr-16	
General Counsel	The General Counsel provides advice on legal issues involving Racing Queensland and the racing industry. The General Counsel also provides secretarial support to the various boards and manages racing appeals.	Appointed by the Chief Executive Officer	17-Nov-15	
Head of Audit, Risk and Compliance	The Head of Audit, Risk and Compliance is responsible for providing independent appraisal and advisory services to the Board and the organisation on matters relating to Audit, Risk, and Compliance.	Appointed by the Chief Executive Officer	1-Jan-16	

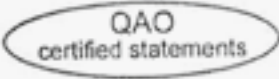


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Notes to and forming part of the Financial Statements
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10. Key Management Personnel (continued)

(i) Key Management Personnel (continued)

Position	Responsibilities	Contract appointment authority	Date appointed to position	Date removed from position
Education Manager	The Education Manager is responsible for administration, compliance and implementation of all accredited training and the management of broader industry workforce and training initiatives.	Appointed by the Chief Executive Officer	15-Mar-16	
Human Resources Manager	The Human Resources Manager is responsible for managing the human resources function within Racing Queensland.	Appointed by the Chief Executive Officer	13-Oct-14	
Finance Manager	The Finance Manager is responsible for the overall management of the Finance Team of Racing Queensland and the overall financial compliance and financial audit requirements.	Appointed by the Chief Executive Officer	1-Jul-12	



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Notes to and forming part of the Financial Statements
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10. Key Management Personnel (continued)

(ii) Remuneration of Key Management Personnel

The remuneration policy for the Members and Chief Executive Officer of Racing Queensland is set by the Governor in Council. The remuneration policy for employees, who are Key Management Personnel, is set by the Board.

Remuneration packages for Members and Key Management Personnel comprise the following components:

- Short term employment benefits which include:
 - (i) Base consisting of base salary, where applicable, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the Member or employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - (ii) Non-monetary benefits consisting of the provision of a motor vehicle together with fringe benefits tax applicable to the benefit.
- Long service leave accrued is the only long term employment benefit provided
- Superannuation contributions are the only post-employment benefits provided.

1 July 2015 – 30 June 2016

Position	Short Term Employee Benefits \$	Long Term Employee Benefits \$	Post-Employment Benefits \$	Total \$
Board Chairperson (QACRIB)	15,289	-	1,871	17,160
Board Interim Chairperson (QACRIB)	51,121	-	5,860	56,981
Board Member (QACRIB & QTRB)	302	-	-	302
Board Member (QACRIB & QHRB)	10,054	-	933	10,987
Board Member (QACRIB & QGRB)	9,826	-	933	10,759
Chief Executive Officer	30,502	-	270	30,772
Acting Chief Executive Officer	72,163	-	9,103	81,266
Head of Operations	217,969	6,873	19,766	244,608
Chief Financial Officer	102,404	-	11,721	114,125
General Manager of Stewarding and Integrity Operations	48,146	-	580	48,726
Acting Head of Stewarding and Integrity Operations	135,845	37,392	17,320	190,557
Head of Corporate and Strategy	154,547	9,389	15,753	179,689
Acting Head of Corporate and Strategy	41,096	-	3,904	45,000
General Counsel	128,498	2,115	12,101	142,714
Head of Audit, Risk and Compliance	140,144	5,808	16,294	162,246
Education Manager	33,000	507	3,135	36,642
Human Resources Manager	140,000	4,002	18,550	162,552
Finance Manager	82,837	10,991	7,851	101,479
Total Remuneration	1,413,543	77,077	145,945	1,636,565

KEY

QACRIB - Queensland All Codes Racing Industry Board
QTRB - Queensland Thoroughbred Racing Board
QHRB - Queensland Harness Racing Board
QGRB - Queensland Greyhound Racing Board



Queensland All Codes Racing Industry Board
Trading As Racing Queensland
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Notes to and forming part of the Financial Statements
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10. Key Management Personnel (continued)

(ii) Remuneration of Key Management Personnel (continued)

1 July 2014 – 30 June 2015

Position	Short Term Employee Benefits \$	Long Term Employee Benefits \$	Post-Employment Benefits \$	Total \$
Chairperson (QACRIB)	54,246	-	5,154	59,400
Interim Chairperson (QACRIB)	4,288	-	407	4,695
Deputy Chairperson (QACRIB)	36,330	-	3,423	39,753
Member Chairperson (QACRIB & QTRB)	34,075	-	3,208	37,283
Member Chairperson (QACRIB & QHRB)	48,359	-	4,565	52,924
Member Chairperson (QACRIB & QGRB)	36,302	-	3,449	39,751
Chief Executive Officer	288,939	-	26,500	315,439
Acting Chief Executive Officer	-	-	-	-
Chief Financial Officer	213,238	61,226	20,533	294,997
General Manager of Stewarding and Integrity Operations	250,122	52,699	21,538	324,359
General Manager Legal and Strategy	212,788	-	20,204	232,992
General Manager Racing Operations	206,355	-	22,481	228,836
General Manager Infrastructure and Safety	103,825	-	6,885	110,710
Total Remuneration	1,488,867	113,925	138,347	1,741,139

KEY

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
11. Cash and Cash Equivalents				
Cash Assets				
Cash at bank and on hand	13,237	1,831	13,018	941
Short term deposits*	2,012	1,252	5	203
Cash held for infrastructure projects**	285	644	285	644
Cash held for Department National Parks, Sport and Racing***	839	480	839	480
Total	16,373	4,207	14,147	2,268

Prior year comparatives have been restated in accordance with Note 1(d).

The value of cash not available for use by the consolidated entity for the period ended 30 June 2016 is \$1,123,301.

* Consolidated short term deposits includes the NAB short term deposits amounting to \$2 million in Sunshine Coast Unit Trust.

** Cash held for infrastructure projects are Government funds held directly for the use on Industry Infrastructure projects. Any funds not utilised on the projects will be returned to Government.

*** Cash held for the Department National Parks, Sport and Racing relates to the Country Racing Series Funding of \$29,236 and will be returned to Government during the next financial period. Also, comprises of \$809,389 relating to the training track subsidy grant that is granted to various tracks located at Queensland clubs.

12. Receivables

Current				
Trade debtors	16,093	16,871	16,060	16,846
Less: Allowance for impairment loss	(383)	(75)	(383)	(75)
	15,710	16,796	15,677	16,771
Race information fees receivable	1,091	796	1,091	796
Sundry receivables	334	482	271	438
Accrued interest	14	23	-	-
Total	17,149	18,097	17,039	18,005

(a) Recognition

Trade debtors represent amounts owed to Racing Queensland at the end of the reporting period and recognised at the nominal amounts due at the time of sale or service delivery, with settlement generally required within 30 days from the invoice date. The collectability of receivables is assessed periodically with provision being made for impairment.

Bad debts are written off in the period in which they are recognised. All known bad debts were written off as at the last date of the financial year.

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Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
12. Receivables (continued)				
<i>(b) Movements in the allowance for impairment loss for trade receivables:</i>				
Balance at the beginning of the financial year	(75)	(261)	(75)	(261)
Amounts written off during the financial year	40	92	40	92
Amounts collected during the financial year	35	169	35	169
Increase/(decrease) in allowance recognised in the operating result	(383)	(75)	(383)	(75)
Balance at the end of the financial year	(383)	(75)	(383)	(75)

13. Other Non-Current Assets

Non-Current

Brisbane Racing Club Infield Loan	12,000	863	12,000	863
Funding Loan to Townsville Turf Club	211	211	211	211
Total	12,211	1,074	12,211	1,074

Prior year comparatives have been restated in accordance with Note 1(d).

Additional disclosure - Brisbane Racing Club Infield Loan

Racing Queensland has provided financial accommodation to Brisbane Racing Club for the redevelopment of the Eagle Farm Racecourse under the Racing Infrastructure Fund granted by the Department of National Parks, Sport and Racing. The loan commenced 1 July 2015 with a repayment term of 11 years with interest at 3.0603% per annum. Loan repayments from Brisbane Racing Club will commence 30 June 2017.

Additional disclosure - Funding Loan to Townsville Turf Club

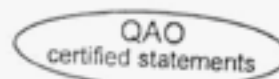
The Funding Loan commenced 1 May 2013 for a term of 60 months with interest at 3% per annum.

14. Other Financial Assets

Non-Current

Investments in Subsidiaries				
- Sunshine Coast Unit Trust	-	-	19,879	19,588
- Rockhampton Racing Pty Ltd	-	-	6,225	6,225
	-	-	26,104	25,813
Unlisted Securities *				
- Equity Securities	3,711	3,026	3,711	3,026
Total	3,711	3,026	29,815	28,839

* Unlisted securities comprise an 18% interest in the capital of Racing Information Services Australia. Effective from 13th April 2015 Racing Information Services Australia merged its functions and assets with the Australian Racing Board and the Australian Stud Book to form Racing Australia Ltd. Investments are accounted for using the equity method at the carrying amount.



Queensland All Codes Racing Industry Board
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
15. Property, Plant and Equipment				
Land				
At fair value	54,385	53,106	48,215	47,026
	<u>54,385</u>	<u>53,106</u>	<u>48,215</u>	<u>47,026</u>
Buildings and Tracks				
At fair value	85,780	86,438	31,658	32,459
	<u>85,780</u>	<u>86,438</u>	<u>31,658</u>	<u>32,459</u>
Plant and Equipment				
At cost	3,673	4,664	3,484	4,475
Accumulated depreciation	(1,108)	(801)	(1,049)	(754)
	<u>2,565</u>	<u>3,863</u>	<u>2,435</u>	<u>3,721</u>
Work In Progress				
At cost	217	281	217	281
Total	<u><u>142,947</u></u>	<u><u>143,688</u></u>	<u><u>82,525</u></u>	<u><u>83,487</u></u>

Independent valuations of all land and buildings and tracks were undertaken by Australia Asset Advisory Group using 'fair value principles' on 30 June 2016. Certified Practising Valuer Adam Wallace AAPI Registration No. 2997.

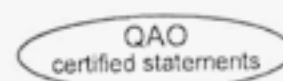
The land was specifically appraised using Fair Value principles including the highest and best use premise and assessed by way of a Market approach (Direct Comparison), being either a level 2 or 3 on the fair value hierarchy. The fair value of building and improvements was assessed by way of the Cost approach, being a level 3 on the fair value hierarchy.

The valuation was prepared to comply with:

- Queensland Treasury's Non Current Asset Policies for the Queensland Public Sector.
- *The Financial and Performance Management Standard 2009.*
- The Financial Reporting Requirements for Queensland Government Agencies.
- Australian Accounting Standards.
- The Australian Property Institutes practise standards.

The valuation has been prepared to comply with the following Accounting Standards (where applicable):

- AASB 113 Fair Value Measurement
- AASB 116 Property, Plant, and Equipment.



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

15. Property, Plant and Equipment (continued)

(a) Recognition

Acquisitions of Assets

Actual cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

The cost of items acquired during the financial year has been judged by Racing Queensland to materially represent their fair value at the end of the reporting period.

Recognition Thresholds for Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land	\$ 1
Buildings and Tracks	\$ 2,000
Plant and Equipment	\$ 2,000

Items with a lesser value are expensed in the year of acquisition.

Revaluations of Non-Current Physical Assets

Land and buildings and tracks are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

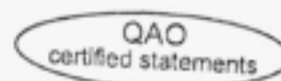
Plant and equipment is measured at cost in accordance with Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Land and buildings and tracks measured at fair value are revalued on an annual basis by appraisals undertaken by an independent professional valuer.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.



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Notes to and forming part of the Financial Statements
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15. Property, Plant and Equipment (continued)

(a) Recognition (continued)

Depreciation

Land is not depreciated as it has an unlimited useful life.

Buildings and plant and equipment are depreciated on a straight line basis so as to allocate the revalued amount or net cost for each asset (respectively), less its estimated residual value, progressively over its estimated useful life.

The estimation of the useful lives of assets is based on historical experience with similar assets as well as considerations such as manufacturers' warranties and guideline published by the Australian Tax Office. Reassessments of useful lives are undertaken annually by Racing Queensland. Any consequential adjustments to remaining useful life estimates are implemented prospectively.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Impairment of Non-Current Assets

All non-current physical assets are assessed for indicators of impairment at reporting date. If an indicator of possible impairment exists, Racing Queensland determines the asset's recoverable amount. Any amount by which the asset's carrying value exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is treated as a revaluation increment. Refer to Note 22.

(b) Additional Disclosure - Depreciation

Depreciation rates used for the different classes of assets are as follows:

Buildings & Tracks	Range	0.4% - 26.7%
Plant and Equipment	Range	2.5% - 33.3%



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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

15. Property, Plant and Equipment (continued)

(c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

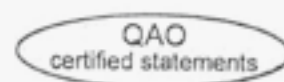
Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by Racing Queensland include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by Racing Queensland include subjective adjustments made to observable data to take account of the characteristics of Racing Queensland's assets/liabilities, internal record of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets of Racing Queensland for which fair value is measured or disclosed in the financial statements are categorised, within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals.

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.



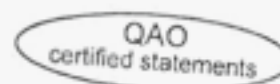
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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

15. Property, Plant and Equipment (continued)

(d) Property, Plant and Equipment Reconciliation

	Land	Buildings & Tracks	Plant & Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Carrying amount at 1 July 2015	53,106	86,438	3,863	281	143,688
Additions	-	-	-	557	557
Disposals	-	-	(938)	(234)	(1,172)
Net revaluation increments	1,410	2,770	5	-	4,185
Net revaluation decrements	(131)	(190)	-	-	(321)
Transfers	-	117	270	(387)	-
Depreciation	-	(3,355)	(635)	-	(3,990)
Carrying amount at 30 June 2016	54,385	85,780	2,565	217	142,947
	Land	Buildings & Tracks	Plant & Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Parent Entity					
Carrying amount at 1 July 2015	47,026	32,459	3,721	281	83,487
Additions	-	-	-	487	487
Disposals	-	-	(938)	(234)	(1,172)
Net revaluation increments	1,270	720	4	-	1,994
Net revaluation decrements	(81)	(167)	-	-	(248)
Transfers	-	47	270	(317)	-
Depreciation	-	(1,401)	(622)	-	(2,023)
Carrying amount at 30 June 2016	48,215	31,658	2,435	217	82,525



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	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
16. Payables				
Current				
Trade creditors	1,027	4,199	947	4,196
Trade creditors attributable to	120	2,417	120	2,417
GST payable	718	1,275	725	1,280
Sundry payables and accrued expenses	14,960	17,241	15,232	17,454
Total	16,825	25,132	17,024	25,347

Recognition

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

17. Other Provision

Current

Provision for Jockey Entitlements	4,001	-	4,001	-
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(a) Recognition

Provisions are recorded when Racing Queensland has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

(b) Additional disclosure

The ATO issued Racing Queensland with default assessments with respect to superannuation contributions allegedly payable to certain jockeys in relation to the quarters commencing 1 July 2009 and concluding on 30 September 2014. Racing Queensland has lodged an objection against the default assessments and the ATO is considering the objection. Notwithstanding the objection, the obligation to pay the default assessments arises when the default assessment is issued. The default assessment has been issued for the amount of \$949,696, which has been included under Sundry payables in Note 16 to cover this obligation. Racing Queensland has calculated the full extent of superannuation payable for all remaining jockeys for the quarters commencing 1 July 2009 and concluding on 30 September 2014 and has made provision for the amount that would be payable to the ATO if default assessments were issued for all jockeys. The amounts disclosed in Notes 16 and 17 have been included in the Jockey Fees in Note 7.

(c) Movements in the provision for jockey entitlements:

Balance at the beginning of the financial year	-	-	-	-
Provision made	4,001	-	4,001	-
Provision utilised through payments	-	-	-	-
Changes in discount rate / passage of time	-	-	-	-
Balance at the end of the financial year	4,001	-	4,001	-

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	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
18. Accrued Employee Benefits				
Current				
Annual leave	773	694	773	694
Long service leave	557	464	557	464
Total	1,330	1,158	1,330	1,158
Non-Current				
Annual leave	300	302	300	302
Long service leave	663	688	663	688
Total	963	990	963	990

Refer to Note 9 for accounting policies for employee benefit liabilities.

19. Deferred Income

Current				
Fees received in advance	91	1,300	91	1,300
Total	91	1,300	91	1,300

Prior year comparatives have been restated in accordance with Note 1(d).

20. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:

Revaluation of Land and Buildings	2,426	2,055	-	-
Total Deferred Tax Liabilities	2,426	2,055	-	-

Refer to Note 29 for taxation information on the Parent Entity and Controlled Entities.

Deferred tax liabilities relates to the entity Rockhampton Racing Pty Ltd and movements were as follows:

Consolidated	Revaluation \$'000	Total \$'000
Balance at 1 July 2014	398	398
Charged/(credited) directly to equity	1,657	1,657
Balance at 30 June 2015	2,055	2,055
Balance at 1 July 2015	2,055	2,055
Charged/(credited) directly to equity	371	371
Balance at 30 June 2016	2,426	2,426

Recognition

Deferred income tax is provided on all temporary differences, using the liability method, at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.



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	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
21. Loans				
Non-Current				
Brisbane Racing Club Infield Loan	12,119	-	12,119	-
Queensland Treasury Loan	31,664	-	31,664	-
Total	43,783	-	43,783	-

Additional disclosure - Brisbane Racing Club Infield Loan

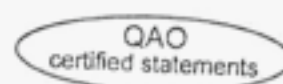
Racing Queensland has provided financial accommodation to Brisbane Racing Club for the redevelopment of the Eagle Farm Racecourse under the Racing Infrastructure Fund granted by the Department of National Parks, Sport and Racing. The loan commenced 1 July 2015 with a repayment term of 11 years with interest at 3.0603% per annum. Loan repayments from Brisbane Racing Club will commence 30 June 2017. Racing Queensland will pay an amount equivalent to the Redevelopment Repayment amount to the Department upon receipt of loan repayments from Brisbane Racing Club.

Additional disclosure - Queensland Treasury Loan

Queensland Treasury have provided a loan to enable Racing Queensland to meet its obligations in the financial year 2015-16. Repayments will be made by Racing Queensland once it becomes financially viable.

22. Asset Revaluation Surplus by Class

Consolidated	Land \$'000	Buildings \$'000	Total \$'000
Balance at 1 July 2014	383	498	881
Revaluation Increments	4,851	58,273	63,124
Revaluation Decrements	(3,659)	(28,081)	(31,740)
Balance at 30 June 2015	1,575	30,690	32,265
Balance at 1 July 2015	1,575	30,690	32,265
Revaluation Increments	1,404	1,948	3,352
Revaluation Decrements	(103)	(191)	(294)
Balance at 30 June 2016	2,876	32,447	35,323
Parent Entity	Land \$'000	Buildings \$'000	Total \$'000
Balance at 1 July 2014	15	307	322
Revaluation Increments	4,851	28,930	33,781
Revaluation Decrements	(3,600)	(20,246)	(23,846)
Balance at 30 June 2015	1,266	8,991	10,257
Balance at 1 July 2015	1,266	8,991	10,257
Revaluation Increments	1,270	747	2,017
Revaluation Decrements	(81)	(167)	(248)
Balance at 30 June 2016	2,455	9,571	12,026



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23. Non-Controlling Interests

Non-controlling interests relate to equity investments held by Sunshine Coast Turf Club Inc. in Sunshine Coast Unit Trust (15.4%) and Rockhampton Jockey Club Inc. in Rockhampton Racing Pty Ltd (36.2%).

In relation to Sunshine Coast Unit Trust, the non-controlling interest is held by way of units in the unit trust. It is the opinion of Racing Queensland that these units are in the nature of equity and not a financial liability.

	2016 \$'000	2015 \$'000
Non-controlling interests are reconciled as follows:		
Retained Earnings/(Losses)	(410)	(341)
Capital Contributions	12,054	7,547
Asset Revaluation Reserve	434	4,808
Sinking Fund Reserve	53	40
Total Non-Controlling Interest	12,131	12,054

24. Parent Entity Information

Guarantees

Racing Queensland has guaranteed any costs related to transfer duty payable on the initial set up of Rockhampton Racing Pty Ltd. The transfer duty liability on the initial set up of Rockhampton Racing Pty Ltd is \$604,931, with interest compounding, totaling \$66,191 as at the 30 June 2016.

During the financial year 2014-2015, Racing Queensland provided a guarantee in favour of the Commonwealth Bank of Australia, to support borrowings by Racing Information Services Australia (RISA) for the purchase of the Australian Stud Book and Australian Genetics Testing Pty Ltd. The value of the guarantee is capped at \$2,880,000, plus compounding interest, being 18% of the amount borrowed by RISA. Effective from 13th April 2015 RISA merged its functions and assets with the Australian Racing Board and the Australian Stud Book to form Racing Australia Ltd.

Contingent Liabilities

No contingent liabilities were identified for the year ending 30 June 2016.



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25. Capital and Leasing Commitments

Operating lease payments are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by Racing Queensland.

	Consolidated 2016 \$'000	Consolidated 2015 \$'000	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
a) Operating Lease Expense				
Car Leasing	178	235	178	235
Computer Equipment	113	136	113	136
Office Equipment	6	9	6	9
Total	297	380	297	380
b) Lease Commitments (Non-Cancellable Operating Leases—Future Minimum Lease Payments)				
Payable Within 1 Year	67	352	67	352
Payable 1 – 5 Years	53	213	53	213
Total	120	565	120	565
c) Capital Commitments				
Capital expenditure projects – property, plant and equipment	131	709	-	-
Total	131	709	-	-

26. Going Concern

Racing Queensland, the Parent Entity, has recorded a loss of \$19.9 million and total comprehensive loss of \$18.1 million in the financial year 2015-2016, and has budgeted a loss for the financial year 2016-2017 of \$12.4 million. Racing Queensland is reliant on ongoing government support. The financial statements have been prepared on a going concern basis, because:

- There is no intention to liquidate Racing Queensland or to cease operations.
- The Treasurer has issued a letter to the Minister on 26 August 2016 stating funds will be made available to meet Racing Queensland's Board approved forecasted cash deficit from 1 July 2016 to 30 June 2017.
- The State of Queensland expects that the interim funding will be repaid by Racing Queensland once it is financially viable.

27. Trust Transactions and Balances

The earnings of Apprentice Jockeys were distributed on 1 December 2015 and Racing Queensland no longer holds in trust any earnings of Apprentice Jockeys.

	Parent Entity 2016 \$'000	Parent Entity 2015 \$'000
Trust Assets and Liabilities		
Current Assets		
Cash	-	114
Total	-	114

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Notes to and forming part of the Financial Statements
for the year ended 30 June 2016

28. Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised in the Statement of Financial Position when Racing Queensland becomes party to the contractual provisions of the financial instrument.

Financial instruments are classified and measured as follows:

- Cash and Cash Equivalents – held at fair value through profit and loss. Refer to Note 11.
- Receivables – held at amortised cost. Refer to Note 12.
- Financial Assets – held at fair value through profit and loss. Refer to Note 14.
- Payables – held at amortised cost. Refer to Note 16.

The carrying amounts of trade receivables and payables approximate their fair value.

No financial assets and financial liabilities have been offset and presented on a net basis in the Statement of Financial Position. Racing Queensland does not enter into, or trade with, such instruments for speculative purposes, nor for hedging.

29. Other Information

Insurance

Racing Queensland insures its buildings and tracks and plant and equipment for loss and damage, and also insures for public liability risks. Such insurance cover is held through Racing Queensland Brokers Jardine Lloyd Thompson Pty Ltd, Wills Towers, Gow Gates, and WorkCover Queensland. The insurance is placed through various underwriters to ensure appropriate cover is in place in areas such as, but not limited to, Industrial Special Risk, Public Liability, Directors and Officers, Professional Indemnity, Crime, Motor vehicle, Business Travel, Personal Accident and Public Liability and WorkCover for Jockeys, Trainers for Harness and Thoroughbreds. Racing Queensland pays insurance premiums to WorkCover Queensland in respect of its obligations for employee compensation and jockeys.

Taxation

Racing Queensland is exempt from income tax with the exception of Fringe Benefits Tax and Goods and Services Tax (GST) payable to the ATO which are recognised and accrued.

Income tax is provided for in Sunshine Coast Racing Pty Ltd as trustee for Sunshine Coast Racing Unit Trust to the extent that accumulated income is assessable to the trustee. No income tax is payable by the trust in accordance with the trust deed, and taxable income is fully distributed to the beneficiaries.

Income tax is provided for in Rockhampton Racing Pty Ltd to the extent that accumulated income is assessable to the company.

Accounting Estimates and Judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following notes:

- Note 15 – Property, Plant and Equipment
- Note 16 – Payables
- Note 18 – Accrued Employee Benefits



Queensland All Codes Racing Industry Board
 Trading As Racing Queensland
 ABN 80 730 390 733

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2016

30. Events Occurring After Balance Date

Formation of Racing Queensland Board

On 1 July 2016, as a result of the passing of the *Racing Integrity Bill 2015*, the following functions of the control body were transferred to the Queensland Racing Integrity Commission (QRIC):

- Licencing & Registration (excluding Club Licencing),
- Stewarding & Integrity Operations,
- Animal Welfare,

and Queensland All Codes Racing Industry Board was renamed Racing Queensland Board (trading as Racing Queensland).

As a result of these changes, the assets and liabilities as at 30 June 2016 relating to the listed functions will be transferred to QRIC and services relating to the same functions will be performed by QRIC from 1 July 2016.



Queensland All Codes Racing Industry Board
Trading As Racing Queensland
ABN 80 730 390 733

Certificate of Queensland All Codes Racing Industry Board
for the year ended 30 June 2016

CERTIFICATE OF QUEENSLAND ALL CODES RACING INDUSTRY BOARD

These general purpose financial statements have been prepared pursuant to s.62 (1) (a) of the *Financial Accountability Act 2009* (the Act), s43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects.
- b) The financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Queensland All Codes Racing Industry Board trading as Racing Queensland for the period 1 July 2015 to 30 June 2016 and of the financial position of Racing Queensland as at the end of that financial year.
- c) These assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Dr Eliot Forbes
CHIEF EXECUTIVE OFFICER

DATE 30/8/16



Steve Wilson AM
CHAIRPERSON

DATE 20/8/16



INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland All Codes Racing Industry Board

Report on the Financial Report

I have audited the accompanying financial report of Queensland All Codes Racing Industry Board, which comprises the statements of financial position as at 30 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes including significant accounting policies and other explanatory information, and certificates given by the Chief Executive Officer and Chairperson of the entity and the consolidated entity comprising the Board and the entities it controlled at the year's end or from time to time during the financial year.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards – Reduced Disclosure Requirements. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Queensland All Codes Racing Industry Board and the consolidated entity for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

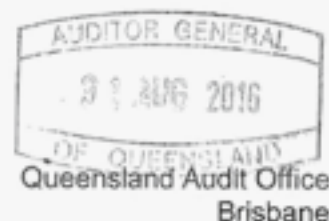
Emphasis of Matter

Without modifying my opinion, attention is drawn to Note 26 in the financial report which indicates that the parent entity incurred an operating loss of \$19.9 million during the year ended 30 June 2016. The loss, and forecast increased losses of \$12.4 million in 2016-17, indicates the existence of a material uncertainty that may cast significant doubt about the parent entity's ability to continue as a going concern and therefore the parent entity may be unable to realise its assets and discharge its liabilities in the normal course of business

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.


A M GREAVES FCA FCPA
Auditor-General of Queensland



Follow us on



Size and Scope of Racing in Queensland



IER Pty. Ltd.

The racing industry contributes more than \$1.44 billion in real gross value added to the Queensland economy. Furthermore, it sustains the full time employment of more than 18,580 individuals. The State Government receives in excess of \$103 million in taxes from the racing industry, \$35 million of which is derived directly from wagering taxes.

IER Pty Ltd

27A Stubbs Street
Kensington Vic 3032

03 9371 3000

03 9371 0695

April 2009



Focused Thinking

Report to

Queensland Racing Limited (QRL)
Harness Racing Queensland (HRQ)
Greyhounds Queensland Limited (GQL)

Prepared by

IER Pty. Ltd.
27A Stubbs Street
Kensington, Victoria
Australia, 3031
ABN: 43 742 335 685

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Size and Scope of the Racing Industry in Queensland**IER Pty. Ltd.**

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EXECUTIVE SUMMARY

The purpose of this study is to illustrate the economic value of Thoroughbred, Harness and Greyhound Racing in Queensland. It provides a detailed analysis of the expenditure generated by the racing codes, participants and customers and highlights the taxation revenues generated by governments and employment impacts in Queensland.

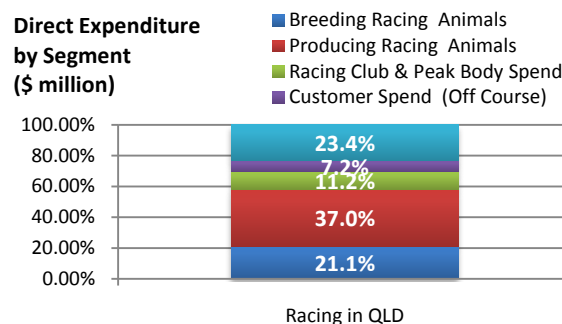
DIRECT EXPENDITURE IMPACT

The direct expenditure impact of the racing industry in Queensland totals more than \$855.5 million. In the context of the State's total Gross State Product, this equates to just over 0.47% being contributed by the racing industry. The racing industry, for the purposes of this study, has been defined to include the three codes of racing and the participants in the racing industry.

Direct Spending ANZSIC Aggregations	Direct Spend	% QLD GSP
Agriculture, Forestry and Fishing	\$93.4 m	1.36%
Manufacturing	\$22.9 m	0.12%
Electricity, Gas and Water Supply	\$47.2 m	1.26%
Construction	\$56.8 m	0.31%
Wholesale Trade	\$30.7 m	0.32%
Retail Trade	\$63.7 m	0.45%
Accommodation, Cafes & Restaurants	\$24.6 m	0.46%
Transport and Storage	\$9.6 m	0.07%
Communication Services	\$29.1 m	0.75%
Finance and Insurance	\$62.4 m	0.63%
Property & Business Services	\$130.6 m	0.61%
Education	\$13.2 m	0.16%
Health & community Services	\$13.3 m	0.11%
Cultural and Recreational Services	\$169.9 m	6.82%
Personal and Other Services	\$88.1 m	2.16%
Total Direct Expenditure	\$855.5 m	0.47%

Source: IER Pty. Ltd

The cultural and recreational services sector of the economy receives the largest contribution from the racing industry (6.82%) followed by personal & other services (2.16%), agriculture, forestry and fishing (1.36%) and electricity, gas & water (1.26%).



TOTAL ECONOMIC IMPACT

After adjustments have been made to direct spending to allow for margins, taxes and inter-industry trade and when induced and indirect impacts are included, the Queensland Racing Industry contributes just over \$1.44 billion towards Gross State Product. Thoroughbred racing is responsible for more than 79%, with harness racing (11%) and greyhound racing (10%) making up the remainder. This real value added equates to 0.80% of total GSP.

The racing industry in Queensland is responsible for sustaining more than 18,580 full time equivalent positions (FTE). Of this amount, more than 12,000 FTE positions are sustained directly within the core racing industry with a further 6,580 within the broader employment market.

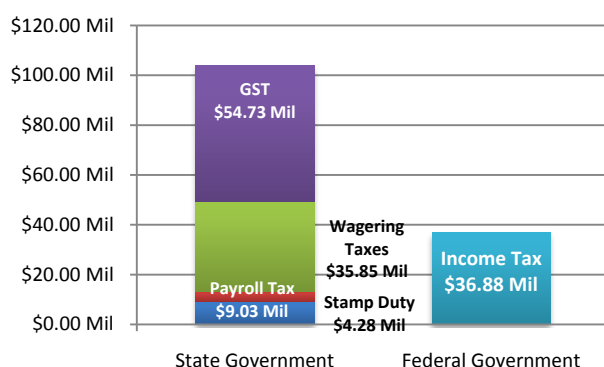
Essentially, for every \$1 million in expenditure generated by the racing industry, up to 22 FTE positions are created or sustained. In real terms, it is likely that the 22 FTE actually reflects more than 46 individuals working in full time, part time or casual employment.

The racing industry employs more than 29,000 individuals in full time, part time and casual employment in Queensland – making it an employer of more individuals than the electricity, gas and water supply sector (20,900) and just below the communication services sector (33,300).

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Taxation Revenue Generated Federal & Provincial



Source: IER Pty. Ltd

TAXATION REVENUE

The activities of the racing industry generate more than \$140 million in taxation revenue for the State and Federal Government.

The State Government receives more than \$103.9 million in taxation revenue from the Queensland racing industry. The majority of this revenue is generated from GST and wagering taxes. Whilst income tax and GST are not taxes paid specially by the racing industry (i.e. if the racing industry did not exist, these people would still be paying these taxes elsewhere), the \$35.8 million contributed from wagering tax is unique.

The Federal Government receives just over \$36.9 million in taxation revenue from the Queensland racing industry, from income taxes generated by those employed directly by the racing industry.

The importance of wagering taxation revenue cannot be understated. A decline in the racing industry's success has a direct and immediate impact on the level of taxation revenue generated. A decline in the level of wagering turnover would have a dramatic and immediate impact on this revenue stream (as would growth in wagering turnover in the opposite manner).

PARTICIPANTS IN RACING

When the number of individuals employed directly and indirectly by the racing industry is combined with the number of participants (breeders, trainers etc.), it equates to more than 68,130 people who have a direct involvement in the racing industry.

Participant Type	Total
Breeders	3,179
Staff Employed by Breeders	3,189
Owners and Syndicates	17,785
Trainers	2,760
Staff Employed by Trainers	3,026
Total Participants in Producing Racing Animals	29,939
Race Club & Industry Paid Full Time Staff	390
Race Club & Industry Paid Part Time Staff	3,144
Contracted Staff	4,113
Bookmakers	139
Bookmakers Staff	285
Jockeys/Drivers	575
Total Participants in Producing Racing Product	8,646
TAB Wagering Staff	1,501
Indirect Employment	28,048
Total Participants in Racing	68,134

Source: QRL, HRQ and GQL

In addition to this, it is estimated that more than 4,000 individuals provide voluntary services to the Queensland Racing Industry. Many of these volunteers provide their services at regional racing clubs.

LIVE CONSUMPTION OF THE RACING PRODUCT

The latest Australian Bureau of Statistics Data revealed that over 16.1% of Queenslanders' visit racecourses annually. This placed the racing industry higher than other major sports including rugby league (16%), motor sports (11.9%) and AFL (7.4%). Approximately 500,000 Queenslanders attended a racing event, with similar numbers attending one or more rugby league games. This was followed by motor sports (366,000), AFL (228,000) and rugby union (188,000).

The thoroughbred racing industry accounts for approximately 83% of individual visitors to racing. This is by far the highest proportion amongst codes, and is likely driven by the large geographic spread of clubs and the higher proportion of event meetings. Individual visitation to harness meetings was 12% and for greyhound meetings 5%.

WAGERING IMPACTS

More than \$676.9 mil is wagered in Queensland on thoroughbred, harness & greyhound races held in the State. Of this amount, more than \$480 mil is wagered with UniTAB.

Queensland Racing Product	Total
TAB Off-Course	\$430.51 mil
Totalisator On-Course (TAB Meetings)	\$49.10 mil
Totalisator On-Course (Non-TAB Meetings)	\$0.57 mil
Bookmakers On-Course (TAB Meetings)	\$62.95 mil
Bookmakers On-Course (Non-TAB Meetings)	\$5.93 mil
Bookmakers Off-Course	\$127.91 mil
Total	\$676.97 mil

Source: QRL, HRQ and GQL

However, once Queensland betting on non local races is added to the UniTAB equation, total wagering turnover rises to more than \$2,036 mil.

The total net wagering revenue generated by the racing industry in Queensland was in excess of \$328.5 million in 2007/08. This amount fluctuates in line with total wagering turnover. The racing industry received more than \$128 million in net wagering revenue distribution in 2007/08, which was then split amongst the codes based on a pre-determined distribution agreement. This revenue stream is a vital part of ensuring that the racing industry remains vibrant and sustainable.

PARTICIPANT EXPENDITURE

Breeders and trainers in Queensland spend more than \$497 million in the pursuit of their employment or pastime. This expenditure delivers considerable economic stimulus to the community, with a large portion being spent outside the ‘core racing industry’. Veterinarians, feedstock merchants, transport, logistics and travel organisations are just some examples of those who receive the benefit of this spending.

The breeding sector spends more than \$148.3 million on the production of racing animals, whilst the training sector spends more than \$349.4 million in preparing these animals for racing.

OWNERS OF RACEHORSES & GREYHOUNDS

Owners deliver the important investment which ultimately cascades throughout the industry. There are more than 17,700 registered owners in the Queensland Racing Industry, the majority of which are in the thoroughbred sector. Owners are a vital cog in the business machines of both trainers and breeders.

A large majority of the trainers’ revenue emanates from the fees charged to owners for the preparation of their racehorses and greyhounds. Furthermore; through the auction process, owners provide the investment to generate revenues for the breeders who deliver the replenishment of the horse population.

The 2008 Magic Millions thoroughbred auctions yielded more than \$188 million in sales. This comprises not only sales to Queensland owners, but more importantly, the export sales to visiting horse owners – which leads directly to growth in State Income.

ACKNOWLEDGEMENTS

This report has been compiled with the assistance of a great number of individuals working in, facilitating, participating in or consuming the racing product in Queensland. In particular, IER would like to acknowledge Malcolm Tuttle (Queensland Racing Limited), Tracey Harris (Harness Racing Queensland) and Darren Beavis (Greyhounds Queensland Limited).

We would also like to thank the following people for their contribution (in alphabetical order).

Paul Brennan	Queensland Racing Limited
David Boydell	Australian Pacing Gold
Adam Carter	Queensland Racing Limited
Michael Chapman	Greyhound Owner
David Chester	Magic Millions Sales Pty Ltd
Kearra Christensen	Queensland Racing Limited
Craig Coleman	Tasmanian Government
Stephen Ferguson	Queensland Turf Club
Des Friedrich	Racing NT
Denis Harvey	South Australia Government
Peter Johnson	NSW Government
Scott Kennedy	Racing NSW
Raymond Lowndes	Harness Racing Historian
Ron Mathofer	Queensland Racing Limited
Charlotte Mills	Racing and Wagering Western Australia
Kirsty O'Brien	Greyhounds Queensland Limited
Narelle Pearce	Ipswich Greyhound Racing Club
Ged Prescott	Victorian Government
Malcolm Richardson	Northern Territory Government
Barry Sargent	Western Australian Government
Paul Weeks	Magic Millions Sales Pty Ltd

In addition, a large number of participants provided data on their racing activity and operations for use within the Size and Scope Study. We are grateful for the important data that these people provided.

DISCLAIMER

This research report includes an analysis of data derived from various sources including: - surveys of customers, surveys of participants (breeders, trainers, owners, drivers & jockeys), interviews with participants and data collected from various racing associated organizations and State Governments. Any conclusions contained within this report are based primarily on data provided by the aforementioned sources. It is the opinion of IER that the data collected from participants provided a reasonable representation of the industry.

In compiling this report, IER has made every effort to ensure the integrity of the data gathered and ultimately used. IER Pty. Ltd., its employees and agents do not accept any liability for any loss or damage which may arise as a consequence of any person or organization relying on the information contained within this report. The nature of economic projects is subject to variation based upon many factors, including the prevailing economic climate. This study provides an accurate assessment of the 'state of play' of the industry at a certain point of time.

INTRODUCTION

ESTABLISHING THE INDUSTRY BASELINE

The racing industry is a complex mix of sport, business, entertainment and community, rolled into a product and pastime enjoyed by many. There are a large number of participants who derive a living from their involvement in racing – a living that otherwise may not be possible, or may only be possible in another State or jurisdiction. Consumers enjoy the sport of racing, where uncertainty of outcome and the spectacle of racing horses and dogs, provides enjoyment to many. Surrounding the business and sport of racing, is the indomitable community linkages that exist between racing clubs and residents – reaching back decades or even centuries, where racing clubs were not only providers of entertainment opportunities, but also of vital community facilities.

Many studies have been conducted around the world, with the aim of assessing the ‘racing industry’. However, often through a lack of understanding of the intricacies of the racing industry, many of these studies fall short of developing a complete conceptual framework of the racing industry. A concise industry definition forms the pillar of any such work, allowing meaningful analysis and measurement as an industry and for the various sectors and stakeholders involved. Essentially, the definition of the ‘racing industry’ must encompass all activities for which the racehorse and greyhound is the key focus as well as business and activity which occurs, at least in part, to cater for this industry. A detailed outline of the ‘racing industry’ concept is discussed later in this report.

The essence of this study is that it should represent the base year in assessing of the size and scope of the racing industry. In aiming to achieve this, IER has assessed key racing industry data compiled over the last three racing seasons. Within this assessment, it must be acknowledged that Equine Influenza resulted in an abnormal racing season in 2007-08. As a consequence, IER has based much of its assessment on the years 2003-04 through to 2006-07. This approach will help ensure that the abnormalities that affected part of the 2007-08 racing season for the thoroughbred and harness racing industries, do not materially affect the typical industry activity.

WHY UNDERTAKE THIS STUDY?

This study sets out to provide an evidence-based assessment of the economic and community importance of the racing industry to Queensland. It does so by identifying and quantifying the size, scope and importance of the industry in terms of:-

- Its economic contribution to QLD, including the generation of taxation revenue
- The ability for racing to generate tourism, including intra-state tourism
- The number of people who owe their livelihood to the racing industry
- The community importance of racetracks and facilities
- The importance of the ‘racing community’ which provides opportunities for inclusiveness and participation

Like the racing industry in many other parts of the world, there is much discussion and debate surrounding its size, value and importance. This study aims to provide the definitive, evidence based assessment of these factors. Whilst this study does not provide strategic direction for the industry, it will be vital input in developing these important higher level strategies. The information delivered through this study will help the industry to provide a strong, fact based representation of racing in Queensland.

CHALLENGES WITHIN THIS STUDY

A study of this magnitude brings with it a number of issues. Thorough research can help to ameliorate these issues; however some issues simply need to be accepted as a reality of the study. These challenges include:-

AVAILABILITY OF DATA

Assessing the size and scope of the racing industry requires a considerable amount of information and data to be collected and analysed. Whilst the information gathering process extended to all parts of the industry, some challenges remain:-

- The participants are not obliged to provide their personal and financial details to anyone. This study was fortunate to receive a good level of support from those participants who provided their assistance through interviews and quantitative research.
- There is no requirement for all racetracks to lodge reports after each race meeting detailing items such as attendance. This can make it difficult to access complete sets of racing club data. This is, in part, a result of the large number of non-tab clubs who operate on minimal resources.

Where necessary data was not available, IER consulted the industry experts (particularly the QRL, HRQ and GQL) in order to provide an informed estimate of attendances at non-feature race meetings.

CONTEXTUALISING THE SIZE OF THE RACING INDUSTRY

It is natural for industry to wish to understand its contribution to its economy and society. For instance, primary industries such as agriculture are clearly defined within the Australian & New Zealand Standard Industry Classification (ANZSIC) – as part of Division A – Agriculture, Forestry and Fishing. The racing industry, as a whole unit, is not represented in the ANZSIC at any level. Certain elements are, however, reflected in the classification system. Examples of these include:-

- The production of racehorses is contained within Division A - Agriculture, Forestry and Fishing
- Parts of the production of accessories utilised within the racing industry (i.e. whips, saddles etc.) is contained within Division C – Manufacturing
- The operation of racetracks and the consumption of the racing product by racehorse owners and racing fans are contained with Division P – Cultural & Recreational Services.

The racing industry is made up of various industries from within a number of different industry classification sectors. It is for this reason that the racing industry must be conceptualized and defined.

Many other economic impact studies have attempted to present the final determination of the economic size of the racing industry, as a comparison against other industries (i.e. the racing industry is twice as large as the electricity sector). This type of comparison is, in essence, meaningless as within ANZSIC, the 'racing industry' would be spread amongst a number of sectors – including electricity. Any comparisons of size to standard industry sectors should be made with caution.

Within the economic modeling undertaken for this study, utilising the Monash Multi Regional Forecasting (MMRF) model, activities associated with racing (breeding, training, race club operation and wagering) are included in two larger composite industries. Specifically, the activity of breeding is part of Division A - Agriculture, Forestry and Fishing whilst the activities of training, race club operation and wagering are included in a residual *services* industry. Having breeding and stud operation in a separate agricultural composite industry does not pose special difficulties for this study. However, having the remaining racing activities lumped together with non-racing services does pose difficulties with respect to reporting and to simulation design. To avoid problems, the residual services category was split into the following four new industries.

- **Thoroughbred Racing** – which consists of enterprises engaged in operating facilities specially used and designed for the thoroughbred racing industry (including horse training, race club operation and those parts of totalisator agency operation and bookmaker operations dealing with thoroughbred racing;
- **Harness Racing** – analogous to the thoroughbred racing industry but relating to harness racing;
- **Greyhound racing** – analogous to the thoroughbred racing industry but relating to greyhound racing; and
- **Services** – comprising the remainder of the previous miscellaneous services composite (primarily non-racing cultural and recreational services).

Key inputs to each industry are:

- Agriculture – animals (the horses and dogs used in racing);
- Labour (wages, salaries and supplements paid to jockeys, training staff, race club staff, etc.);
- Materials and services associated with running training operations, race clubs and betting facilities; and
- Capital (for which profit is the return).

Note that prize money, which is allocated from wagering revenue received by the totalisator agency, is part of the profit of each racing industry.

EQUINE INFLUENZA

During the 2007-08 racing season, an outbreak of equine influenza caused the thoroughbred and harness racing industries in Queensland and New South Wales to cease operation for a number of months. The impact of this, whilst significant at the time, was largely offset by the provision of a Federal Government assistance package. Following the outbreak of EI, the Federal Government made available a \$235 million rescue package for the benefit of thoroughbred and harness racing in both Queensland and New South Wales

A report prepared by PriceWaterhouseCoopers in February 2008 for the Queensland Harness Racing Industry, found that in pure financial terms, the industry's losses overall were more than offset by the access to various funds and assistance schemes made available following the outbreak. This is likely to have seriously reduced any immediate financial difficulties in these two States. It is likely however, that some sectors will continue to feel the impacts of EI in the near future. Breeders, for instance, are likely to feel the impact of an affected breeding season through foal crops in some subsequent years.

In compiling this report, it was important to identify the expenditure and participation areas that were abnormally different due to EI. In other words, presenting an assessment on the 'typical' number of starters during a racing season, based on 2007-08 data, would have been misleading. IER has, for some areas of this assessment, taken a rolling 5 year average, or excluded 2007/08 data, in order to best represent the 'typical' racing season impacts generated by the Queensland Racing Industry

OBJECTIVES OF THE STUDY

In determining the scope of work, IER, in consultation with Queensland Racing Ltd, Harness Racing QLD and Greyhounds Queensland Ltd set out the following objectives:-

1. To illustrate the economic value of Thoroughbred, Harness and Greyhound Racing in Queensland.
2. To illustrate the level of taxation revenue generated for both the state and federal governments and comparisons with other racing jurisdictions.
3. To raise the profile of Thoroughbred, Harness and Greyhound racing in Queensland through the provision of an independent and reliable assessment of its size and scope.
4. To provide a report that can be readily disseminated, in part or in its entirety, to the following key stakeholders
 - a. State of Queensland
 - b. Federal Government of Australia
 - c. Local Councils
 - d. Potential Corporate Partners and Sponsors
 - e. Industry Partners
5. To be used as a base measurement to estimate uplift in economic impact and employment for the Queensland economy through achieving the three codes' business plan objectives.
6. To be used as a tool in the media to help gain positive exposure of the importance of the thoroughbred, harness and greyhound industries to Queensland

SCOPE OF THE STUDY

This report has been developed after an exhaustive information gathering process. IER has undertaken the following approaches to gathering this information:-

FACE TO FACE INTERVIEWS

IER conducted a number of interviews at the governing body level of the industry including Queensland Racing Ltd, Harness Racing QLD and Greyhounds Queensland Ltd to determine the scope of the study and to gain an understanding of the key strategic issues facing the industry. Furthermore, the interview process was designed to capture industry level data and determine the most effective method to communicate with customers, participants and clubs.

CUSTOMER RESEARCH

Customers were surveyed at a range of race meetings throughout Queensland in order to gain an understanding of their activities and spending habits surrounding major racing events. These activities and spending habits included expenditure at the racing event as well as non-event expenditure – off-course spending which has been stimulated because of the nature of the racing event e.g. fashion, transport and accommodation. Customers at major racing events in Brisbane and regional Queensland were asked a series of questions through both face to face and online surveys. These questions were designed to help provide a profile of event customers in Queensland.

PARTICIPANT RESEARCH

Participants play a vital role in the viability and growth potential of the racing industry. IER canvassed a large number of participants from the three codes of racing in order to understand their participation levels, financial involvement and prevailing perceptions of their industry. The participant surveys were quantitative in nature and provided the detail which underpins the assessment of their contribution to the economy.

Owners, breeders and trainers of the three codes of racing in Queensland were surveyed to understand their level of spending in producing the racing animal. In many instances participants held multiples roles within the racing industry. It is important to understand the motivations of many owners, when looking at their financial involvement in racing. It became clear through the research that a large number of owners (and hobby trainers/breeders) consider the 'acceptable losses from involvement' as opposed to the 'expected profit'. In other words, they invest into the racing industry with the understanding that they may not achieve a return on investment. They invest because they love the horses or greyhounds or the thrill of racing. That is not to say that there aren't owners who are involved to make a living, (nor that they do not want to make money), but understanding this distinction is important to appreciating the drivers to participation and industry growth. Jockeys and drivers (and trainer/drivers) were also surveyed to gain a greater understanding of their expenditure, motivations and perceptions of the industry.

In total, IER received more than 1,250 completed surveys during the conduct of the participant research.

SECONDARY RESEARCH

IER has compiled a number of economic and strategic reports which have been commissioned for the Australian Racing Board and other racing jurisdictions throughout Australia. Further to this, IER assessed the July 1998 report produced by KPMG – ‘Queensland Racing – An Assessment of its Economic Contribution to Queensland’. These reports proved valuable in the development of the methodology and the broad understanding of the racing industry. In addition to this, IER has assessed economic and strategic reports which have been prepared for other international racing jurisdictions.

DEFINING THE ‘RACING INDUSTRY’

One of the greatest challenges faced when talking about the ‘racing industry’ surrounds the exact nature of what the ‘industry’ actually is. In many ways it is a unique industry. Is it a sport or is it a business? Is it primary production or is it the production of an event? IER proposes that it is all of these and that is why many have found it difficult to define. At the primary production level, the industry not only supports the development of the horse population, but it also plays a vital role in maintaining working farms. At the business level, breeders, trainers, owners and the various suppliers to the industry are trying to maximise profits for themselves and their shareholders. Racing Clubs are trying to entertain their customers, whilst providing the venues for the athletes and their owners to ply their trade. In many cases, the participants have specific skills that are not readily transferrable to other industries or employment. At the sport or event level, racing is providing the racing fans with a spectacle, a pastime, an event - at the heart of which is the very principle that governs competitive sport – uncertainty of outcome.

The QRI encompasses a variety of organisations, participants and tiers. The three governing bodies of racing in Queensland (QRL, HRQ and GQL) coordinate, manage, and regulate the industry through a number of functions. These include: -

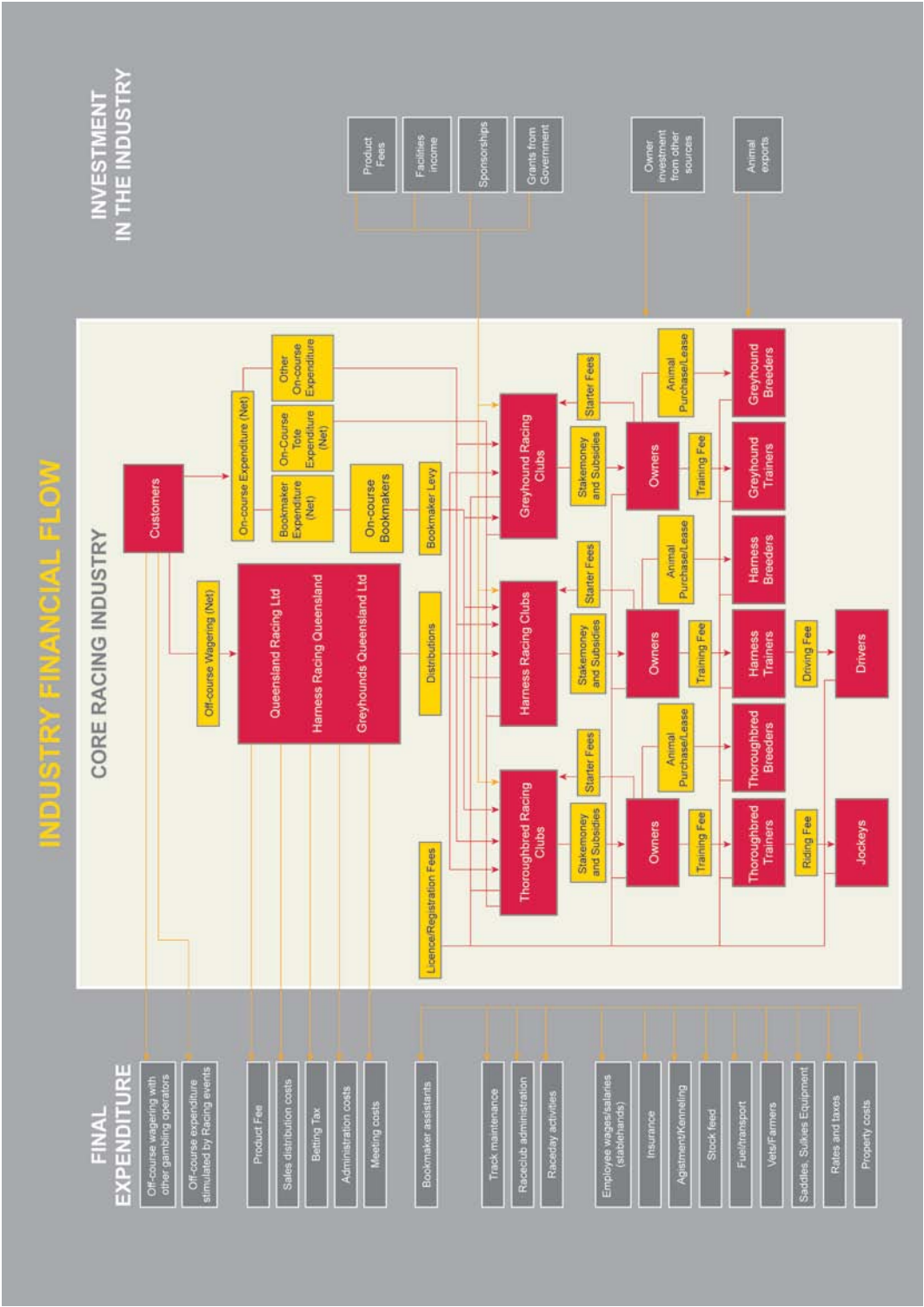
- Administration of the rules of racing;
- Enforcement of standards of safety and integrity;
- Licensing industry participants;
- Registering race clubs and monitoring their activities;
- Racecourse development and capital works;
- Research and promotional activities;
- Administration of industry funding and commercial agreements; and
- Representing the Queensland Racing Industry on the peak national bodies within the three codes

At the core of the racing industry are the horses and organisations/activities that involve the use of horses for final consumption activities (i.e. horse racing). However, the core activity of racing supports a wide number of external industries – particularly in the areas of agriculture, transport and retail.

INDUSTRY FINANCIAL FLOW

The following diagram illustrates this relationship between the industry and other businesses:-

Figure 1 – Industry Financial Flow



Source: IER Pty Ltd

The diagram on the previous page reveals the way in which funds flow into, within and out of the racing industry in Queensland.¹ The column titled “Investment into the industry” refers to the different methods that the industry employs to bring investment into the core racing industry from ‘outside the industry’. This is based on a defined concept of which organisations are within the core industry and which are not. Those organisations, who sit outside the ‘core industry’ in the model, are determined to be those who are neither necessarily integral to the operation of the industry, nor able to be directly controlled by the racing peak bodies or the Government.

Entities such as the Clubs, bookmakers, owners and trainers are all integral to the racing industry and also able to be directly influenced by the the governing bodies of the three codes actions through distributions, stakemoney, racedate allocations etc. Alternatively, service providers to the industry are outside the direct influence of the racing industry and are therefore deemed in economic terms, to be outside of the core racing industry.

Employees of businesses operating within the ‘core racing industry’ such as stablehands and bookmakers assistants, are not considered as separate entities in the racing industry, but rather are considered as part of the business entities within which they are employed.

The column titled “Final Expenditure” refers to the level at which the activities of the racing industry generate economic impacts. Within the core racing industry, funds flow in multiple directions as they move between different layers of activity. This is further explained through Figure 2 on page 20. However, it is when the funds finally leak out into the broader economy, that the economic impacts begin to accrue.

¹ Based upon the racing industry model used by IER & Allan’s Consulting for a similar study relating to the Size and Scope of the Racing Industry in WA.

DEVELOPING AN ECONOMIC METHODOLOGY

As outlined earlier, there is no defined industry, within standard industry classifications, which covers horse and greyhound racing. As such, any comparisons of economic impact can only be roughly compared to established and defined industries such as agriculture, forestry and fishing. This limitation however, only affects the extent to which racing (as an industry) can be directly lined up against other industries.

The methodology for assessing the economic value of the racing industry is established on the following basis:-

- The study uses the expenditure approach in its assessment of the economic impacts generated by racing. Essentially, the expenditure approach involves counting expenditures on goods and services by different racing industry groups in the economy. The four main components are consumption expenditures by households/individuals (C), gross private investment spending principally by business (I), government purchases of goods and services (G), and net exports (exports minus imports EX - IM). The following equation illustrates this process:

$$\text{GSP} = \text{C} + \text{I} + \text{G} + (\text{EX} - \text{IM})$$

- The expenditure generated by the racing industry in Queensland leads to economic impacts for the local economy. These impacts are reflected in the following areas:-
 - Output
 - GSP
 - Employment
 - State Government Revenue

Output relates to the end product of transforming inputs into goods, or more generally, the process of transforming the different factors of production into goods and services destined for consumption. Output is also often referred to as economic activity.

GSP is a measure of the value of goods and services becoming available to the State as a result of economic activity in the nation.

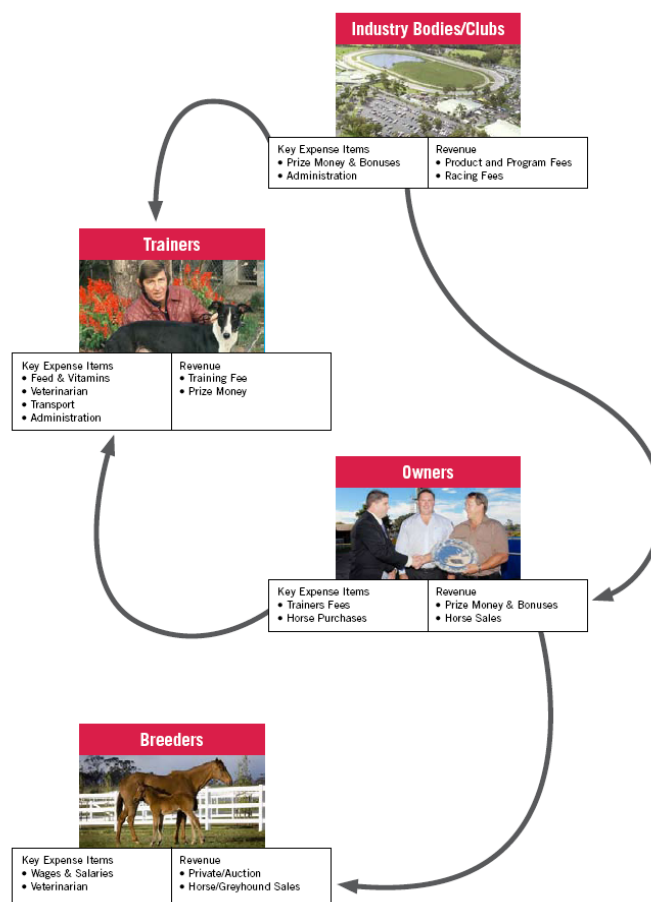
Employment Impact provides analysis which determines the economic impact of employment in terms of jobs created and salaries and wages paid out. It is referred to in terms of full time equivalent positions and takes into account both full time and part time employment.

State Government Revenue is generated from a mixture of front-end taxes and specific industry taxes on gambling. Taxation on wagering in particular is a significant contributor to State government revenue.

The economic impacts generated through the multiplier effects, as outlined in this study, have been calculated using the Monash Multi-Regional Forecasting (MMRF) model, which structures the business sector of the entire Queensland economy in terms of who makes what and who consumes what. Impacts have been accrued within the structure of the ANZSIC to ensure comparability of information.

The calculation of economic impacts accruing from racing in Queensland is summarized in the table on page 21. In determining the economic impact of any industry, it is necessary to remove any double counting of expenditure, or otherwise risk overstating the net impact of expenditure generated in the economy. This is particularly important in the racing industry, given the complex, two way flow of funds that exists between participants (i.e. trainers and owners) and consumers. The adjacent illustration reveals the risks associated with not correctly dealing with the issue of double counting.

Figure 2 – Avoiding Double Counting



Source: IER Pty Ltd

Trainers spend considerable amounts of money on the different elements of training horses and greyhounds. This includes veterinarians, feed & vitamins and gear. However they charge owners a fee which covers all of these items, with an added profit (which effectively hits their bottom line profit after expenses.) If the trainers' expense and the owners' expense were both counted towards economic impact, it would indeed be overstated.

The other key element of expenditure is delivered by wagering on horse racing. In some ways, TAB (pari-mutuel) wagering is no different to investing in the share market – particularly for professional bettors. The expenditure is incurred with the view of making a profit. However, the racing industry is different to the share market as aggregate returns, (the level of return on investment to the bettor), is predetermined. This is a result of fixed 'take-out' rates determined through the totalisator system of UniTAB. As such, when all betting activity is aggregated, the amount unpaid to bettors is referred to as Net Wagering Revenue. This revenue is then shared between the racing industry (39%), UniTAB (41%) and the Government (20%), determined by a revenue sharing agreement between the parties.

Size and Scope of the Racing Industry in Queensland

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The following table provides an overview of the elements that contribute to the economic impact of thoroughbred, harness and greyhound racing in Queensland.

Table 1 – Expenditure Generated by the Racing Industry	
Industry Sector	Industry Expenditure
Racehorse Owners	<p>Owners contribute to the economic impact generated by racing through two primary means.</p> <ol style="list-style-type: none"> 1. They invest in racing stock through private sales and horse auctions (e.g. Magic Millions) 2. They also incur ongoing costs in terms of operating expenditure associated with keeping and training racehorses. The majority of these costs are wrapped up in trainers fees (incl. training fees, transport, veterinary, race entry fees etc.) <p>Owners' expenditure on racing stock is a very difficult item to quantify. This is because (as well as auctions) a 'private' market exists for horse transactions, which is not regulated or reported. Within the assessment of economic impacts in this report, owners' expenditure, as outlined above, is defined as costs which are not incurred by the trainer – e.g. major veterinary operations, agistment for horses etc. Essentially however, the report has focused on the expenditure of breeders and trainers which in essence includes the majority of expenditure of owners' due to the internal industry nature of their transactions.</p>
Trainers	<p>Trainers derive the majority of their income from providing training services to owners of racehorses. The majority of their revenue is realised through the daily training fee charged to owners; however they do also receive a share of prizemoney. Many horse and greyhound trainers in Queensland also own horses that they train and race themselves. This is not uncommon in other racing jurisdictions and is particularly prevalent in the greyhound industry, where many participants are also breeders.</p>
Breeders	<p>Breeders generate economic impact through their involvement in the production of racehorses and greyhounds. It is important in this study to take the expenditure generated by breeders when assessing economic impact, as there is little information available on the revenue generated from the private sale of horses and greyhounds. In any case, this will be likely to understate the economic impact if breeders in Queensland operate profitably across the board. (As outlined earlier, if the value of all horse sale transactions was known, then it would be preferable to incorporate the breeders contribution towards economic impact, based on the total value of horses sold. In a profitable breeding industry, this would therefore include their total operating costs, plus profit.)</p>
Customers	<p>Customers typically generate economic impact in three ways;</p> <ol style="list-style-type: none"> 1. They spend money at racing clubs on consumer goods such as admissions, food and beverage, racebooks, membership and hospitality packages. 2. They spend money off-course in relation to racing. This includes transport, accommodation, fashion, food and beverages. In Queensland this is a significant impact in terms of the thoroughbred racing industry due to the event nature of major racedays. Whether a major racing carnival like Magic Millions or a regional Cup Day, these racing events can inspire significant tourism and retail spending to occur. 3. They also spend money on betting both on-course and off-course. In aggregate, punters are returned the majority of this money, with the remainder (net wagering revenue) being shared between UniTAB, the QRI and the Government.
Corporate Customers	<p>Corporate customers generate economic impacts through spending on sponsorships and corporate hospitality packages in the racing industry. The majority of this revenue is captured by the three codes of racing at major or feature racedays.</p>
Governing Bodies and Clubs	<p>The governing bodies of the three codes of racing in Queensland develop the strategic direction of the industry. They spend money on capital items, prizemoney allocation and operating activities in order to facilitate the activity of the racing industry. These activities include registering race clubs, licensing trainers, jockeys, drivers, bookmakers and other industry participants, handicapping and grading, industry marketing and publications, administration of industry funding, appointment of stewards and industry level strategic planning. The Clubs are responsible for promotion of racedays, Club membership, catering and entertainment activities.</p>

Source: IER

THE PARTICIPANTS IN RACING

Thoroughbred, harness and greyhound racing not only provides entertainment and gambling opportunities, it also provides a living to a significant number of residents in Queensland. Participants can largely be categorised into three main segments:-

- **Participants in the production of horses and greyhounds** – These people are the primary producers, delivering the most important element of the racing product – the racehorses and greyhounds. They are responsible for breeding, rearing, training and caring for the animals. These participants represent different levels of involvement in the industry. Some provide the investment – the capital required to purchase the racing stock, whilst others provide the skill in training and developing the horses and greyhounds for racing.
- **Participants in the production of the racing product** – These people are those who are responsible for bringing the racing product together on-course. The majority of these participants are employed directly by racing clubs and peak bodies; however, there are some who are employed by UniTAB and Bookmakers.
- **Racing and Betting Customers** – These are the consumers of the racing product. The racing product includes the races themselves, as well as the events that are built around race meetings. These customers interact with the racing industry through three main touch points:-
 - Attendance at race meetings held in Queensland
 - Betting on races on-course in Queensland
 - Betting on races through off-course wagering portals in Queensland

It is important to distinguish between the concept of participants, used throughout this study, and the concept of employment. The assessment of participants in the racing industry is framed loosely around the sum of those employed by racing and those involved in racing. Owners, for instance, are technically not employed in racing. Nor are they always an employer in the racing industry. They are more akin to customers; however they play a greater role as investors. Either way, they can be accurately defined as a participant in the industry. Jockeys, for the most part, could mostly be defined as being self employed businesses. However to some degree, they are employed by trainers, owners and racing clubs depending on which vantage point is taken. Again, either way it is viewed, they are definitely participants in the industry.

This report will, within a later section, detail the level of employment sustained by the activities generated by the racing industry. This will effectively illustrate a smaller subsection of the total participation in the racing industry.

Size and Scope of the Racing Industry in Queensland

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	Thoroughbred	Harness	Greyhound	Total ²
Breeders	2,130	663	386	3,179
Staff Employed by Breeders	2,373	643	173	3,189
Owners and Syndicates	13,466	1,880	2,439	17,785
Trainers	1,153	433	1,174	2,760
Staff Employed by Trainers	1,876	446	704	3,026
Total Participants in Producing Racing Animals	20,998	4,065	4,876	29,939
Club & Industry Body Paid Full Time Staff	300	48	42	390
Club & Industry Body Paid Part Time Staff	2,500	348	296	3,144
Contracted Staff	3,510	322	281	4,113
Bookmakers	115	9	15	139
Bookmakers Staff	230	27	28	285
Jockeys/Drivers	273	302		575
Total Employees & Participants³ Producing Racing Product	6,928	1,056	662	8,646
TAB Wagering Staff				1,501
Total Participants in Racing	27,926	5,121	5,538	40,086

Source: QRL, HRQ and GQL,

There are more than 40,000 individuals in Queensland who participate in the racing industry. Nearly 75% of these participants are involved in the production of the racehorses and greyhounds.

In addition to this, it is estimated that more than 4,000 people provide their voluntary time and efforts to assist in the operation of the racing industry. A large proportion of these volunteers provide their skills on various boards throughout the industry, whilst volunteers also fill rolls at race clubs and with trainers and breeders. The monetary value of these volunteers is hard to quantify. Suffice to say there exists a number of small 'community racing clubs' that survive solely on the strength of their volunteer support. To these clubs, the value of these volunteers can be measured purely by their ongoing ability to survive.

² Note: This table refers to individuals. It is not a measure of FTE positions

³ Participants in producing the racing product include clubs and industry bodies

BREEDING RACING HORSES & GREYHOUNDS

Breeders play an integral role in the racing industry, through the generation and re-generation of racing stock. As seen in other racing jurisdictions in Australia, breeders can range from those who operate large breeding operations to individuals who breed a horse or greyhound on their property, to those who own (or co-own) the animal and take no part in the 'hands-on' elements of the breeding operation. Similar to trainers (unlike owners, jockeys and drivers), breeders have a much larger number of cost centres in relation to their breeding activities. However, costs associated with wages, service fees and feed are often the largest single components of their expenditure. Within the racing industry, breeding is the most capital intensive operation, bringing with it considerable investment in infrastructure and capital development.

In many jurisdictions, a key indicator of a healthy breeding industry is contained in the level and value of horse sales achieved at auction, however many horses and greyhounds are sold privately. The thoroughbred industry in Queensland holds a number of sales throughout the year at the Gold Coast Magic Millions Sales complex, which last year recorded turnover in excess of \$188 million in bloodstock. Australian Pacing Gold is the national body for selling standardbreds and this year's auction in Brisbane yielded over \$500,000 in aggregate sales. The Ipswich Racing Club conducts the annual sale for greyhounds with aggregate sales over \$300,000 in 2008.

Data received from a survey of over 150 breeders in the QRI revealed the following results: -

Thoroughbred Breeders

- 21% of breeders considered their role full-time, 39% part-time and 40% a hobby interest
- The average breeder has been breeding racehorses for 11.5 years
- 64% own or lease a property for the purpose of breeding thoroughbreds
- 39% of breeders employ family members in their breeding operations
- In the past 3 years 21% of breeders have purchased a property for the purpose of breeding horses
- 36% of breeders are also owners of racehorses
- 86% of breeders supplement their breeding with income from other sources
- 34% of breeders intend to increase their involvement in the racing industry.

Harness Breeders

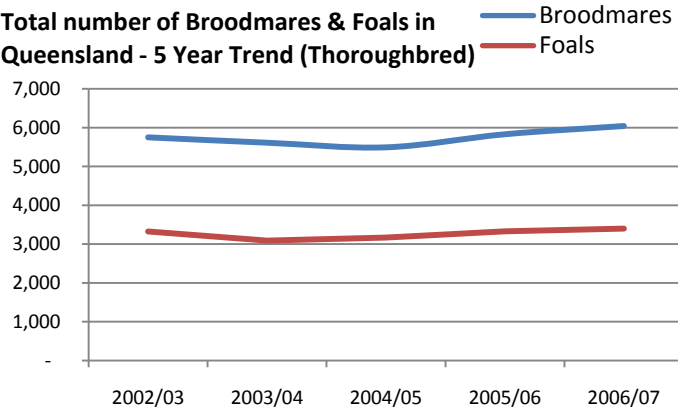
- 16% of breeders considered their role full-time, 37% part-time and 47% a hobby interest
- The average breeder has been breeding racehorses for 13.5 years
- 68% own or lease a property for the purpose of breeding standardbreds
- 42% of breeders employ family members in their breeding operations
- 44% of breeders are also owners of racehorses
- 91% of breeders supplement their breeding with income from other sources
- 25% of breeders intend to increase their involvement in the racing industry.

Greyhound Breeders

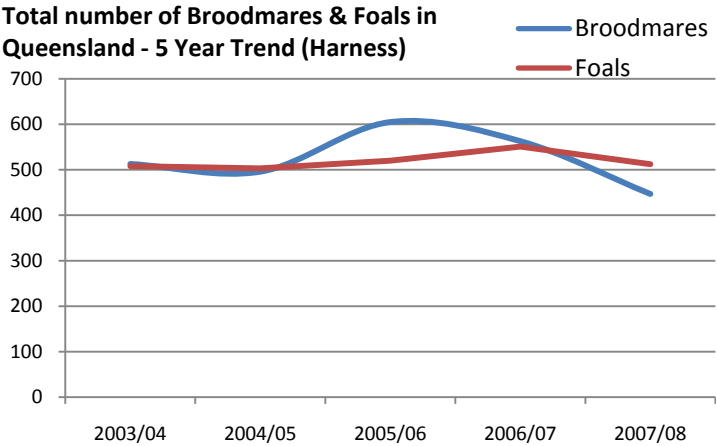
- 15% of breeders considered their role full-time, 39% part-time and 46% a hobby interest
- The average breeder has been breeding greyhounds for 14 years
- 23% own or lease a property for the purpose of breeding greyhounds
- 33% of breeders employ family members in their breeding operations
- 56% of breeders are also owners of racing greyhounds
- 88% of breeders supplement their breeding with income from other sources
- 17% of breeders intend to increase their involvement in the racing industry.

CURRENT TRENDS

It is estimated that thoroughbred breeders in Queensland produce 3,400 foals each year, approximately 20% of the national foal crop. The total number of thoroughbred broodmares in Queensland has increased by 300 since 2002/03. In the 2006/07 breeding season, there was an estimated 6,040 broodmares in the Queensland thoroughbred racing industry.



Source: QRL, HRQ and GQL,



Source: QRL, HRQ and GQL,

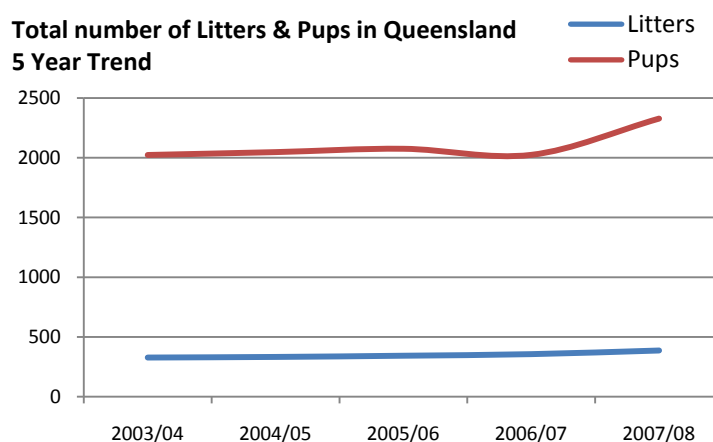
More than 500 foals are produced by harness breeders each year. It is important to note that the national harness racing foal crop has fallen by half in the last 20 years, most likely attributable to environmental conditions, such as drought. The number of standardbred broodmares has dropped marginally in the last 5 years, despite experiencing significant growth in 2005/06. In the 2007/08 breeding season, there was an

estimated 450 broodmares in the Queensland harness racing industry.

Size and Scope of the Racing Industry in Queensland

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Greyhound breeders produced over 380 litters in 2006/07 - an increase of 8% in 12 months. With an average litter comprising just over 6 pups, this equates to more than 2300 pups per year - an increase of 15% compared to the 2006/07 breeding season. The number of litters produced has remained fairly stable over the last five years.



Source: QRL, HRQ and GQL,

BREEDER MOTIVATIONS

IER asked breeders to suggest the key drivers that motivate their involvement in racing as a breeder. Understanding the key drivers can assist the industry in maintaining the involvement of existing breeders. Furthermore, IER assessed the future level of involvement in the racing industry, in terms of maintaining, decreasing or increasing the size of their breeding operation.

Thoroughbred, harness and greyhound breeders identified a number of motivating factors behind their participation in the racing industry. IER found many of the responses across all three codes to be similar. They include: -

- To earn a return on investment
- To breed a champion horse/dog
- Love of the animal
- To breed Group winning horses/greyhounds

Similar to owners and trainers, the breeders in the QRI are passionate about both the animal and the industry. The greyhound breeding sector differed from thoroughbred and harness code in that many greyhound breeders held multiple participant roles. This meant that their motivations for participating in the industry were similar across participant groups.

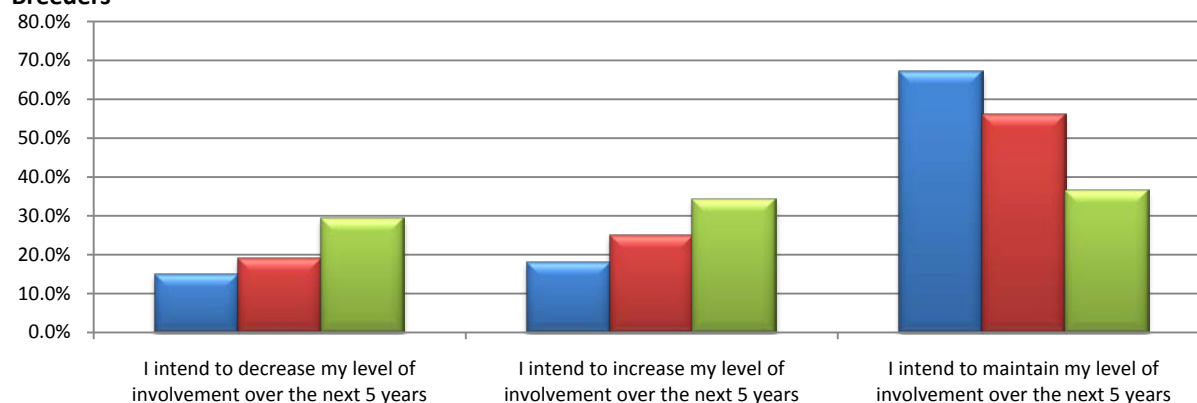
The chart (over page) illustrates the future intentions of breeders for the three codes of racing. IER asked breeders if they intended to maintain, decrease or increase the size of their breeding interest or operations. The majority of harness (56%) and greyhound (67%) breeders intend to maintain their level of involvement in the breeding industry. In the thoroughbred sector, approximately 35% intend to maintain their involvement and 35% intend to increase their involvement. In all sectors, there are more breeders indicating that they are likely to increase their involvement than scale down.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Future level of involvement in the racing industry

Breeder's



Source: Participant Survey conducted by IER

BREEDERS EXPENDITURE

As outlined earlier, this study has focused on identifying the expenditure generated by breeders as opposed to the expenditure generated by owners on purchasing racehorses and greyhounds. Breeders generate expenditure in the process of playing their role in replenishing racehorse and greyhound stocks. In determining the expenditure impact of the breeding sector, IER has modeled spending based on a 'per breeder' classification within different levels of activity. Whilst there is a wide gap between the upper level (large breeding stud) and lower level (non active or silent share breeder (i.e. part broodmare owner)), this has been proven to be the most accurate method of assessment. For the purposes of this study, breeders were asked to classify themselves as full time, part time or hobby in nature.

THOROUGHBRED BREEDERS

The following table illustrates the expenditure incurred by Thoroughbred breeders in the production of racing horses:-

Expense Area	Per Breeder Full Time	Per Breeder Part Time	Per Breeder Hobby	Total Annual Cost
Vets Fees	\$8,299	\$3,162	\$1,431	\$7,530,083
Agistment Fees	\$3,181	\$1,212	\$549	\$2,886,532
Gear & Accessories	\$2,868	\$1,093	\$494	\$2,602,062
Farriers Fees	\$1,383	\$527	\$239	\$1,255,014
Commercial Float Fees	\$1,752	\$668	\$302	\$1,589,684
Vehicle or Float Maintenance	\$2,305	\$878	\$398	\$2,091,690
Fuel	\$3,504	\$1,335	\$604	\$3,179,368
Sales Entry Fees	\$1,420	\$541	\$245	\$1,288,481
Feedstock (incl Supplements)	\$14,754	\$5,621	\$2,544	\$13,386,815
Wages	\$16,598	\$6,324	\$2,862	\$15,060,166
Insurance	\$2,729	\$1,040	\$471	\$2,476,561
Service Fees	\$13,832	\$5,270	\$2,385	\$12,550,139
Marketing & Promotion	\$2,665	\$1,015	\$460	\$2,417,993
Travel Expenses	\$2,766	\$1,054	\$477	\$2,510,028
Administration Expenses	\$9,608	\$3,661	\$1,657	\$8,718,163
Other Expenses	\$4,546	\$1,732	\$784	\$4,124,812
Property Maintenance	\$15,684	\$6,110	\$1,883	\$13,666,695
Capital Improvements	\$10,297	\$6,465	\$1,013	\$10,916,824
Mortgage/Lease Payments	\$11,037	\$4,006	\$86	\$8,336,193
Total Cost	\$129,229	\$51,714	\$18,882	\$116,587,303

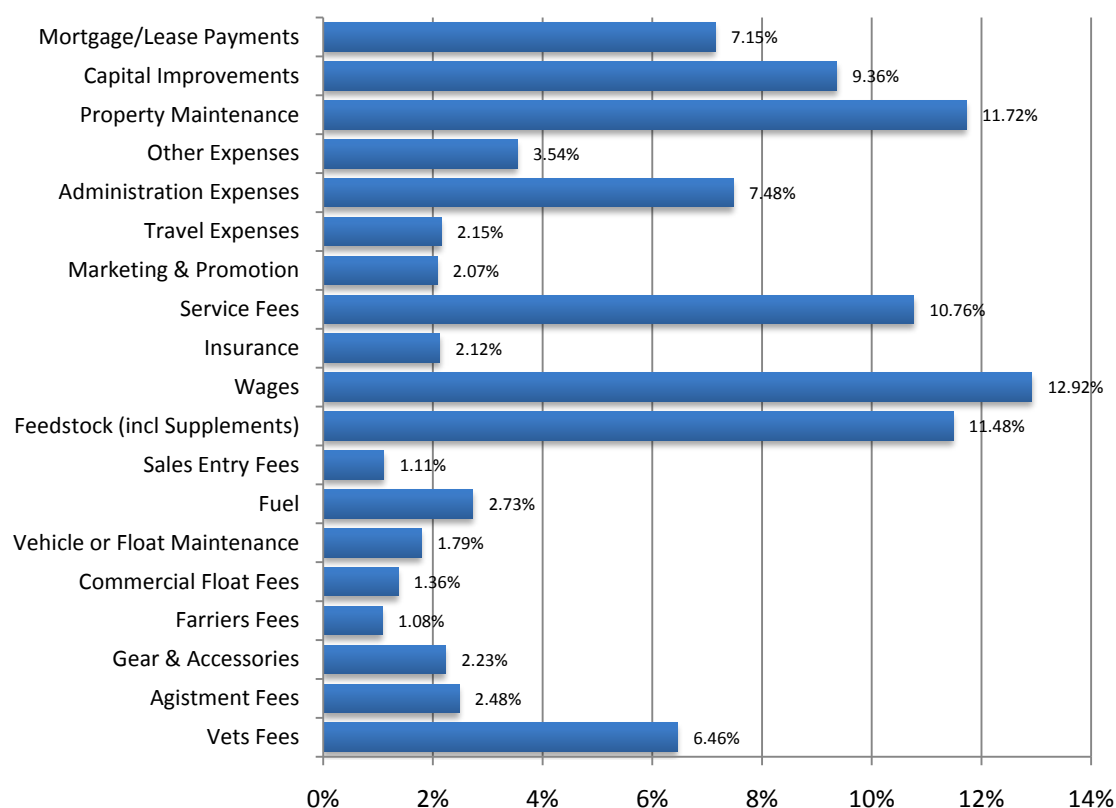
Source: Participant Survey conducted by IER

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Thoroughbred breeders spend more than \$116.5 million on the management of mares and stallions, production of foals and care of yearlings each year. The cost of service fees, wages, feedstock and property expenses make up the largest components of expenditure.

**Proportion of Expenditure in
Breeding Thoroughbreds**



Source: Participant Survey conducted by IER

Data collected through the participant survey was used to estimate the direct employment generated by thoroughbred breeders. The economic activity undertaken by breeders in Queensland is estimated to sustain the paid employment of approximately 2,373 individuals (related to breeding activities). Based upon data provided by breeders relating to the average number of hours worked by their staff, the paid activity equates to 1,472 full time equivalent positions that are sustained by thoroughbred breeders in Queensland. This analysis indicates that the typical individual working in paid employment for a thoroughbred breeder does so for approximately 62.0% of a full time equivalent position – or just over 24.8 hours per week.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

HARNESS BREEDERS

The following table illustrates the expenditure incurred by Harness breeders in the preparation of racing horses:-

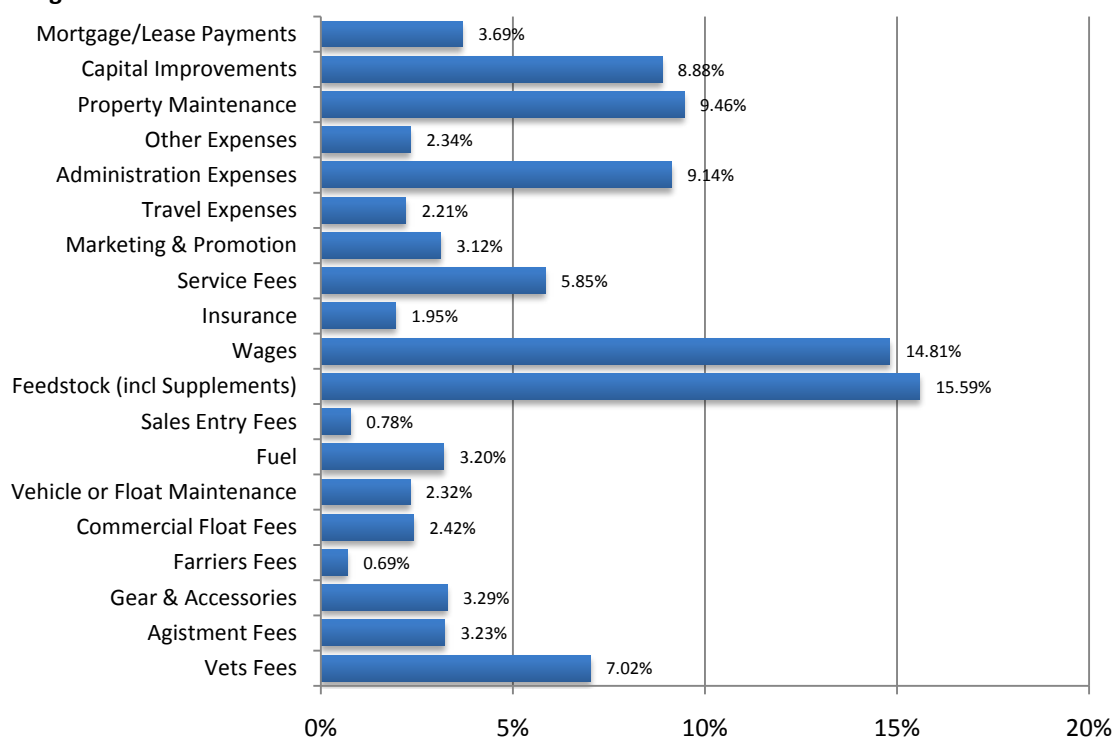
Expense Area	Per Breeder Full Time	Per Breeder Part Time	Per Breeder Hobby	Total Annual Cost
Vets Fees	\$6,289	\$2,841	\$1,399	\$2,057,900
Agistment Fees	\$2,893	\$1,306	\$643	\$946,634
Gear & Accessories	\$2,948.	\$1,332	\$656	\$964,926
Farriers Fees	\$621	\$280	\$138	\$203,503
Commercial Float Fees	\$2,166	\$978	\$482	\$708,832
Vehicle or Float Maintenance	\$2,082	\$940	\$463.	\$681,393
Fuel	\$2,872.	\$1,297	\$639	\$939,774
Sales Entry Fees	\$698	\$315	\$155	\$228,656
Feedstock (incl Supplements)	\$13,976	\$6,313	\$3,110	\$4,573,110
Wages	\$13,277	\$5,997	\$2,954	\$4,344,455
Insurance	\$1,747.	\$789	\$388	\$571,639
Service Fees	\$5,241	\$2,367	\$1,166	\$1,714,916
Marketing & Promotion	\$2,795	\$1,262	\$622	\$914,622
Travel Expenses	\$1,984	\$896	\$441	\$649,382
Administration Expenses	\$8,190	\$3,699	\$1,822	\$2,679,843
Other Expenses	\$2,096	\$947	\$466	\$685,967
Property Maintenance	\$8,968	\$4,221	\$1,008	\$2,775,627
Capital Improvements	\$7,000	\$5,008	\$364	\$2,605,571
Mortgage/Lease Payments	\$4,401	\$1,451	\$81	\$1,082,194
Total Cost	\$90,251	\$42,249	\$17,004	\$29,328,944

Source: Participant Survey conducted by IER

Harness breeders spend more than \$29.3 million on the production of racing horses each year. Feedstock, wages, administration and property maintenance were the areas that recorded the highest amount of expenditure.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Proportion of Expenditure in Breeding Standardbreds

Source: Participant Survey conducted by IER

Data collected through the participant survey was used to estimate the direct employment generated by harness breeders. The economic activity undertaken by breeders in Queensland is estimated to sustain the paid employment of approximately 643 individuals (related to breeding activities). Based upon data provided by breeders relating to the average number of hours worked by their staff, the paid activity equates to 274 full time equivalent positions that are sustained by harness breeder in Queensland. This analysis indicates that the typical individual working in paid employment for a harness breeder does so for approximately 42.6% of a full time equivalent position – or just over 17 hours per week.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

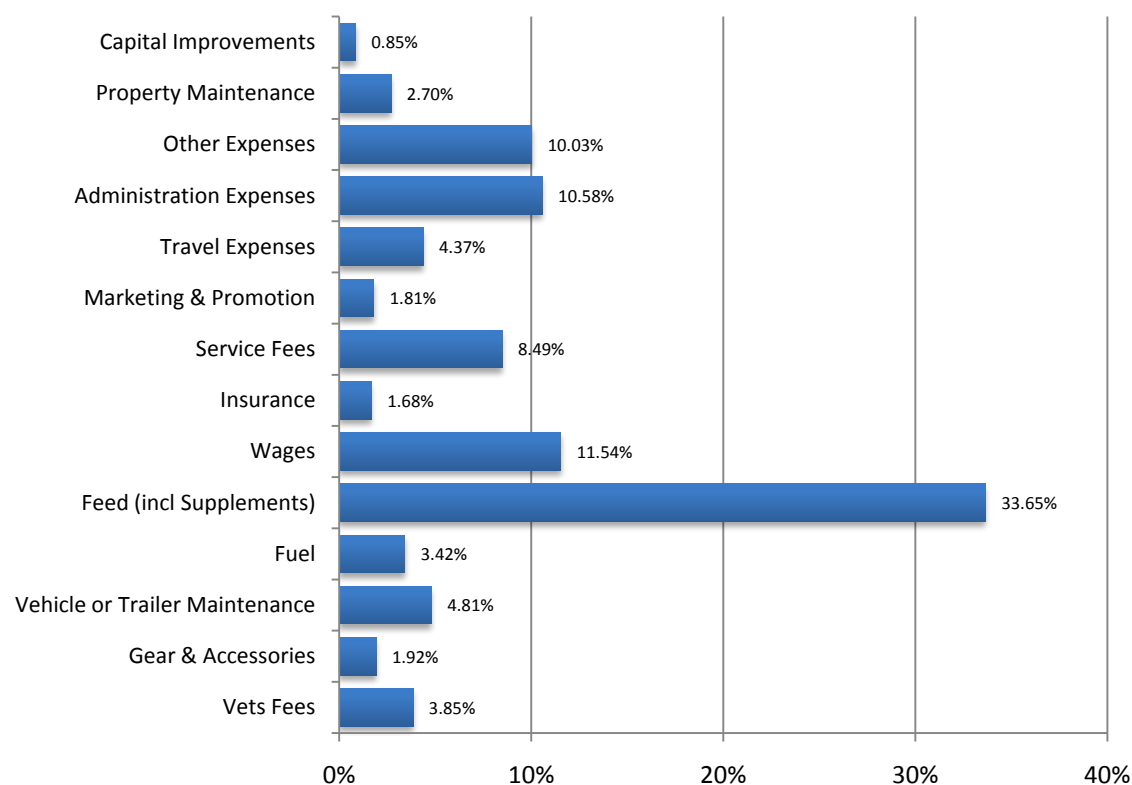
GREYHOUND BREEDERS

The following table illustrates the expenditure incurred by Greyhound breeders in the preparation of racing horses:-

Expense Area	Per Breeder Full Time	Per Breeder Part Time	Per Breeder Hobby	Total Annual Cost
Vets Fees	\$1,338	\$627	\$248	\$87,023
Gear & Accessories	\$669	\$313	\$124	\$43,511
Vehicle or Trailer Maintenance	\$1,673	\$784	\$311	\$108,779
Fuel	\$1,191	\$558	\$221	\$77,450
Feed (incl Supplements)	\$11,714	\$5,489	\$2,177	\$761,450
Wages	\$4,016	\$1,882	\$746	\$261,069
Insurance	\$585	\$274	\$108	\$38,073
Service Fees	\$2,955	\$1,384	\$549	\$192,103
Marketing & Promotion	\$629	\$294	\$116	\$40,901
Travel Expenses	\$1,522	\$713	\$283	\$98,989
Administration Expenses	\$3,681	\$1,725	\$684	\$239,313
Other Expenses	\$3,490	\$1,635	\$648	\$226,912
Property Maintenance	\$3,058	\$840	\$0.00	\$61,076
Capital Improvements	\$1,105	\$209	\$0.00	\$19,331
Mortgage/Lease Payments	\$326	\$98	\$0.00	\$6,765
Total Cost	\$37,959	\$16,833	\$6,222	\$2,262,745

Source: Participant Survey conducted by IER

Greyhound breeders spend more than \$2.2 million on the preparation of greyhounds each year. Feed and wages make up the largest proportion of their expenditure.

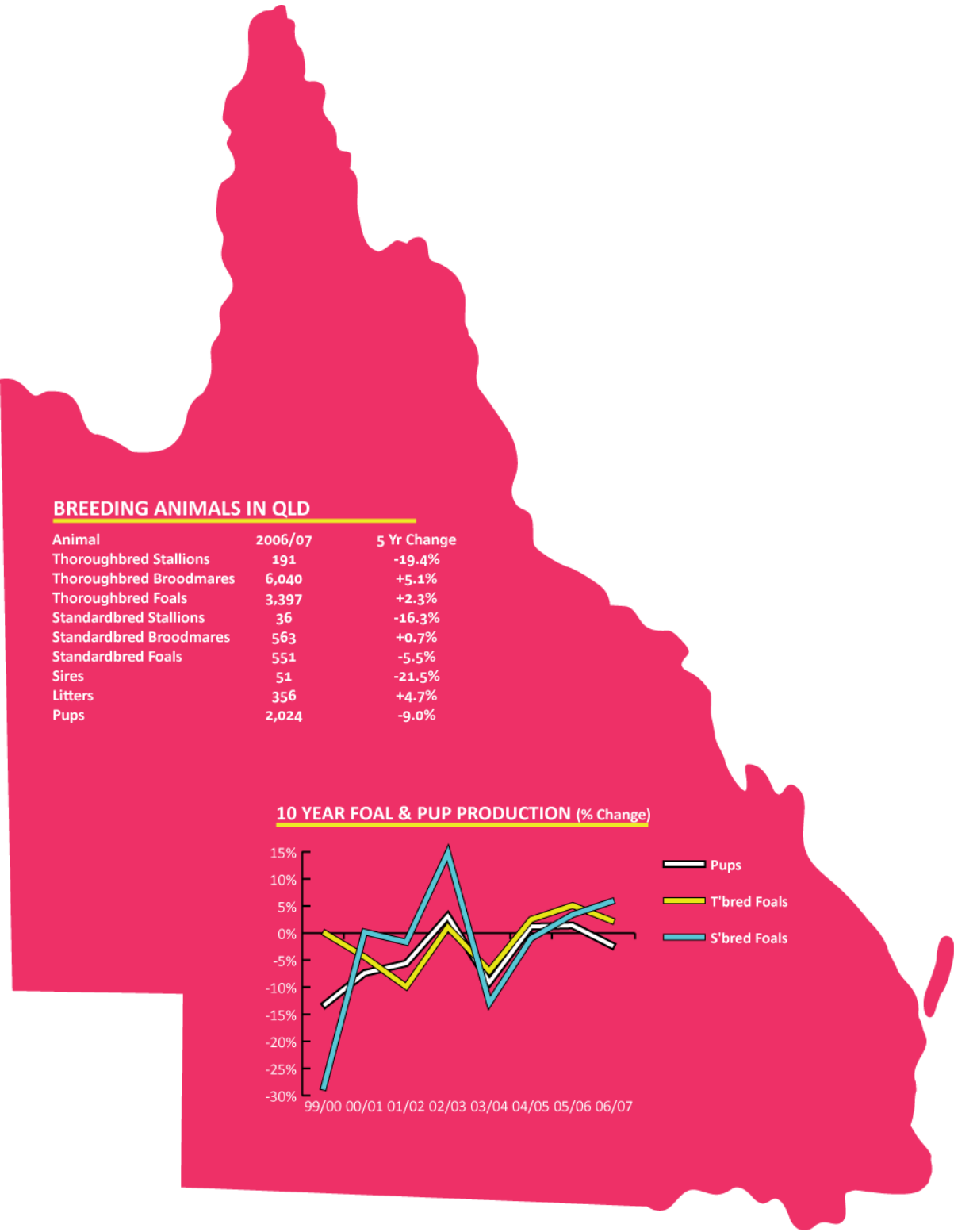
Proportion of Expenditure in Breeding Greyhounds


Source: Participant Survey conducted by IER

Data collected through the participant survey was used to estimate the direct employment generated by greyhound breeders. The economic activity undertaken by breeders in Queensland is estimated to sustain the paid employment of approximately 173 individuals (related to breeding activities). Based upon data provided by breeders relating to the average number of hours worked by their staff, the paid activity equates to 71 full time equivalent positions that are sustained by greyhound breeders in Queensland. This analysis indicates that the typical individual working in paid employment for a greyhound breeder does so for approximately 41.1% of a full time equivalent position – or just over 16.4 hours per week.

Across the three codes of racing, breeders spend more than \$148.2 million each year on the production of thoroughbreds, standardbreds and greyhounds.

Figure 3 –Key Breeding Statistics



TRAINING HORSES & GREYHOUNDS

The QRI is largely sustained by the participants who provide investment and skill to produce the racehorses. Trainers bring the skill to the industry, through their preparation of the racehorses. In essence, racehorse owners entrust their valuable investment in the hands of the trainers, who not only teach the horse how to race, but care for its health and well-being. As detailed previously, the trainers' primary revenue source is from training fees paid by owners and 10% of any stake money. Trainers' expenditure generates considerable impacts in the economy through the consumption of a variety of goods and services in the market.

It is estimated that there are more than 2750 trainers operating in the three codes of racing. This consists of more than 1150 thoroughbred trainers, 430 harness trainers and 1170 greyhound trainers. An analysis of a five-year trend of the number of trainers' revealed a slight decrease in all codes. This is typical of many racing jurisdictions where there has been a decrease in hobby trainers and growth in the size of operation of major trainers. Data received from a survey completed by more than 340 trainers in the QRI revealed the following results: -

The typical thoroughbred trainer: -

- has ownership interests in racehorses (88%)
- has an average of seven horses in work in a season
- has been training for 18 years
- 50% of trainers employ their family members
- 17% of trainers are female
- Trains an average of 6.8 horses per season

The typical harness trainer: -

- 70% of trainers are also drivers
- has ownership interests in racehorses (78%)
- has an average of nine horses in work in a season
- has been training for 20 years
- 31% of trainers employ their family members
- 18% of trainers are female
- Trains an average of 6.4 horses per season

The typical greyhound trainer: -

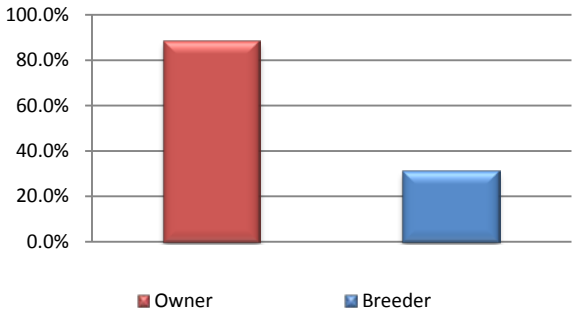
- has ownership interests in racehorses (89%)
- has an average of nine greyhounds in work in a season
- has been training for 18 years
- 28% of trainers employ their family members
- 20% of trainers are female
- Trains an average of 5.1 greyhounds per season

ROLES HELD BY TRAINERS

The number of participants who solely engage in training activities are quite few in Queensland, with the majority also engaging in other activities including owning, breeding and in harness racing, driving.

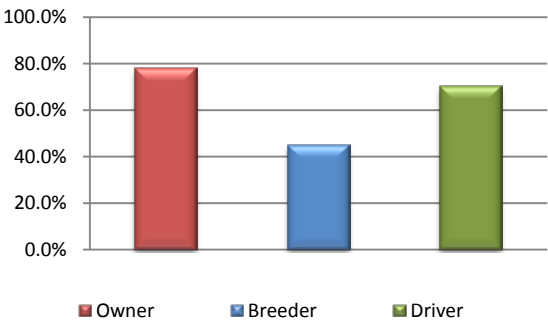
IER’s survey of thoroughbred trainers in Queensland revealed that close to 88% also had ownership interests in racehorses. All trainers were more likely to have co-ownerships or partnerships (80%) in racehorses; however, the smaller the sized racing operation, the more likely they were to be sole owners. Just over 30% of trainers also play a role in breeding racehorses. The larger trainers (No 1 and No 2 trainers) are significantly less likely to breed horses (16%) compared to smaller sized training operations (37%).

Roles held within the Thoroughbred training sector



Source: Participant Survey conducted by IER

Roles held within the Harness training sector

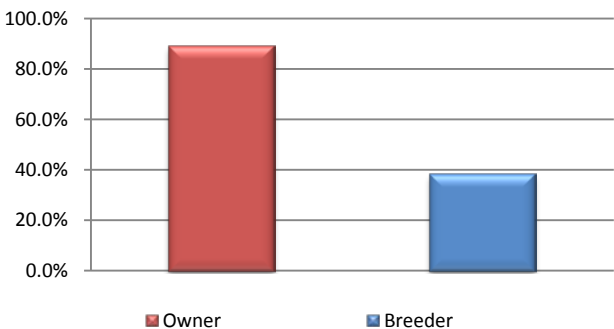


Source: Participant Survey conducted by IER

Trainers in the harness racing sector have the opportunity to engage in owning, breeding and driving. Their participation in these activities is strong. The survey revealed that close to 80% of trainers own horses. Over 92% of the larger training operations own horses, the majority in either partnerships or as sole owners. Unlike the thoroughbred sector, training in the harness racing sector goes hand in hand with driving – with just over 70% of trainers also undertaking the role of driving. Furthermore, the survey revealed that 45% also play a role in the breeding industry.

Similar to the thoroughbred sector, 89% of greyhound trainers are owners. Also comparable is the fact that ownership is more likely to decrease as the size of the training operation increases. Just under 80% of the larger training operations owned greyhounds. 38% of trainers also bred greyhounds. Unlike the thoroughbred sector, the bigger training operations (Class 1 & 2 license holders) were more likely to be breeders - 47%.

Roles held within the Greyhound training sector



Source: Participant Survey conducted by IER

TRAINERS MOTIVATIONS

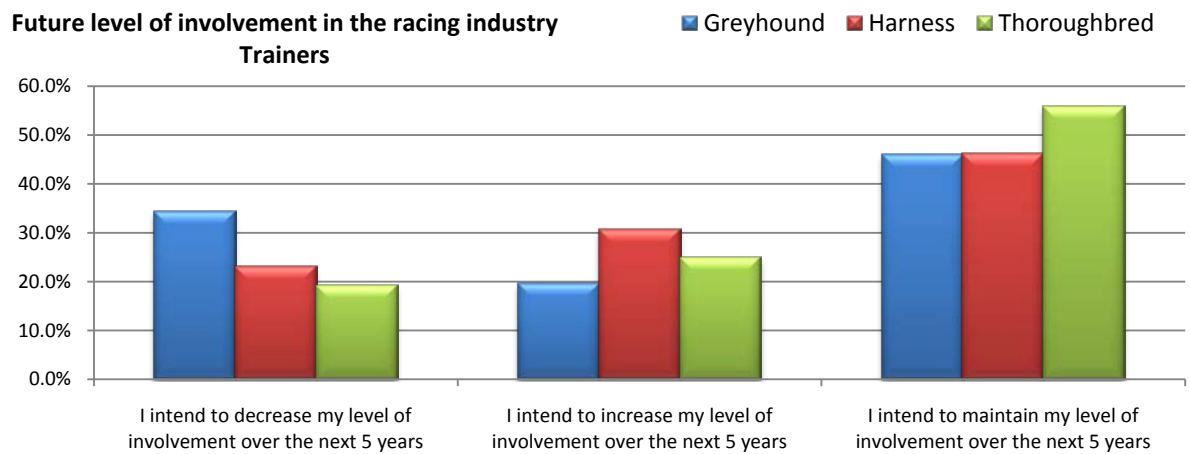
IER asked trainers to suggest the key drivers that motivate their involvement in the racing industry. These drivers are important in understanding why trainers are involved in the industry and what elements will attract new participants. Furthermore, IER assessed the future level of involvement in the racing industry, in terms of maintaining, decreasing or increasing the size of their training operation.

Thoroughbred, harness and greyhound trainers identified a number of motivating factors for why they participate in the racing industry. IER found many of the responses across all three codes to be similar. They include: -

- Love of the animal
- Love of racing
- Family involvement
- Thrill of winning
- To earn a return on investment

The survey revealed that trainers at all levels were very passionate about their industry. They have either grown up in the industry or have been introduced by a friend or colleague and built a connection with the animal and the racing environment. IER found that trainers with a medium to large operation clearly identified earning a return on their investment as being the key driver. This is vital for these participants as it is their full or part-time occupation. The social elements of racing were also identified by a number of respondents – “an interest of training, owning and breeding shared by my wife, myself and 3 professional sons”. Many greyhound trainers also identified the active/exercise elements of training the animal.

The following chart illustrates the future intentions of trainers for each of the three codes of racing. As mentioned above, IER asked trainers if they intended to maintain, decrease or increase the size of their training operations. Approximately half of all trainers (56% Thoroughbred and 46% Harness and Greyhound) intend to maintain their level of involvement in the racing industry. More thoroughbred and harness trainers intend to increase (T -25% and H-31%) their operations compared to decreasing (T -19% and H-23%). However, more trainers in the greyhound sector are likely to reduce (34%) their involvement than expand (20%).



Source: Participant Survey conducted by IER

The major reasons for trainers expanding their business centered on the opportunities to increase their return on investment, train winning horses/greyhounds and to be successful. Trainers decreasing the size of their operation indicated many reasons; however costs (particularly overheads) were clearly the most common factors.

COST OF PRODUCING RACEHORSES AND GREYHOUNDS

Data collected from primary research undertaken within the training sector of the QRI, revealed that the average weighted daily training fee is: -

- **Thoroughbred Trainers** \$ 54 per day
- **Harness Trainers** \$ 34 per day
- **Greyhound Trainers** \$ 13 per day

Training fees for participants can vary depending on a trainer's success rate and scale of operation. At the higher end, thoroughbred trainers can charge up to \$90 per day in the current market. Harness trainers at the highest end can charge up to \$45 per day, whilst greyhound trainers can charge up to \$15 per day. Thoroughbred and harness trainers generally charge a daily training fee which covers a number of incidental expenses. Large expenses are often charged on top of the daily fee. Greyhound trainers however, pay for all expenses associated with training and upkeep, as well as taking 50% of all prizemoney earned.

PRODUCING THOROUGHBRED RACEHORSES

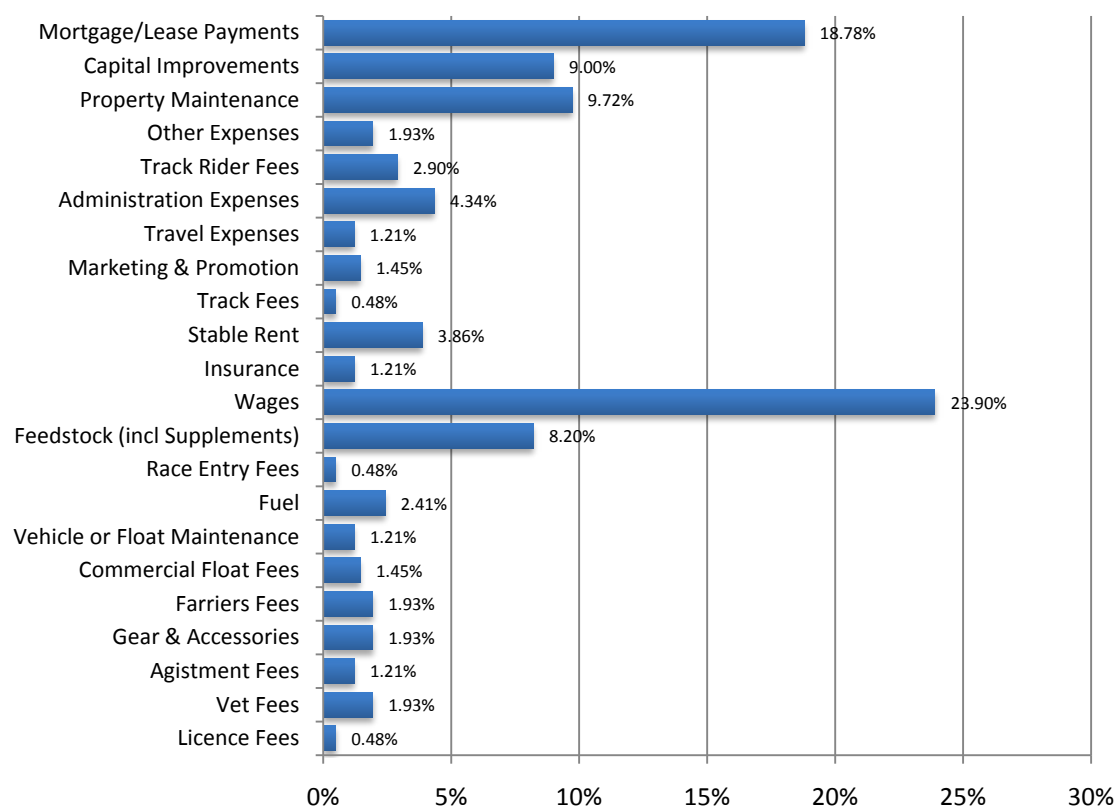
The following table illustrates the expenditure incurred by thoroughbred trainers and owners in the preparation of racing horses. Note, for the purposes of the economic assessment, the owners and trainers costs have been compiled within the 'cost of producing a racehorse'. This means that the profit derived by trainers (a cost to owners) is included in the chart below:-

Expense Area	Per Horse Per Day	Total Annual Cost
Training Fee Profit	\$21.77	\$58,531,406
License Fees	\$0.41	\$1,093,139
Vet Fees	\$1.63	\$4,372,555
Agistment Fees	\$1.02	\$2,732,847
Gear & Accessories	\$1.63	\$4,372,555
Farriers Fees	\$1.63	\$4,372,555
Commercial Float Fees	\$1.22	\$3,279,416
Vehicle or Float Maintenance	\$1.02	\$2,732,847
Fuel	\$2.03	\$5,465,694
Race Entry Fees	\$0.41	\$1,093,139
Feedstock (incl. Supplements)	\$6.91	\$18,583,358
Wages	\$20.14	\$54,140,852
Insurance	\$1.02	\$2,732,847
Stable Rent	\$3.25	\$8,745,110
Track Fees	\$0.41	\$1,093,139
Marketing & Promotion	\$1.22	\$3,279,416
Travel Expenses	\$1.02	\$2,732,847
Administration Expenses	\$3.66	\$9,838,248
Track Rider Fees	\$2.44	\$6,558,832
Other Expenses	\$1.63	\$4,372,555
Property Maintenance	\$8.19	\$22,016,563
Capital Improvements	\$7.58	\$20,377,541
Mortgage/Lease Payments	\$15.83	\$42,554,602
Total Cost	\$106.04	\$285,072,061

Trainers and owners spend more than \$285.0 million on the preparation of thoroughbred racehorses each year. This includes the proportion of profit that is generated by trainers. Property related expenses (including maintenance and amortised improvements), wages and salaries and feedstock are the largest expenditure items.

Source: Participant Survey conducted by IER

Proportion of Expenditure in Preparing Thoroughbred Racehorses



Source: Participant Survey conducted by IER

Data collected through the participant survey was used to estimate the direct employment generated by thoroughbred trainers. The economic activity undertaken by trainers in Queensland is estimated to sustain the paid employment of approximately 1,876 individuals (related to training activities). Based upon data provided by trainers relating to the average number of hours worked by their staff, the paid activity equates to 1,011 full time equivalent positions that are sustained by thoroughbred trainers in Queensland. This analysis indicates that the typical individual working in paid employment for a thoroughbred trainer does so for approximately 53.9% of a full time equivalent position – or just over 21.5 hours per week.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

PRODUCING HARNESS RACEHORSES

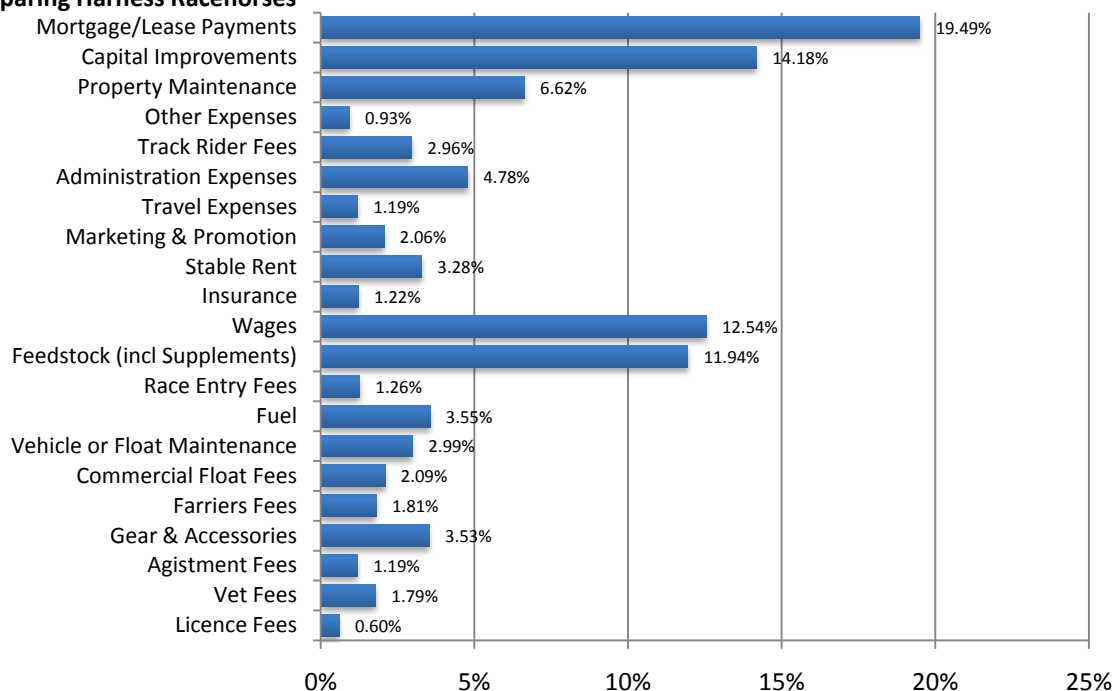
The following table illustrates the expenditure incurred by harness trainers and owners in the preparation of racing horses. Note, for the purposes of the economic assessment, the owners and trainers costs have been compiled within the 'cost of producing a racehorse'. This means that the profit derived by trainers (a cost to owners) is included in the chart below:-

Expense Area	Per Horse Per Day	Total Annual Cost
Training Fee Profit	\$12.73	\$7,405,870
License Fees	\$0.41	\$236,587
Vet Fees	\$1.22	\$708,341
Agistment Fees	\$0.81	\$473,008
Gear & Accessories	\$2.41	\$1,399,507
Farriers Fees	\$1.23	\$715,912
Commercial Float Fees	\$1.42	\$828,054
Vehicle or Float Maintenance	\$2.03	\$1,182,935
Fuel	\$2.42	\$1,408,237
Race Entry Fees	\$0.86	\$501,091
Feedstock (incl. Supplements)	\$8.13	\$4,731,740
Wages	\$8.54	\$4,968,327
Insurance	\$0.83	\$483,489
Stable Rent	\$2.24	\$1,301,228
Marketing & Promotion	\$1.40	\$815,137
Travel Expenses	\$0.81	\$473,174
Administration Expenses	\$3.25	\$1,892,696
Track Rider Fees	\$2.01	\$1,172,052
Other Expenses	\$0.63	\$367,183
Property Maintenance	\$4.51	\$2,624,340
Capital Improvements	\$9.66	\$5,618,752
Mortgage/Lease Payments	\$13.28	\$7,723,896
Total Cost	\$80.84	\$47,031,557

Trainers and owners spend more than \$47.0 million on the preparation of harness racehorses each year. This includes the proportion of profit that is generated by trainers. Property related expenses (including maintenance and amortised improvements), wages and salaries and feedstock are the largest expenditure items.

Source: Participant Survey conducted by IER

Proportion of Expenditure in Preparing Harness Racehorses



Source: Participant Survey conducted by IER

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Data collected through the participant survey was used to estimate the direct employment generated by harness trainers. The economic activity undertaken by trainers in Queensland is estimated to sustain the paid employment of approximately 446 individuals (related to training activities). Based upon data provided by trainers relating to the average number of hours worked by their staff, the paid activity equates to 208 full time equivalent positions that are sustained by harness trainers in Queensland. This analysis indicates that the typical individual working in paid employment for a harness trainer does so for approximately 46.6% of a full time equivalent position – or just under 19 hours per week.

PRODUCING GREYHOUNDS

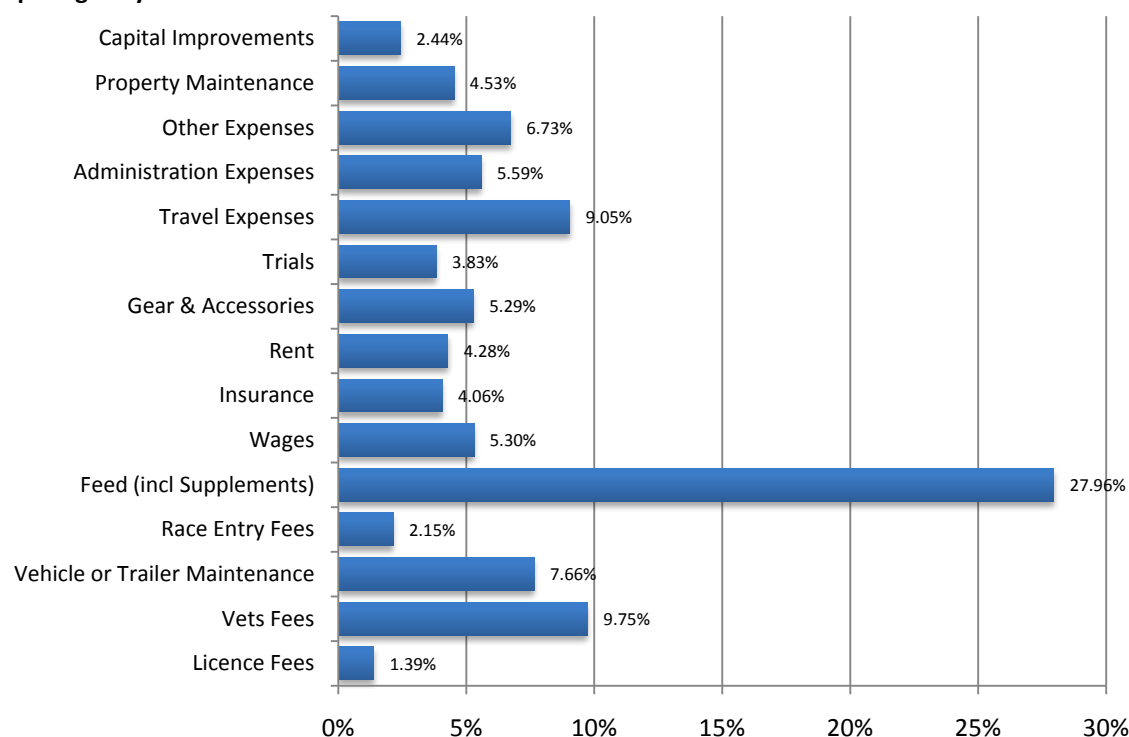
The following table illustrates the expenditure incurred by greyhound trainers and owners in the preparation of greyhounds. Note, for the purposes of the economic assessment, the owners and trainers costs have been compiled within the 'cost of producing a greyhound'. This means that the profit derived by trainers (a cost to owners) is included in the chart below:-

Expense Area	Per Greyhound Per Day	Total Annual Cost
Training Fee Profit	\$5.12	\$6,623,027
License Fees	\$0.12	\$155,227
Vets Fees	\$0.84	\$1,086,590
Vehicle or Trailer Maintenance	\$0.66	\$853,750
Race Entry Fees	\$0.19	\$239,309
Feed (incl. Supplements)	\$2.41	\$3,117,480
Wages	\$0.46	\$591,280
Insurance	\$0.35	\$452,746
Rent	\$0.37	\$477,664
Gear & Accessories	\$0.46	\$589,346
Trials	\$0.33	\$426,875
Travel Expenses	\$0.78	\$1,008,977
Administration Expenses	\$0.48	\$622,670
Other Expenses	\$0.58	\$750,206
Property Maintenance	\$0.39	\$504,488
Capital Improvements	\$0.21	\$271,648
Total Cost	\$13.74	\$17,771,283

Source: Participant Survey conducted by IER

Trainers and owners spend more than \$17.7 million on the preparation of greyhounds each year. This includes the proportion of profit that is generated by trainers (as this makes up part of the bottom line cost of production – albeit a cost to the owner.) Feed, Vets fees and travel expenses make up the largest components of their total spend. Property costs are considerably lower given that many trainers operate their activity out of training facilities added to their residence.

Proportion of Expenditure in Preparing Greyhounds

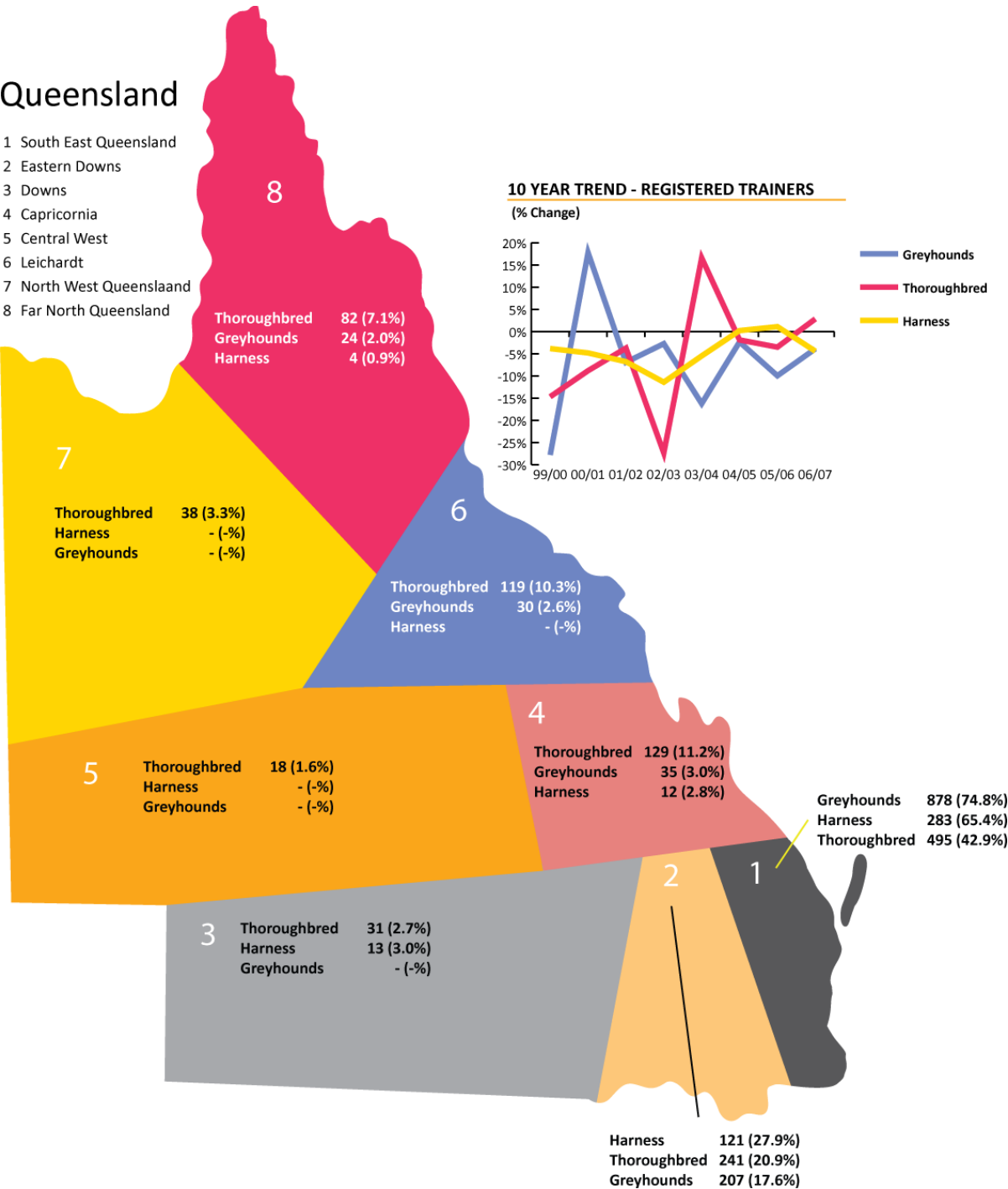


Source: Participant Survey conducted by IER

Data collected through the participant survey was used to estimate the direct employment generated by greyhound trainers. The economic activity undertaken by trainers in Queensland is estimated to sustain the paid employment of approximately 704 individuals (related to training activities). Based upon data provided by trainers relating to the average number of hours worked by their staff, the paid activity equates to 307 full time equivalent positions that are sustained by greyhound trainers in Queensland. This analysis indicates that the typical individual working in paid employment for a greyhound trainer does so for approximately 43.6% of a full time equivalent position – or just over 17 hours per week.

Across the three codes of racing, trainers and owners spend more than \$349.4 million each year on the preparation of thoroughbreds, standardbreds and greyhounds for racing.

Figure 3 – Number of Trainers



DRIVERS & JOCKEYS

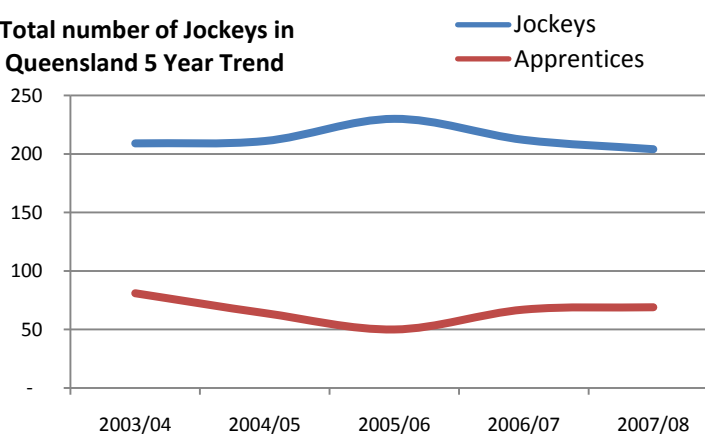
Drivers and jockeys are responsible for providing the expertise in piloting the horses around the track. They work long hours and often travel great distances to provide their specialist services to trainers and owners.

Jockeys and drivers contribute to the distribution of expenditure within the economy, however, not to the extent of trainers and owners. They are mostly limited to expenditure items such as their tools of trade (e.g. saddles, sulkies, whips and clothing) and travel expenses. Jockeys/drivers receive the majority of their income from prizemoney and riding fees.

The total number of riders (jockeys and apprentices) has remained consistent over the past five years.

In 2005/06 the thoroughbred industry experienced a drop in the number of senior jockeys; however this was offset by an increase in the number of apprentice riders. In total Queensland has approximately 270 registered senior jockeys and apprentices.

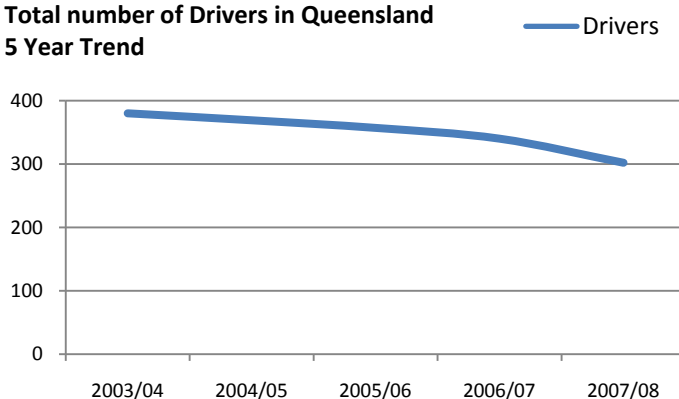
Total number of Jockeys in Queensland 5 Year Trend



Source: Participant Survey conducted by IER

The total number of drivers in the Queensland harness racing industry has reduced marginally since 2003/04. The sharper decline in 2007/08 may have been the result of the impact of equine influenza in Queensland, where many drivers would have gone without drives whilst the emergency was playing out. Unlike the thoroughbred racing industry, many trainers and owners also drive in both training the horses and in races.

Total number of Drivers in Queensland 5 Year Trend



Source: Participant Survey conducted by IER

2003/04. The sharper decline in 2007/08 may have been the result of the impact of equine influenza in Queensland, where many drivers would have gone without drives whilst the emergency was playing out. Unlike the thoroughbred racing industry, many trainers and owners also drive in both training the horses and in races.

Drivers and jockeys earn their revenue via a number of sources:-

- Some are paid on retainer by a trainer to ride for their stable
- They receive a % share of prizemoney from their rides
- Riding/Driving fee (both trackwork and races)

Jockeys and drivers provide a service to the industry (although they are often classed as participants) and as such, their expenditure in the racing industry in most cases is less than their revenue.

OWNERSHIP IN THE QUEENSLAND RACING INDUSTRY

Owners provide the capital investment which ensures that racing stock is continually replenished. Their involvement in the industry is often misunderstood as being purely about achieving a return on investment. IER's survey of over 400 owners in the QRI revealed that only a small number of owners purchased racing animals as a pure investment. Whilst some owners do indeed maintain their involvement with the objective of making a healthy return on investment, the research showed that many owners see their involvement as mostly pleasure. They are in fact prepared to make a loss (within certain acceptable limits) in order to partake in this chosen pastime. This does not mean that they do not strive to make money; they are simply acknowledging that this is their alternative to having other pastimes such as sailing (requiring a boat) or buying a vacation house.

In many ways, the health of the owners in racing provides a picture to the broader health of the racing industry as a whole. When there are many owners in the industry, the pool of horses and greyhounds available for racing expands, leading to larger fields and indirectly, to larger betting pools. Trainers experience growth in their business, due to the increase in the number of animals in training and breeders yield greater revenues from the sale of their stock. It is estimated that there are more than 16,600 owners and 836 syndicates in the QRI. This consists of more than 13,200 owners of thoroughbreds, 1,640 standardbreds and 1,790 greyhounds.

Data received from a survey completed by more than 400 owners in the QRI revealed the following results: -

The typical thoroughbred owner: -

- has owned thoroughbred horses for 13 years
- owns horses in co-ownerships and partnerships (71.6%)
- owns 3.9 horses in sole ownership and 2.4 horses in co-ownerships and partnerships
- 33% of owners also breed horses
- 52% of owners investment in horses has increased compared to 5 years ago

The typical harness owner: -

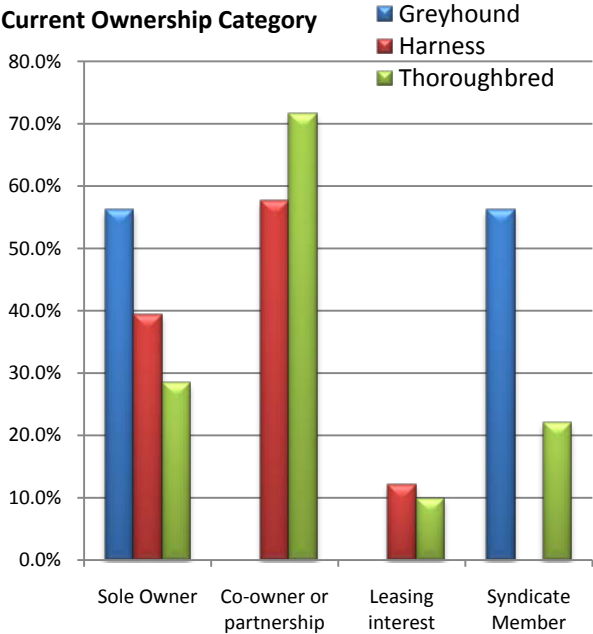
- has owned standardbred horses for 19.5 years
- owns horses in co-ownerships and partnerships (57.6%) and as sole owners (39.4%)
- owns 4.6 horses in sole ownership and 3.3 horses in co-ownerships and partnerships
- 45% of owners also breed horses
- 55% of owners investment in horses has increased compared to 5 years ago

The typical greyhound owner: -

- has owned greyhounds for 5.7 years
- owns greyhounds as a sole owner (56%) and/or syndicate member (56%)
- owns 2.1 greyhounds in sole ownership and 2.4 greyhounds as a syndicate member
- 19% also breed greyhounds and 18% train greyhounds
- 52% of owners investment in greyhounds has increased compared to 5 years ago

OWNERSHIP CATEGORIES AND TRENDS

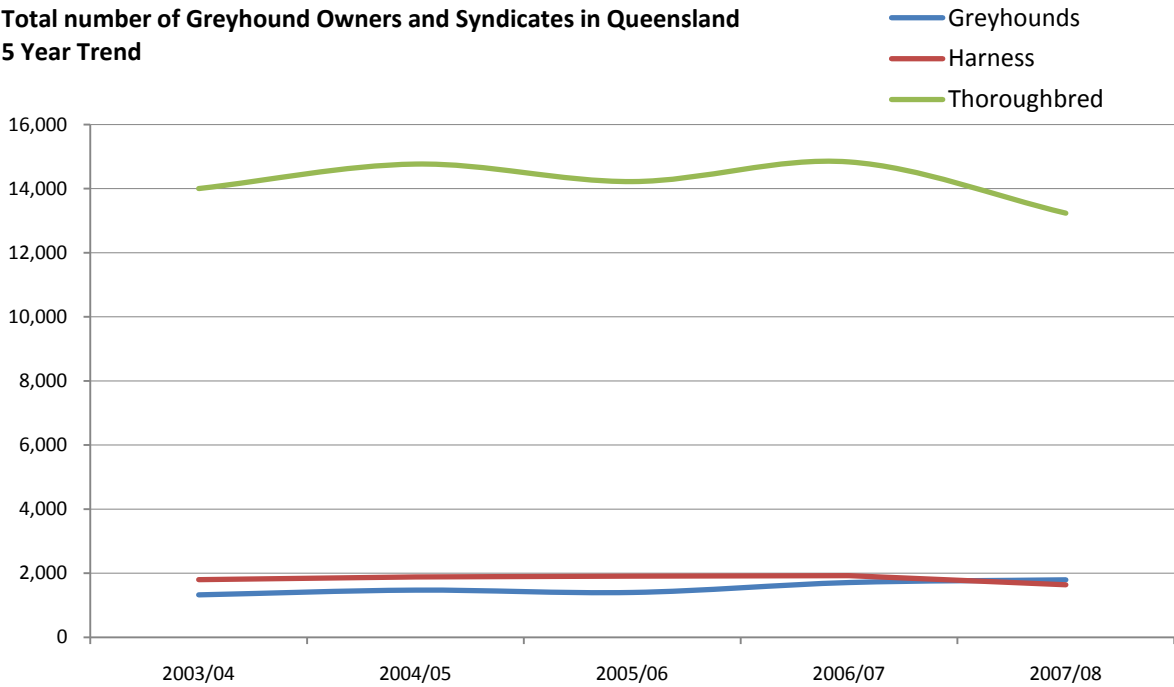
IER asked owners to identify the category in which they have an ownership interest. Thoroughbred owners were more likely to be a co-owner or partner (71.6%) and/or sole owner (28%), followed by a syndicate member (22%). Similar to thoroughbred owners, Standardbred owners were predominately a co-owner or partner (57.6%) and/or sole owner (39.4%). Greyhound racing ownership is measured as either a sole owner and/or syndicate member. Greyhound owners revealed that their ownership in these categories was 56%, indicating that a number of these participants held ownership in both categories.



Source: Participant Survey conducted by IER

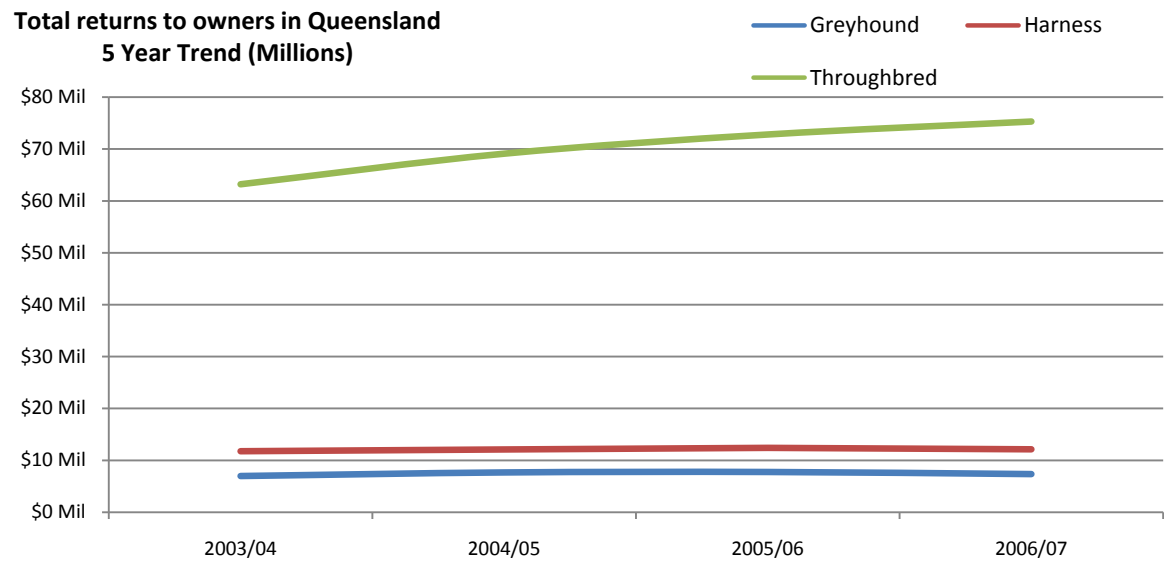
The chart below illustrates a five years trend in the number of owners for the QRI between 2003/04 – 2007/08. Whilst the number of owners has been consistent over the last five years, thoroughbred and standardbred ownership has decreased overall.

**Total number of Greyhound Owners and Syndicates in Queensland
5 Year Trend**



Source: QRL, HRQ, GRQ

One of the key strategic drivers for retaining and attracting owners is the level of returns being delivered to owners. As mentioned above, many owners have an ‘acceptable loss’ they are willing to assume, however any additional loss will determine if they will remain in the industry as an owner. It is important to note that both thoroughbred and harness racing were affected in 2007/08 due to the cessation of horse racing in Queensland for 4 months due to equine influenza. The thoroughbred sector has experienced significant growth (19% to 2006/07) in returns since 2003/04. The greyhound sector has grown by 8% in the five year period and the harness sector has grown by 3% in the four years to 2006/07.



Source: QRL, HRQ, GRQ

OWNERS MOTIVATIONS

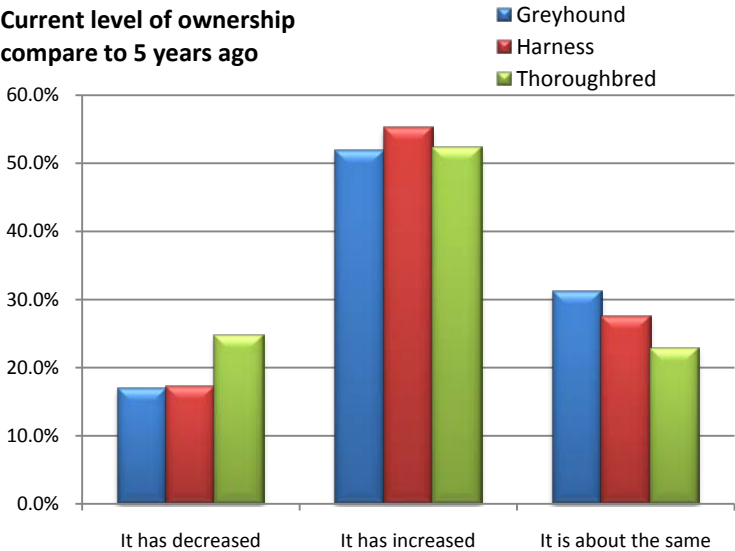
IER asked owners to suggest the key drivers that motivate their involvement in the racing industry. Understanding these drivers is important to growing the investment by current owners and increasing ownership in the non-owner segment. IER also assessed the current investment by owners compared to 5 years ago and future level of involvement in terms of maintaining, decreasing or increasing the size of their ownership portfolio.

Thoroughbred, harness and greyhound owners identified a number of motivating factors behind their participation in the racing industry. Overwhelmingly, owners were very passionate about their particular industry. The survey revealed that a significant proportion of owners in all codes ‘love the animal’ and the ‘thrill and excitement’ of ownership. Furthermore, many thoroughbred owners enjoyed ownership as a special interest or hobby with friends, whereas owners of greyhounds revealed an ownership interest through family involvement - ‘my father’s pups were divided between 5 children’. Harness racing owners were driven by both family involvement and special interest/hobby. Moreover, owners in all three codes communicated a strong connection with the animal and racing industry.

IER’s survey of owners revealed that the majority of current owners (50% -55%) in the QRI have increased their investment in ownership compared to 5 years ago. The adjacent chart illustrates the change in ownership investment. Less than 20% of owners in the harness and greyhound sector stated that the scale of their ownership has decreased, compared to 25% for the thoroughbred sector.

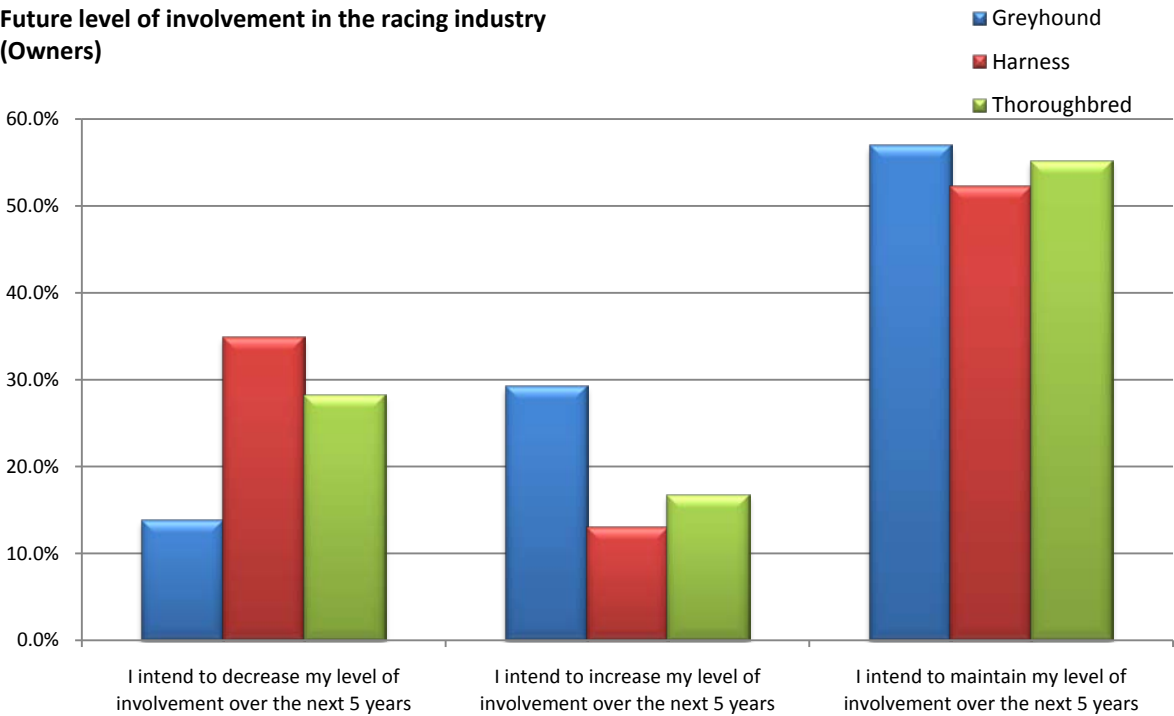
Looking forward to the next five years however, increased returns to owners will be important, particularly when considering the future intentions of current owners of thoroughbreds and standardbreds. IER asked owners if they intended to maintain, decrease or increase their level of ownership interest. Approximately half of all owners (55% Thoroughbred, 52% Harness and 55% Greyhound) intend to maintain their level of involvement in the racing industry. However, more thoroughbred and harness owners intend to reduce their ownership interest (T -28% and H-35%) than increase. Conversely, owners in the greyhounds sector are more likely to increase (29%) their involvement than contract (14%).

Current level of ownership compare to 5 years ago



Source: Participant Survey conducted by IER

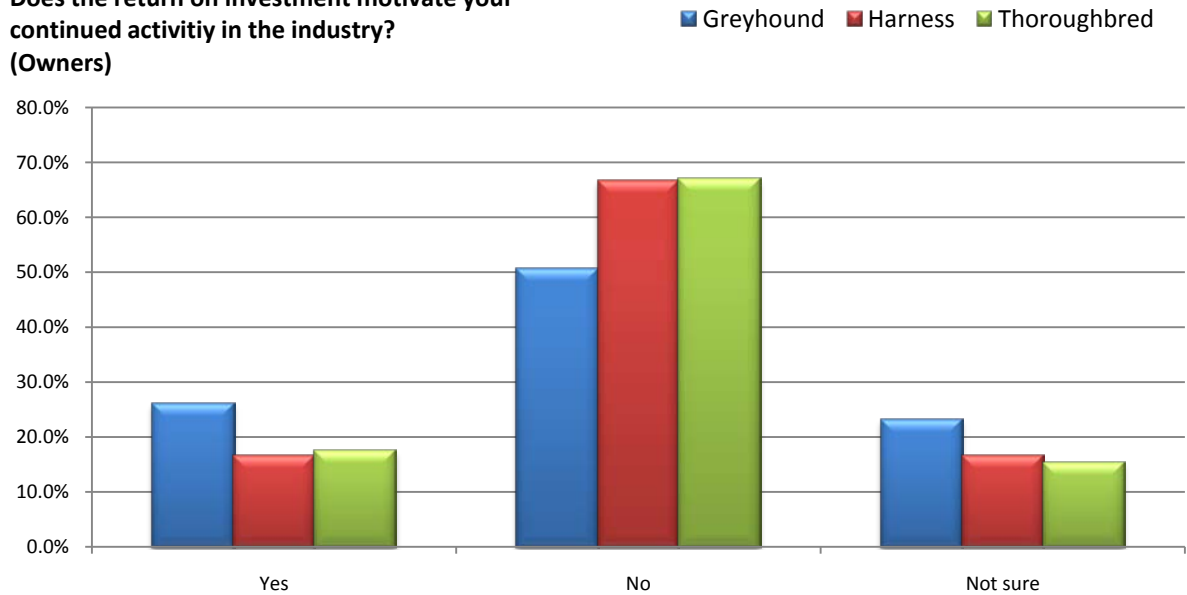
Future level of involvement in the racing industry (Owners)



Source: Participant Survey conducted by IER

The survey sought to understand the prevailing perception of owners regarding the sustainability of their involvement based on their current level of involvement. This is a topic which, in essence, is difficult to quantify exactly. Philosophically, research has shown that participants will always desire or aim for higher returns if asked about the adequacy of current return levels. An analysis of the investment perception of racehorse and greyhound owners in Queensland, revealed that the majority of owners do not perceive the current return on investment as motivation for their continued involvement in the racing industry.

**Does the return on investment motivate your continued activity in the industry?
(Owners)**



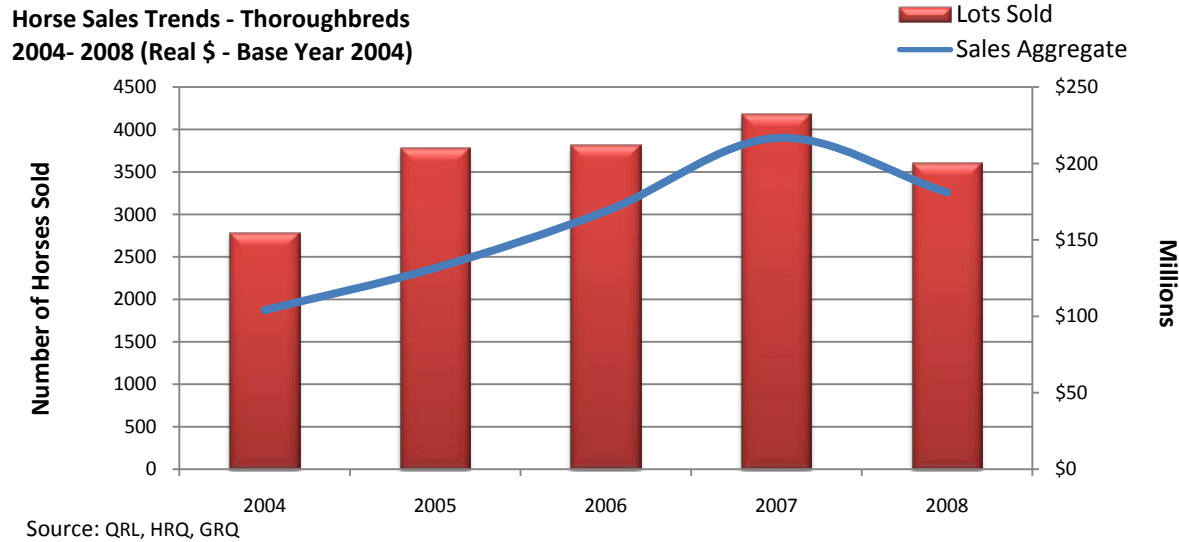
Source: Participant Survey conducted by IER

It is important to acknowledge that research into ownership in horse and greyhound racing throughout Australia has revealed a strong sense of ‘pastime’ amongst much of the ownership market. In essence, this means that many owners look at racehorse and greyhound ownership as an activity along similar lines to owning a boat or a holiday house. The key difference however, is that there is the opportunity to make money doing so. However, various research studies have proven time and time again, that as long as owners are able to operate to their financial limitations (often a set level of losses – or investment – at the lower level) other factors such as opportunities to win prestigious races, do play a part in their continuing involvement.

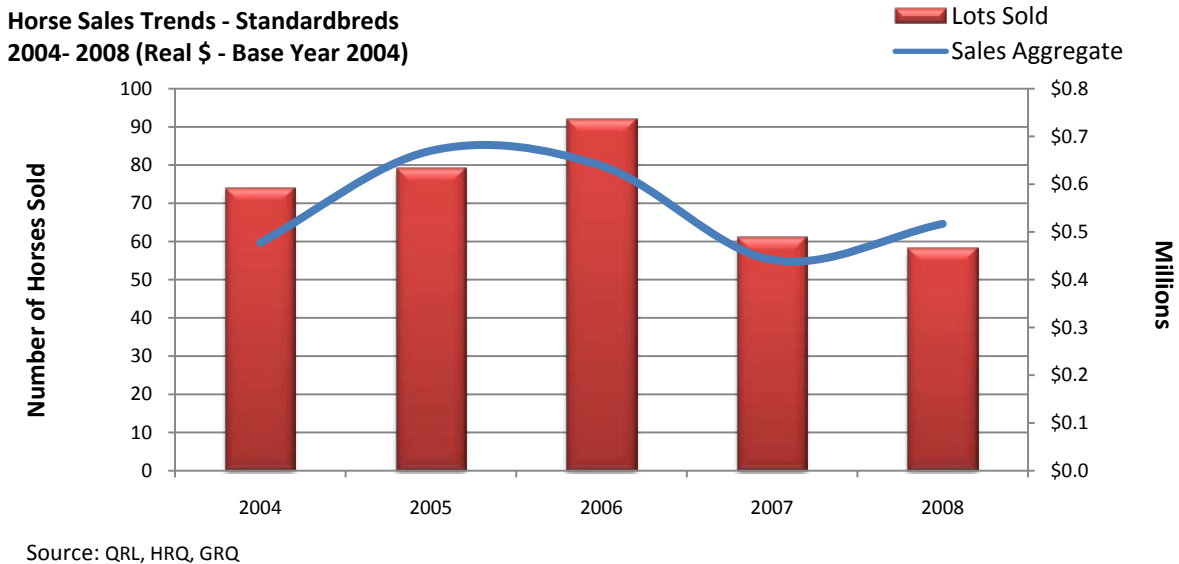
EXPENDITURE BY OWNERS

As discussed in the previous section, the owners pay a training fee, which is distributed by the trainer into the economy to prepare the racing animal. IER found that the training fee was the majority of the owner’s expenditure, however not all expenditure on preparing and maintaining the animal is undertaken by the trainer. Those expenses incurred directly by owners include major veterinary fees, agistment/kenneling, jockey/driver commissions and travel.

Owners also play an important part in the economic cycle of the racing industry through their investment in racehorses and greyhounds. Whilst this investment yields economic flow through to many parts of the industry, it is the breeding sector in particular which relies on this as a source of revenue used to offset their expenditure on the production of foal crops and litters. The following charts illustrate the auction results over the last five years in each code:-⁴

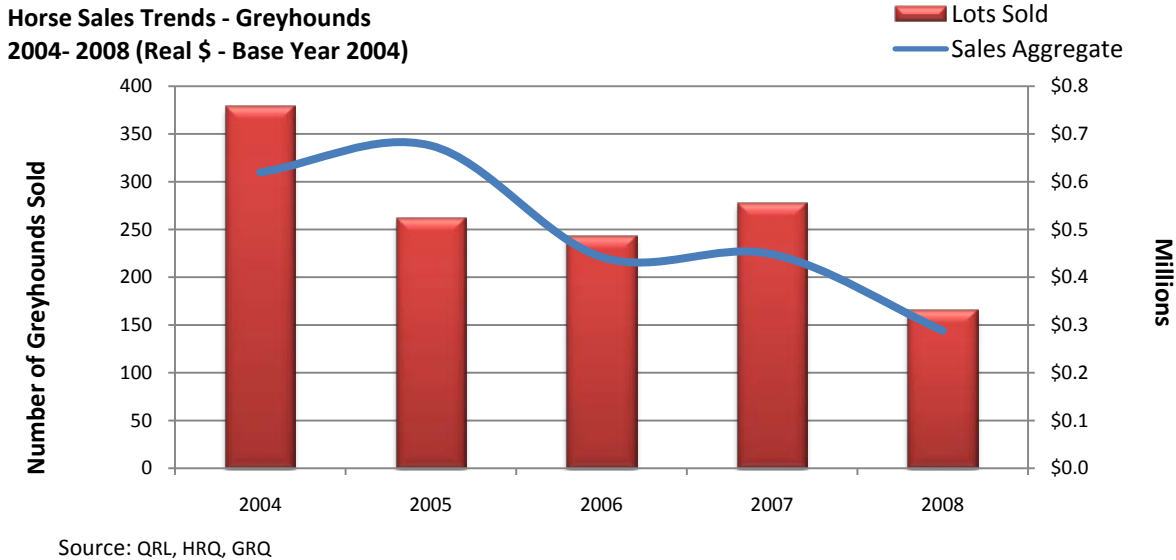


Over the last five years, thoroughbred sales at auction have been steadily growing – aside from the 2008 sales, which were affected by Equine Influenza.



Standardbred sales at auction have fluctuated over the last five years. 2008 recorded a decline in the number of standardbred sold at auction; however the average price rose, leading to an increase in total aggregate sales.

⁴ Dollar values have been converted to real dollar values using 2004 as the base year for inflationary purposes



The greyhound industry has been experiencing a serious decline in both units sold and aggregate sales revenue over the last five years. Revenue and the number of lots sold, have both halved since 2004.

GOVERNING BODIES & RACING CLUBS IN QUEENSLAND

The governing bodies of the three codes of racing in Queensland, namely Queensland Racing Limited (QRL), Harness Racing Queensland (HRQ) and Greyhounds Queensland Limited (GQL) are charged with the responsibility of maximising returns to owners through the development of long-term sustainable and profitable racing industries. Essentially they set, develop and implement the strategic direction of racing. Furthermore, they coordinate, manage and regulate the industry through a number of key functions. These include: -

- Administering the rules of racing
- Enforcement of standards of safety and integrity
- Licensing industry participants
- Registering race clubs and monitoring their activities
- Racecourse developments and capital works
- Research and promotional activities
- Administration of industry funding and commercial agreements: and
- Representing the Queensland Racing Industry on peak national bodies within the three codes

The governing bodies assume the principal role in managing the health of the racing industry – overseeing major internal strategic issues such as product placement, track utilisation and major capital developments to external strategic issues including race fields legislation, external wagering operators (such as Betfair and corporate bookmakers) and events such as the outbreak of Equine Influenza.

Racing clubs fulfil the key roles of staging the racing and promoting their racing events and club membership opportunities to the community. In doing so, racing clubs provide the marketing, facilities, service and in many ways, the image of the entire industry.

After race dates are allocated each year, the club is then in charge of attracting people to attend their event, often through a mixture of racing and other entertainment products. The ownership structures for the land, premises, tracks and plant and equipment vary between club and code. Some racecourses share facilities between codes, while other smaller community racecourses co-exist with other sports and recreational activities.

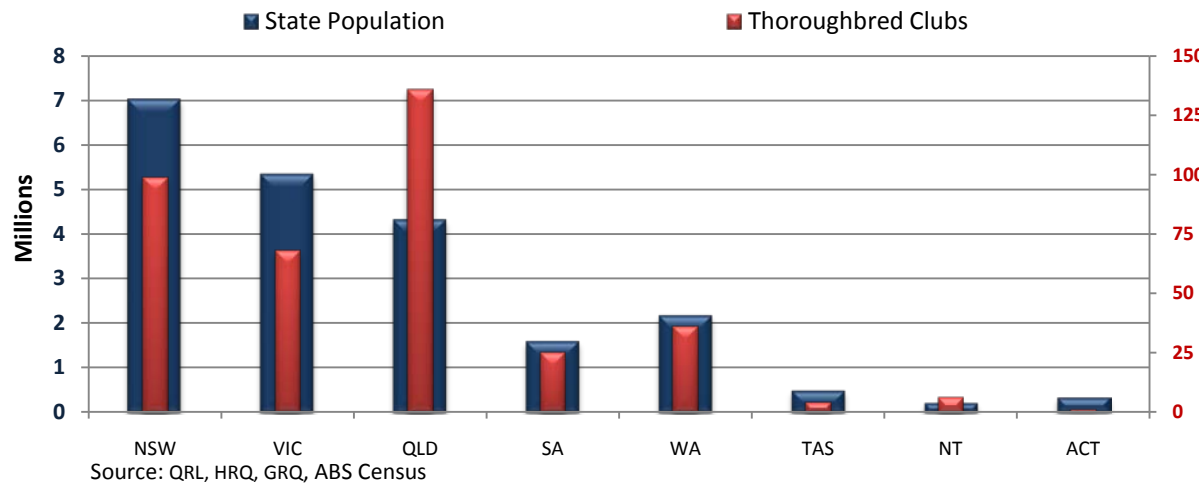
Through attracting these customers to racing events, club expenditure is distributed into the economy through numerous channels. Clubs are funded through their governing bodies to meet the needs of large expenditure items such as prizemoney and capital requirements. However, clubs themselves generate significant revenue in terms of admissions, food and beverage, sponsorship and packaging.

THOROUGHBRED CLUBS

There are 136 thoroughbred racing Clubs in Queensland, which are split into two main categories - TAB clubs and Non-TAB clubs. There are 11 TAB racecourses (including the Sunshine Coast Cushion track) that run more than 400 race meetings and over 3000 races annually. The five clubs that make up the majority of these include the two major clubs in Brisbane, the Gold Coast, Caloundra and Toowoomba. The number of TAB clubs over the past 10 years has reduced from 17 in 1998 to 11 current venues.

There are 121 Non-TAB clubs, racing over 330 times annually. These meetings and clubs have strong linkages with the community and attract a more social and less formal spectator and participant. Non-tab clubs range from Texas in the south of the state to Laura in the north. The number of Non-TAB clubs has reduced approximately 10% in the last 10 years.

Australian State Population vs Racing Clubs



HARNESS CLUBS

There are 7 harness racing clubs in Queensland with 3 of these clubs holding TAB status, with the remaining 4 clubs being Non-TAB events. The 3 TAB venues are Albion Park, Redcliffe and the Gold Coast. These venues conduct over 250 race meetings and in excess of 2200 races annually. The number of TAB venues has reduced by 1 over the last 10 years; however the number of TAB meetings has increased by 25% over the same period.

Similar to the thoroughbred Non-TAB clubs, these venues have strong links to their communities. The four Non-TAB clubs race close to 100 times annually and supply over 500 races in the same period. Currently, Mackay and Rockhampton are not racing, which leaves Non-TAB racing at Marburg and Rocklea.

In more recent times the racing clubs in the Harness code have embarked upon a new ownership structure, whereby all venues including equipment is owned by or leased to a new company. This has realised a more commercial approach to the utilisation of these assets. The clubs (as licensees) are responsible for their membership and for participating in the race day events as organised by Commercial Operations. The key responsibility of the Clubs is to undertake the important role as stewards, a critical element of the social fabric that supports the industry.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

GREYHOUND CLUBS

Greyhound racing in Queensland is split into three main categories: TAB race meetings, Non-TAB race meetings and trials. There are 9 greyhound racing clubs – 3 with TAB status and 6 Non-TAB. The 3 TAB venues race over 360 times per year and conduct close to 3600 races. There are currently two main TAB tracks operating at Albion Park in Brisbane and Ipswich. The number of TAB clubs has reduced from 5 to 3 over the past 10 years.

The remaining 6 Non-TAB clubs supply approximately 272 race meetings and over 2199 races for the Queensland greyhound industry. These venues include Bundaberg, Capalaba, Townsville, Cairns, Mackay and Rockhampton.

Number of racing clubs per region: -

Region	Thoroughbred	Harness	Greyhound
South East Queensland	21	5	5
Eastern Downs	21	-	-
Downs	15	-	-
Capricornia	19	1	1
Central West	13	-	-
Leichardt	18	1	2
North West Queensland	16	-	-
Far North Queensland	13	-	1
Total	136	7	9

Source: QRL, HRQ & GQL

Number of race meetings per region: -

Region	Thoroughbred	Harness	Greyhound
South East Queensland	203	309	460
Eastern Downs	57	1	-
Downs	29	-	-
Capricornia	81	24	45
Central West	32	-	-
Leichardt	80	-	94
North West Queensland	35	-	-
Far North Queensland	46	-	40
Total	563	334	639

Source: QRL, HRQ & GQL (please note figures taken from 2006/07 racing season due to EI)

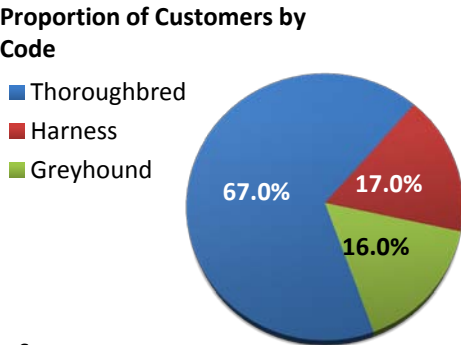
Figure 4 –Racing Clubs in Queensland



Racing Club Customers

One of the racing clubs primary roles is to provide a quality experience to on-course customers. In previous research, IER has found that many participants and loyal customers (both on and off-course) were introduced to the racing industry by experiencing the live racing product first hand. In order to compete in the entertainment market, racing clubs have invested in carnivals and themed events to attract new customers and improve the experience of existing clientele. Events such as these include the Nursery Pace, Queensland Winter Racing Carnival and the Winter Carnival Cup.

The three main codes of racing attract more than 1.43 million attendances (not individuals) to racecourses each year. The chart adjacent illustrates the proportional breakdown of attendances between the three codes. The thoroughbred code attracts the highest number of on-course customers, mainly driven by the carnivals and large quantity of community cup days. Over 60% of all racing attendances are outside of Brisbane.

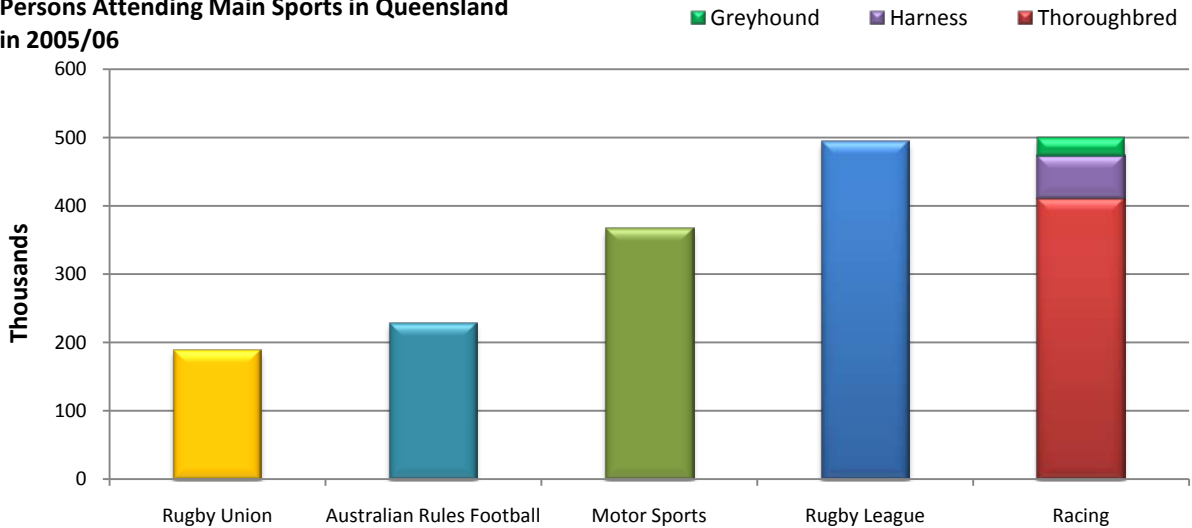


Source: QRL, HRQ, GRQ

The latest Australian Bureau of statistics revealed that over 16.1% of Queenslanders visit racecourses annually. This placed the racing industry higher than other major sports including rugby league (16%), motor sports (11.9%) and AFL (7.4%). The following chart illustrates the number of individual person attending main sports in Queensland. Approximately 500,000 Queenslanders attended a racing event or a rugby league game. This was followed by motor sports (366,000), AFL (228,000) and rugby union (188,000).

The thoroughbred racing industry accounts for approximately 83% of individual visitors to racing. This is by far the highest proportion amongst codes, and is likely driven by the large geographic spread of clubs and the higher proportion of themed meetings. Individual visitation to harness meetings was 12% and for greyhound meetings 5%.

Persons Attending Main Sports in Queensland in 2005/06



Source: ABS Sports Attendance Survey

Racing Club Customer Spending

Expenditure by customers is generated both at the races and within the community as a result of their visit to the races. The major products purchased by customers at race meetings include; wagering, food and beverages, raceday admissions and packages.

The majority of event related race meetings occurs in the thoroughbred codes and therefore contributes to a significant portion of their raceday revenues. In the 2006/07 racing season raceday related revenues accounted for 22% of thoroughbred racing club income. This figure was significantly higher for thoroughbreds, and is most likely driven by events such as the Magic Millions Carnival and the high number of community/cup days throughout the state. Harness racing clubs accounted for 11% in raceday revenues and greyhound racing clubs 10%.

Many of these racing events inspire customers to spend not just at the races, but within the community. IER surveyed over 400 customers at event related meetings in the thoroughbred code at Eagle Farm (Brisbane), Gold Coast, Sunshine Coast, Toowoomba and Townsville in November 2008. The data collection from customers at these race meetings ensured that there was sufficient information to be able to extrapolate customer data across other event related meetings in Queensland. Spending items assessed included transport, accommodation, retail spending (inc. fashion and personal grooming) entertainment and hospitality. It is estimated that attendees at racing event days, during the 2006/07 racing season, were responsible for just more than \$61 million in spending within the community across all codes.

RETURNS TO OWNERS

The three governing bodies distribute returns to owners through prizemoney and various incentive and bonus schemes.

Thoroughbred Racing

Overall, the thoroughbred racing industry paid out in excess of \$65.00 million in returns to owners in 2007/08. However, it must be acknowledged that this figure represents the equine influenza affected racing season – and as such, represents a level more akin to that paid out five years ago. Over the last five years, the average returns to owners has been \$69.08 million.

Harness Racing

Overall, the harness racing industry paid out in excess of \$11.19 million in returns to owners in 2007/08. Over the last five years, the average returns to owners has been approximately \$11.92 million. The decline in the 2007/08 figures are likely to be in part, a representation of the challenges surrounding equine influenza.

Greyhound Racing

The greyhound racing industry paid out in excess of \$7.53 million in returns to owners in 2007/08. A five year analysis reveals the average returns to owners is approximately \$7.45 million annually.

WAGERING IN QUEENSLAND

Queensland racing, from a wagering perspective, is serviced by wagering operator UniTAB – which also provides wagering operations for South Australia and the Northern Territory. As holders of the wagering license in these States, UniTAB provides both pari-mutual and fixed odds betting.

Pari-mutual wagering is a system of betting on the races whereby the winnings are based on a pre-determined ‘take out’ rate. The ‘take out’ refers to the amount lost to the punter from the total betting pool. Therefore, after deducting the take out from the pool, the total amount bet is then divided amongst the winning bets made.

Fixed odds wagering is a system that is employed by bookmakers and more recently by totalisator operators such as UniTAB, where a punter can lay a bet and be guaranteed the odds regardless of any subsequent betting activity. The following table illustrates the value of wagering on Queensland thoroughbred, standardbred and greyhound racing⁵:-

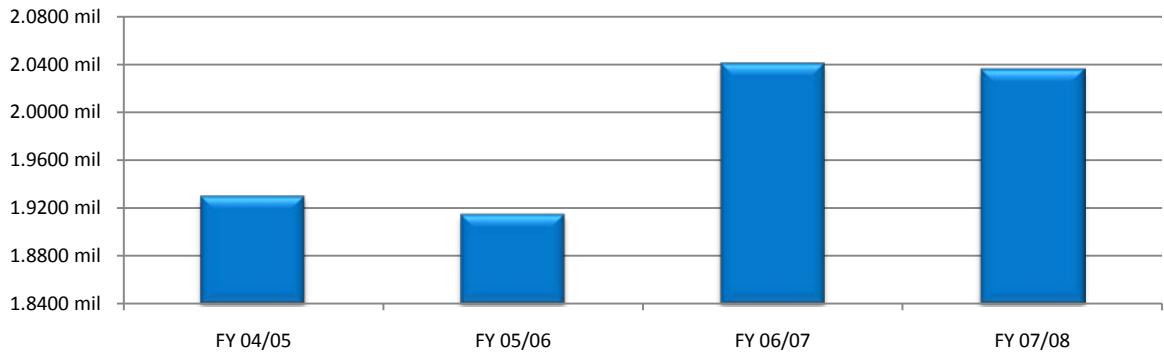
Manner of Wagering	Thoroughbred Turnover	Harness Turnover	Greyhound Turnover	Total Turnover
TAB Off-Course	\$332.63 mil	\$42.28 mil	\$55.60 mil	\$430.51 mil
Totalisator On-Course (TAB Meetings)	\$37.89 mil	\$3.60 mil	\$7.61 mil	\$49.10 mil
Totalisator On-Course (Non-TAB Meetings)	\$0.49 mil	\$0.08 mil	-	\$0.57 mil
Bookmakers On-Course (TAB Meetings)	\$62.12 mil	\$0.83 mil	-	\$62.95 mil
Bookmakers On-Course (Non-TAB Meetings)	\$5.68 mil	\$0.25 mil	-	\$5.93 mil
Bookmakers Off-Course	\$117.90 mil	\$7.36 mil	\$2.65 mil	\$127.91 mil
Total	\$556.71 mil	\$54.40 mil	\$65.86 mil	\$676.97 mil

Source: QRL, HRQ, GRQ

More than \$676.9 mil is wagered in Queensland on thoroughbred, harness & greyhound races held in the State. Of this amount, more than \$480 mil is wagered with UniTAB. However, once Queensland betting on non local races is added to the UniTAB equation, total wagering turnover rises to more than \$2,036 mil.

The following chart illustrates the total wagering turnover on racing by Queensland residents:-

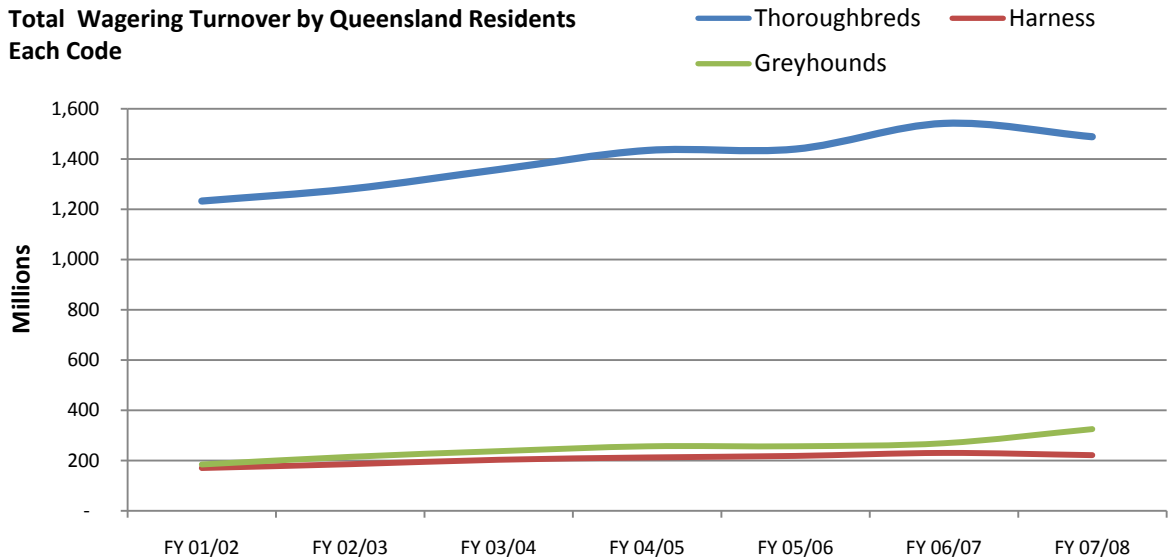
Total Wagering Turnover by Queensland residents



Source: QRL, HRQ, GRQ

⁵ Note: This does not include wagering on interstate or international product on with UniTAB in Queensland – often referred to as ‘off-course non local’

The following chart illustrates the total wagering turnover levels for each code over the last seven years:-



Source: QRL, HRQ, GRQ

Once successful bets have been paid, the net wagering revenue is then shared between the racing industry, the State and Federal Governments and UniTAB. Based on a distribution agreement, revenue that is distributed to the racing industry is then shared between the three codes of racing.

The total net wagering revenue generated by the racing industry in Queensland was in excess of \$328.5 million in 2007/08. This amount fluctuates in line with total wagering turnover. The State Government receives a share of this amount through their wagering taxes (technically, a portion is distributed to the federal government through GST on wagering; however this is subsequently redistributed back to the State). The racing industry received more than \$128 million in net wagering revenue distribution in 2007/08, which was then split amongst the codes on a pre-determined distribution agreement. UniTAB retains the remaining amount, as the gross profit on their wagering operations.

THE ECONOMIC IMPACT OF THE RACING INDUSTRY IN QUEENSLAND

The racing industry in Queensland generates economic impacts via a number of sources. The spending activity undertaken by those whose business is concerned with the preparation of racehorses stimulates the economy, in particular those businesses which supply goods and services to the horse industry. Racing customers spend money during the consumption of on-track goods as well as through the investment made on live and simulcast betting. Where major racing events are concerned, customers also spend considerable amounts of money in the community on retail and tourism activities. Whilst much of this impact represents a recirculation of money in the same economy, it does stimulate economic activity and in turn employment. In addition to this, the QRI also generates revenue through the sale of Queensland bred horses and greyhounds to non-Queenslanders. This is, however, offset somewhat by the leakage of money into other States and Territories associated with the purchase of non-Queensland horses and greyhounds.

It is important to understand what the measure of economic impacts means in terms of an industry such as racing. In particular, it is important to acknowledge what it is not:-

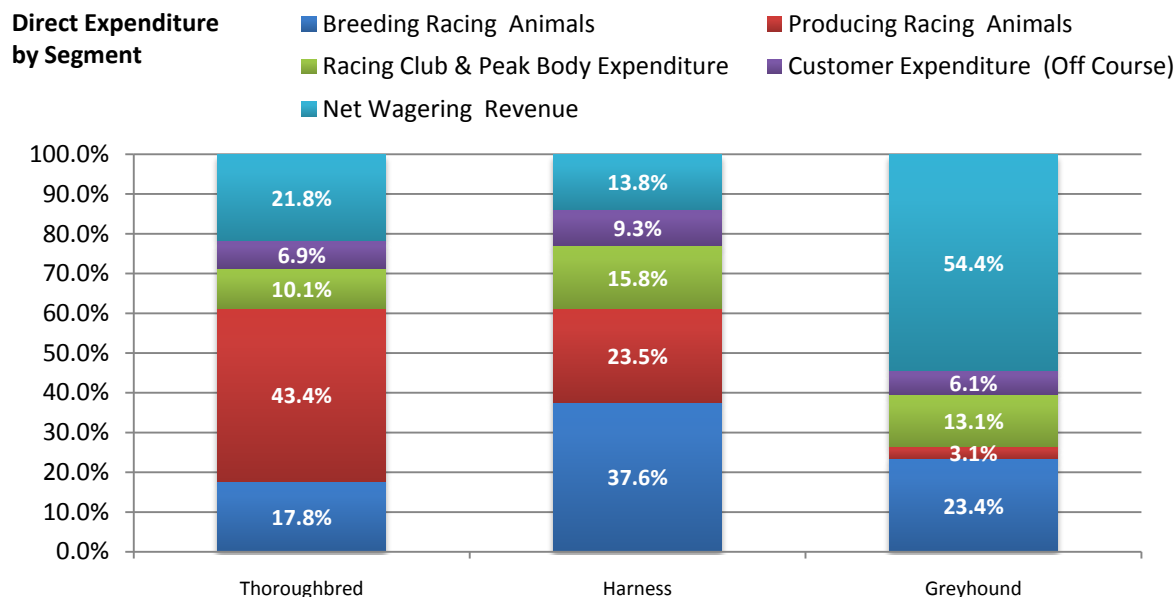
- It is not a measure of the loss to the economy if the racing industry were to cease its existence. If this were to happen, some or all of the expenditure in racing would be transferred to other activities in the economy
- It is not a measure of the new money derived from outside of Queensland. It does however contain within its calculations, the spending by non local tourists and participants who bring their horses and greyhounds to race – and this is in its own right important.

The measure of economic impacts, within this size and scope study, is however a measure by which to acknowledge the relative size and importance of racing in Queensland. It is also a very useful measure in benchmarking overall industry growth over time.

A key element in undertaking an assessment like this is to provide an evidence based, quantifiable measure of the impact and importance of the different parts of the industry to the State. Anecdotal evidence is often used when illustrating the importance of the racing industry. This study dissects the complexities of the industry and assigns a value to it.

ECONOMIC IMPACT OF RACING

Analysis of the racing industry in Queensland reveals that it is responsible for the generation of more than \$855.5 million each year in direct expenditure. The following chart illustrates the composition of this expenditure by racing code:-



Source: IER Calculations

The thoroughbred racing industry is responsible for just over \$656 million (76.7%) of this recurrent expenditure. The production of racehorses (43.4%) and the wagering sector (21.8%) make up the largest component of its expenditure impact. The harness racing industry is responsible for just under \$125 million (14.6%) of this recurrent expenditure. The breeding sector (37.6%) and the production/training sector (23.5%) make up nearly two-thirds of its expenditure impact. The greyhound racing industry is responsible for more than \$74 million of this recurrent expenditure. Net wagering revenue makes up more than half of its expenditure impact (54.4%) followed by the breeding sector.

The following table illustrates the dollar value of expenditure impacts in the Queensland racing industry:-

Expenditure Area	Thoroughbred	Harness	Greyhound	Total
Breeding Racing Animals	\$116.6 mil	\$47.0 mil	\$17.3 mil	\$180.9 mil
Producing Racing Animals	\$285.1 mil	\$29.3 mil	\$2.3 mil	\$316.7 mil
Racing Club & Peak Body Expenditure	\$66.3 mil	\$19.8 mil	\$9.7 mil	\$95.8 mil
Customer Expenditure (Off Course)	\$45.6 mil	\$11.6 mil	\$4.5 mil	\$61.7 mil
Net Wagering Revenue ⁶	\$142.9 mil	\$17.2 mil	\$40.3 mil	\$200.4 mil
Total	\$656.5 mil	\$125.0 mil	\$74.1 mil	\$855.5 mil
Proportion of the Industry	76.7%	14.6%	8.7%	

Source: IER Calculations

⁶ Net Wagering Revenue, for the purposes of economic calculations, refers to the component of revenue that excludes the distribution to the racing industry as this has been already considered within other sectors of the industry

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Following the collection of industry expenditures, the data was subject to analysis in order to determine the aggregate effects within each relevant industry in Queensland. The following table outlines this impact:-

ANZSIC Aggregations	Direct Expenditure	% of Expenditure	Queensland GSP	% of Queensland GSP
Agriculture, Forestry and Fishing	\$93.4 mil	10.0%	\$6,849 mil	1.36%
Manufacturing	\$22.9 mil	2.4%	\$18,571 mil	0.12%
Electricity, Gas and Water Supply	\$47.2 mil	5.7%	\$3,756 mil	1.26%
Construction	\$56.8 mil	6.1%	\$18,189 mil	0.31%
Wholesale Trade	\$30.7 mil	3.6%	\$9,574 mil	0.32%
Retail Trade	\$63.7 mil	8.2%	\$14,111 mil	0.45%
Accommodation, Cafes and Restaurants	\$24.6 mil	3.8%	\$5,312 mil	0.46%
Transport and Storage	\$9.6 mil	1.1%	\$13,154 mil	0.07%
Communication Services	\$29.1 mil	4.3%	\$3,854 mil	0.75%
Finance and Insurance	\$62.4 mil	7.4%	\$9,944 mil	0.63%
Property & Business Services	\$130.6 mil	15.4%	\$21,504 mil	0.61%
Education	\$13.2 mil	2.1%	\$8,216 mil	0.16%
Health & community Services	\$13.3 mil	1.6%	\$12,606 mil	0.11%
Cultural and Recreational Services	\$169.9 mil	19.5%	\$2,493 mil	6.82%
Personal and Other Services	\$88.1 mil	8.9%	\$4,076 mil	2.16%
Total Direct Expenditure	\$855.5 mil	100.0%	\$180,824	0.47%

Source: IER Calculations, ABS

The total direct expenditure impact generated by the racing industry in Queensland equates to 0.47% of total GSP. The Cultural & Recreational Services sector generates the largest proportion of total sectoral expenditure (6.82%), followed by Personal and Other Services (2.16%) and agriculture, forestry & fishing (1.36%).⁷

In order to estimate the flow on impacts of this expenditure, it is first necessary to adjust the spending for margins, taxes and imports (inter-regional trade). Some of the expenditure items may be subjected to taxes such as GST. Front-end taxes must be accounted for before determining the flow on effects throughout the economy.

After taking into account these adjustments within the economic model, the following table illustrates the economic outputs generated by the racing industry:-

ECONOMIC IMPACT	Thoroughbred Racing	Harness Racing	Greyhound Racing	TOTAL
Real gross value added (GSP) (\$m)	\$1,145.09	\$202.55	\$95.95	\$1,443.59
Real consumption (\$m)	\$410.30	\$78.12	\$46.32	\$534.74
International exports (\$m)	\$188.48	\$21.06	\$14.57	\$224.11
International imports (\$m)	\$217.14	\$24.26	\$16.80	\$258.20

Source: IER Calculations

The Queensland racing industry generates \$1.44 billion in value added contribution to Gross State Product.

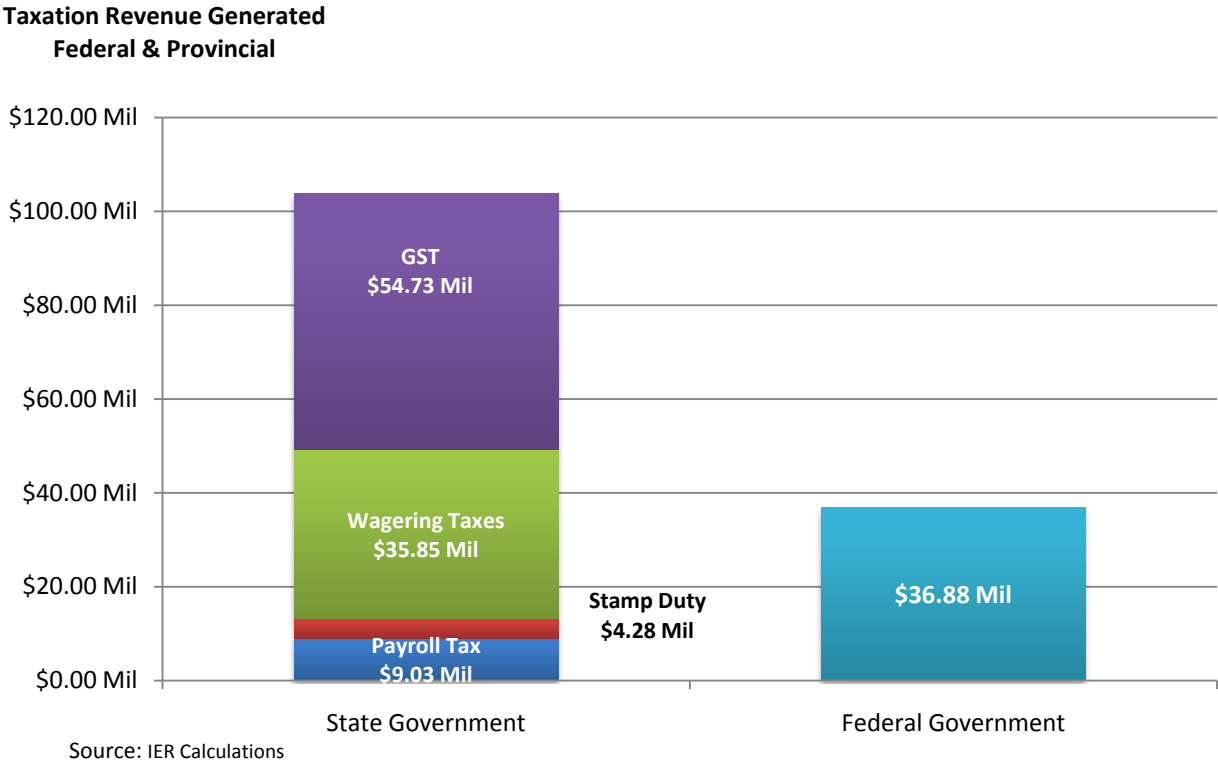
⁷ Figures based on current (nominal) prices

Real gross value added is the generally accepted measure of the value of production from economic activity. It is the sum of value added by all industries in a region (in this case, the State of Queensland). In any period of time, the value added in an industry is essentially, the value of sales less the value of inputs used in production. This means value added is equal to the income (wages, salaries and profits) generated in production. The real gross value added calculation uses constant prices (prices in a selected year), hence it does not allow for general price level changes (inflation). Also, the calculation makes no allowance for capital used in production (depreciation). As can be seen in the table on page 60, the QRI in Financial Year 2007/08 added \$1.44 billion to Gross State Product (GSP). This represents 0.80% of Queensland’s real GSP for 2007/08.⁸

Real consumption is a commonly accepted measure of the welfare of private residents. It measures household expenditure on durable and non-durable goods and services which is largely depended on income (value added). The economic activities associated with the QRI led to an additional \$534.7 million of real consumption for Queensland residents. This is less than the real gross value added, reflecting the fact that some income is saved and not all of the income generated by the QRI accrues to Queensland residents (eg. Profit repatriated outside of Queensland and taxation).

TAXATION REVENUE GENERATED BY HORSE & GREYHOUND RACING IN QUEENSLAND

The activities of the racing industry generate more than \$140.7 million in taxation revenue for the State and Federal Government. The following chart illustrates the taxation revenues generated:-



⁸ Note: Economic impacts derived from the MMRF model refer to ‘real’ impacts. This means that the figures are based on constant prices to ensure comparability. A deflationary factor as applied to current prices to make them comparable to past prices.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

The State Government receives more than \$103.9 million in taxation revenue from the Queensland racing industry. The majority of this revenue is generated from GST and wagering taxes. Whilst income tax and GST are not taxes paid specially by the racing industry (i.e. if the racing industry did not exist, these people would still be paying these taxes elsewhere), the \$35.8 million contributed from wagering tax is unique.

The Federal Government receives just over \$36.9 million in taxation revenue from the Queensland racing industry, from income taxes generated by those employed directly by the racing industry. The importance of wagering taxation revenue cannot be understated. A decline in the racing industry's success has a direct and immediate impact on the level of taxation revenue generated. A decline in the level of wagering turnover would have a dramatic and immediate impact on this revenue stream (as would growth in wagering turnover in the opposite manner). The high churn levels associated with wagering on horse and greyhound racing is a key driver behind the accumulation of such significant taxation revenues.

The exact level of taxation revenue generated from stamp duty and payroll tax are nearly impossible to determine through a data collection process of this sort. However, through the assessment of taxable asset purchases and the wage bill of individual entities likely to trigger a Payroll Tax event, these estimates represent conservative estimates of the revenue from these taxes.

The calculation of GST revenue may account for the fact that not every purchase is subject to GST and the data has been adjusted accordingly.

The calculation of income tax has been based on a marginal tax rate of 30% across the board. This was considered to be a responsible approach given the high level of part time and casual employment sustained by the racing industry.

EMPLOYMENT SUSTAINED BY HORSE RACING IN QUEENSLAND

The racing industry in Queensland sustains 18,580 FTE jobs, with more than 61% being directly involved in the core racing industry. The following table illustrates the employment levels sustained by each code:-

EMPLOYMENT IMPACT	Thoroughbred Racing	Harness Racing	Greyhound Racing	TOTAL
Employment Impact (FTE)	14,770	2,016	1,800	18,586
% of Employment	79.5%	10.8%	9.7%	

Source: IER Calculations

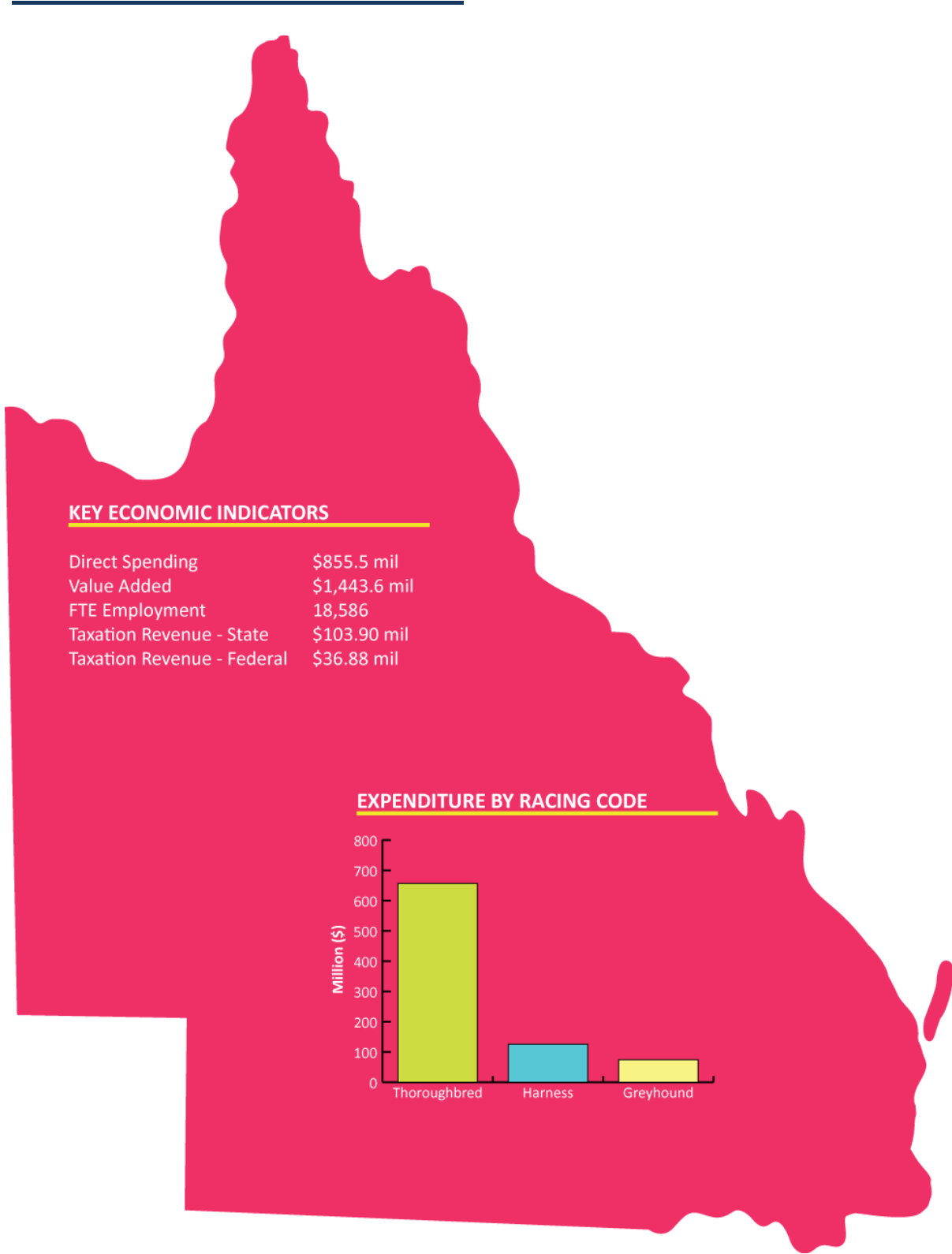
Furthermore, the investment in the racing industry – in terms of time, emotion and money – positions participants in this industry as a transient sector of the economy. This means that if the racing industry declines to certain levels of activity and sustainability in Queensland, participants are likely to relocate their residence and livelihood to another racing province.

When considering employment from a State perspective, it is important to not only consider the FTE impact of the racing industry, but also the total employment impact (in terms of employed individuals) at all levels.

Whilst there are 18,580 FTE positions sustained in the economy – this equates to more than 29,500 individuals who derive an income from racing in full time, part time or casual employment. Racing clubs, peak body associations, breeders, trainers and wagering operators directly employ more than 16,300 individuals. This equates to just under 12,000 FTE positions. Furthermore, indirect industries (i.e. those who are not directly within the ‘core racing industry’) are estimated to provide paid employment for more than 13,100 individuals. This equates to approximately 6.580 FTE positions.

The employment impact of the racing industry is a vital component of its importance to the State. For every \$21,000 of expenditure generated by the racing industry, an individual is gainfully employed in a full time, part time or casual position. An alternative and perhaps more economically sound way of looking at this is that for every \$1 million of expenditure generated by racing activity, 22 FTE positions are created.

Figure 4 – Key Economic Impacts



SOCIAL IMPORTANCE OF RACING

The Queensland Racing Industry makes a significant contribution to community and social benefit, enhancing individual and community well being throughout the state. Whilst the racing industry is a sport, leisure activity, hobby or pastime in many communities, it is also a window to their history and an important community icon.

During this industry Size and Scope Study, a Social Impact Survey of Queensland racing clubs was conducted. The information gathered from this survey was assessed in conjunction with racing participation data, to establish the extent of community social benefit generated by racing in Queensland.

The racing industry was evaluated according to a range of community social benefit indicators, in a number of areas that are considered critical to the wellbeing of individuals and the communities in which they live.

The evaluation highlighted the racing industry's significant role in the critical areas of:

- **Community building** – building inclusive and welcoming communities featuring powerful collaborative partnerships and relationships
- **Family** – providing opportunities for family participation in racing which develops stronger family relationships
- **Education and training** – supporting the education, training and development of participants and race club staff and volunteers
- **Health** – commitment to policies that support priority community health objectives
- **Leisure** – providing enjoyable leisure opportunities for hobby owners, trainers and breeders, race day customers and other race club event attendees
- **Employment** – creating a major source of employment and a variety of career opportunities for the Queensland community
- **Environment** – adoption of many environmentally friendly practices that support Government and community expectations relating to the protection of the Queensland environment

IER has collected information from multiple sources in order to analyse the social importance of racing. Methods of data collection include interviews, race club surveys and researching relevant literature. To gather data from the 150 racing clubs in Queensland, IER designed a quantitative and qualitative survey utilising an on-line survey approach. The survey was sent directly to the CEO/secretary or President of the racing club. IER received a sample of 62 completed surveys from the three codes of racing, ranging from major racing centres to regional and rural clubs.

The survey indicated that the racing industry has taken responsibility for a 'triple bottom line', producing economic, social and environmental benefits for Queensland. The racing industry is contributing significantly to key community objectives whilst also achieving industry goals for racing stakeholders.

COMMUNITY BUILDING

Racing Clubs have intrinsically developed practices and adopted policies that engage and develop the community through partnerships, relationships and volunteerism. The survey indicated positive initiatives undertaken by clubs including: -

- Over 405 community organisations or charities are assisted financially by racing clubs
- Special community groups are invited to an average of three (3) racing events per year.
- Over 3,525 corporate suppliers, sponsors and commercial partners engage with racing clubs
- Over 290 community organisations share the racing club facilities and resources
- Over 64% of multicultural groups and 53% of indigenous groups are pro-actively supported by racing clubs
- Racing clubs engage with over 610 community organisations and not-for-profit organisations
- Racing clubs currently engage more than 2170 volunteers who participate in the club

Racing plays an important role in fostering a sense of worth and belonging to a large number of racing volunteers in Queensland. The clubs that make up the QRI attract over 2170 volunteers. This is because of its direct link with the community (both economic and social) and the individual's passion for racing. Volunteers assume roles such as administration, hospitality, racing operations and preparations for raceday.

With large and restricted use of their facilities, the majority of racing clubs have engaged with community organisations to share their facilities and resources. Some of the 290 organisations identified by clubs include: -

- | | |
|-------------------------------|------------------------------|
| • Laeukemia Foundation | • School Parent & Children |
| • Breast Cancer Foundation | • Junior Rugby League |
| • Queensland Blind Society | • Queensland Ambulance |
| • RSPCA | • Home & Community Care |
| • Land Care Group | • Royal Australian Air Force |
| • District Sports Association | • Abused Child Trust |
| • Rural Fire Brigade | • Hospital foundation |

In addition to the above-mentioned community organisations, IER found that racing clubs financially assist over 400 community organisations and charities. Club organised functions raise significant funds for community organisations and charities through raffles and auctions. Furthermore, many

regional clubs engage local community organisations and charities to undertake such activities as supplying food and beverages, operational duties (gate attendants), racecourse cleanliness etc. Some of the 405 organisations/charities identified by clubs include: -

- Royal Flying Doctor Service
- Angel Flight
- Hear and say centre
- Returned Services League
- Scouts & Guides
- Catholic College
- Surf Life Sailing Club
- Riding for Disabled
- Hospital Auxiliary
- Lions Club
- Apex Club
- Variety Club of Queensland
- Girl Guides
- Rotary

SUPPORTING FAMILY RELATIONSHIPS

Racing Clubs have increasingly developed activities and facilities that enable families to enjoy a great day out. Many clubs actively promote services and amenities for families including parents room, baby change tables, jumping castles and rides, giveaways and live stage shows etc. These events have the ability to bring families together to build stronger family relationships. The survey indicated positive initiatives undertaken by clubs including: -

- Over 55% of clubs offer special discounts for family group attendance.
- 20% of clubs offer a junior membership with an average of 75 members per club
- Over 37% of clubs offer events for families and children on non-racedays
- Examples of activities and attractions available include: -
 - Children's "fashions on the Field"
 - Face painting
 - Pony rides
 - Play grounds
 - Children's entertainers
 - Sports and tennis courts
 - Children's Activity Centres

IER's survey of owners and trainers identified 'building stronger family relationships' as a driver to owning/training racing animals. Racing a horse or greyhound can bring together both family and friends to enjoy an interest in racing and can create a strong social environment. One greyhound trainer identified that he had "an interest in training, owning and breeding shared by my wife, myself and 3 professional sons".

EDUCATION AND TRAINING

Racing Clubs and participants directly employ staff on a full-time or part-time basis. Raceclub employees are involved in running the club, the conduct of racedays and other activities on non-racedays. As a commitment to delivering an enjoyable experience for racing participants and customers, race clubs have adopted a number of initiatives.

- On average, each club has 2 members of their staff participating in further education, career development and training programs
- Over 70% of clubs have policies and practices in place to teach and encourage responsible gambling
- A quarter of clubs (24%) have partnerships with primary, secondary, trade and tertiary institutions
- A third of clubs (31%) have placements available for work experience students at their racing clubs

Participants in the industry have access to the Queensland Racing Industry Training Centre, which was established in 1995 to meet the training needs of the three codes of the Queensland Racing Industry. In 2004 Queensland Racing assumed direct responsibility for the delivery of training in the thoroughbred code and became a Registered Training Organisation (RTO). Queensland Racing is responsible for delivering a variety of courses to the thoroughbred and harness codes of the Queensland Racing Industry. These services include: -

- Stablehand
- Track work rider/driver
- Stable foreman
- Jockey

The racing industry has the ability to offer modestly skilled and underprivileged residents the opportunity to involve themselves in meaningful pursuits. Many stables, kennels and breeding farms are supported by many volunteers and employees on the minimum wage – their input not only provides valuable support to the trainers and breeders in Queensland, but also helps to keep these people occupied.

PROMOTING HEALTHY ENVIRONMENTS

Public health is an important issue in every community worldwide. IER found that Queensland race clubs are committed to providing a healthy environment for their employees and customers. Furthermore, many participants (specifically in the greyhound sector) revealed that exercise, from training greyhounds, formed part health program.

Examples of practices revealed by Racing Clubs include: -

- Over 85% of race clubs provide healthy choice options for both racing participants and customers
- Over 80% of race clubs have OH&S policies and practices in place to reduce health risks to participants, volunteers, staff and customers
- All clubs have policies and practices in place to encourage responsible consumption of alcohol
- 80% of clubs have policies and practices in place to reduce the consumption of tobacco. All clubs have non-smoking areas and 80% of clubs have advertising messages to quit smoking
- Over 50% clubs have policies and practices in place to reduce the risk of cancer – examples include access to shaded areas, provision of sunscreen etc
- Over 20% of clubs have partnerships with health bodies and associations.
- Over 85% of clubs have trained on-site medical staff available to assist participants, volunteers, staff and customers if required

As mentioned above the greyhound racing industry in Queensland has inspired many participants to begin training and owning greyhounds for both the need (in many cases medical reasons) and desire to undertake physical activity. Some participants comments included: -

“A sport that I love and enjoy the physical exercise involved”

“I had to walk due to an accident and have always had a love of dogs, so I got my first greyhound, since then I have bred raced and won many races.

“As I am a diabetic - I walk the dogs daily for exercise”

Race clubs manage major facilities and events involving large numbers of customers. Community and Government expectations on race clubs relating to environmentally friendly practices and policies, have led to the adoption of a number of important initiatives that have a positive impact on the Queensland environment.

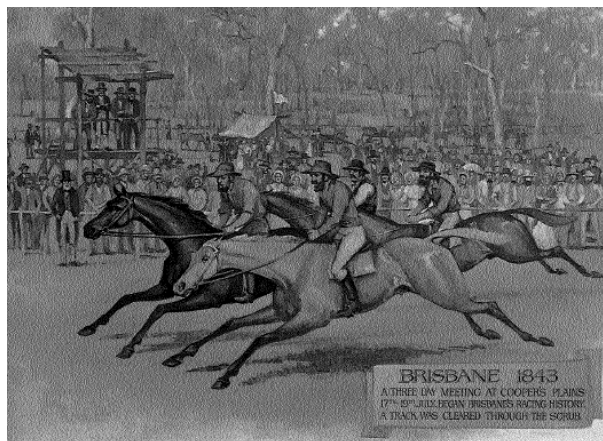
Race clubs are actively implementing policies and practices in key areas that impact on the environment. These include:

- Over 65% of clubs have programs in place for water saving and re-circulating e.g. regular maintenance of plumbing, minimal or dual flush toilets, rain water tanks, overnight sprinklers, minimal watering of outer sports fields, removal of auto flushing urinals and composting and mulching of gardens
- Over one-third of clubs have programs to develop native flora and fauna development e.g. tree planting in sensitive areas, pest eradication programs and preference for native indigenous plants
- 20% of clubs have programs in place to reduce or re-use resources and recycling of waste such as glass bottles, aluminum cans and food scraps

THE HISTORICAL IMPORTANCE OF RACING IN QUEENSLAND

There are few sports that can match the rich cultural and social significance and heritage of thoroughbred, harness and greyhound racing in Queensland. The historical elements of the racetracks in Queensland are an important part of the fabric of many local communities. These racecourses and clubs are the focal point for the achievements of some of Australia's great sportsmen and racing identities.

Thoroughbred racing in Queensland dates back to 17 July 1843, when the first official race meeting of the 'Moreton Bay Race Club' was conducted at the new racecourse on Coopers Plains; the year the first free settlers arrived in Brisbane. The race meeting was held over three days with the main race the Brisbane Town Plate valued at 50 pounds. Only 2 years later the racecourse was relocated to 'New Farm' and in June 1950 the first races were held at Ipswich. Soon after racing was established at Dalby and then racing spread to many towns throughout the colony. Queensland currently boasts over 135 racecourses.



Ref: The History of Australian Thoroughbred Racing (Vol 1)

Queensland has provided some of Australia's most recognised national icons, including Bruce McLachlan, Mick Dittman and George Moore. The likes of Champion Queensland horses - Bernborough, Gunsynd, Strawberry Road and Vo Rogue - have also become entrenched in the hearts and minds of all Australians.

The first greyhound coursing meeting was held in Queensland at Allora on the Darling Downs in 1893, two years after the national coursing association of NSW was established. In 1901 the Waterloo Cup was staged at Pittsworth and from 1908 greyhound racing was staged at Eagle Farm racecourse, Brisbane. In 1923 the Brisbane Cricket ground hosted night racing and between 1949 and 1985 a significant number of greyhound clubs were established around Queensland. Many of these include: Beenleigh, Capalaba, Southport,



Ref: Greyhounds Queensland Limited



Flying Amy Ref: Greyhounds Queensland Limited

Gold Coast, Cairns, Mt Isa, Bundaberg and Toowoomba. Queensland has produced many champion greyhounds including Flying Amy (pictured below) and Bogie Leigh.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

Harness Racing commenced in Queensland at the Brisbane Showgrounds in 1876 and commenced at Eagle Farm on 8th November 1888. The first electric light race meeting (night race meeting) was held in 1911 at Wolloongabba. This special event included activities for the children and monkeys riding on horseback. Many harness racing tracks opened throughout the state including Goodna, Breakfast Creek Sports Ground, Virginia Park, Mackay and Kedron Park and in 1957 Redcliffe.



Ref: Albion Park Harness racing Club



Ref: Albion Park Harness racing Club

Queensland harness racing has provided many nationally recognised horses and participants. The latest being Natalie Rasmussen and three time Inter Dominion (Hobart, Adelaide and Melbourne) winner Blacks a Fake. Other notable horses and participants include Talmoi, Cloncurry, Airstream, David Belmont, Cecil Bennett and Rod Belford.

SOCIAL IMPACT – GREYHOUND ADOPTION PROGRAM

The Greyhound Adoption Program (GAP) demonstrates initiatives undertaken by the racing industry that deliver key community objectives whilst also achieving industry goals for racing stakeholders. GAP or the Greyhound Adoption Program, commenced in Queensland in 1998 and in that time has adopted over 500 greyhounds to families within the community.

After finishing their racing career, these greyhounds are provided with suitable, long-term homes where they are well cared for and enjoyed as a pet. All greyhounds are assessed by the GAP program staff and volunteers for suitability and integration as a family pet. In addition to this, the program provides long-term support and guidance for both the greyhound and its owners.

The program itself aims to educate the public about the positive attributes of the greyhound and remove any misconceptions and mistaken views that some sectors of the community may have. Furthermore, the program encourages a positive image of the greyhound to stimulate potential owners and future engagement within the greyhound racing industry in Queensland.



Ref: Greyhounds Queensland Limited

This racing season GAP is aiming to adopt close to 200 dogs in Queensland. These dogs are prepared by over 80 eighty volunteers (60 in Brisbane and 20 in Townsville). Furthermore, GAP has over 70 foster carers – these volunteers help the greyhound adjust to life as a "pet." These people play a vital role in helping GAP make sure that the right dog goes to the right home. These 150 volunteers are the backbone to the GAP program and bestow a level of care marked by consideration, compassion and tenderness towards the greyhound.

STATE TAXATION REGIMES

In preparing this study, IER has compared the taxation and funding models for each racing jurisdiction in Australia. Most racing jurisdictions in Australia have completed or are currently working with government to establish a sustainable racing industry that has economic and social benefits for government and stakeholders. These include: -

1. The Victorian Racing Industry (VRI) is currently working with the State Government to formulate a new funding model once the joint venture agreement with Tabcorp ceases in 2012. Currently, the VRI receives benefits in the order of \$80 million per year from Tabcorp gaming revenue. This revenue will be withdrawn and a new model developed to ensure the VRI is not disadvantaged. A report by Ernst and Young commissioned by the three codes of racing in Victoria recently reported that taxation on wagering in Victoria could fall to as low as 2.55% if the racing industry is to be “no worse off”.
2. The three codes of racing in NSW have all provided submissions to the NSW Office of Liquor, Gaming and racing in relation to the review of wagering in NSW – the Cameron Report. One recommendation in the Cameron Report is a national co-ordinated approach to the regulation and taxation of the wagering industry. Proposed changes to the state taxation which affects the NSW Racing industry forms part of the submissions.
3. The South Australian Government has recently abolished all state taxation on racing. The South Australian Racing Industry has been the major beneficiary as it will be in receipt of approximately \$8.5 million (per annum) of additional revenue commencing in the 2012/13 fiscal year. The process of the totalisator tax withdrawal is to be incremented over a four year period from 2008/09 through 2011/12.
4. The newly formed Tasmanian Racing Board is currently working with the Tasmanian government to formulate a new funding model that delivers sustainability and revenue predictability for the Tasmanian racing industry, funding for an appropriate level of capital works and funding to enable the Tasmanian Racing Board to develop the Tasmanian racing product. Similar to Victoria, the state Government has guaranteed that the Tasmanian Racing Industry will not be worse off by these arrangements.
5. Over the past four years the Western Australian Racing Industry has received significant capital support from government (\$20 million over 3 years) and received a reduction of 5% State Tax on total turnover. The Western Australian Racing Industry has a distinct advantage compared to other jurisdictions when it comes to competing for the entertainment and gambling dollar, as electronic gaming machines (1750 in total) are only located within the Burswood Casino.
6. Similar to Tasmania, the Northern Territory Racing Industry is currently negotiating with the state Government in relation to a new funding model, which is not based on wagering turnover or net wagering revenue. It is estimated that the negotiation on the new funding arrangements will be complete in the coming months. Government revenue from wagering in the Northern Territory is significantly enhanced by the growth in corporate bookmaker turnover (in excess of \$2 billion), of which the state government receives 0.33%.

At a Glance – State Taxation Regimes

	Queensland	NSW	Victoria	Western Australia
Net wagering Revenue	16%	Varies due to different commission on bet types (approx 16%)	Varies due to different commission on bet types (currently 16.1%)	Varies due to different commission on bet types (currently 16.9%)
State Tax	10.91%	19.11%	19.11%	11.91%
Federal Tax	9.09%	9.09%	9.09%	9.09%
TAB	41%	43%	See below	RWWA - 79%
Racing Industry	39%	28.50%	See below	As above
Notes	NSWRI provided the NSW Government with a submission to form part of the Cameron enquiry into wagering in NSW in November 2008 to address state taxation on racing			
			VRI receives 25% of Tabcorp Gaming and Wagering Profits after the payment of taxes. VRI are currently negotiating with Government to reduce state tax to as low as 2.55%	Recently reduced 5% State Tax on total turnover (which also carried a 0.5% rebate), down to 11.91% State Tax on net wagering revenue

At a Glance – State Taxation Regimes

	South Australia	Northern Territory	Tasmania
Net wagering Revenue	16%	16%	Varies due to different commission on bet types (currently 16.1%)
State Tax	10.91%	30.91%	0.00%
Federal Tax	9.09%	9.09%	9.09%
TAB	41%	60%	Approx 20% to link with Tabcorp pools
Racing Industry	39%	Fee negotiated with NT Govt	Fee negotiated with TAS Govt
Notes	State Government taxation on racing will be abolished over the next four year period	NT racing is currently negotiating a new contract with Government (march 2009)	Tasmanian Racing Board is currently negotiating a new contract with Government (June 2009)

QUEENSLAND

CURRENT WAGERING TAXATION REGIME

UNITAB hold the license to conduct off-course totalisator betting in Queensland. UNITAB must return no less than 84% to punters. The remaining 16% is net wagering revenue, which is distributed in the following manner:

<i>Retained by UNITAB</i>	6.56%	(41% of net wagering revenue)
<i>Distributed to Racing Industry</i>	6.24%	(39% of net wagering revenue)
<i>Federal Tax (GST)</i>	1.45%	(9.09% of net wagering revenue)
<i>State Tax</i>	1.75%	(10.91% of net wagering revenue)
Total	16%	100%

The 39% allocation to the three codes is distributed through an inter-code agreement. This agreement forms part of the Product and Program Agreement, which is a tripartite agreement administered by Product Co. The percentage share between the codes is a fixed amount of 76% to thoroughbred, 14.5% to harness and 9.5% to greyhounds.

The total State Government Tax (Wagering Act – 1 July 1999) of 20% of net wagering revenue includes the Commonwealth Government Goods and Services Tax (GST). This GST is refunded to the State Government by the Commonwealth Government.

Between 2001/02 and 2005/06 TAB turnover on racing in Queensland has increased from \$1.55 billion to \$1.93 billion. This figure includes both on-course and off-course pari-mutuel betting.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering belong to UNITAB. UNITAB also retains the benefits from fractions when dividends are rounded down. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

Queensland bookmakers under an agreement with the Racing Industry in 2000 paid 0.33% of their gross turnover as revenue to the Club conducting the meeting. There are no State Government taxes on Bookmaker operations. There are no off-course bookmakers in Queensland.

CAPITAL SUPPORT

Following the termination of the Racing Development Corporation, the Queensland government has abolished the Capital development fund; however Racing Queensland receives an annual \$2 million payment towards the maintenance of training tracks. Harness and Greyhound Racing Queensland receive no direct capital funding from the Queensland Government. The Magic Millions Carnival on the Gold Coast receives a grant of \$600,000 per year from Queensland Events. Furthermore, the

Queensland government provides six community race meetings with \$5,000 per raceday under the Queensland Community Racing Scheme.

ELECTRONIC GAMING MACHINES

The Queensland Racing Industry does not receive any income from gaming machine revenue collected by the Queensland state government. There are no racing clubs in Queensland that own gaming venues. The state's pubs and clubs have 41,527 operational EGM's and the estimated loss by Queenslanders is just over \$2 billion a year to gaming machines. On 21 April 2008 Queensland Premier Anna Bligh imposed a two-year moratorium on new gaming machines in the state. The discount rate applied to EGM in the states four casinos was abolished on 9 December 2008 raising the QLD govt an additional \$36 million per year.

Between 2001/02 and 2005/06 turnover on EGM's in Queensland has increased from \$26.13 billion to \$70.22 billion.

SPORTS BETTING

The Queensland Racing Industry does not receive any benefit from Sports betting in the state. UNITAB administers fixed odds betting for thoroughbreds, harness and greyhounds. The government receives 20% of net wagering turnover.

Between 2001/02 and 2005/06 turnover on Sports Betting in Queensland has increased from \$8.5 billion to \$15.9 billion.

CASINOS

There are four Casinos in Queensland: Conrad Treasury in Brisbane with over 1300 gaming machines, Conrad Jupiters on the Gold Coast with over 1300 gaming machines, The Reef Hotel Casino in Cairns with over 500 gaming machines, and Jupiters Townsville Hotel and Casino with over 400 gaming machines.

APPROACHES FOR LEGISLATIVE CHANGE

There have been no recent approaches for legislative change.

NEW SOUTH WALES

CURRENT WAGERING TAXATION REGIME

Tabcorp holds the license to conduct off-course totalisator betting in NSW. Prior to 1st July 2007, net wagering revenue was capped at 16%. Following a change in legislation, the 16% cap was removed so that net wagering revenue would be determined by the proportion of bet types within the pool, with no bet type to exceed 25% take out rate. The commissions applying to wagering events ranging from 14.25% 'place bet' to 25% for exotic bet types. The retained commission (approx. 16%) is net wagering revenue and is subject to a state government tax of 19.11% and 9.09% federal GST. Net wagering revenue is distributed in the following manner:

<i>Retained by Tabcorp</i>	43%
<i>Distributed to Racing Industry</i>	28.5%
<i>Federal Tax (GST)</i>	9.09%
<i>State Tax</i>	19.11%
Total	100%

The distribution of funds between the three codes is governed by the Inter-Code Distribution Model in NSW. Under this agreement, funding is distributed on fixed percentages – 72% thoroughbred, 15% harness and 13% greyhound. Between 2001/02 and 2005/06 TAB turnover on racing in New South Wales has increased from \$3.91 billion to \$4.26 billion.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering belong to Tabcorp. Tabcorp also retains the benefits from fractions when dividends are rounded down. However these are taxed at the above-mentioned government tax rates. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

There is no taxation applied by the NSW government, however the racing industry can set levies for bookmakers to pay. Between 2001/02 and 2005/06 bookmaker turnover on racing in New South Wales has increased from \$475 million to \$582 million.

CAPITAL SUPPORT

There is no specific allocation from government to industry for capital or other grant. However, the NSW thoroughbred industry will receive \$2 million per year for the next 3 years for the development of the reinvigorated Autumn Racing Carnival.

ELECTRONIC GAMING MACHINES

The NSW Racing Industry does not receive any income from gaming machine revenue collected by the NSW state government. There are over 1330 registered clubs earning profits from EGM in NSW, with over 73,000 authorised EGMs. The EGM's provided the NSW Government with \$661 million in tax in the year ending May 2007. Between 2001/02 and 2005/06 turnover on EGM's in NSW increased from \$42.8 billion to \$56.5 billion.

SPORTS BETTING

Fixed Odds betting and sports betting is taxed at a rate of 10.91% net of GST or 20% inclusive of GST of net wagering revenue.

CASINOS

There is one casino in NSW which is Star City owned by Tabcorp with over 1500 gaming machine and gross gaming revenue of \$660 million.

APPROACHES FOR LEGISLATIVE CHANGE

The three codes of racing have all provided submissions to the NSW Office of Liquor, Gaming and racing in relation to the review of wagering in NSW – the Cameron Report. Proposed changes to the state taxation on racing forms part of the submissions by the NSWRI.

VICTORIA

CURRENT WAGERING TAXATION REGIME

Tabcorp holds the license to conduct off-course totalisator betting in Victoria until 2012. Tabcorp is currently returning just under 84% to punters. Tabcorp can take out a maximum of 25% from any one pool and from 1st July 2007, commissions applying to wagering events ranging from 14.25% 'place bet' to 25% 'mystery 6'. The retained commission (approx. 16%) is net wagering revenue and is subject to a state government tax of 19.11% and 9.09% federal GST tax. This will reduce post 2012 as part of the revised licensing arrangements to offset the loss to the racing industry of the gaming revenue which will be withdrawn (approximately \$80 million).

There are a number of complex formulae in place which constitute the Joint Venture Agreement between the Victorian Racing Industry and Tabcorp, but put succinctly, the VRI receives 25% of Tabcorp Gaming and Wagering Profits after the payment of taxes. This amount is distributed to the three codes according to a formula set out in the agreement. Some of these formulae reflect fixed shares for each code whilst others reflect the codes' share of the wagering dollar for the year in question, thus the percentage share between the codes varies each year.

Between 2001/02 and 2005/06 TAB turnover on racing in Victoria has increased from \$2.81 billion to \$3.26 billion.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering belong are retained by treasury as consolidated revenue. The government also retains the benefits from fractions when dividends are rounded down. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

No government tax applied to bookmaker turnover. Victorian Bookmakers pay 1% of turnover to the codes. They pay the clubs 0.9% with the balance (0.1%) credited to the Bookmakers Development Fund held. Between 2001/02 and 2005/06 bookmaker turnover on racing in Victoria has increased from \$418 million to \$564 million.

CAPITAL SUPPORT

The Racing Industry Development Fund has been in operation but ceased on 30 June 2008. However, due to the offset in gaming in 2012, it was announced in October 2008 that a new program for Infrastructure renewal will be established. This fund is to facilitate continuity of racing, principally for sustainability and safety elements such as synthetic tracks, plastic running rails and OH&S issues. The fund has an amount of \$86m set aside for the period 08/09 to 11/12 with government contributing \$45 million and the racing codes \$41 million.

ELECTRONIC GAMING MACHINES

Victoria currently has 26,800 machines at 520 venues and the estimated loss by Victorians is just over \$2.61 billion a year to gaming machines. . The racing industry in Victoria has ownership of 15 Club venues that have Tabcorp gaming machines (and 1 Tattersall's site) and they have part ownership of two other Club venues in the Harness code.

Between 2001/02 and 2005/06 turnover on EGM's in Victoria decreased from \$25.4 billion to \$24.5 billion.

SPORTS BETTING

Conducted by Tabcorp and is currently taxed at 10.91% of net wagering revenue, but under the new license in 2012 it has been reported by the Victorian government to drop to 4.8%.

CASINOS

There is one casino in the Victoria, Crown Casino which holds over 2,500 gaming machines.

APPROACHES FOR LEGISLATIVE CHANGE

The VRI is currently negotiating with the Victorian government regarding a new funding arrangement after 2012. The state government has stated that they would develop a model which is 'no less favourable' and which provided for a 'viable and growing' industry.

In November 2008, the Victorian Government announced they would reduce pari-mutuel wagering taxes from 19.11 per cent to 7.6 per cent post-2012, which allows the new wagering licence holder to allocate the 11.51 per cent 'saved' to the racing industries. However, Ernst and Young have calculated that the wagering taxes post-2012 must be reduced to between 2.55% and 5.10% per cent to free up enough funding to ensure racing is no worse off.

SOUTH AUSTRALIA

CURRENT WAGERING TAXATION REGIME

UNITAB hold the license to conduct off-course totalisator betting in South Australia. UNITAB must return no less than 84% to punters. The remaining 16% is net wagering revenue, which is distributed in the following manner:

<i>Retained by UNITAB</i>	6.56%	(41% of net wagering revenue)
<i>Distributed to Racing Industry</i>	6.24%	(39% of net wagering revenue)
<i>Federal Tax (GST)</i>	1.45%	(9.09% of net wagering revenue)
<i>State Tax</i>	1.75%	(10.91% of net wagering revenue)
Total	16%	100%

The 39% allocation to the three codes is distributed through an inter-code agreement. The percentage share between the codes is determined by market share - currently 70% to Thoroughbred, 15% to Harness and 15% to greyhounds.

Between 2001/02 and 2005/06 TAB turnover on racing in South Australia has increased from \$622 million to \$657 million.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering are retained by the government. The government also retains the benefits from fractions when dividends are rounded down. However, fractions and unclaimed dividends will be passed on to the industry under new legislation. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

There are no State Government taxes on Bookmaker operations. Currently off-course bookmakers are not taxed by the SA government. Between 2001/02 and 2005/06 bookmaker turnover on racing in South Australia has decreased from \$139 million to \$87 million.

CAPITAL SUPPORT

There is no government capital fund for racing; however, the SA government has recently provided one-off payments to the thoroughbred code of \$6 million toward Gawler upgrade and \$5 million to South Australian Jockey Club (SAJC) for a second track at Morphettville racecourse.

ELECTRONIC GAMING MACHINES

The South Australian Racing Industry does not receive any income from gaming machine revenue collected by the SA state government. The major three clubs in each code own gaming venues. The State's pubs and clubs have 12,500 operational EGM's (reduced from 14,000) and the estimated loss by South Australians is just over \$750 million a year to gaming machines.

Between 2001/02 and 2005/06 turnover on EGM's in South Australia increased from \$5.2 billion to \$7.3 billion.

CASINOS

There is one casino in the South Australia, Sky City Casino which holds over 950 gaming machines.

RECENT LEGISLATIVE CHANGE

Tax for on-course investments was abolished from the commencement of the 2005/06 financial year. The SA government announced in January 2008 that taxation on off-course pari-mutuel wagering would be phased out over the four years commencing 2008/09 – 2011/12. This is the first state government to abolish a tax on wagering in Australia. (Refer to Taxation Case Study on page 89).

NORTHERN TERRITORY

CURRENT WAGERING TAXATION REGIME

UNITAB hold the license to conduct off-course totalisator betting in Northern Territory. UNITAB must return no less than 84% to punters. The remaining 16% is net wagering revenue and is distributed in the following manner: -

<i>Retained by UNITAB</i>	9.6%	(60% of net wagering revenue)
<i>Federal Tax (GST)</i>	1.45%	(9.09% of net wagering revenue)
<i>State Tax</i>	4.95%	(30.91% of net wagering revenue)
Total	16%	100%

UNITAB also pays 6% of on-course wagering turnover in the Northern Territory directly to the racing industry.

The NT government has a funding model to the racing codes which is unique in Australia. It is a 5 year agreement which includes a payment inclusive for operational and capital requirements. A new agreement is expected to be announced in March 2009.

What this means is the controlling racing code bodies receive a lump sum from the government to which they need to budget their prizemoney, capital, cost of operations etc. The operational grant increases at the same growth of off-course turnover and is capped at 5%pa.

Between 2001/02 and 2005/06 TAB turnover on racing in Northern Territory has increased from \$77 million to \$107 million.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering belong to UNITAB. UNITAB also retains the benefits from fractions when dividends are rounded down. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

Northern Territory bookmakers under an agreement with the NT Government pay 0.33% of their gross turnover as revenue to the state government. The percentage turnover tax is the same whether the turnover is on-course or off-course. Between 2001/02 and 2007/08 bookmaker turnover on racing in the Northern Territory has increased from \$525 million to \$3.02 billion.

CAPITAL SUPPORT

In 2004/05 the racing industry negotiated a five-year capital agreement with the Northern Territory government. A one-off capital grant of \$1,050,000 was provided in year 1, with an additional \$350,000 for years 2 – 5. This agreement is currently being renegotiated and will be completed in March 2009.

ELECTRONIC GAMING MACHINES

The Northern Territory Racing Industry does not receive any income from gaming machine revenue collected by the NT state government. The state's casinos, pubs and clubs can have up to 1,190 operational EGM's. Between 2001/02 and 2005/06 turnover on EGM's in the Northern Territory increased from \$335 million to \$530 million.

SPORTS BETTING

0% for Australian clients and 0.25% for all others

CASINOS

There are two Casinos in the Northern Territory - Lasseters Hotel Casino in Alice Springs (with over 250 gaming machines) and Sky City Casino in Darwin (with over 80 gaming machines).

APPROACHES FOR LEGISLATIVE CHANGE

The Northern Territory racing industry is currently negotiating with the state Government in relation to a new funding model. It is estimated that the negotiation on the new funding arrangements will be complete in the coming months.

WESTERN AUSTRALIA

CURRENT WAGERING TAXATION REGIME

RWWA holds the license to conduct off-course totalisator betting in Western Australia and is also the three code body for Western Australian racing. RWWA's net wagering revenue will vary depending on the bet types that make up the pool (i.e. depending on the proportion of bet types). Betting type take out rates range from place bet – 14.5% to favourite numbers - 25%. There is no taxation of on-course wagering in Western Australia. The net wagering revenue is currently 16.92%, which is distributed in the following manner:

<i>Retained by RWWA</i>	13.35%	(79% of net wagering revenue)
<i>Federal Tax (GST)</i>	1.54%	(9.09% of net wagering revenue)
<i>State Tax</i>	2.01%	(11.91% of net wagering revenue)
Total	16.9%	100%

The 79% allocation to RWWA includes distributions to clubs and RWWA operational costs, including the cost of operating the pari-mutuel wagering in Western Australia. The intra-code agreement determines that thoroughbreds receive 59%, harness 28% and greyhounds 13% of the total Distribution. This is currently undergoing review for the 2010/11 racing year. Between 2001/02 and 2005/06 TAB turnover on racing in Western Australia increased from \$887 million to \$1.26 billion.

UNCLAIMED DIVIDENDS

All unclaimed dividends with respect to off-course and on-course wagering are retained by RWWA. RWWA also retains the benefits from fractions when dividends are rounded. Unclaimed dividends on bookmakers are retained by the bookmakers.

BOOKMAKERS

Fees collected are passed back to RWWA and there is no tax into government consolidated revenue. Between 2001/02 and 2005/06 bookmaker turnover on racing in Western Australia has decreased from \$110 million to \$101 million.

CAPITAL SUPPORT

In 2006/07 the Western Australian Government provided the racing industry with \$20 million over 3 years (which was taken up over a 3 year period) for venue revitalization. This was a one off payment and has not been renewed at this time.

ELECTRONIC GAMING MACHINES

The Western Australian racing Industry has a distinct advantage compared to other states in relation to EGMs. The only gaming machines in Western Australia are at the Burswood casino. The total number is capped at 1750 machines. The racing industry in Western Australia does not derive any benefit from the 1750 EGMs.

SPORTS BETTING

Fixed odds betting on Sports turnover attracts 0.5% State taxation and pari-mutuel sports turnover – 5% to State treasury.

RECENT LEGISLATIVE CHANGE

The Western Australian racing Industry received a reduction from 5% State Tax on total turnover - which also carried a 0.5% rebate (approximately 28% of net wagering revenue), down to 11.91% State Tax on net wagering revenue.

TASMANIA

CURRENT WAGERING TAXATION REGIME

Similar to the Northern Territory, Tasmania has a funding model where the State government collects fees and then funds the racing codes at an agreed total amount (around \$30m annually). Recent changes to the racing industry in Tasmania have seen the removal of the three codes of racing in favour of a three code body (Tasmanian Racing Board).

Net wagering revenue will vary depending on the bet types that make up the pool; however, it is approximately 16%. Between 2001/02 and 2005/06 TAB turnover on racing in Tasmania has increased from \$229 million to \$302 million.

BOOKMAKERS

Bookmakers are currently charged 1% of turnover. Between 2001/02 and 2005/06 bookmaker turnover on racing in Tasmania decreased from \$6.6 million to \$5.1 million.

BETTING EXCHANGES

In November 2005, the Tasmanian Parliament approved amendments to the Gaming Control Act 1993 to allow the licensing and regulation of betting exchanges in Tasmania. The first betting exchange licence granted by the Tasmanian Gaming Commission was to Betfair Australia in January 2006. Betfair currently pays the Tasmanian government 15% tax for every dollar that it makes on Australian horse racing and sporting events and a 20% levy on every dollar that it make on Australian horse racing

CAPITAL SUPPORT

The capital funding of the Tasmanian racing industry forms part of the overall government funding model. Recent capital improvements include \$16 million development of the Elwick racecourse for a tri-code centre and \$6 million for lights at Tasman Park in Launceston.

ELECTRONIC GAMING MACHINES

The Tasmanian racing industry does not receive any income from gaming machine revenue collected by the Tasmanian state government. The state's casinos, pubs and clubs can have close to 3,700 operational EGM's (which is capped). Between 2001/02 and 2005/06 turnover on EGM's in Tasmania increased from \$853 million to \$953 million.

CASINOS

There are two Casinos in the Tasmania – Wrest Point Casino in Hobart (with over 660 gaming machines) and Country Club in Launceston (with over 512 gaming machines.)

APPROACHES FOR LEGISLATIVE CHANGE

There model is currently being reviewed via Gaming Control Act and an announcement will be made in the next six months. The model will provide the industry with direct revenue from betting which will be subject to government tax, although those tax rates are yet to be announced. The Tasmanian government has guaranteed that the Tasmanian Racing Industry will not be worse off by these arrangements.

TAXATION CASE STUDY – SOUTH AUSTRALIAN RACING INDUSTRY

BACKGROUND

The South Australian Racing Industry began to stagnate in the late 1980's and this was further exacerbated in the mid 1990's following the introduction of gaming machines to the state. The SA racing industry was denied any share of gaming revenue or taxation relief to offset the migration of betting on racing to gaming machines following their introduction. These events also coincided with changes in favour of the Victorian Racing Industry whereby the Victorian state government provided the racing codes in that state with a 25% shareholding of net profits from gaming activities. This provided racing in Victoria with significant revenue and as a result investment in SA racing declined and the number of race meetings and races conducted steadily reduced as participants such as trainers, jockeys and racehorse owners sought to compete in the more lucrative Victorian market.

In 1993, the year prior to introduction of gaming machines, total wagering on racing codes products exceeded \$735m (TAB, on course totalisator and bookmakers). More than a decade later the total is just over \$782m, so in real terms turnover has declined. A significant drop in bookmaker and on course tote betting has been recorded and TAB growth has been moderate and spasmodic.

Gaming machine turnover since their introduction in 1994 has been strong and in 2005/06 turnover exceeded \$7.3 billion. Player losses more than \$750m and SA government taxation collected now almost \$300m annually.

SALE OF THE SA TAB – CHANGES TO FUNDING FORMULA

The sale of the SA TAB by the then state government in year 2000 was motivated partially to assist the racing codes to maintain a competitive base against increased revenues and funding enjoyed by other racing jurisdictions.

The sale model included provision for a new formula whereby the racing codes would receive a share of net wagering revenue rather than the previous share of retained TAB profits. This new model was far more attractive to the codes and by any calculation has indeed provided the SA racing industry greater annual returns than would have been receipted under the former profit model.

SALE OF SA TAB – PROVISION OF CAPITAL SPENDING

Additionally, the racing codes received a cash injection of funds for badly needed capital improvement programs to rejuvenate ageing infrastructure. However, from this provision, funds were effectively a prepayment and required repayment to the government of the day of an amount of \$34m to be paid in annual installments over a 12 year period from 2004/05 to 2015/16. This arrangement is commonly referred to as 'clawback'.

TAB GROWTH PATTERNS AND IMPEDIMENTS

The model for repayment by the racing codes to the government of up-front capital was premised on wagering growth calculations post sale in the range of 3-4% annually. These forecasts were not achieved in the three immediate years after the sale (there are many varied beliefs of the reasons why) and this lack of growth was magnified from the introduction of the first 'clawback' year in 2004/05.

The years subsequent to 2004/05 have seen quite reasonable TAB growth recorded. However, gains have been followed by periods of decline in wagering directly related to two phenomena - the SKY/TVN broadcasting split vision dispute in 2005/06 and the unprecedented equine influenza crisis in 2007/08.

THE MAJOR GOVERNMENT REFORM 2008

All of the above circumstances conspired to leave the SA racing industry with low levels of prizemoney in comparison to other mainland states of Australia, meagre reserves for capital improvements and declining investment in the local industry.

The state government in year 2008 in response to these events has proposed a new unprecedented support and rejuvenation plan. The cornerstone of which is the complete removal of taxation by government on any form of wagering (note – taxation on bookmakers holdings and on-course totalisator betting had previously been abolished).

The process of the totalisator tax withdrawal is to be incremented over a four year period from 2008/09 through 2011/12, so that by the commencement of the 2012/13 fiscal year the SA racing codes (on current projections) will be in receipt of approximately \$8.5m of additional revenue.

Racing Minister Michael Wright says he is looking forward to seeing the racing industry move forward.

"SA is the first state in Australia to abolish taxation revenue from racing wagering activity on bookmakers, on-course totalisator, and now TAB operations," he said.

"As a result of these tax reform measures, the racing industry will be in a position to boost prize money on offer for racing participants in South Australia and I expect the flow on effects to be substantial.

"There is no doubt that more prize money leads to a better class of horse and greyhound racing. This in turn creates increased investment activity, which generates a larger amount of funds for the racing industry.

"This is also great news for country racing clubs and regional communities. Not only will extra prize money deliver better racing in these areas, it will increase race related tourism and bring dollars to local economies.

Size and Scope of the Racing Industry in Queensland

IER Pty. Ltd.

“The Rann Government wants a healthy and self sufficient racing industry in South Australia. If the codes continue to work in the right direction, I am confident the benefits will flow in the future,”

FURTHER MEASURES

The South Australian racing industry has been striving to achieve a model of sustainability and has in recent times announced bold plans to achieve this objective. These include the judicial sale of assets and streamlining its core racing activities to a smaller number of key racing venues. This is evidenced by the closure of Victoria park racecourse in 2008 and the recent closure of Cheltenham Park racecourse with its last race meeting being in February 2009.

- Adelaide metropolitan racing will now be conducted at just one venue – Allan Scott Park Morphettville (ASPM) with two turf racing tracks. The state government provided a one-off grant of \$5m toward the construction of the second inner turf track.
- A proposed \$12m upgrade to the racecourse situated at rapidly growing region of Gawler is being funded by a combination of government (\$6m) and club/industry body funds (club funding facilitated through sale of excess freehold land on racecourse title).

Racing Minister Wright said *“The taxation reform measures combined with major upgrades in racing infrastructure are part of the state government’s commitment to providing a healthy and self sufficient racing industry in South Australia”*.

SUMMARY

Year	Action
1994	Gaming machines introduced into South Australia
2000	SA TAB privatised, racing codes receive up-front payment for immediate capital improvement projects
2004/05	Clawback tax commences – \$34m in total to be repaid by racing codes over twelve year period concluding 2016
2006	SA Government abolishes taxation on on-course wagering
2008	SA Government announces removal of off course totalisator wagering taxation – to be phased out over four year period to 2012
2008	SA Government provides \$5m grant toward second turf track at ASPM
2008	SA Government provides \$6m grant toward Gawler racecourse redevelopment
2009	SA Government issues Ministerial DPA for proposed Greenfields racing and training environment at Murray Bridge

Source: IER

ECONOMIC METHODOLOGY

OVERVIEW OF THE EXISTING MODEL

MMR is a very detailed dynamic, multi-sectoral, multi-regional model of Australia. The version of the model used in this study distinguishes 55 industries, 57 products, 8 states/territories and 56 sub-state regions.

There are five types of agents in the model: industries, capital creators, households, governments, and foreigners. For each industry in each region there is an associated capital creator. The sectors each produce a single commodity and the capital creators each produce units of capital that are specific to the associated sector. Each region in MMR has a single household and a regional government. There is also a federal government. Finally, there are foreigners, whose behaviour is summarised by export demand curves for the products of each region and by supply curves for international imports to each region.

MMR determines regional supplies and demands of commodities through optimising behaviour of agents in competitive markets. Optimising behaviour also determines industry demands for labour and capital. Labour supply at the national level is determined by demographic factors, while national capital supply responds to rates of return. Labour and capital can cross regional borders so that each region's stock of productive resources reflects regional employment opportunities and relative rates of return.

The specifications of supply and demand behaviour co-ordinated through market clearing equations comprise the general equilibrium (GE) core of the model. In addition to the core there are five blocks of equations, covering:

1. Regional and federal government finances;
2. The operation of regional labour markets;
3. Inter-temporal links between investment and capital;
4. Greenhouse and energy accounting; and
5. The disaggregation of state results down to results for sub-state regions.

Of these additional blocks of equations, the sub-state regional disaggregation facility plays the most important role in the modelling reported in this paper. The facility is explained below.

DISAGGREGATION TO SUB-STATE REGIONS

Few multi-regional models of the Australian economy have the level of sectoral detail supported by MMR. This detail is usually more than adequate for contributions to public discussions on the effects of changes in policies concerning taxes, trade and the environment. However, people wanting to use MMR in business and public sector planning are often frustrated by the lack of relevant regional detail. This applies especially to people interested in regional adjustment issues.

These regions are based on the Statistical divisions defined in the Australian Standard Geographical Classification (ABS catalogue number 1216.0). Our division structure differs slightly from that of the ABS. We combine the ABS's Darwin and *Northern Territory - balance* divisions into one division, Northern Territory. Similarly, Canberra and *ACT - balance* are combined into one division, Australian Capital Territory. Note that both territories are distinguished as separate regions in MMR. Hence, the tops-down disaggregation facility provides no additional detail for them.

The methodology for tops-down regional disaggregation involves firstly classifying each of MMR's industries into one of two categories: state and local. State industries produce commodities that are readily traded across sub-state regional boundaries. Examples are most agricultural and mining industries. The regional outputs of industries producing state commodities are assumed to move in line with the state-wide percentage rates of change calculated by MMR.

Local industries produce commodities for which demand within each sub-state region is satisfied mainly from production in that region. Examples include perishable items and services like wholesale and retail trade. The outputs in each region of industries producing local commodities are modelled as depending mainly on demand within the region. In calculating the local demand for the output of local industry *j*, MMR takes account of:

1. intermediate and investment demands both by local industries and by state industries located in the sub-state region;
2. the region's household demands, which are a function of population and employment changes and of the change in consumption at the state level;
3. government demand; and
4. (if industry *j*'s output is a margin commodity like transport) the usage of industry *j*'s product in facilitating the flow of local and state commodities within the sub-state region and international export flows out of the region.

This gives our regional calculations a multiplier property: the effect on a sub-state region's overall level of activity of a favourable mix of state industries is multiplied through induced effects on the output and employment of the region's local industries.

In the regional disaggregation, the possibility of some demand for local commodities outside the region of their production is allowed, but not from outside the state in which the region is located. This is because our data imply that for almost all commodities there is at least some imbalance at the sub-state regional level between demand and supply.

ENHANCEMENTS FOR QUEENSLAND PROJECT

In the standard version of MMR as described above, activities associated with racing (breeding, training, race club operation and wagering) are included in two larger composite industries. Specifically, the activity of breeding is part of industry 1 *Agriculture – animals* and the activities of training, race club operation and wagering are included in a residual *services* industry. Having breeding and stud operation in a separate agricultural composite industry does not pose special difficulties for this study. However, having the remaining racing activities lumped together with non-

racing services does pose difficulties with respect to reporting and to simulation design. To avoid problems, the residual services category was split into the following four new industries.

Thoroughbred racing - which consists of enterprises engaged in operating facilities specially used and designed for the thoroughbred racing industry (including horse training, race club operation and those parts of totalisator agency operation and bookmaker operations dealing with thoroughbred racing;

Harness racing – analogous to the thoroughbred racing industry but relating to harness racing;

Greyhound racing – analogous to the thoroughbred racing industry but relating to greyhound racing; and

Services – comprising the remainder of the previous miscellaneous services composite (primarily non-racing cultural and recreational services).

The input structures of the three new racing industries have been assembled using data provided by IER. Key inputs to each industry are:

- *Agriculture – animals* (the horses and dogs used in racing);
- Labour (wages, salaries and supplements paid to jockeys, training staff, race club staff, etc.);
- Materials and services associated with running training operations, race clubs and betting facilities; and
- Capital (for which profit is the return).

Note that prize money, which is allocated from wagering revenue received by the totalisator agency, is part of the profit of each racing industry.

The new industries sell racing services only to households. The basic value of racing services output equals, broadly, the sum of training fees, the value of race club admittances and membership and the gross value of wagering. The value purchased by households equals the basic value of racing output plus the value of government gambling taxes.

It is assumed that the household elasticity of demand for racing services in each state is very high, reflecting the ease with which consumers from one state can shift their betting expenditure to another state in response to changes in relative prices. This means, for example, that an increase in price of racing services in Queensland relative to the price of racing services in Victoria/NSW will induce a large shift in demand away from Queensland racing towards Victoria/NSW racing.

Racing Queensland

**Tracking Towards
Sustainability**



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16 November 2015

The Hon Bill Byrne MP
Minister for Agriculture and Fisheries
Minister for Sport and Racing
Member for Rockhampton
GPO Box 46
BRISBANE QLD 4001

Dear Minister

Please find enclosed the Racing Queensland "Tracking Towards Sustainability" report for your consideration. This report has been prepared in accordance with the Treasurer's direction dated 27th August, 2015 requiring Racing Queensland to prepare a plan that enables it to return to profitability from 1 July, 2016. It will be recalled that past operating losses had exhausted Racing Queensland's cash reserves and that a loss of approximately \$28,000,000 was anticipated for the 2016 financial year.

In preparing the report, we have considered many representations and ideas provided to Racing Queensland through both a targeted participant group and a public consultation process.

Our biggest challenge has been to manage our costs and distributions to industry within the limitations of our revenue. We have endeavoured to balance the needs of the various participant groups and to ensure that, through the consultation process, there are no unforeseen adverse consequences for any participant group.

A further safeguard will be provided by the publication of the report, once it is made public, on the Racing Queensland website enabling further public and industry consultation and comment.

The focus of the report, given its timeframe, is necessarily on short term initiatives and the distribution of wagering income. Longer term proposals to improve profitability and develop existing and future sources of revenue have not been ignored; some are referred to in the report. They and others, including potential Government support, particularly for country racing, will be considered as part of a longer term strategic plan integrating the infrastructure strategy which will be developed early in the New Year.

The report aims to reset the goal posts and provide a platform by which additional revenue streams can be explored and developed to enhance the industry's self sustainability.

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Wagering revenue is the lifeblood of the industry and our ability to meet commitments, at their present levels, is almost entirely dependent upon our ability to increase wagering revenue. With this in mind, we have endeavoured to link performance in relation to wagering income to a number of key performance indicators so as to focus all participants on steps they can take to enhance wagering revenue.

Our plan also allows for increased returns to participants, reflecting changes in wagering revenue, to be distributed in a timely way.

We are encouraged by the prospect that our premier course, Eagle Farm, will be fully operational by mid-2016 and by the additional revenue to be generated by the changes to the Race Information Fees.

Yours sincerely

The Honourable John Muir QC
Chairman, Queensland All Codes Racing Industry Board

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Glossary of terms

BAU	Business as usual	QACRIB	Queensland All Codes Racing Industry Board
CEO	Chief Executive Officer	QBred	A breeding scheme for standardbred horses
COI	Commission of Inquiry	QGreys	A greyhound racing breeding scheme
DET	Department of Education and Training	QLD	Queensland
FY11	The year ending 30 June 2011	QJA	Queensland Jockeys Association
FY12	The year ending 30 June 2012	QPS	Queensland Police Service
FY13	The year ending 30 June 2013	QRIC	Queensland Racing Integrity Commission
FY14	The year ending 30 June 2014	QTIS	Queensland Thoroughbred Incentive Scheme
FY15	The year ending 30 June 2015	RIF	Race Information Fee
FY16	The year ending 30 June 2016	RISA	Racing Information Services Australia
FY17	The year ending 30 June 2017	RSPCA	Royal Society for the Prevention of Cruelty to Animals
Government	Queensland Government	RTO	Registered Training Organisation
IP	Intellectual property	RQ	Racing Queensland
k	Thousand	SKY	Sky Racing
KPI	Key performance indicator	TAB meeting	A race meeting where off-course wagering is available
m	Million	TEQ	Tourism and Events Queensland
MacSporran Report	The report produced by Commissioner Alan MacSporran QC from the COI into QLD greyhound racing	The consolidated group	Includes RQ and its controlled entities, including Queensland Race Product Co Limited, Sunshine Coast Racing Unit Trust and Rockhampton Racing Pty Ltd.
Non-TAB meeting	A race meeting where off-course wagering is not available	Treasury	Queensland Treasury
p.a.	Per annum	VIC	Victoria
PRA	Principal Racing Authority	WSP	Wagering service provider

1. Executive Summary



Executive Summary Snapshot

The QLD racing industry is of high importance. It employs a substantial number of people. Country racing provides social and economic benefit to local communities, and there is significant history and tradition associated with the industry.

The racing industry is facing challenges relating to: animal welfare; shifts in the wagering market; the demands of country racing; the extent of jockeys' benefits; prizemoney demands and ageing infrastructure.

On a BAU basis, RQ has forecast a loss of \$28.0m for FY16, which is not sustainable. A realignment of industry expenditure against revenue is required to create a sustainable industry and a base for future growth and development.

Key figures

(\$11.2m)

RQ's FY15 loss

(\$12.7m)

The consolidated group's FY15 loss

\$14.5m

Country racing funding above RQ's minimum obligation

\$129.8m

Total prizemoney & breeding initiatives paid in FY15

(\$28.0m)

RQ's forecast FY16 loss

(\$14.1m)

Forecast FY16 deficit for the thoroughbred code

(\$10.2m)

Forecast FY16 deficit for the harness code

(\$3.7m)

Forecast FY16 deficit for the greyhound code

The importance of the QLD racing industry

- The QLD racing industry employs a substantial number of people. Some sources quote a figure of 30,000 across the state. Many of these are in regional and remote communities.
- Country racing is a major community activity which provides considerable social and economic benefit to local communities.
- Participants are passionate about racing and many are emotionally and financially attached to the industry.
- There is significant history and tradition associated with QLD racing.
- The industry structure is complex. Participants are interdependent and all play a part in the industry's sustainability. One part cannot adjust without the others.
- The industry provides taxation revenue to the Government.
- The industry brings in tourism revenue: for example, from Magic Millions day and from key race meetings such as the Birdsville races and the Cairns Amateurs.

Where are we now

- Animal welfare is a key issue for the racing industry.
- RQ derives the bulk of its revenue from wagering activities.
- The wagering market has shifted from pari-mutuel wagering to fixed odds, which produces a lower return to RQ.
- Corporate bookmakers have increased turnover while UBET's (RQ's major wagering partner) turnover has declined.
- Sports wagering is a growing activity which competes with racing wagering.
- While country racing provides a social and economic benefit to rural communities, it comes at a significant cost to the racing industry.
- Jockeys undertake the most dangerous role in the industry.
- Clubs are facing challenges arising from ageing infrastructure and the need for constant maintenance to ensure facilities meet required standards.
- Significant investment is required to enable the industry to develop alternative sources of revenue.

Executive Summary

Background

This report considers the feedback received from the consultation process, evaluates the financial impact of the options on the governing principles, determines a plan to address the \$28m budget shortfall and discusses longer term revenue opportunities to grow industry revenue.

- On 9 April 2015, a Commission of Inquiry into the QLD greyhound racing industry was constituted. On 1 June 2015, Commissioner Alan MacSporran QC handed down his report identifying deficiencies in RQ's regulatory framework.
- The MacSporran report also made recommendations, including:
 - Establishing an authority to ensure the integrity of racing with the appointment of a full time independent commissioner;
 - The abolition of the three existing codes' Boards; and
 - The establishment of a seven member all codes Board containing four members independent of the racing industry.
- On 4 June 2015, in response to the recommendations in the MacSporran Report, the Government removed the three code boards, stood down RQ's CEO and appointed the Honourable John Muir QC as Interim Chairman of QACRIB. He appointed Mr Ian Hall as Acting CEO of RQ.
- Shortly following his appointment, Mr Hall was presented with a draft financial budget that indicated a loss of \$21.0m in FY16. Despite identifying \$6.0m in savings, a review of revenue assumptions revised the FY16 forecast to a \$28.0m loss.
- RQ negotiated a new 30 year wagering agreement with UBET, which commenced on 1 July 2014. It provided additional fixed fee revenue of \$15.0m p.a. and approximately \$97.4m as funding for industry infrastructure. However, a number of factors have adversely affected RQ's revenue, including a stabilisation of wagering turnover, the shift from pari-mutuel wagering to fixed odds and the growth of corporate WSPs.
- Additionally, RQ's wagering revenue has been reduced by the refurbishment of the Townsville and Eagle Farm tracks.
- The new UBET agreement also proposed a joint venture with RQ to develop a virtual racing product, which was estimated to generate an additional \$15.0m revenue per annum. However, RQ understands that due to exclusivity arrangements between the State Government and a different gambling operator, the virtual racing product will not be implemented in the short term.
- RQ's expenditure is forecast to exceed revenue by \$28.0m in FY16. Without cash reserves, this is unsustainable.
- A series of consultation meetings with industry stakeholders was held with the purpose of seeking input on ways to improve public confidence and integrity in the racing industry and to ensure the long-term sustainability of QLD's racing industry.
- As part of the consultation process, a discussion paper was released and an option for the public to make online submissions was made available.
- Participants were asked to identify areas where savings could be made in order for RQ to establish a break-even budget from 1 July 2016.
- Key themes identified throughout the consultation process are summarised on pages 45 to 48.
- RQ has undertaken a thorough review and assessed the feedback received through the consultation process in order to determine:
 - Opportunities available to RQ to increase revenue; and
 - Potential avenues to reduce expenditure in line with the governing principles identified on page 9 hereof.
- This report considers the feedback received from the consultations process, evaluates the financial impact of the options on the governing principles, determines a plan to address the \$28.0m budget shortfall and discusses longer term revenue opportunities to increase industry revenue.

Executive Summary

Approach

Approach – Share in the ups and downs

- The racing industry is sustained by wagering revenue. In simple terms, as wagering revenue has not met expectations in prior years, expenses and payments have not been reduced to reflect the reduction in wagering revenue, thus creating operating losses.
- In order to reflect this variability, and to encourage the focus of all industry participants on increasing wagering revenue, this plan proposes that participants will receive both a fixed base amount and a variable portion where either:
 - KPI's can be linked directly to wagering revenue on the basis of such wagering revenue, or
 - Where they are indirect, the variable portion will be linked to the overall performance of RQ.
- The variable portion will be reviewed on a quarterly basis, with returns to participants adjusted accordingly.

Approach – Whole of industry approach

- The sustainability plan endeavours to make each of the three racing codes financially independent.
- On this basis, the budget loss for harness for FY16 is significantly greater than the other codes when compared to its revenue base.
- Other states of Australia have acknowledged the disparity between the codes in general through a legislated intercode split of wagering revenue.
- RQ has obligations under section 9AF of the "Racing Act" to act in a way that is in the best interests of the thoroughbred, harness and greyhound codes of racing as a whole, while having regard to the interests of each individual code. The sustainability plan has endeavoured to make the three codes operate under their own revenue base. However, in consideration of RQ's obligations under the Racing Act, allowances have been made for a level of cross-subsidisation between the codes.

Approach – Governing principles

To guide RQ in assessing the opportunities and options raised during the consultations and in its decision making, a set of governing principles has been identified. They are listed on the following page.

Approach – Financial modelling

- As the racing calendar for FY17 will not be finalised until March 2016, it is impractical to prepare a detailed budget for FY17.
- Accordingly, in preparing the financial modelling for the sustainability plan, RQ has utilised the budget for FY16 as a base, and has applied the following adjustments:
 - Revenue assumptions have been adjusted to reflect Eagle Farm running at the normal schedule, and with the proposed race information fee structure set to commence from 1 November 2015, and
 - Expenditure assumptions remain generally consistent. However an increased allowance has been made for animal welfare initiatives and the stewarding and integrity department which is to be transferred to QRIC.
- RQ anticipates the budget for FY17 will be set in March 2016. Participants will then be advised if there are any material changes to the measures outlined in this report.

Approach – Timeframe

- The objective of this plan for the racing industry is to operate at a surplus from 1 July 2016 onwards, and accordingly the primary initiatives are short-term. RQ acknowledges that there will be other initiatives and plans which have a longer term impact on the sustainability of the industry.
- The Government has provided a loan to RQ to enable it to meet the anticipated losses for FY16.
- In order to minimise the level of funding required, where practicable, RQ intends to implement a number of the financial measures commencing from 1 January 2016, with the majority of the remaining measures commencing from 1 July 2016.

Sustainability Plan Governing Principles

Set out to the right are the governing principles on which the options for the sustainability plan have been assessed.

	Principle	Description
1	Share the upside and risks	All participants share in the upside and risks and therefore are linked to the success of the industry.
2	Industry linked to wagering	All participants should be aware that the industry is funded by wagering revenue and can influence this by either enhancing integrity or influencing wagering behaviours.
3	Fair and reasonable	The plan should reflect what is fair and reasonable to each participant, between participants and to the industry as a whole.
4	Whole of industry approach	The plan should deliver a whole of industry approach (i.e. not limited to individual stakeholders).
5	Everyone is interconnected	The industry should be encouraged to work as one, rather than individual parts – everyone has a role to play.
6	Sinking fund for growth	The plan should provide for a form of sinking fund to provide for regeneration and to support new growth initiatives.
7	Community experience and social license	The plan should encourage a community experience and a social license including animal welfare.
8	Open, transparent and consistent	The plan should be open, transparent, consistent, and easily understood by participants.
9	Reinvest in target growth areas	The plan should reinvest in targeted areas to promote industry participation.
10	Accountability for the use of industry funds	Accountability for the use of industry funds is likely to reduce expenditure and increase funds available for stakeholders.
11	User pays system	Enables participants to appreciate the true cost of services provided.

Executive Summary

Summary of Financial Impacts – FY17

Set out to the right is a summary of the financial impacts of the measures RQ is proposing to return the racing industry to a break even position from 1 July 2016 onwards.

As the racing calendar for FY17 will not be finalised until March 2016, it is impractical to prepare a detailed budget for FY17.

As such, RQ has utilised the BAU budget as a base, and has applied the adjustments set out in the tables to the right.

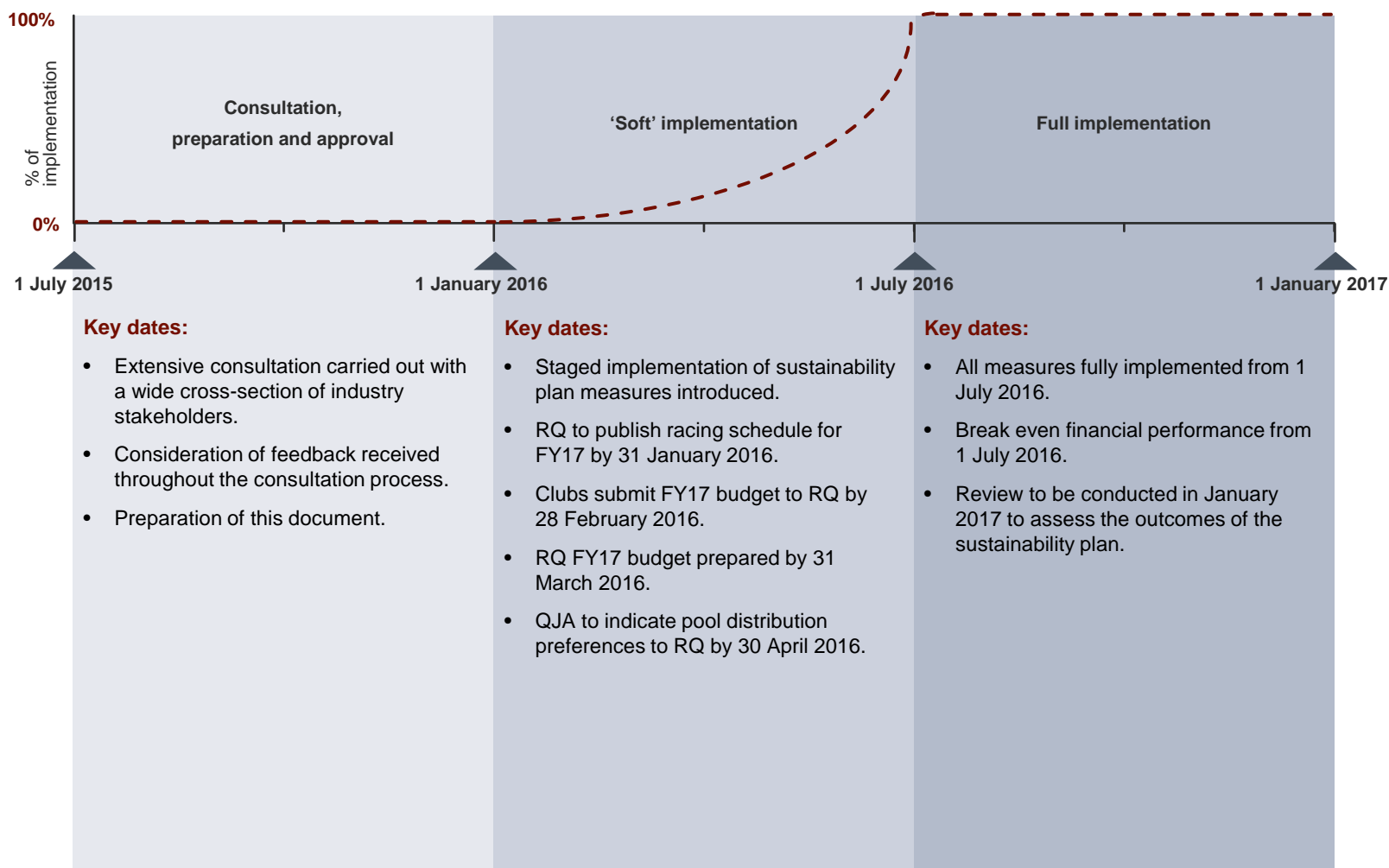
Item	Page	Amount ('000)
BAU budgeted loss		(28,000)
Revenue Opportunities and Adjustments for FY17		
Eagle Farm included within the schedule and proposed Race Information Fee structure	54, 55	3,832
Return from Assets		
Rental income from Albion Park	57	150
Increase in Car Parking Revenue	61	70
Non-starters' scratching fees	61	400
Potential Government funding for 1 day/year races	58	830
Budgeted loss after Revenue Adjustments		(22,718)

Item	Page	Amount ('000)
Expenditure options for FY17		
Prizemoney Adjustments		
Thoroughbred	77, 80	8,540
Harness	78, 80	2,939
Greyhounds	79, 80	2,644
Country Racing Adjustments (net of regeneration/investment fund)	81	4,221
Club Administration Subsidies (net of specific purpose funds)	65-69	1,500
Greyhound trainer appearance fees	85	250
Breeding schemes		
QTIS	74	1,560
QBred	74	990
Cost savings		
Albion Park Facility	84	160
CCU footage passed on to clubs	85	300
Marquees	84	98
Super screens	84	49
Awards nights	84	178
On-course fielding incentive	85	783
Potential surplus for loan repayment and regeneration fund		1,494

Sustainability Plan Timeframe, Action Plan and Milestones

The timeline to the right sets out the stages and key dates in the implementation of the sustainability plan.

There will be staged implementation of measures introduced from 1 January 2016, with full implementation from 1 July 2016.



Executive Summary

Timeframe

Set out to the right is the proposed implementation timeframe of the sustainability plan measures.

Revenue Opportunity Description	FY17 Revenue Impact	Commencement	Timing of Implementation											
			Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Eagle Farm Full Schedule	\$3.8m	May-16												
New Race Information Fee Structure		Nov-15												
Rental Return from Assets	\$150k	Jul-16												
Car Parking Revenue	\$70k	Dec-15												
Scratching Fees - Thoroughbred	\$400k	Immediate												
Government - 1 day a year races funding	\$830k	2016 calendar												
Adjustments to Licensing Structure	T.B.C.	Jul-16												
Audit of Bookmakers	T.B.C.	Immediate												
Optimisation of Racing Schedule	T.B.C.	Apr-16												
Registered Training Organisation	T.B.C.	Jul-16												

Key:

Confirmed:

To be Confirmed:



Executive Summary

Summary of Options - Revenue

Option	Description	Implementation Timeframe	FY17 Financial Impact
Eagle Farm included within the schedule and Proposed Race Information Fee structure	<ul style="list-style-type: none"> Eagle Farm was closed for renovations through FY15 and is scheduled to return in May 2016. It is expected that in FY17 it will hold its usual number of race meetings. The proposed new RIF structure will commence from 1 November 2015. RQ has introduced an incentive to entice WSPs to increase turnover. 	<p>RQ will not see the full effect of Eagle Farm reopening until FY17.</p> <p>The amended RIF structure will be implemented from 1 November 2015.</p>	A \$3.8m increase in revenue.
Scratching Fees - Thoroughbred	<ul style="list-style-type: none"> In FY15 there were 21,881 \$40 non-starters fees imposed. This category of scratching fee has not been increased since 2003. It is proposed to increase the fee to \$65, which RQ considers is still a modest amount. It is expected that this change will result in an increase in revenue to RQ of approximately \$400k to \$450k. 	Immediately.	An increase in revenue of \$400k has been included in the FY17 adjustments.
Return from Assets	<ul style="list-style-type: none"> RQ is currently undertaking a review of all its assets to understand the opportunities to generate rental income. Both the Brisbane Greyhound Club and the Albion Park Harness Club do not pay rent to occupy the Albion Park facility. RQ intends to introduce rent from 1 July 2016. RQ notes that the wider racing community generally bears their own costs in relation to the premises they occupy. The asset review will also seek to ensure that outgoings are passed on to tenants where appropriate. An additional 60 car spaces have been identified at Albion Park, which will be open to the public from 1 January 2016. It is expected that these additional spaces will generate approximately \$70k per annum. 	<p>Rental will be charged to Brisbane Greyhound Club and Albion Park Harness Club from 1 June 2016.</p> <p>Additional car parking revenue is anticipated to be generated prior to FY17.</p>	<p>\$150,000 from rental.</p> <p>\$70,000 from additional car parking.</p>

Executive Summary

Summary of Options - Revenue

Option	Description	Implementation Timeframe	FY17 Financial Impact
Potential Funding for 1 day/year races	<ul style="list-style-type: none"> RQ will continue to work with Government to identify opportunities for support. 	Immediately.	Prizemoney for one day a year races totals \$1.65m in 2016. RQ has included six months of this amount in its adjustments for FY17, totalling \$830k representing the period from 1 July 2016 to 31 December 2016.
Alignment of racing calendar with major events in country areas	<ul style="list-style-type: none"> As noted in the optimisation of the racing schedule section, RQ is currently reviewing the scheduling of major events in country regions in order to determine opportunities to align the racing calendar with periods that may provide higher race day attendances. It is proposed that RQ prepare a factsheet for country clubs setting out avenues to increase racing and non-racing revenues. RQ will also create a 'club liaison officer' position to assist clubs to increase revenue streams. 	Continuing.	No provision included within RQ's FY17 adjustments. However it is anticipated that the initiative to align major events with racing is likely to increase race day revenues for Non-TAB clubs.
Adjustments to licensing structure for all three codes, particularly greyhounds	<ul style="list-style-type: none"> RQ is responsible under the Racing Act for licensing participants in the racing industry. License fees are set per code and updated each financial year. Historically, license fees have been maintained at a low level in order to reduce barriers to entry and encourage industry participation. RQ proposes to conduct a review of the licensing structure. 	Updated fee structure implemented for FY17.	To be confirmed.

Executive Summary

Summary of Options - Revenue

Option	Description	Implementation Timeframe	FY17 Financial Impact
Audit of Bookmakers	<ul style="list-style-type: none"> RQ currently charges different categories of bookmakers different fees depending on the type of product being offered. Concerns have been raised as to whether bookmakers are remitting the appropriate returns to RQ. RQ has requested proposals for an external party to conduct audits of wagering partners to ensure they are providing RQ with the correct return. 	RQ has requested proposals to conduct audits. Audits will be conducted prior to 30 June 2016.	To be confirmed.
Optimisation of the RQ racing schedule from a wagering viewpoint	<ul style="list-style-type: none"> Review the racing schedule to ensure maximised coverage of RQ's racing product. Consider opportunities such as night racing, holding a regular north QLD race circuit between 3 – 4 tracks, turning some non-TAB tracks into TAB tracks and rescheduling Saturday race meetings to weekdays or Sundays. 	Minor changes to be implemented from 1 January 2016, with the optimised schedule fully implemented from 1 July 2016.	To be determined following finalisation of the optimised schedule.
Registered Training Organisation	<ul style="list-style-type: none"> As a Registered Training Organisation, RQ offers nationally recognised training with funding assistance from DET. A number of the courses offered by RQ are conducted at a significant cost to the industry, the greatest of which is the jockey apprenticeship program which costs RQ approximately \$40,000 per apprenticeship. RQ is currently exploring avenues to increase revenue through the Registered Training Organisation by offering existing courses to interstate students. 	Within FY17. Revenue generated from offering RTO programs interstate may be beyond this date.	To be confirmed.

Executive Summary

Summary of Options - Revenue

Option	Description	Implementation Timeframe	FY17 Financial Impact
UBET	<ul style="list-style-type: none"> Over the past five years, wagering turnover with the Corporate WSPs has increased by greater than 100%, while turnover with UBET has contracted by nearly 10%. This has had a detrimental impact on wagering returns to RQ. Pari-mutuel wagering provides a higher return to RQ at lower risk than fixed odds wagering. However, the trend in the wagering market is to choose fixed odds. RQ will work with UBET to consider strategies to prevent the decline of pari-mutuel wagering. This is particularly important as there is a 30-year agreement in place between RQ and UBET. The introduction of UBET's electronic betting terminals could potentially increase wagering returns to RQ by approximately \$2m p.a. UBET should take into account the following characteristics of pari-mutuel wagering in its marketing: <ul style="list-style-type: none"> It provides the biggest return to the QLD racing industry, at the lowest risk; It provides an opportunity to create UBET loyalty; It offers a different experience, in that it makes wagering a social rather than gambling experience; and It affords the best opportunity for mate-get-mate marketing. 	<p>Continuing.</p> <p>RQ is holding regular meetings with UBET to discuss the various opportunities.</p>	No specific provision included within FY17 adjustments.


Executive Summary

Timeframe

Set out to the right is the proposed implementation timeframe of the sustainability plan measures.

Expenditure Option Description	FY17 Expense Impact	Commencement	Timing of Implementation																				
			Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	
New Club Funding Model	\$1.5m	Jul-16																					
Jockeys' Pool of Funds	Nil	Jul-16																					
Breeding Schemes	\$2.6m	Jul-16																					
Thoroughbred Prizemoney Changes (ex Country)	\$8.5m	Apr-16																					
Harness Prizemoney Changes	\$2.9m	Apr-16																					
Greyhound Prizemoney Changes	\$2.6m	Apr-16																					
Country Racing	\$4.2m	Jul-16																					
Marquees and Super Screens	\$147k	Jul-16																					
Awards Night	\$178k	Immediately																					
Albion Park Operating Costs	\$150k	Immediately																					
Camera Control Unit - SKY	\$300k	Jul-16																					
On-Course Fielding Incentive	\$783k	Apr-16																					

Key:

Confirmed: 

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Clubs – Clarification of Roles	<ul style="list-style-type: none"> The budget for FY16 anticipated approximately \$16.2m (8% of total expenditure) would be paid by RQ to or on behalf of clubs. The consultation feedback suggests that roles and responsibilities of the clubs versus RQ have been blurred. To address this, RQ considers that the following are required: <ul style="list-style-type: none"> Clarification of the roles and responsibilities of clubs versus RQ; The introduction of KPIs to incentivise clubs and enhance accountability for expenditure of industry funds; and The exploration of ways to incentivise clubs to increase their non-racing revenue base. It is proposed to define the role of the club as 'to operate and maintain a facility that meets industry standards, to conduct race meetings, to provide training facilities and to provide racing participants with an enjoyable and safe racing experience'. Based on this definition the clubs' responsibilities would be to: <ul style="list-style-type: none"> Maintain the racing surface, equipment and facilities; Provide training facilities for the racing industry to utilise; Provide customer and participant facilities; Meet the operating costs of the racing facilities; Provide the following racing staff for race meetings: <ul style="list-style-type: none"> Barrier attendants Starters and Assistant Starters Judge and Assistant Judge Clerk of Course Clerk of Scales Attract customers; Maximise revenue, including revenue from membership and sponsorship; and Maintain a connection with the local community. RQ's role is proposed as 'to provide clubs with structured financial and management support in line with financial and non-financial key performance measures'. 	Refer following page.	Refer following page.

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Clubs – Proposed Subsidy Model	<ul style="list-style-type: none"> Based on the deficiencies noted in the consultation process RQ proposes to restructure the funding model for TAB clubs so that they are: <ul style="list-style-type: none"> Held accountable for the use of industry funds provided to them; Aware of their responsibilities; Incentivised to manage facilities in a financially responsible manner; Incentivised to attract customers and maintain a connection with the community; and Incentivised to develop non-racing revenue streams. Information will be made available to participants to enable effective decision making. As each club has differing circumstances and opportunities, it is proposed clubs provide a submission for operational funding in March of each year for the next financial year. RQ will then assess the submission against criteria including: <ul style="list-style-type: none"> Anticipated costs of track and facilities maintenance; Profit from food and beverage sales and admissions; The timeliness of reporting track conditions and information to RQ; Initiatives to expand revenue streams; and The race day schedule set by RQ, which may ask clubs to hold meetings on days which provide a higher wagering revenue at the expense of on-course patronage. A monthly fee payable to each TAB club will then be determined based on RQ's assessment. On a monthly basis, clubs will be required to report against financial and non-financial key performance measures, including: <ul style="list-style-type: none"> Monthly profit and loss accounts, with explanations regarding significant movements from budget; Value of sponsorship income; Value of non-racing related revenue (e.g. markets or functions); Progress made towards non-racing revenue initiatives; and Patronage and membership levels, with explanations of movements. RQ proposes to introduce a series of specific purpose incentive funds based on the level of UBET wagering revenue for each club. These incentive funds are intended to be used for minor repairs and maintenance, asset replacement, minor capital works, diversifying income and improving participant experience. Such funds will be drawn down by clubs subject to appropriate acquittal processes. 	<p>RQ to release racing calendar for FY17 by 31 January 2016.</p> <p>Clubs to provide RQ with FY17 budget by 28 February 2016.</p> <p>In conjunction with the preparation of the FY17 detailed budget, RQ will confirm subsidy levels with TAB clubs by 31 March 2016.</p>	<p>RQ is targeting a reduction to the value of club subsidies by \$2.5m.</p> <p>A specific purpose incentive fund will be created for each club. The estimated total value of these funds is \$1m.</p> <p>The total net reduction is anticipated to be \$1.5m.</p>

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Jockeys	<ul style="list-style-type: none"> Jockeys are a significant stakeholder group and perform a vital function for the thoroughbred industry. Racing Queensland has a lower riding fee than Victoria and NSW. However, the total cost of fees and benefits provided to Queensland Jockeys has increased by 34% over the past five years. The proposed structure is to create a funding pool set at the value of current returns to jockeys. A significant feature of the proposal is that jockeys, via the Queensland Jockeys' Association, will be able to influence how these funds are apportioned across the following: <ul style="list-style-type: none"> Riding fees (Riding fees are a non-prizemoney return to owners. For the purpose of efficiency and convenience for owner and jockey, riding fees are paid by RQ on behalf of owners) Superannuation Insurance Jockey welfare initiatives Workcover The pool will be affected by the quarterly variation of prizemoney throughout the year. Depending on the priority given to the spending of the pool by the QJA, the percentage of prizemoney paid to jockeys may vary from the existing percentage. Jockeys share in the upside when revenue allows RQ to increase prizemoney but they will be impacted adversely where lower wagering returns force a reduction in prizemoney. It is intended to negotiate the total value of the pool on an annual basis in conjunction with the budget process. 	The allocation of benefits and returns against the pool of money is to be confirmed by the QJA prior to 31 May 2016 to take effect from 1 July 2016.	Jockeys will be impacted by movements to prizemoney levels
Breeding Schemes	<ul style="list-style-type: none"> RQ currently administers the QTIS and QBred breeding schemes. In addition to increases in prizemoney in FY15, additional funds were allocated to breeding incentive schemes. Until 30 June 2015, RQ also administered the QGreys breeding scheme, however this scheme was abolished following concerns regarding the overbreeding of greyhounds. Significant changes were made to the QTIS and QBred schemes following the new UBET Agreement. Such changes increased the cost to the industry of these schemes and it is not clear whether all changes made had a positive impact on the QLD industry. 	Changes to QTIS will be implemented for FY17.	Refer Following Page.

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Breeding Schemes	<ul style="list-style-type: none"> In relation to the QTIS breeding scheme, RQ proposes the following changes: <ul style="list-style-type: none"> Removal of the 6% breeders bonus; Reduce Saturday Metro levels from \$35k to \$30k; Reduce Provincial levels from \$12k to \$10k; and Reduce discretionary QTIS races by \$630k. In relation to the QBred breeding scheme, RQ proposes the following changes: <ul style="list-style-type: none"> QBred bonuses to be reduced; and QBred bonus certificates to be discontinued. 	Changes to QTIS and QBred will be implemented for FY17.	QTIS: a reduction of \$1.56m. QBred: a reduction of \$990k.
Prizemoney – Proposed new Structure	<ul style="list-style-type: none"> Following the commencement of the new UBET Agreement, prizemoney levels were drastically increased from 1 October 2014 and were based on revenue levels that were subsequently not achieved. Consequently, wagering revenue did not cover the budgeted prizemoney. A 'correction' of the prizemoney increase is therefore required. The longer the period prizemoney is set, the higher the risk that actual revenue is not sufficient to meet budgeted prizemoney. RQ needs to be able to react in a timely manner when wagering revenue does not meet budget expectations. The current prizemoney structure is not directly linked to wagering and therefore does not meet governing principle number 1 that all stakeholders share in the upside and risks. RQ's proposal is not dissimilar to the current process. However, RQ is proposing a model that is more transparent, timely and reflects levels of wagering revenue and overall financial performance. RQ proposes a number of changes to the prizemoney structure for the three codes with the key elements being: <ul style="list-style-type: none"> Prizemoney will be adjusted based on a three month rolling schedule depending on RQ's financial performance against budget. Based on this model, the maximum exposure of RQ is approximately three months; Prizemoney levels will be advertised when the racing schedules are released; and A "base" amount of prizemoney will be set, and a "variable" component will be included based on the financial performance of RQ against budget. That will be adjusted in future quarters. The base and variable prizemoney structure is designed to provide participants with certainty in that their prizemoney returns will not fall below a set level. The structure also provides the opportunity for increased returns as a result of revenue growth. 	New prizemoney structure to be implemented from 1 April 2016.	Refer to Thoroughbred, Harness and Greyhound sections.

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Thoroughbred Prizemoney	<ul style="list-style-type: none"> The table on page 77 sets out the proposed changes to thoroughbred prizemoney levels. Prizemoney is generally above the level set prior to 30 September 2014, however, prizemoney for non-TAB racing has been reduced to \$5,500 per race for both strategic and non-strategic venues. The reduction in prizemoney for non-TAB racing is also as a result of reducing non-TAB races by 50 meetings (10 meetings from the Queensland Country Racing Series, and 40 from standard non-TAB events, primarily relating to the reduction of tracks which run between four to seven meetings annually to three meetings each). The number of TAB meetings has been reduced by 10 meetings due to the proposed discontinuance of the Queensland Country Racing Series as discussed in the country racing section of this report. The prizemoney for feature races has been reduced by \$500,000 as a result of reducing the Stradbroke Handicap from \$2m in the FY16 budget to \$1.5m. 	Changes to thoroughbred prizemoney will be introduced from 1 April 2016.	<p>A reduction of \$8.5m for non-country and \$4.6m for country as discussed in the country racing section of this report.</p> <p>Proposed TAB prizemoney is an increase of 12.6% on FY14 levels.</p> <p>Proposed Non-TAB prizemoney reduces by 18.6% on FY14 as a result of the reduction in Country racing.</p>
Harness Prizemoney	<ul style="list-style-type: none"> Due to the significant shortfall Harness is facing in the FY16 budget, prizemoney has generally been reduced back to the level at 30 September 2014. Whilst RQ has endeavored to include a base and variable component for prizemoney across the three codes, the reduction in Harness is limited by the penalty thresholds. As such, no variable component has been proposed for racing outside of that at Albion Park. Should the performance of RQ exceed budget, RQ may consider introducing a variable component for non-Albion Park harness racing. Feature prizemoney across a number of meetings has also been amended, resulting in a \$515k reduction in prizemoney. 	Changes to harness prizemoney will be introduced from 1 April 2016.	<p>A reduction of \$2.9m.</p> <p>Proposed prizemoney is 1.3% less than the FY14 prizemoney levels.</p>

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Greyhound Prizemoney	<ul style="list-style-type: none"> Whilst total prizemoney is proposed to increase by 6.2% from FY14 to FY17, it must be noted that the number of races is proposed to increase by 8% from 5,475 in FY14 to 5,913 in FY17. Under the proposed prizemoney levels, the average prizemoney per race is therefore proposed to decrease by 2% from \$1,893.54 in FY14 to \$1,862.64 in FY17. Greyhounds received a substantial increase to prizemoney following the new UBET agreement. The proposed new prizemoney levels reduce the per meeting prizemoney levels from FY16 to FY17 by between 5.3% and 24.7%. However, the per meeting prizemoney at Townsville is proposed to increase by 14.5% as a result of including two additional races. 	Changes to Greyhound prizemoney will be introduced from 1 April 2016.	<p>A reduction of \$2.64m.</p> <p>Total proposed prizemoney is 6.2% greater than FY14 levels, however this is a function of 438 additional races being scheduled for FY17.</p>
Thoroughbred Country Racing	<ul style="list-style-type: none"> RQ proposes the following changes to be implemented from 1 July 2016: <ol style="list-style-type: none"> The removal of the Country Queensland Showcase Series (which is TAB covered), the Celebrate Country Series and the Sustain Country Series. The feedback from the consultations was that the various country racing series do not provide the same level of value to the community as standard non-TAB meetings. A further reduction in the number of non-TAB meetings, where clubs that race between four to seven times a year are reduced to three meetings each. The intention of reducing these meetings is to increase field sizes at nearby TAB courses, allowing clubs to run on a four monthly basis for community benefit. Clubs may obtain funding for an additional race meeting or meetings from alternative sources i.e. sponsors, regional councils and community action. In that event, RQ will facilitate the conduct of any such meeting, agreeing an appropriate date with the club in question. RQ may also be willing to provide an additional meeting or meetings subject to the club providing adequate subsidisation of the stewarding and race day costs incurred by RQ. A reduction in strategic and non-strategic prizemoney levels. A reduction in the per meeting subsidy payment for strategic non-TAB meetings to \$1,000 and limiting the value add prizemoney for non-TAB prizemoney to 50% of sponsorship raised. The intention of this measure is to direct clubs to use sponsorship moneys to maintain facilities and provide community events. As a longer term strategy, using a portion of the funds saved from the above, RQ intends to develop a regional hub and spoke based model for country racing whereby: <ul style="list-style-type: none"> A central hub in each region will be upgraded to TAB status and will race on a regular basis; and The remaining clubs in the region will race once or twice per year. 	Changes to country racing will be introduced from 1 July 2016.	<p>A reduction of \$5.9m in prizemoney, subsidies, QTIS, jockey riding fees and RQ operational costs, less revenue from the 10 QCRS TAB meetings of \$0.6m.</p> <p>The proposed sinking fund for reinvestment into country racing is anticipated to total \$1.1m based on the above savings.</p> <p>Prizemoney per race reduces from \$7,000 to \$5,500.</p>

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Thoroughbred Country Racing	<ul style="list-style-type: none"> The purpose of the hub and spoke model is to derive an income from country racing, which can be used to: <ul style="list-style-type: none"> Improve country racing facilities; Increase prizemoney to improve returns to participants; and Provide training to regional areas to ensure racing intellectual property is retained in country areas, which may allow RQ to assess whether a regional stewarding model can be implemented. 	Refer to prior page.	Refer to prior page.
Marquees and Super Screens	<ul style="list-style-type: none"> Over the last two financial years, RQ purchased large marquees and super screens in order to provide clubs with the opportunity to 'rent' assets to improve the race day experience at a lower cost than available in the open market. To date there has been an underwhelming response from clubs and the assets have only been rented on a handful of occasions. Due to the size and nature of these assets, the maintenance and storage costs are material. With regard to the super screens, RQ budgeted approximately \$67.4k of revenue from hire fees against \$116.7k of maintenance and storage expenditure. No revenue was budgeted for the hire of marquees (only \$15k was generated in FY2015) against \$97.8k for storage and maintenance. 	Should it not be economically feasible to offer this service to clubs, RQ will dispose of these assets prior to 30 June 2016 so that maintenance and storage costs are not incurred thereafter.	Annual saving of \$147k.
Albion Park Operating Costs	<ul style="list-style-type: none"> In conjunction with the Albion Park Harness Club, RQ is currently undertaking an assessment of the Albion Park facility costs. \$930k is budgeted for Albion Park facility expenditure in FY2016, including: <ul style="list-style-type: none"> Electricity of \$280k; Water and waste management of \$208k; and Rates of \$24k. RQ is targeting a cost reduction of \$160,000 to \$200,000 per annum by: <ul style="list-style-type: none"> Reviewing the procedures in place for use of the lights; Investigating whether management of waste and water can be more efficient; Enquiring of Council whether rate relief or special grants are available; Commercialising the lease arrangements for the Albion Park tenants to ensure outgoings are being appropriately on-charged; and Securing a discount on maintenance when combining service arrangements with the Deagon facility. 	Immediately.	Targeting a cost saving of between \$160k to \$200k per annum.

Sustainability Plan

Summary of Expenditure Opportunities

Opportunity	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Awards Night	<ul style="list-style-type: none"> RQ holds annual awards nights for the three racing codes to celebrate the achievements of industry participants. In FY15, the cost incurred by RQ to organise and hold the three awards nights was \$178k and the same amount was budgeted in FY16. The awards nights were discussed within the industry consultations and participants confirmed the importance of the events to industry. The awards nights should continue to be held but on a self funding basis. 	Immediately.	Annual saving of \$178k.
Camera Control Unit	<ul style="list-style-type: none"> The harness clubs currently negotiate a media rights agreement with SKY. Under this agreement, the harness clubs received media rights revenue of approximately \$381k in FY14. RQ currently pays for the SKY vision camera control unit which totals approximately \$769k per year. Given the harness clubs benefit from this expenditure, it is considered appropriate that a portion of such expenses are passed on to the clubs. RQ proposes to pass \$300k of this cost on to harness clubs in FY17 and will consider passing the full cost on in the future. In the longer-term, RQ will consider its position in relation to negotiating the SKY agreement on behalf of harness clubs in an effort to provide a better outcome. 	From 1 July 2016, and will be assessed in conjunction with preparation of the new subsidy model.	Saving of \$300k.
On-Course Fielding Incentive Scheme	<ul style="list-style-type: none"> Historically bookmakers paid clubs a fee for the privilege of standing on course to take bets. Currently RQ pays a portion of this fee on behalf of bookmakers, which in FY15 amounted to approximately \$727k. This scheme was introduced as the decline in volume of betting on course made it less attractive for bookmakers to stand. Due to the significantly changed wagering landscape, it is appropriate that bookmakers and clubs come to their own arrangements regarding on course standing fees. It is anticipated that this will provide a cost saving of approximately \$800k against the FY16 budget. 	From 1 January 2016.	Annual saving of \$800k.

2. Background



Background

In April 2015, a Commission of Inquiry into the QLD greyhound racing industry was formed. Deficiencies in RQ's regulatory framework were identified.

Following the removal of RQ's Board and CEO in June 2015, Hon. John Muir QC was appointed Interim Chairman and Ian Hall Acting CEO of RQ.

The FY15 annual report disclosed an \$11.2m operating loss for RQ.

RQ has delivered 5 years of operating losses and has no cash reserves to fund ongoing losses.

Context regarding the last few months

- On 9 April 2015, a Commission of Inquiry into the QLD greyhound racing industry was formed, following a joint investigation by QPS and the RSPCA and the subsequent exposé of "live-baiting" practices within the industry.
- On 1 June 2015, Commissioner Alan MacSporran QC found deficiencies in the regulatory framework in that it did not adequately assess risk, nor did it plan an overall strategy to deal with the risk to integrity and animal welfare across all three codes.
- Commissioner MacSporran advocated the establishment of QRIC to assume responsibility for racing integrity and animal welfare.
- On 4 June 2015, all members of the RQ board and the CEO were removed and the Hon. John Muir QC was appointed Interim Chairman.
- On 4 June 2015, Mr Ian Hall was appointed Acting CEO of RQ.

Discovery of financial position

- Shortly following his appointment, Mr Hall was presented with a draft financial budget that indicated a loss of \$21.0m in FY16.
- RQ subsequently reviewed its FY16 budget and identified approximately \$6.0m in savings, which included the following items:
 - \$2.8m by reducing the planned workforce expansion;
 - \$1.7m by limiting RQ's contribution towards club capital works to essential works only; and
 - \$1.3m by reducing RQ's planned marketing expenditure.
- Following a review of revenue assumptions a loss of \$28.0m is forecast for FY16.

Financial outline

- Since its formation in FY11, the RQ consolidated group has made losses ranging between \$13.9m and \$3.8m.
- RQ, the parent of the consolidated group, has recorded losses for five consecutive years, resulting in the extinguishment of cash reserves.
- On 15 September 2015, the annual report was released, revealing an \$11.2m loss for RQ and a \$12.7m loss for the group.
- This is a \$7.3m increase on RQ's FY14 loss, due to a \$34.2m increase in expenditure offset by a \$26.9m increase in revenue.
- The Government agreed to fund RQ's operational cash shortfalls as RQ embarked on developing a future sustainability process, on the basis that such funds will be repaid when RQ is financially able.

Significant factors decreasing RQ's profitability

- RQ's financial performance in FY15 was affected substantially by factors including:
 - Increased greyhound animal welfare costs;
 - Additional integrity measures;
 - Increased subsidies paid to clubs;
 - The number of non-TAB race meetings;
 - Higher insurance costs due to an increase in cover for jockeys;
 - A 25% increase in the Thoroughbred Breeding Incentive Scheme;
 - The closure of both the Eagle Farm and Townsville tracks due to upgrades;
 - The cancellation of 23 race meetings due to extreme weather;
 - A \$14.7m increase in total prizemoney; and
 - Lower than anticipated wagering revenue.

Background

A stabilisation in wagering turnover and the changing nature of industry returns is impacting RQ's revenue.

In conjunction with the Government, RQ conducted consultation meetings with stakeholders from all three codes, animal welfare groups and industry staff.

This report summarises the feedback received from the consultations, evaluates the financial impact of the suggested changes and determines a plan for creating a sustainable industry.

Significant factors decreasing RQ's profitability (cont.)

- A shift in wagering turnover and the changing nature of industry returns is adversely impacting RQ's revenue. In particular:
 - The wagering market's move away from traditional pari-mutuel betting towards fixed odds betting has reduced RQ's revenue;
 - There are increased interstate product fees;
 - Wagering activity through corporate WSPs has increased, whilst UBET's wagering turnover has declined from FY12; and
 - Sports' wagering has continued to grow.
- The graphs to the right show the increase in corporate WSPs' share of QLD wagering turnover, from 17% in FY11 to 31% in FY15.

Consultation process

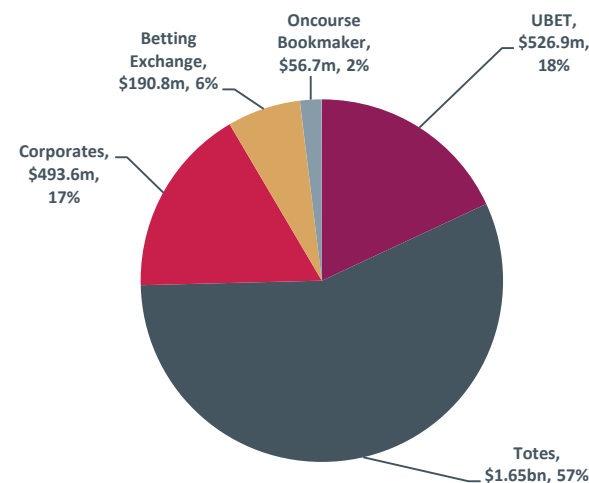
- Since 4 August 2015, in conjunction with the Government, RQ has undertaken a series of stakeholder consultation meetings.
- These meetings included stakeholders from all three codes of racing, animal welfare groups and industry staff. The purpose was to give each group the opportunity to contribute to the discussion around the industry's future, while enabling them to communicate back to their respective members.
- From the meetings, RQ identified areas of potential savings discussed throughout this report.

This report

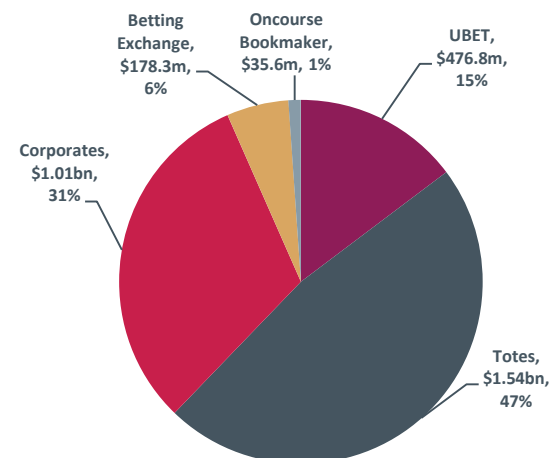
The purpose of this report is to set out:

- A summary of feedback received from the consultations;
- The financial impact of the suggested changes; and
- The plan to provide a base for future growth and development of the industry.

FY11 - \$2.918bn turnover



FY15 - \$3.24bn turnover



3. What is the Impetus for Change?

What is the Impetus for Change?

Expenditure is projected to exceed revenue by \$28.0m in FY16. This is unsustainable without cash reserves.

RQ needs to address the deficit and formulate a plan that provides a platform for growth while delivering a fair and reasonable return to stakeholders.

In the five years to 30 June 2015, RQ's revenue increased by 27% and expenditure increased by 30%.

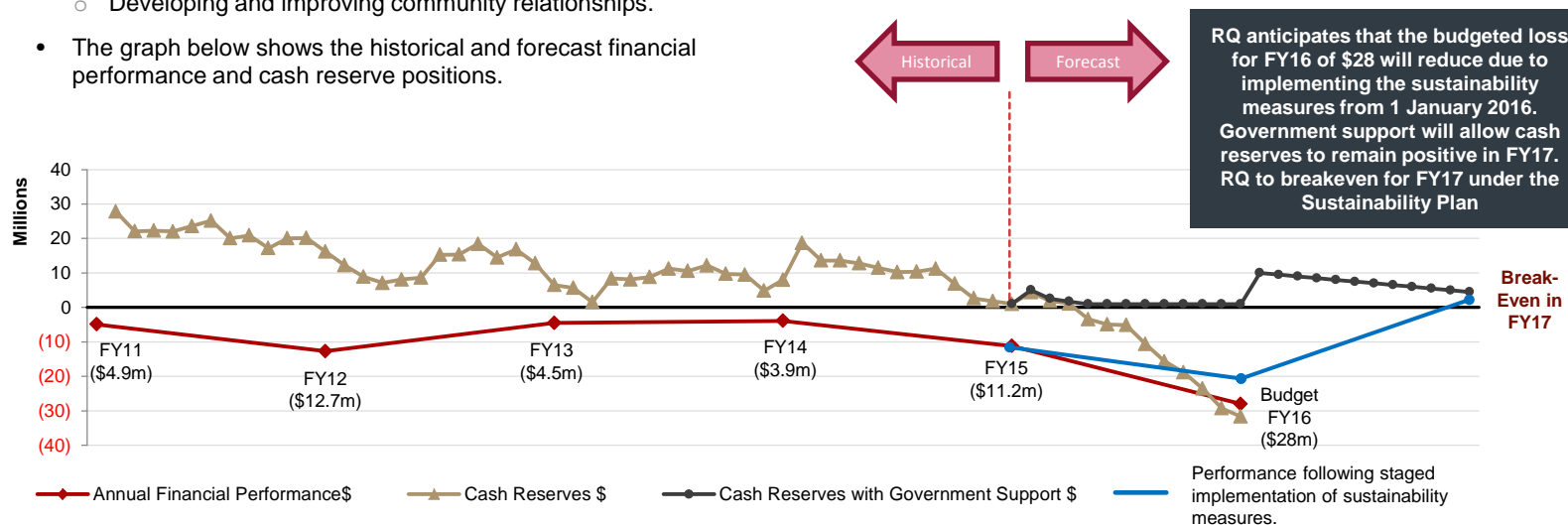
Prizemoney has increased by 34% in the five years to 30 June 2015.

What is the impetus for change?

- Expenditure is projected to exceed revenue in FY16. This is unsustainable without cash reserves.
- RQ needs to address the deficit and formulate a plan that provides a platform for growth while delivering a fair and reasonable return to stakeholders.
- The challenge is to achieve balance across the following elements:
 - Expanding and diversifying revenue sources;
 - Increasing wagering revenue;
 - Enriching the experience of participants;
 - Improving returns to stakeholders;
 - Developing animal welfare programs;
 - Implementing infrastructure priorities; and
 - Developing and improving community relationships.
- The graph below shows the historical and forecast financial performance and cash reserve positions.

RQ's current structure is not sustainable

- Expenditure, particularly returns to participants, has escalated beyond revenue inflow and is not sustainable at the current level.
- In the 5 years to 30 June 2015, revenue increased by 27% and expenditure increased by 30%. This is reflected in the continued annual losses RQ incurred over the same period.
- Prizemoney returns across all three codes has increased by 34% over the five years to 30 June 2015, from \$90.9m in FY11 to \$122.2m in FY15, and is forecast to increase a further \$6.0m in FY16 on a BAU basis.
- In FY16, RQ will see the full annual impact of the prizemoney increase made on 1 October 2014. In FY15, RQ only paid nine months prizemoney at this level.
- Prizemoney increases in FY15 were based on the new UBET agreement and revenue assumptions that did not come to fruition.



What is the Impetus for Change?

RQ's revenue is driven by wagering turnover. Although wagering activity is expected to increase in FY16, RQ's revenue is anticipated to decrease.

RQ's revenue increased by \$26.9m from FY14 to FY15, however expenditure rose by \$34.2m during the same period, causing the deficit to increase. A \$28.0m shortfall is forecast for FY16.

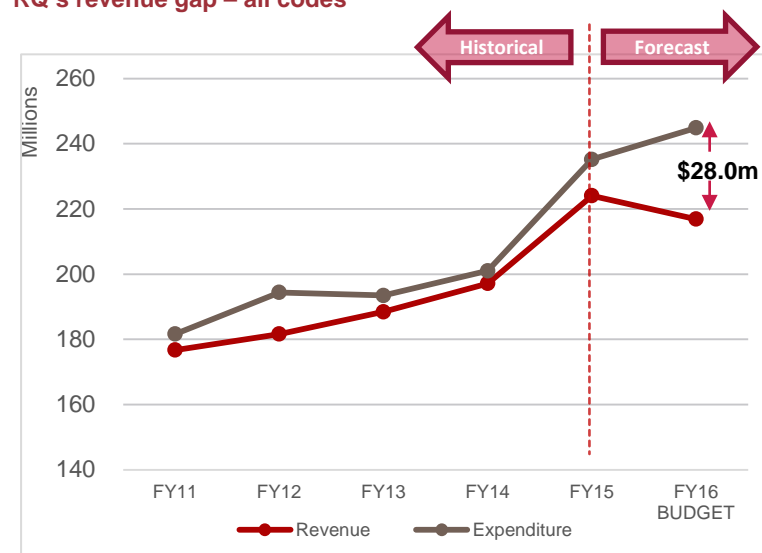
RQ's current structure is not sustainable (cont.)

- RQ's revenue is driven by wagering turnover. Although wagering activity is expected to increase in FY16, RQ's revenue is anticipated to decrease due to:
 - The increase in wagering activity through corporate wagering service providers, from which RQ receives a lower return; and
 - The shift towards fixed odds wagering, which leads to a lower return for RQ than traditional pari-mutuel wagering.

The current gap

- The graph to the right illustrates the forecast FY16 deficit of \$28.0m.
- RQ's revenue increased by \$26.9m from FY14 to FY15 due to increased RIF fee levels and the annual \$15.0m fixed fee from the new UBET agreement.
- Expenditure rose \$34.2m during the same period, partly due to an increase in prizemoney, which caused the deficit to increase.
- QLD's attendance growth is the second-worst nationally.
- It was indicated during the consultations that clubs are reliant on the subsidy paid by RQ. However there is a current lack of accountability and concerns that clubs aren't operating to full potential or using subsidies for their intended purpose.
- QLD has more tracks per capita than other states and the lowest number of races per track. The high number of tracks results in significant maintenance and infrastructure costs.
- Corporate bookmakers are influencing the market away from racing to sports betting, reducing the return to RQ.
- QLD based wagering on interstate product has increased, resulting in higher RIFs paid to interstate racing authorities.

RQ's revenue gap – all codes



Wagering Performance by Code

- The table below details the wagering performance per race for each code in FY15 and FY14.

Code	Year	Turnover	TAB Meetings	Turnover per TAB Meeting
Thoroughbred	FY15	2,234.2m	406	\$5.5m
	FY14	2,384.7m	440	\$5.4m
Harness	FY15	438.9m	270	\$1.6m
	FY14	410.0m	314	\$1.3m
Greyhounds	FY15	564.3m	457	\$1.2m
	FY14	538.0m	443	\$1.2m

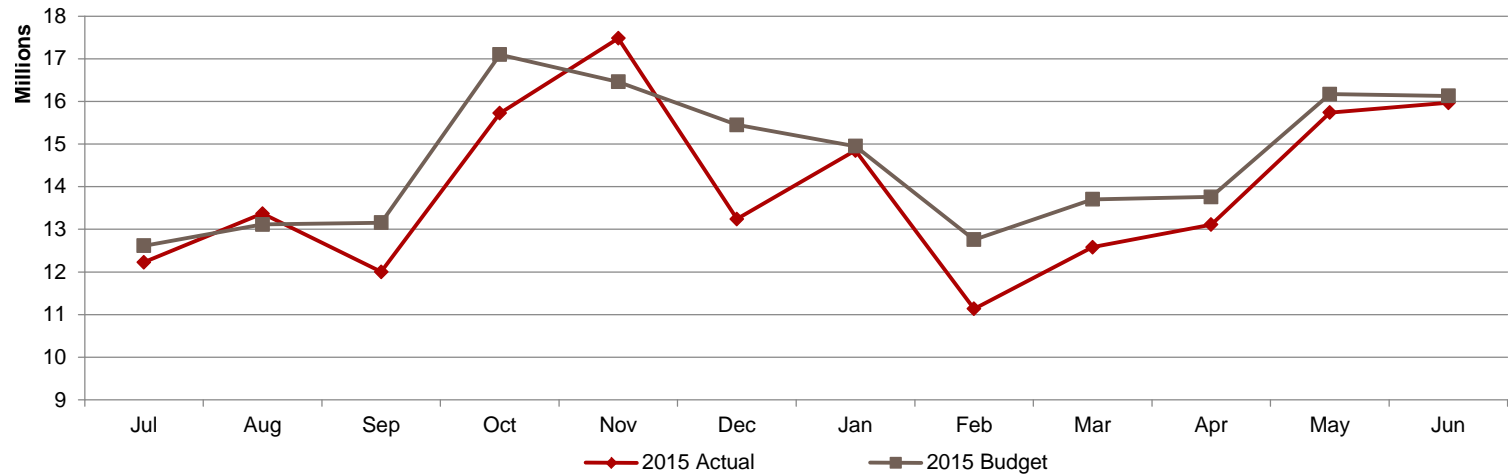
What is the Impetus for Change? Wagering Revenue

The graph to the right details the budgeted net wagering revenue against the actual net wagering revenue received for FY15

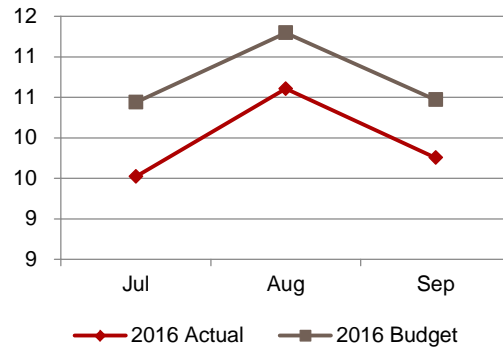
Net wagering revenue for FY15 was approximately \$7.9m behind budget due to 23 abandoned Thoroughbred meetings and increased race information fee deductions due to higher activity on interstate wagering through UBET and increased fees charged by southern racing jurisdictions.

The three smaller graphs to the right depict the actual net wagering revenue of each code against budget for the first quarter of FY16. Note that Thoroughbreds was behind budget for the first quarter of FY16, whereas both Harness and Greyhounds were ahead of budget.

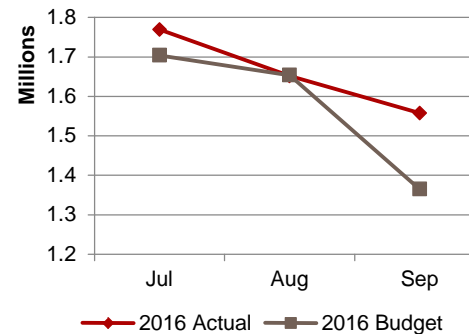
FY15 Actual vs. Budget Net Wagering Revenue for all Codes



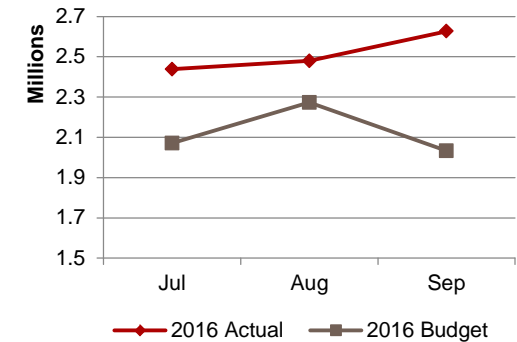
Thoroughbreds First Three Months of FY16



Harness First Three Months of FY16



Greyhounds First Three Months of FY16



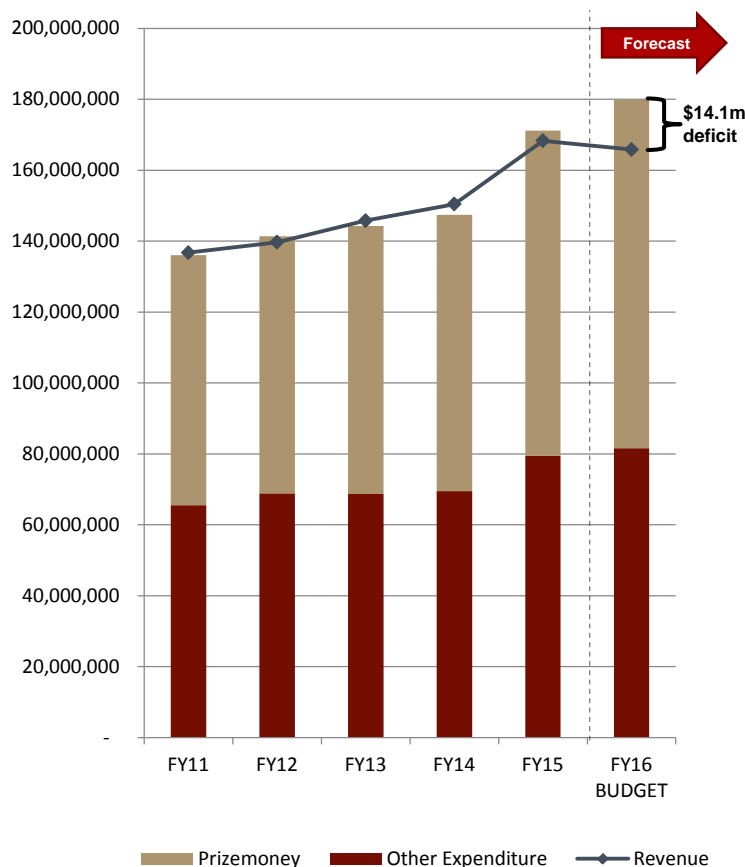
What is the Impetus for Change? – Thoroughbred Code

Thoroughbred racing expenditure is forecast to exceed total revenue by \$14.1m in FY16.

Thoroughbred prizemoney increased by \$13.7m from FY14 to FY15 and is budgeted to rise a further \$6.6m in FY16.

Thoroughbred wagering turnover on QLD racing decreased by \$150.5m from FY14 to FY15.

Wagering revenue vs. expenditure – thoroughbred code



- Revenue increased by \$17.9m from FY14 to FY15 due to:
 - An increase in RIF revenue;
 - A share of the annual \$15.0m fixed fee resulting from the new wagering agreement with UBET; and
 - The revenue allocation being based on each code's actual turnover.
- Despite the large increase in FY15, revenue is projected to decrease by \$2.5m in FY16 due to the challenges facing the industry outlined on page 27.
- The total number of meetings decreased by 42, from 730 in FY14 to 688 in FY15. The decrease is represented as follows:
 - 34 fewer TAB meetings; and
 - 8 fewer non-TAB meetings.
- Thoroughbred wagering turnover on QLD racing decreased by \$150.5m from FY14 to FY15. This decline resulted from:
 - A \$36.6m decrease in wagering turnover in respect of UBET; and
 - A \$114.0m decrease in wagering turnover in respect of other wagering operators.
- The closure of Eagle Farm for track redevelopment adversely affected the code's financial performance as it is QLD's premier thoroughbred track and meetings were moved to sub-premium venues.
- The code currently does not race on Monday or Tuesday in QLD. This is a lost revenue opportunity as the only thoroughbred racing revenue RQ receives on these days is from interstate wagering through UBET, for which it has to pay fees to interstate racing bodies.
- Despite the reduction in the number of meetings, prizemoney increased by \$13.7m from FY14 to FY15 and is forecast to rise a further \$6.6m in FY16 on a BAU basis.

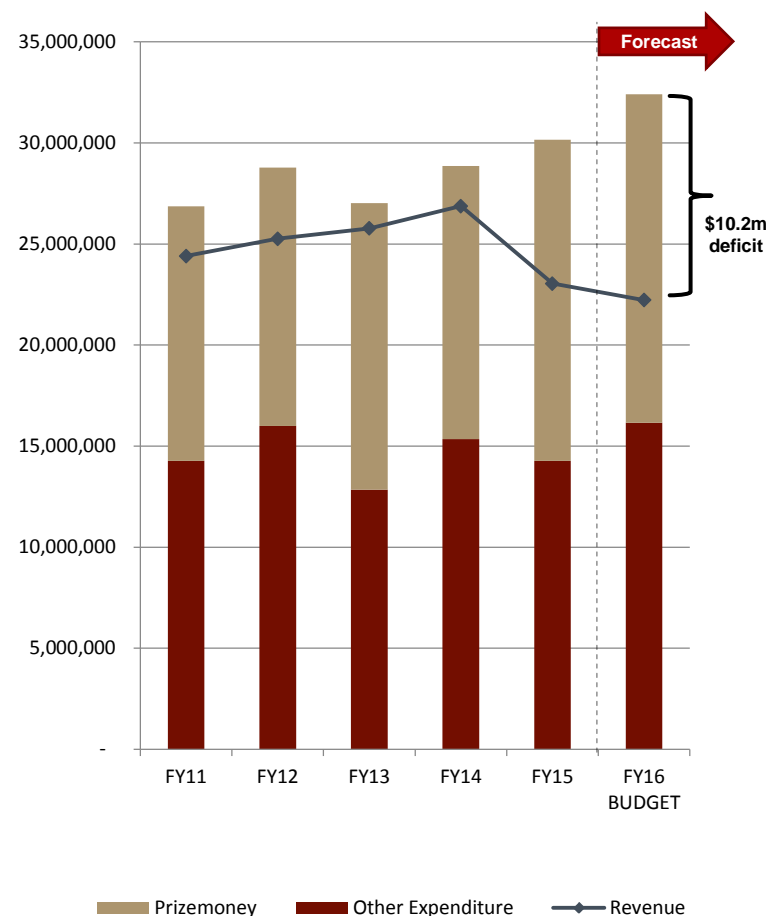
What is the Impetus for Change? – Harness Code

Harness racing had the largest loss of the three codes in FY15.

Harness racing expenditure is forecast to exceed total revenue by \$10.2m in FY16.

In FY16, the code's revenue is anticipated to fall by \$0.8m, primarily due to the estimated decrease in RIF revenue, and expenditure is projected to increase by \$2.3m.

Wagering revenue vs. expenditure – harness



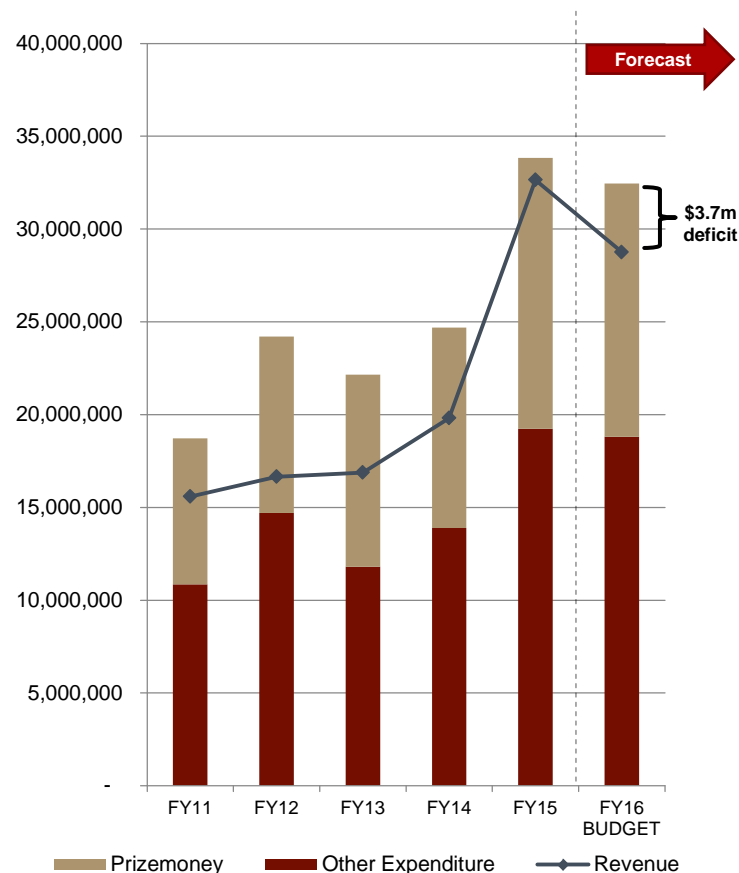
- Harness had the largest loss of the three codes in FY15.
- The code also faces the largest challenge, in that the \$10.2m gap has to be closed from approximately \$22.0m of revenue.
- The \$3.8m revenue decrease in FY15 was partly a result of the revenue allocation being based on each code's actual turnover, rather than the intercode split applied in previous years.
- In FY16, revenue is anticipated to fall a further \$0.8m, primarily due to the budgeted decrease in RIF revenue, while expenditure is projected to increase by \$2.3m.
- The total number of meetings decreased by 46, from 329 in FY14 to 283 in FY15, with the decrease made up of:
 - 44 TAB meetings; and
 - 2 non-TAB meetings.
- Despite the decrease in race meetings, total prizemoney allocated to the code rose \$2.4m from FY14 to FY15 and is forecast to increase by a further \$0.4m in FY16 on a BAU basis.
- The code's QLD wagering turnover increased by \$28.9m from FY14 to FY15, however UBET's turnover decreased by \$1.1m during the same period which reflects the growing trend towards corporate bookmakers.

What is the Impetus for Change? – Greyhound Code

Greyhound racing expenditure is forecast to exceed total revenue by \$3.7m in FY16.

Total greyhound prizemoney for FY15 increased by \$3.8m from FY14 and is forecast to decrease \$0.9m in FY16.

Wagering revenue vs. expenditure – greyhounds



- Despite the live-baiting scandal, the greyhound code produced the best financial performance of the 3 codes.
- The \$12.8m revenue increase in FY15 was partly a result of the revenue allocation being based on each code's actual turnover.
- The total number of QLD greyhound race meetings decreased from 581 in FY14 to 565 in FY15. There were 14 more TAB meetings in FY15 than in FY14 and 30 fewer non-TAB meetings.
- Total QLD greyhound wagering turnover increased by \$26.3m from FY14 to FY15, with the increase attributed to:
 - A \$1.1m increase in UBET turnover; and
 - A \$25.2m increase in other wagering operators' turnover.
- The FY15 result included costs associated with the COI for the live-baiting investigation. As such, animal welfare and integrity related costs exceeded the budgeted amount by approximately \$1.0m. This excess was funded through prizemoney cuts, lower appearance fees and cancellation of the QGreys Breeding Scheme.
- Despite the abovementioned cuts to prizemoney, total greyhound prizemoney for FY15 increased by \$3.8m from FY14 and is forecast to decrease by \$0.9m in FY16 on a BAU basis.
- In FY16, revenue is anticipated to decrease by \$3.9m and total expenditure is forecast to decrease \$1.4m.

4. The Structure of the Racing Industry in Queensland

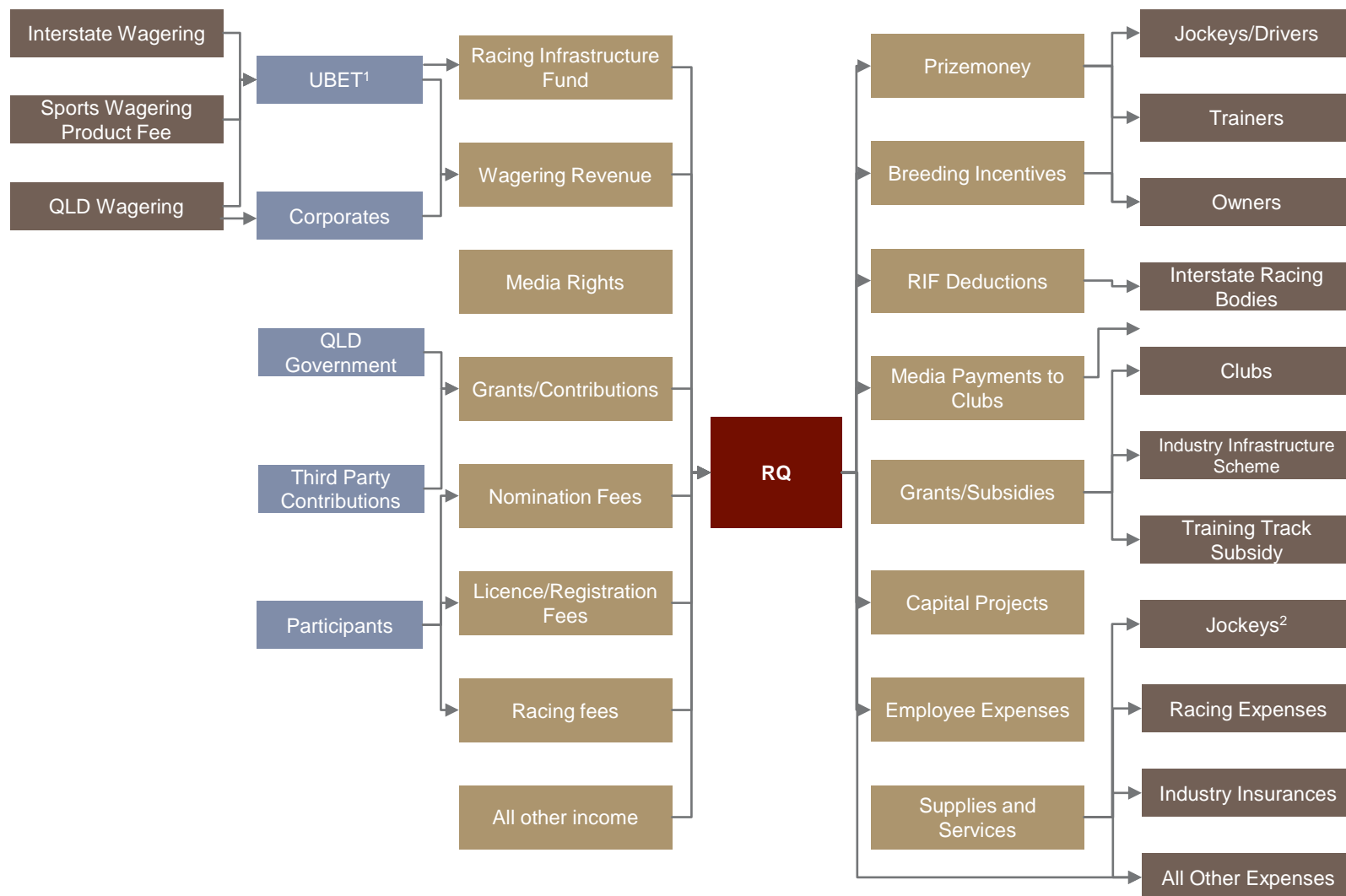


The Structure of the Racing Industry in QLD

RQ's Funding Structure

The diagram to the right sets out RQ's funding inflows and outflows.

The structure is complex due to the significant number of stakeholders, who are all interlinked.



¹ UBET wagering revenue is divided into QLD wagering and interstate wagering, of which 49.7% relates to QLD and 50.3% to interstate.

² Paid by owners and collected by RQ.

The Structure of the Racing Industry in QLD

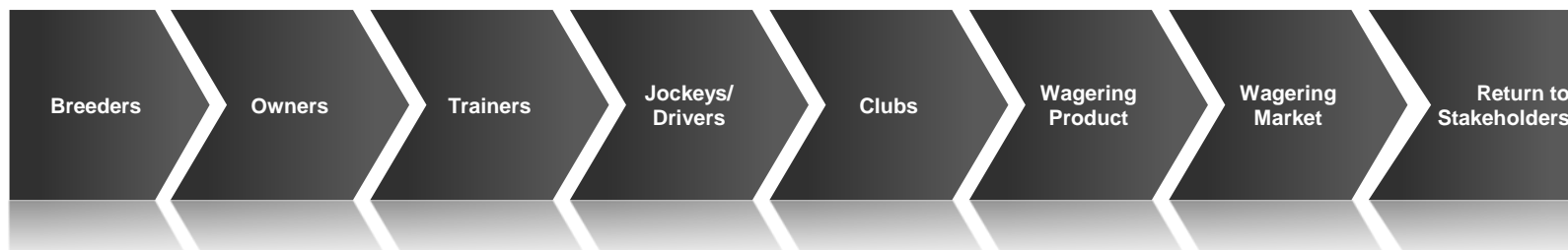
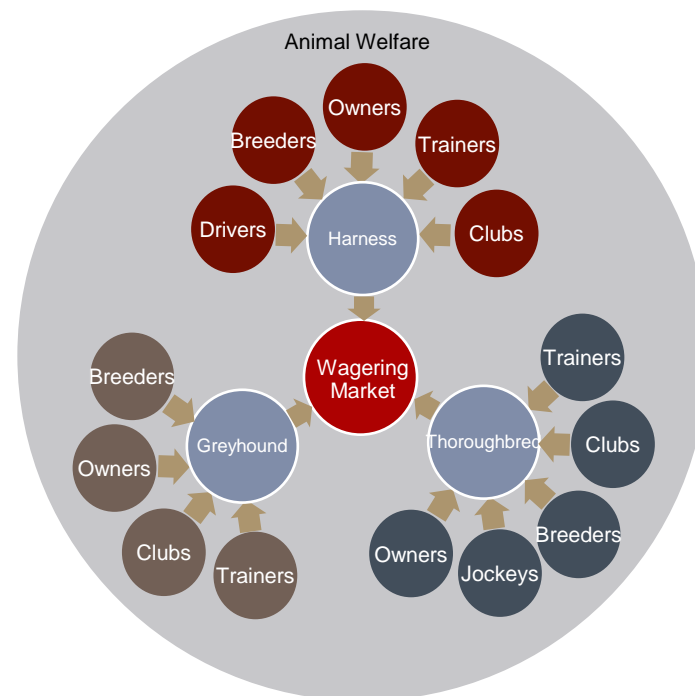
Participants

Industry participants and the wagering market are interdependent.

All participants play a part in the racing industry and have a part to play in ensuring the sustainability of the racing industry.

Participants

- As illustrated in the diagrams on this page, the industry participants and the wagering market are interdependent. That is:
 - Without owners, there would be no horses or greyhounds;
 - Without trainers or jockeys/drivers, the horses and greyhounds would be unable to race;
 - Without clubs, there would be no venue management;
 - Without wagering service providers, there would be no revenue; and
 - Without RQ, there would be no industry management or regulation.
- All participants play a part in the racing industry and have a part to play in ensuring the sustainability of RQ and the industry as a whole.
- The sustainability plan, prepared after extensive consultation with industry stakeholders proposes changes necessary for the sustainability of the industry. It endeavours to balance the interests of the various participant groups.



The Structure of the Racing Industry in QLD

Comparison of Thoroughbred Racing to other States

Set out to the right is an excerpt from the Early Edition of the Racing Australia Fact Book for 2014/15.

In comparison to the other jurisdictions, Queensland has a substantially larger proportion of jockeys, clubs and tracks.

	QLD	NSW	VIC	SA	WA
Clubs	115	120	68	24	35
Tracks	104	115	68	23	36
Race Meetings	677	738	549	196	296
Flat Races	4,470	5,280	4,276	1,451	2,243
Jumping Races	-	-	66	21	-
Total Races	4,470	5,280	4,342	1,472	2,243
Flat Horses	7,420	10,452	8,747	2,951	3,873
Jumping Horses	-	-	174	72	-
Total Horses	7,420	10,452	8,921	3,023	3,873
Flat Starters	41,809	51,786	42,407	13,984	23,047
Jumping Starters	-	-	520	144	-
Total Starters	41,809	51,786	42,927	14,128	23,047
Prizemoney	\$91,694,388	\$163,682,100	\$158,215,163	\$32,958,000	\$57,070,625
Incentive Scheme Payouts	\$6,329,101	\$10,525,894	\$7,661,250	\$1,440,550	\$5,567,856
Other Returns to Owners	\$26,032,218	\$17,146,744	\$17,800,000	\$3,629,634	\$6,025,602
Subtotal Returns to Owners	\$124,055,707	\$191,354,738	\$183,676,413	\$37,736,892	\$68,664,083
Fees Paid by Owners	(\$7,641,351)	(\$5,646,350)	(\$10,415,168)	(\$2,132,820)	(\$3,016,950)
Total Returns to Owners	\$116,414,355	\$185,708,388	\$173,261,245	\$35,604,072	\$65,647,133
Bookmakers	72	168	176	12	-
Trainers	804	953	825	270	515
Jockeys	160	149	136	37	62
Apprentice Jockeys	81	85	44	19	27
Amateur Jockeys	8	21	29	-	37
Total Riders	249	255	209	56	126

The Structure of the Racing Industry in QLD

Comparison of Thoroughbred Racing to other States

Set out to the right is an excerpt from the Early Edition of the Racing Australia Fact Book for 2014/15.

A significantly higher number of Non-TAB meetings and races are run in Queensland than in the other jurisdictions.

	QLD	NSW	VIC	SA	WA
TAB Meetings	404	615	502	187	270
Non-TAB Meetings	273	123	47	9	26
Total Meetings	677	738	549	196	296
TAB Races	3,051	4,611	4,052	1,420	2,086
Non-TAB Races	1,419	669	290	52	157
Total Races	4,470	5,280	4,342	1,472	2,243
TAB Starters	30,350	46,638	41,034	13,743	22,125
Non-TAB Starters	11,459	5,148	1,893	385	922
Total Starters	41,809	51,786	42,927	14,128	23,047

The Structure of the Racing Industry in QLD

Purpose and Values

QACRIB trading as RQ is a statutory body established under the Racing Act 2002, which coordinates, manages and regulates all three codes of racing in QLD.

RQ's purpose

QACRIB trading as RQ is the control body for all three codes of racing in QLD and is a statutory body established under the *Racing Act 2002*.

RQ coordinates, manages and regulates the industry by:

- Administering the rules of racing;
- Implementing sound policies;
- Enforcing safety and integrity standards;
- Licensing industry participants;
- Licensing clubs and monitoring their activities and performance;
- Monitoring the condition of racecourses and working with clubs to ensure courses are developed to a suitable standard;
- Commissioning and undertaking research and promotional activities;
- Administering industry funding and commercial agreements;
- Identifying, assessing, developing and implementing responses to strategic issues;
- Identifying priorities for major capital expenditure;
- Managing the redevelopment of existing, and the construction of new, racing infrastructure;
- Representing the QLD racing industry on industry peak national bodies and their subcommittees; and
- Developing and implementing plans and strategies for developing, promoting and marketing the QLD racing industry.

RQ's values

- The values that underpin the behaviour of the people at RQ are the transparent and consistent application of RQ policies and procedures.
- RQ's primary customers are the participants in, and stakeholders of, racing in QLD. RQ seeks to work collaboratively with these stakeholders, including all levels of Government, stakeholder representative groups and special interest groups to achieve the organisation's objectives and deliver a prosperous racing industry for QLD.
- RQ uses numerous communication channels to build and maintain its relationships with racing industry participants and other interested parties to receive feedback and suggestions about its activities and direction.

The Structure of the Racing Industry in QLD

Business definition

Set out to the right are the descriptions of each of the services provided by RQ.

Service	Description
Stewarding, Integrity and Licencing Services	The department is made up of the operational steward's panels, Integrity Regulatory Unit, Betting Compliance and Monitoring Division, Veterinary Services Division and Licensing and Registrations Division. Its purpose is to provide the highest level of integrity services to the industry's participants and supporters. The expansion of animal welfare services and the imminent restructure of Integrity services in light of the COI is a key priority.
Animal Welfare Services	RQ works closely with the RSPCA, Biosecurity Queensland and QPS to enforce rules and regulations around animal welfare practices. Implementing recommendations from the MacSporran COI will be a key priority area for RQ.
Training	As an RTO, RQ offers nationally recognised training with funding assistance from DET. RQ provides ongoing industry-standard training and mentoring to apprentice and working jockeys/drivers, trainers, stable hands, trackwork riders and strappers as well as industry employers. All programs delivered are from qualifications in the nationally recognised Racing Training Package.
Racing Operations	Responsible for developing the most innovative and effective allocation of race dates as well as allocating prizemoney and developing state-wide racing programs and feature race schedules that maximise wagering returns. The division also provides: <ul style="list-style-type: none"> • Representation on the Australian Pattern Committee and the National Racing Committee; • An interface with the RISA Service Centre and the provision of handicapping services across the codes to the state; and • Management of breeding schemes.
Infrastructure and Safety	Key function is to deliver key projects conforming with the Industry Infrastructure Strategy to create modern, 21st Century racecourses, multi-purpose sports stadia and entertainment precincts.
Finance and IT	Responsible for policy and performance across the three codes of racing in the following areas and services: Information technology, prizemoney distribution, risk and compliance, commercial and industry analysis, industry insurances and club subsidy distribution.
Strategy, Marketing and Communications	Responsible for creating a sustainable industry for participants by maximising wagering revenue. The division maximises exposure and engagement in the industry's three racing codes amongst the sports' constituents and the broader community via its advertising and marketing programs. Media accreditation for QLD racecourses is open to all practising media representatives but it is subject to RQ's approval. RQ also develops implements and administers RIF across the corporate bookmaker network. RQ is responsible for the control of racing bookmakers in the state of QLD. Presently there are 140 licenced racing bookmakers operating at registered race meetings.
Internal Audit	Responsible for examining, evaluating and monitoring the adequacy and effectiveness of controls that exist to regulate the activities and operations of RQ. Internal Audit maintains a program for the auditing of clubs, including financial and governance aspects, as part of the annual Internal Audit Program.

5. Consultation Process and Outcomes

Consultation Process and Outcomes

The Consultation Process

The purpose of the consultation process was to seek input from stakeholders to identify measures to place the industry on a financially sustainable footing.

Consultation meetings were held with representatives from all codes.

About the consultation process

- Consultations were held with industry stakeholders to seek input on ways to improve public confidence and integrity in the industry regarding the welfare of racing animals and the transparency of the racing industry's commercial operations.
- A discussion paper was released and an option for the public to make an online submission was made available.
- The following consultation meetings were held between 4 August 2015 and 3 September 2015:
 - Thoroughbred code;
 - TAB thoroughbred clubs and country racing associations;
 - SEQ thoroughbred clubs;
 - Harness code;
 - Greyhound code;
 - Infrastructure strategy;
 - Central QLD thoroughbred clubs and country racing associations;
 - Far North/West thoroughbred clubs and country racing associations; and
 - Animal welfare organisations.
- A number of other stakeholders were consulted including leading breeders, owners, trainers and jockeys, syndicators, and the Queensland Country Racing Committee.
- An additional meeting was held with the clubs to examine models for infrastructure planning, funding and development.
- All stakeholders, except animal welfare stakeholders, were presented with comprehensive financial data, including code-specific financial positions and RQ's historical financial position.
- The racing industry stakeholders were surprised and concerned about RQ's financial position.

- Participants were asked to identify areas where savings could be made that would allow RQ to operate at a surplus from 1 July 2016.
- The meeting with animal welfare stakeholders focussed on reporting the progress of recommendations from the MacSporran Report and capturing input on the group's animal welfare goals for the industry and suggestions for key outcomes and indicators for QRIC.
- The key themes identified in the consultations are discussed in detail on the following pages.

What are the industry's expectations regarding RQ's role?

From the consultation process, RQ learned that the industry expects it will:

- Be a sustainable organisation and maximise revenue to pay satisfactory returns to participants;
- Operate as an RTO, providing nationally recognised, industry-standard training and mentoring;
- Provide subsidies to clubs to maintain their financial viability;
- Improve participation in QLD racing, despite the increasing interest in sports wagering;
- Be fair and transparent with all stakeholders;
- Promote a sustainable breeding industry; and
- Maintain a high standard of integrity, particularly in matters surrounding animal welfare.

Consultation Process and Outcomes

Summary of Options from Consultation Process

The key suggestions that arose from the stakeholder consultation process are summarised in the table to the right.

Stakeholder	Summary of proposals and statements made by various participant groups
Breeders	<ul style="list-style-type: none"> Document the breeding/retirement cycle of racing animals. Cut 4 year old QTIS bonus.
Owners	<ul style="list-style-type: none"> Document the breeding/retirement cycle of racing animals. Pay a significant bond upon registration of greyhounds that is surrendered if not compliant with animal welfare post-racing. Pay jockeys' riding fees for non-TAB races. Increase percentage of QTIS horses in all five first sessions of Magic Millions sale.
Trainers	<ul style="list-style-type: none"> Document the breeding/retirement cycle of racing animals.
Jockeys	<ul style="list-style-type: none"> Maintain prizemoney at current levels. Reduce riding fees for provincial/country racing based on the type of meeting. Buy own protective equipment once they have completed their apprenticeship. RQ to maintain both medical and psychological support for jockeys.
Clubs	<ul style="list-style-type: none"> Maximise land use at Albion Park, proposed Gold Coast venue and Marburg redevelopment. Consolidate country thoroughbred clubs into a regional hub model and provide a regional pool of staff. Develop new revenue streams. Apply to Government as an industry to gain a capability development package. Schedule annual Cup Day for each club to maximise profit. Build relationships with local councils regarding track maintenance. Fund country racing obligations through the \$1m Government commitment and pay other costs through other sources of funding. Sponsorship funds to contribute to cost of track upkeep and maintenance, not added to prizemoney. Increase the number of TAB clubs. Change some racing from Saturdays to weekdays and maximise returns by staggering start times at regional tracks. Trial night racing to maximise revenue. Appoint an independent panel for preliminary assessments of infrastructure applications. Lease equipment. Clarify the roles of RQ and clubs. Review race programming.

Consultation Process and Outcomes

Summary of Options from Consultation Process

The key suggestions that arose from the stakeholder consultation process are summarised in the table to the right.

Stakeholder	Summary of proposals and statements made by various participant groups
RQ	<ul style="list-style-type: none"> • Sell the “big screen” and marquees. • Examine operating costs and reduce overheads to 15% of total expenditure. • Proactively promote positive stories about the industry. • Consult with industry regarding budget situation, including month-by-month statements to understand the actuals. • Clarify the roles of RQ and clubs. • Undertake statistical analysis of the number of racing horses that end their lives at the abattoir. • Negotiate a new deal with SKY for better coverage. • Review race programming. • Influence UBET performance and profile to increase wagering returns, by maximising on-course presence of UBET, installing on-course self service terminals and introducing geo map wagering to identify QLD wagering. • Build new audiences across all codes. • Provide clubs with their wagering data in order to set targets. • Support a more collaborative culture across all codes. • Redistribute funds allocated to greyhounds and invest in infrastructure to gain TAB status at two clubs. • Approach Tourism and Events Queensland to develop a whole of industry racing “tourism” grant for annual country events. • Educate the public regarding access to live feeds on mobile devices. • Negotiate with UBET regarding the value to clubs of lost signage revenue. • Maintain both medical and psychological support for jockeys. • Decrease prizemoney for public holiday races and provincial races that are moved. • Leverage the additional prizemoney allocated to Magic Millions day by requesting Magic Millions pay more of the costs towards the day and provide additional sponsorship to industry events. • Cut 4 year old QTIS bonus. • Establish an industry sinking fund
QRIC	<ul style="list-style-type: none"> • Appoint a welfare officer for the harness code. • Set KPIs for industry accountability regarding animal welfare. • Enforce minimum quality standards for kennels and stables. • Publish code-specific reports. • Set best-practice disease prevention measures for industry. • Ensure compliance in tracking/reporting animals post-racing.
Whole industry	<ul style="list-style-type: none"> • Develop position on how to deal with staff testing positive for drugs.

Consultation Process and Outcomes

Observations from the Consultation Process

The table to the right sets out the key observations from the consultation process.

Theme	Summary of proposals and statements made by various participant groups
Increasing revenue	<ul style="list-style-type: none"> A proactive approach is required to counter the impact of the rise of corporate bookmakers on the wagering return to RQ. Currently, clubs get no direct benefit from their wagering turnover. Clubs do not receive the wagering data from their own courses and do not know the revenue they generate. The clubs have no direct influence over SKY and UBET, which are the key drivers of wagering returns. They want RQ to drive change with UBET and SKY. There is strong support to revise race scheduling to maximise wagering returns by decongesting current racing schedules, increasing SKY coverage and aligning QLD racing with other states and international racing events. Non-TAB racing impacts on the race scheduling on TAB racetracks and jockey availability. QLD racing has an ageing demographic, reflected in industry stakeholders, audiences and wagering patterns (apart from greyhound wagering which maintains its share of the younger demographic). Its ageing infrastructure is unable to compete with clubs and other venues in attracting new audiences. All clubs recognise the need to increase and diversify revenue. There are racing-related and non-racing commercial opportunities, however many clubs are struggling to find a profitable revenue channel. Club managers require the appropriate management skills to operate a commercial business. A “stamp duty” levied on the sale of thoroughbred horses.
Jockeys	<ul style="list-style-type: none"> Jockeys should be treated as contractors, as the status of jockeys as potential employees would mean an unsustainable level of costs relating to protective equipment, superannuation and WorkCover. Currently, jockeys want the benefit of being employees, but their work cannot be directed. They have the veneer of contractors and they behave like contractors. 58 jockeys only ride a couple of times a year, however WorkCover payments do not take this into account. The cost of jockey apprenticeships was not regarded as unreasonable, however it was queried why RQ operates its own RTO instead of outsourcing this function.
Prizemoney	<ul style="list-style-type: none"> There is reluctant acceptance across all codes that the current levels of prizemoney are not sustainable in the current financial climate. There was a general agreement that prizemoney levels could be cut for public holiday and country racing.

Consultation Process and Outcomes

Observations from the Consultation Process

The table to the right sets out the key observations from the consultation process.

Theme	Summary of proposals and statements made by various participant groups
RQ	<ul style="list-style-type: none"> Participants voiced concern over RQ's previous lack of governance, transparency and poor financial management that resulted in the current financial crisis. RQ's previous lack of consultation and collaboration with the industry was highlighted in every meeting. The UBET agreement was negotiated without industry engagement and stakeholders expressed concern that RQ is tied into a 30-year agreement with UBET when the trend is moving toward online wagering.
Integrity and animal welfare	<ul style="list-style-type: none"> There is support for the establishment of Queensland Racing Integrity Commission (QRIC) and a separation of the commercial and integrity functions of RQ. A legislative, investigative, education and compliance framework is essential to ensure the integrity of the racing industry and the welfare of all racing animals. There is a generally high level of acknowledgement that public confidence in the industry demands a "clean" industry. There is not a single "position" regarding the post-race retirement welfare of racing animals. There are significant challenges regarding re-homing racing animals, including re-training, cost of upkeep, availability of appropriate placements, failed placements, current practices of some owners and trainers and public acceptability.
Club administrative subsidies	<ul style="list-style-type: none"> Clubs struggle to make a profit and rely on the subsidy payment from RQ to offset the cost of training and maintenance.
Country and community racing	<ul style="list-style-type: none"> Stakeholders recognise the social role community racing plays in country towns, however RQ is currently funding country tracks \$14.5m above its minimum obligation. A theme raised at a number of meetings was the need to consolidate country race tracks around a "regional hub" that has TAB broadcast facilities. Non-TAB racing is seen as unsustainable at current levels.
QTIS and QBred	<ul style="list-style-type: none"> QTIS is strongly supported by thoroughbred stakeholders, except in far north/west QLD, where a cut in QTIS may be acceptable to breeders. QBred is supported by the harness industry.
Infrastructure	<ul style="list-style-type: none"> There is general agreement with the 5-year infrastructure strategic plan proposed by the QLD Treasury. However, there is a high level of concern that the infrastructure fund is insufficient to meet the ageing infrastructure issues across the industry.

6. Sustainability Plan



Sustainability Plan

Consideration of Revenue Opportunities and Expenditure Options

This section of the report documents RQ's assessment of the revenue opportunities and expenditure options suggested throughout the consultation process.

The proposed options to arrest the \$28.0m forecast BAU loss for FY16 are also discussed.

Assessment and review of consultation feedback

- RQ has undertaken a thorough review and assessed the feedback received throughout the consultation process in order to determine:
 - Opportunities available to RQ to grow revenue, and
 - Options to reduce or limit expenditure.
- Many of the revenue opportunities and expenditure options identified provide longer-term solutions and do not impact the immediate deficit.
- Longer-term solutions are important for the future sustainability of the racing industry, however the current priority is to implement changes that will provide immediate revenue opportunities and reset expenditure.
- RQ has assessed each of the options against the eleven governing principals of the sustainability plan.
- This section of the report documents:
 - RQ's assessment of options for the Sustainability Plan, including the resulting financial impact and timing required for implementation, and
 - The options that will be immediately implemented in order to return RQ to an operating surplus by 1 July 2016.

Sustainability Plan

Revenue Enhancement Options

This section of the report documents RQ's assessment of the various options available to grow revenue.

Options for enhancing RQ revenue

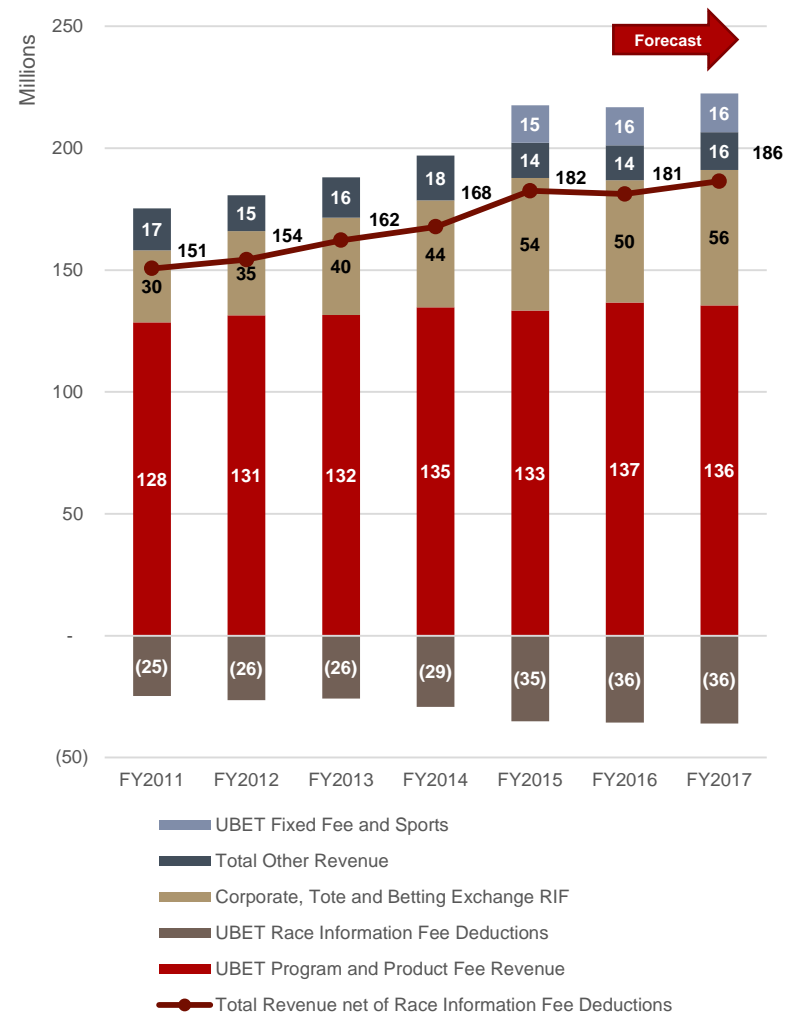
Revenue growth is key to a sustainable racing industry in QLD. The table to the right shows the growth in RQ's revenue since FY11, which was primarily driven by a 69% increase in revenue from corporate WSPs and the \$15.0m annual fixed fee from UBET, received for the first time in July 2015.

The UBET program and product fee, net of interstate RIF deductions, has reduced by approximately \$5.0m from FY11 to FY15, highlighting the shift in wagering behavior to corporate WSPs and to fixed odds betting, which provides a lower return to RQ.

This section of the report discusses RQ's options for increasing revenue, as suggested throughout the consultation process, including:

- Refurbishing Eagle Farm and amending the racing calendar for FY17;
- Adjusting RIF charged by RQ;
- Optimising the RQ racing schedule;
- Generating revenue from industry assets, including Albion Park, Deagon and the Sunshine Coast;
- Making adjustments to various fees and charges on participants levied by RQ;
- Working with UBET to develop strategies to improve the wagering return to RQ; and
- Working with SKY to ensure the appropriate broadcast level is being afforded to the Queensland racing industry.

Revenue Growth FY11 to Preliminary FY17



Sustainability Plan

Summary of Revenue Opportunities

Set out to the right is a summary of the revenue opportunities identified throughout the consultation process.

Revenue Opportunity	Description	Implementation Timeframe	FY17 Expected Revenue Level (\$)
Refurbishment of Eagle Farm and amended racing calendar for FY17.	<ul style="list-style-type: none"> Eagle Farm was closed for renovations through most of FY15 and is not expected to reopen until May 2016. As such, it only held 10 race meetings in FY15, compared with 45 that would be held in a typical year. It is expected that in FY17, Eagle Farm will run its usual 45 race meetings and thus increase RQ's revenue. 	RQ will not see the full effect of this until the end of FY17.	A combined \$3.8m increase on FY16 budget.
Adjustments to RIF charged by RQ	<ul style="list-style-type: none"> RQ has adjusted its rates and has also introduced an incentive to entice WSPs to increase turnover. 	The amended RIF structure will be implemented from 1 November 2015.	
Optimisation of the RQ racing schedule focused on increasing wagering revenue.	<ul style="list-style-type: none"> Review the racing schedule to ensure maximised coverage of RQ's racing product. Consider opportunities such as night racing, holding a regular north QLD race circuit between 3 – 4 tracks, turning some non-TAB tracks into TAB tracks, and rescheduling Saturday race meetings to weekdays or Sundays. 	Minor changes to be implemented from 1 January 2016, with the optimised schedule fully implemented from 1 July 2016.	To be determined following finalisation of the optimised schedule.
Generating revenue from industry assets, including Albion Park, Deagon and the Sunshine Coast	<ul style="list-style-type: none"> RQ is reviewing its real property assets to determine their potential to derive income, such as rental income. Negotiating positive outcomes on land under resumptions plans. 	Additional car parking and rental revenue may be generated prior to FY17.	Rental estimate from clubs: \$75k/p.a. Car parking revenue \$70k/p.a. Awaiting assessment of other rental opportunities.
Investigating potential additional revenue streams for the RTO.	<ul style="list-style-type: none"> Some of the courses offered are at a significant cost to RQ. There is the opportunity to offer RQ's programs interstate and derive additional revenue from the RTO's existing IP. 	Revenue generated from offering RTO programs interstate may be beyond FY17.	To be determined.

Sustainability Plan

Summary of Revenue Opportunities

Set out to the right is a summary of the revenue opportunities identified throughout the consultation process.

Further details regarding the opportunities is included on the following pages.

Revenue Opportunity	Description	Implementation Timeframe	FY17 Expected Revenue Level (\$)
Audit of Bookmakers	<ul style="list-style-type: none"> RQ currently charges different categories of bookmakers different fees depending on the type of product being offered. Concerns have been raised as to whether bookmakers are remitting the appropriate returns to RQ. RQ has requested proposals for an external party to conduct audits of wagering partners to ensure they are providing RQ with the correct return. 	RQ has requested proposals to conduct audits. Audits will be conducted prior to 30 June 2016.	To be confirmed.
Fees and charges levied on racing participants (including licence fees)	<ul style="list-style-type: none"> RQ is responsible under the Racing Act for licensing participants in the racing industry. License fees are set per code and updated each financial year. Historically license fees have been maintained at a low level in order to reduce barriers to entry and encourage participant growth. RQ proposes to conduct a review of the licensing structure. RQ also proposes to increase the scratching fees for thoroughbred racing from \$40 to \$65. 	<p>Updated fee structure implemented for FY17.</p> <p>Increased scratching fees will be introduced immediately.</p>	<p>Additional revenue from licensing fees to be confirmed.</p> <p>The increase in scratching fees is estimated to provide RQ with \$400k in additional revenue.</p>
Increase wagering through UBET	<ul style="list-style-type: none"> Link returns to participants in order to incentivise wagering through UBET. 	Continuing.	Currently cannot be determined.

Sustainability Plan

Revenue Enhancement Options – Eagle Farm

The major track renovation at Eagle Farm had a detrimental impact on wagering in QLD during FY15.

Eagle Farm is not expected to reopen for racing until May 2016 and therefore RQ expects wagering turnover to remain at similar levels in FY16.

It is anticipated however that there will be a boost to revenue following the reopening of Eagle Farm.

Eagle Farm

- Throughout the majority of FY15, QLD's premier race track Eagle Farm, was closed for its first major track renovation in over thirty years.
- In a typical year, 45 race meetings are held at Eagle Farm. However in FY15 Eagle Farm held only 10 race meetings. At present, Eagle Farm is not expected to reopen for racing until May 2016.
- The budgeted loss for FY16 of (\$28.0m) took into account Eagle Farm's closure until May 2016.
- The reduction in race meetings at Eagle Farm has diminished QLD's wagering turnover, thus reducing RQ's wagering revenue in FY15 and is forecast to do so again in FY16.
- The 35 meetings that could not be held at Eagle Farm were moved to sub-premium venues. This also reduced the wagering return to RQ.
- Looking ahead to FY17, it is expected that Eagle Farm will run its usual 45 race meetings, which will provide a boost to QLD's wagering turnover and thus increase RQ's revenue.
- In conjunction with the currently proposed RIF structure for FY16 discussed on the following page, RQ has modelled the impact of Eagle Farm running its normal racing calendar and estimates an increase in wagering revenue of approximately \$3.8m or 5.7% of total QLD wagering revenue. The \$3.8m is comprised as follows:
 - Increase of \$4.7m in race information fees; and
 - Decrease of \$0.9m in the return from UBET due to the shift from pari-mutuel to fixed odds betting.

Sustainability Plan

Revenue Enhancement Options – Race Information Fees

In FY15 QLD was Australia's most expensive racing wagering product.

Race information fees

- RQ receives revenue from corporate bookmakers who offer an on-line wagering product. This revenue is a function of legislation that requires WSPs to pay a fee for the use of each Australian State's IP – its racefield information.
- Under this arrangement, RQ sets a fee for the use of its racefield information and WSPs who elect to wager on QLD racing must pay this fee.
- In FY15, QLD was Australia's most expensive racing wagering product, as set out in the table to the right.
- Under the proposed structure, WSPs would primarily pay the existing fee level until the WSP reaches a target set above the FY15 race information fee payable by the WSP. When the WSP has reached the target level, the product fee applicable to additional wagering is reduced.
- In the preparation of the FY16 budget, racefields revenue was estimated to total \$50.2m.
- As discussed on the previous page, RQ has undertaken preliminary modelling of the impact of the proposed changes to the race information fee structure for thoroughbreds. The modelling suggests that thoroughbreds' racefields revenue may increase by approximately \$4.7m in FY17 on the basis Eagle Farm is reopened by 1 July 2016.

Audit of bookmakers

- RQ currently charges different categories of bookmakers different fees depending on the type of product being offered (e.g. standard, premium or derivative racing products).

- Concerns have been raised as to whether bookmakers are remitting the appropriate returns to RQ in line with the fee structure.
- RQ has requested proposals for an external party to conduct audits of wagering partners to ensure they are providing RQ with the correct return.
- RQ is also proposing to work with interstate PRAs to develop policies and procedures to ensure on-course bookmakers are providing the correct returns to the respective PRAs for the use of their racefield information. Currently the audit of their returns is difficult to administer to ensure full payment of the fee is received.
- Whilst the return to RQ from this process may not be material, it is required to ensure QLD is getting its appropriate share from the wagering market and adding to the professionalism of the sport.

	QLD 2014-15	NSW Current	VIC Current
RIF Rates			
Tote	Standard 1.5% Premium 2%	Standard 1.5% Premium 2.5%	Standard 1.5% Intermediate 2% Premium 2.5%
Fixed Odds	Standard 2% Premium 3%	Standard 1.5% Premium 2.5%	Standard 1.5% Intermediate 2% Premium 3%
Betting Exchange	Standard 2.5% Premium 3.5%	Standard 1.5% Premium 2.5%	Standard 1% Premium 2%
Derivative	Standard 2.5% Premium 3.5%	Standard 2.5% Premium 3.0%	Standard 1.5% Intermediate 2% Premium 3%
Three code # of races	12,787	22,754	20,667
Three code RIF revenue	\$43.8m	\$95.3m	\$110.2m
Three code average RIF per race	\$3,424	\$4,190	\$5,331

Sustainability Plan

Revenue Enhancement Options

Scratching fees for non-starters have not been increased since 2003. RQ estimates an increase of \$25 will result in additional revenue of between \$400k to \$450k.

An additional 60 spaces have been identified for the car park at Albion Park. RQ estimates that a \$70k increase in car parking revenue will result from opening such car spaces.

RQ intends to formalise the Albion Park Harness Racing Club and Brisbane Greyhound Racing Club's occupancy of the Albion Park Facility by entering into lease agreements.

Scratching Fees

- In FY15 there were 21,881 non-starter fees which incurs a penalty of \$40.
- This category of scratching fee has not been increased since 2003.
- It is proposed to increase this fee to \$65, which RQ considers is still a modest amount.
- It is expected that this change will result in an increase in revenue to RQ of between \$400k to \$450k, but will also reduce the volume of scratchings which may assist to reduce the administration process.

Car Parking Revenue

- A car parking facility is operated at Albion Park which is managed by Secure Parking.
- In FY15, revenue of approximately \$205k was generated from the car park.
- RQ has identified an opportunity to open up an additional 60 car spaces, which is estimated to generate an additional \$70k in revenue per annum.
- RQ anticipates that the additional 60 spaces will be in operation prior to 30 June 2016.

Rental Income from Albion Park

- Currently the Albion Park Harness Racing Club and the Brisbane Greyhound Racing Club do not pay rental for using the Albion Park Facility owned by RQ.
- The majority of clubs throughout Queensland either own or lease their premises and therefore incur occupancy costs such as statutory charges and or lease fees.
- RQ intends to formalise the occupancy of the Albion Park Facility by entering into lease agreements with both Albion Park Harness Racing Club and the Brisbane Greyhound Racing Club.
- Based on rental amounts paid by other clubs, it is estimated that the rental fees will total \$75,000 per club per annum.
- Additionally, it is intended to ensure the lease agreement provides that outgoings are passed on to the respective parties as appropriate.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

While this report proposes short term measures to realign industry revenue with expenditure and returns to participants, it is imperative to consider longer term strategies to grow revenues to improve the returns to stakeholders.

RQ intends to work closely with SKY to ensure all scheduling opportunities are integrated into the racing calendar.

Longer Term Revenue Opportunities

- Certain factors and initiatives identified in the consultations are anticipated to provide longer term revenue growth for the racing industry.
- While this report proposes shorter term measures to address the FY16 budget shortfall of \$28.0m, it is integral to the sustainability of the racing industry that initiatives for longer term revenue growth are immediately investigated.
- Initiatives and factors identified throughout the consultations and in discussions with industry participants include:
 - The need to work closely with SKY and UBET as they are both crucial to the financial circumstances of the QLD racing industry.
 - Optimisation of the racing schedule to ensure wagering opportunities are maximised.
 - Opportunities for RQ's RTO to derive additional revenues from offering its courses and products interstate.
 - A review of the assets owned or controlled by RQ to ensure such assets are deriving appropriate revenue streams.
 - A review of the licensing structure to ensure industry participants acknowledge the social responsibilities that come with breeding, owning and training racing animals.
 - Alternate non-racing revenue streams for clubs.
- These matters are discussed further in the following pages.

SKY

- Participants in the consultations identified frustrations with the current level of SKY's coverage of QLD racing.
- Meetings are underway with SKY to discuss their coverage of QLD racing, and to discuss potential opportunities to increase coverage.
- As part of the Sustainability Plan, RQ intends to drive engagement with SKY to ensure the appropriate level of coverage is afforded to QLD racing.
- In this regard, RQ proposes to undertake an analysis of SKY's coverage of QLD racing, including:
 - Coverage on SKY 1, SKY 2, Racing Central;
 - Race lead ins and post race coverage;
 - Race meeting editorial (preview and review); and
 - Comparison to southern jurisdictions.
- Such information will be used in discussions with SKY to ensure appropriate level of coverage is received.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

UBET is a crucial financial partner for the racing industry in Queensland.

Betting through UBET provides RQ with a substantially higher return than betting through Corporate WSPs and the interstate Totes.

RQ will work with UBET to consider strategies to prevent the current decline of pari-mutuel wagering.

UBET

- Bets wagered with UBET provide RQ with a greater return than bets placed with corporate WSPs or interstate totes. The table below sets out a comparison:

FY2015 Wagering Returns Comparison	Turnover \$'bn	Revenue \$'m	Return %
UBET – QLD			
Fixed Odds	202	10	5.1%
Pari mutuel	275	18	6.7%
UBET – Interstate			
Fixed Odds	644	37	
Pari mutuel	1,007	67	
Less Wagering Expenditure		(35)	
Net return from UBET interstate	1,651	69	4.2%
Other Totes and Corporate WSPs	2,731	54	2.0%

- Over the past five years, wagering turnover with the Corporate WSPs has increased by greater than 100%, while turnover with UBET has contracted by nearly 10%. This has had a detrimental impact on wagering returns to RQ.
- The proposed sustainability plan seeks to link returns to participants to increases in wagering through UBET. It is anticipated that this incentive structure will assist RQ to increase its wagering revenue.
- Pari-mutuel wagering provides a higher return to RQ at lower risk than fixed odds wagering. However, the trend in the wagering market is to choose fixed odds.
- UBET should take into account the following characteristics of pari-mutuel wagering in its marketing:
 - It provides the biggest return to the QLD racing industry, at the lowest risk;
 - It provides an opportunity to create UBET loyalty;
 - It offers a different experience, in that it makes wagering a social rather than gambling experience; and
 - It affords the best opportunity for mate-get-mate marketing.
- RQ will work with UBET to consider strategies to prevent the decline of pari-mutuel wagering. This is particularly important as there is a 30-year agreement in place between RQ and UBET.
- RQ intends to increase monthly engagement with UBET to strategically monitor wagering performance and trends. Additionally, RQ intends to monitor UBET's:
 - Introduction of new markets;
 - Timeliness of market release;
 - Price competitiveness;
 - Novelty markets/bonus bets and special offers;
 - Loyalty programmes for QLD domiciled stakeholders and in particular for connections of horses engaged;
 - Sponsorship; and
 - Signage/marketing and club links.
- From a strategic stance, RQ intends to have continuing communication with UBET in relation to race dates and meeting programming in order to optimise the racing calendar.
- The new wagering agreement with UBET also proposed a JV to provide a virtual racing product throughout QLD with anticipated revenue streams in the order of \$15.0m. RQ has been advised by Government that the virtual wagering product can not currently be offered in QLD due to exclusivity arrangements with a different gambling operator for a similar product.
- RQ intends to support UBET's endeavours to determine whether avenues are available to revive the proposed virtual wagering project given the significant potential revenue stream which could be generated for the industry.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

RQ is currently undertaking a review of its racing schedule in order to ensure meetings are programmed at times which maximise the opportunity for wagering turnover.

UBET cont...

- UBET has advised RQ that electronic betting terminals will be installed at certain race tracks and agencies in early 2016. UBET anticipates that this will improve the race day experience for patrons as well as materially increase on-course wagering through UBET and therefore provide an increased return to RQ.

Optimisation of the thoroughbred racing schedule

- The consultation process revealed a need for the QLD Racing Schedule to be reviewed in order to:
 - Maximise coverage of TAB race meetings on SKY;
 - Maximise field sizes at TAB race meetings;
 - Ensure racing is regular and at consistent venues to provide punters with consistent product;
 - Provide clubs with the best opportunities to maximise meeting patronage; and
 - Better align QLD's racing schedule with interstate and international product.
- Of all the states, QLD has the highest number of thoroughbred race meetings scheduled on Saturdays.
- Due to the size of QLD, RQ also runs a higher number of non-TAB races than any other State. Non-TAB race meetings do not provide a financial return to the racing industry. This raises the issue of non-TAB races "stealing" horses that could run in TAB races.
- With only limited 'slots' available on SKY, RQ is now reviewing its racing schedules to ensure coverage of its racing product is maximised.
- Meetings are also being held with SKY to ensure that RQ gets improved coverage.
- The opportunities to increase wagering turnover through the racing schedule, and otherwise identified in the consultation process, include:
 - Investigate further night racing opportunities;
 - Establishing a regular thoroughbred racing circuit between three to four tracks in Northern QLD;
 - Consideration of turning non-TAB tracks that run on a regular basis into TAB tracks; and
 - The rescheduling of race meetings from Saturdays to weekdays or Sundays in order to improve SKY coverage and thus increase wagering turnover.
- There is an opportunity to move certain race meetings to Monday or Tuesday. At present, there are no QLD race meetings on Mondays or Tuesdays. This is a lost revenue opportunity, as the wagering market has no option but to bet on interstate races.
- RQ is aware that certain changes to the racing schedule may be detrimental to clubs. For example, reducing the number of Saturday meetings will reduce the opportunity for clubs to derive revenue from food, beverage and function packages.
- There is an opportunity to align race meetings with other community events, such as the various Agricultural Shows around the state, in order to increase event patronage. We are working with TEQ to pursue opportunities to link racing with these events in order to increase race day patronage.
- Scheduling race meetings at times that maximise coverage on SKY will result in greater returns to clubs through SKY sponsorship rights. As such, this may reduce the dependence on RQ for club funding.
- Benefits should flow from maximising field sizes and increasing the number of races at tracks with the highest turnover.
- The financial impact of the optimised racing schedule can not be determined until the amendments have been finalised.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

The QLD racing industry provides a substantial number of jobs and also delivers economic and community benefit to metropolitan and rural QLD.

Country racing

- Thoroughbred racing delivers significant social and community benefit for regional communities.
- RQ has a legislative requirement to contribute 5.32% of the net UBET program and product fee as prizemoney towards country racing in QLD.
- In FY15, RQ paid \$5.32m in prizemoney to country racing above the legislative requirement. In addition to prizemoney, RQ incurred a number of other expenses to facilitate country racing, as set out in the below table:

Description of Cost	FY15 \$
Club administration/subsidy payments	1,102,097
Jockey riding fees	2,582,825
Jockey 1% of prizemoney towards welfare and insurance	148,196
Subsidisation of insurance	200,000
SKY Channel costs	156,055
Wages	366,024
QCRC	11,854
Travel and communications	120,738
RISA Service Centre costs	102,628
TAB prizemoney at non-TAB clubs	4,520,000
TOTAL	9,310,417

- While country racing provides a significant community benefit, there is no financial return to RQ.

- The Government has advised that in 2016 they will fund the prizemoney for country clubs which run once a year. Based on the current schedule, this funding is estimated to amount to approximately \$830k in FY17.
- Additionally, RQ is proposing two measures to assist clubs to become more self-sufficient including:
 - RQ will prepare a factsheet for country clubs setting out avenues to increase racing and non-racing revenues.
 - RQ will create a club liaison officer to assist clubs in identifying avenues for increasing racing and non-racing revenue streams.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

RQ is currently exploring avenues to increase revenue through the RTO by offering existing courses to interstate students.

Registered Training Organisation - Potential Revenue Opportunities

- As a registered training organisation, RQ offers nationally recognised training with funding assistance from DET.
- RQ provides continuing industry-standard training and mentoring to apprentice and working jockeys, drivers, trainers, stable hands, trackwork riders and strappers as well as other industry employees. All programs delivered are from qualifications in the nationally recognised Racing Training Package.
- A number of the courses offered are at a significant cost to RQ, particularly the jockey apprenticeship program.
- RQ is looking for opportunities to increase funding for the jockey apprenticeship program.
- A suggestion was made during the industry consultation that RQ explore the introduction of a 'user-pays' system whereby apprentices who enroll in the program will be required to pay off their training after they start deriving an income from racing. This may be considered in the future.
- RQ is currently exploring avenues to increase revenue through the registered training organisation by offering existing courses to interstate students. The quantum of potential opportunities is being assessed, but until external contracts are secured, RQ will not include additional revenue from training in its forecast models. RQ has commenced discussions with interstate PRA's to work with them to deliver interstate training using RQ's material.

Sustainability Plan

Revenue Enhancement – Initiatives for Longer Term Revenue Growth

RQ is undertaking a review of its property assets in order to understand each asset's potential to derive income.

RQ has an obligation under the Racing Act to license the participants in the racing industry.

The license and registration fees are generally low in order to encourage industry participation.

RQ intends to review the licensing fees to reflect the social responsibilities associated with the racing of animals and also to add further professionalism to the industry.

Revenue from industry assets

- RQ owns the following real property assets:
 - The Albion Park facility
 - The Deagon facility
 - Land at Slacks Creek
 - The Bowen Racecourse
- Through its subsidiaries, RQ also holds an interest in:
 - Corbould Park, Sunshine Coast, and
 - Callaghan Park, Rockhampton
- RQ is undertaking a review of these assets in order to understand each asset's potential to derive income, by way of rental return, or by ensuring that outgoings are being on-charged where appropriate.
- A limited number of clubs benefit from the use of these facilities without contributing a commercial rent.
- The level of support provided by RQ to such clubs needs to be considered in comparison with the wider racing community which generally bear their own premises costs.
- RQ estimates club rental returns may total approximately \$150,000 in FY16, and will shortly commence formalising such arrangements.
- Whether parts of some of these assets can be sublet to third parties to supplement income is also being considered.
- As part of this review, RQ is also considering the operational costs for each asset to ensure efficient operation is being conducted and also reviewing if grants or concessions are available to reduce ownership costs.
- Negotiations have commenced to ensure appropriate compensation is being pursued for land subject to resumption.

Licensing and Registration Fees

- As noted in section 4, RQ has a responsibility under the Racing Act to license the participants of the racing industry.
- A licensing fee structure is currently set for each of the three codes, as well as a separate set of fees for clubs.
- The fees are set and updated each financial year.
- Historically license fees have been maintained at a low level in order to reduce barriers to entry and encourage increased industry participation.
- There has been only marginal increases to license fees in recent years. RQ intends to undertake a review of the licensing and registration fees in order to:
 - Reflect the social responsibilities associated with the breeding, owning and training of racing animals
 - Encourage quality rather than quantity of racing animals
 - Add professionalism to the industry
 - Obtain a reasonable contribution to the increasing costs associated with animal welfare initiatives.
- Under the variable returns model, it is anticipated that increases to revenue from increased license fees will flow through to increased profit, thus providing an opportunity to increase distributions to participants.

Alternate Revenue Streams through Investment in Infrastructure

- Developing alternate revenue streams often requires capital investment.
- Due to the limited funds available for infrastructure projects, a review of the infrastructure process is being conducted.
- Refer to page 86 for further details.

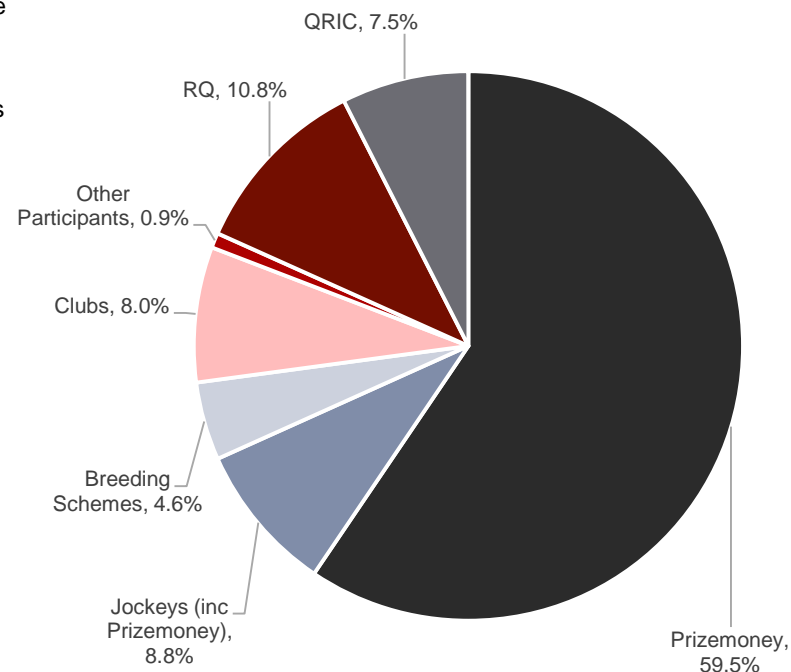
Sustainability Plan Expenditure Options

This section of the report documents RQ's assessment of the feedback received in the consultations regarding potential avenues to reduce expenditure in line with the general principles.

Overview

- As noted earlier, immediate action is required to provide a break even trading position from 1 July 2016 onwards.
- The opportunities to increase revenue include many longer term solutions, and as such, options to reduce expenditure require close consideration.
- This section of the report documents RQ's assessment of the feedback received in the consultations regarding potential avenues to reduce expenditure in line with the general principles.
- The table on the right hand side of this page outlines returns to industry participants as a percentage share of RQ's costs. The following points are noted:
 - Prizemoney is the largest return to industry at 61% of expenditure and returns. Ensuring that all other industry costs are efficient is an essential component of increasing returns to industry from prizemoney.
 - Club subsidy payments and other expenditure incurred by RQ on behalf of clubs total 8%. Feedback received in the consultations suggest the split of roles between clubs and RQ are unclear.
 - Returns to jockeys excluding prizemoney totals 6% of RQ's expenditure, including riding fees, superannuation, jockey welfare, insurance initiatives and Workcover. Returns to jockeys have increased by 34% over the past five years as greater benefits have been provided to jockeys by RQ.
 - Breeding schemes represent 5% of industry expenditure and in FY16 changes were made to the QTIS and QBred schemes.
- The graph to the right does not specifically set out the cost of Country racing as its costs are split among the various participants.

Share of RQ Expenditure FY16 Budget



Sustainability Plan

Summary of Expenditure Opportunities

Set out to the right is a summary of the expenditure opportunities identified throughout the consultation process.

Further details regarding the various opportunities are included on the following pages.

Area of Saving	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Clubs	<ul style="list-style-type: none"> Clarify the roles and responsibilities of clubs vs. RQ. Introduce KPIs to incentivise clubs and to be accountable for the expenditure of industry funds. Examine the current club funding model and restructure the funding model for TAB clubs, with each club required to provide a submission for operational funding each year and report against KPIs on a monthly basis. Make clubs responsible for minor capital works and submit an application for funding from the racing infrastructure fund for major works. Place onus on clubs to grow non-racing revenue. 	TAB Clubs will be required to submit their FY17 budget proposal to RQ in March 2016.	\$1.5m p.a. net of the specific purpose fund pools.
Jockeys	<ul style="list-style-type: none"> Set the financial returns to jockeys (including prizemoney) at the current level. Assign the allocation of the financial return against prizemoney, riding fees, Workcover, etc. in conjunction with the QJA. Create a new jockey licence category for trackwork riders to reduce the number of racing jockeys and therefore reduce the Workcover premium. 	The allocation of benefits and returns against the pool of money is to be confirmed by the QJA prior to 31 May 2016 to take effect from 1 July 2016.	Jockeys will be impacted by a reduction in prizemoney.
Breeding Schemes	<ul style="list-style-type: none"> Remove the 6% breeders' bonus from the QTIS scheme. Reduction in bonuses for Metro thoroughbred racing. Reduction in discretionary QTIS bonus races. Reduction in bonuses for harness racing, including bonus certificates. 	Changes to QTIS and QBred will be implemented for FY17.	\$1.56m for QTIS and \$0.99m for QBred.
Prizemoney - Thoroughbreds	<ul style="list-style-type: none"> Proposed reductions to prizemoney levels are set out on page 77. The introduction of a base and variable prizemoney structure, where a permanent base prizemoney level is set, and the variable component depends on RQ's financial performance against budget. Variable prizemoney is not proposed to be included for non-TAB race meetings. 	Implemented for FY17.	\$8.5m excluding Country Racing.

Sustainability Plan

Summary of Expenditure Opportunities

Set out to the right is a summary of the expenditure opportunities identified throughout the consultation process.

Further details regarding the various opportunities are included on the following pages.

Area of Saving	Expenditure Opportunity	Implementation Timeframe	Expected saving in FY17 (\$)
Prizemoney - Harness	<ul style="list-style-type: none"> Proposed reductions to prizemoney levels are set out on page 78. The introduction of a base and variable prizemoney structure, where a permanent base prizemoney level is set, and the variable component depends on RQ's financial performance against budget. The base prizemoney for a number of the race meetings is set at \$3,501 per race with no variable component. Should RQ's profit exceed budget then a variable prizemoney allocation may be incorporated. No variable prizemoney is allocated for non-TAB race meetings. 	Implemented for FY17.	\$2.94m.
Prizemoney - Greyhounds	<ul style="list-style-type: none"> Proposed reductions to prizemoney levels are set out on page 79. The introduction of a base and variable prizemoney structure, where a permanent base prizemoney level is set, and the variable component depends on RQ's financial performance against budget. No variable race meetings is allocated for non-TAB race meetings. 	Implemented for FY17.	\$2.64m.
Country Racing	<ul style="list-style-type: none"> The Queensland Country Racing Series will be discontinued (20 race meetings) RQ will cease to fund an additional 40 of the remaining 268 race meetings Per meeting subsidies for strategic clubs will be reduced from \$3,000/meeting to \$1,000/meeting Non-TAB clubs will be limited to value-adding prizemoney to 50% of sponsorships, and encouraged to spend the remaining 50% on event marketing and facilities maintenance. A portion of the savings derived from the above will be used to achieve a longer term strategy for Country racing involving a regional hub and spoke model. 	Implemented for FY17.	\$4.22m.

Sustainability Plan

Expenditure Options – Clubs

This section of the report sets out the role of clubs and RQ in relation to the costs associated with facilitating racing in QLD.

An examination of the current club funding model is also included in this section.

Introduction

- The budget for FY16 anticipated approximately \$16.2m (8% of total expenditure) would be paid by RQ to or on behalf of clubs.
- Clubs have an important role in racing:
 - They operate the facilities used to conduct race meetings and training for the three codes;
 - They provide patrons with an enjoyable experience;
 - They maintain the racing surface, equipment and buildings; and
 - They often have a connection with the local community.
- Clubs primarily generate revenue from admissions and food and beverage sales at race meetings, as well as receiving sponsorship, membership fees, media rights from SKY and administration subsidies from RQ.
- Feedback received throughout the consultation period suggests some clubs have become complacent, reactive and believe it is RQ's responsibility to resolve the majority of issues, rather than their own.
- Limited suggestions were received regarding an alternate model for club subsidies, rather submissions noted that the current model required an urgent review.

Roles and responsibilities - clubs

- To address the consultation feedback, the following matters require attention:
 - Clarification of the roles and responsibilities of clubs vs. RQ;
 - The introduction of KPIs to incentivise clubs and enhance accountability for the expenditure of industry funds; and
 - Incentivising clubs to increase their non-racing revenue base.

- It is proposed to define the role of the club as follows:

'The role of clubs is to operate and maintain a facility that meets industry standards, to conduct race meetings, to provide training facilities and to provide racing participants with an enjoyable and safe racing experience'
- Based on this role, clubs' responsibilities would be to:
 - Maintain the racing surface, equipment and facilities;
 - Provide training facilities for the racing industry to utilise;
 - Provide customer and participant facilities;
 - Meet the operating costs of the racing facilities;
 - Provide the following racing staff for race meetings:
 - Barrier attendants
 - Starters and assistant starters
 - Judge and assistant judge
 - Clerk of course
 - Clerk of scales
 - Attract customers;
 - Maximise revenue, including revenue from membership and sponsorship; and
 - Maintain a connection with the local community.

Sustainability Plan

Expenditure Options – Clubs

The current club funding model has a number of deficiencies in that there is limited accountability for the use of industry funds, and little incentives for clubs to grow non-racing revenue.

RQ's responsibility to clubs

- RQ's role is proposed as follows:
'RQ will provide clubs with structured financial and management support in line with financial and non-financial key performance measures'
- Consideration of the financial and non-financial key performance measures is included on page 68 within the discussion regarding the proposed club subsidy model.

Current club funding/subsidy model

- There are two main aspects to the current club funding model:
 - An annual fixed fee based on the number of starters and the wagering revenue produced by the race meetings held by the club. This portion is essentially the "facilities" contribution to the club.
 - A per meeting subsidy paid to the club to subsidise the cost of holding each race meeting.
- At present, the fixed fee differs per club whilst the per meeting subsidy is the same except for:
 - Non-TAB meetings (\$3.0k per meeting); and
 - TAB meetings held at a non-TAB venue (\$6.0k per meeting).

Consultation process

- A number of issues in relation to the current model were identified in the consultations, including:
 - The subsidies are not linked to the out-of-pocket expenses incurred by clubs in order to put on race days.
 - The subsidies do not reflect that the clubs are (in most cases) the custodian of the asset and have developed and acquired the IP necessary to conduct their businesses.

- The subsidies do not acknowledge that the clubs are (in most cases) the custodian of the asset, typically a large parcel of land or the right to use it with significant capital infrastructure requiring constant repair and upgrade.
- Lack of communication from RQ to clubs in relation to wagering outcomes hindering clubs in setting wagering targets.
- The need for subsidies to be adequate to defray operating costs as in many cases subsidies are the club's main income stream.
- The inequality of current funding structures across the three racing codes.
- Deficiencies of the current club funding model include:
 - The current model requires little accountability for the use of industry funds, apart from clubs submitting monthly financial statements.
 - The current model does not provide clubs with any incentive to increase patronage or non-racing revenue. Some clubs believe RQ will fund their operational losses.
 - The current model does not provide adequate scope for asset regeneration. Instead, pressure is placed on RQ to fund minor and major capital works.
- Participants raised in the consultations that some clubs have limited opportunities to raise alternate revenue streams. Such alternate revenue streams would be likely to reduce clubs' dependence on the subsidies provided by RQ.

Sustainability Plan

Expenditure Options – Clubs

Given the differing circumstances and opportunities available to each club, RQ is proposing a new funding model which involves agreeing a monthly subsidy amount in March of each year.

The new model also includes a number of key performance indicators to incentivise clubs to grow non-racing revenues.

RQ proposes to introduce specific purpose incentive funds linked to UBET wagering revenue for those particular clubs.

Proposed new club funding model – TAB Clubs

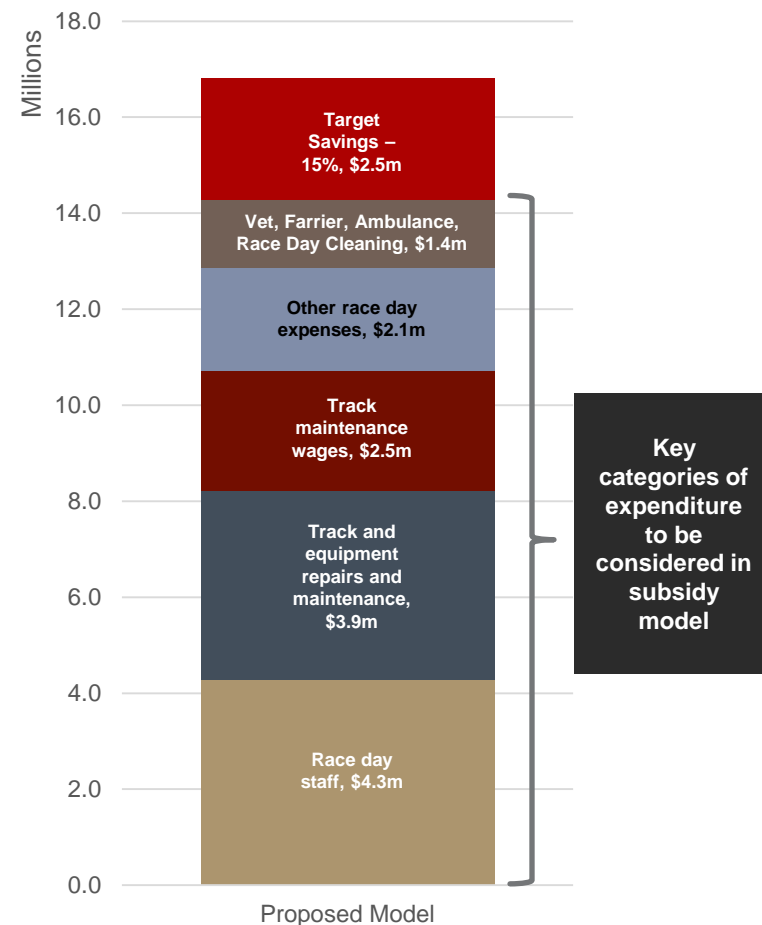
- Given the deficiencies noted on the previous page, it is proposed to restructure the funding model for TAB clubs so that:
 - Clubs are held accountable for the use of industry funds provided to them;
 - Clubs are aware of their responsibilities;
 - Clubs are incentivised to manage facilities in a financially responsible manner;
 - Clubs are incentivised to attract customers and maintain a connection with the community;
 - Information is made available to participants to enable effective decision making; and
 - Clubs are incentivised to develop non-racing revenue streams.
- As each club has differing circumstances and opportunities, it is proposed that each club provides a submission for operational funding in March of each year for the next financial year.
- RQ will then assess the submission against criteria, including:
 - Anticipated costs of track and facilities maintenance;
 - Profit from food and beverage sales and admissions;
 - Initiatives to expand revenue streams;
 - The race day schedule set by RQ, which may ask clubs to hold meetings on days which provide a higher wagering revenue at the expense of on-course patronage; and
 - The timeliness of reporting track conditions and information to RQ.
- A monthly fee payable to each TAB club will then be determined based on RQ's assessment.
- On a monthly basis, clubs will be required to report against financial and non-financial key performance measures, including:
 - Monthly profit and loss accounts, with explanations regarding significant movements from budget;
 - Value of sponsorship income;
 - Value of non-racing related revenue (e.g. markets or functions);
 - Progress made towards non-racing revenue initiatives; and
 - Patronage and membership levels, with explanations as to movements.
- RQ proposes to introduce a series of specific purpose incentive funds based on the level of UBET wagering revenue for the particular club. Such funds may be used for purposes including minor repairs and maintenance, asset replacement, minor capital works, diversifying income and improving participant experience. These funds will be able to be drawn down by clubs subject to appropriate acquittal processes.
- RQ will undertake to provide clubs with wagering information and specific purpose funds pool balances on a monthly basis so clubs are kept informed of their performance and the return to the industry derived from their product.
- RQ understands that while some clubs have management skills and industry expertise and experience, smaller venues run by volunteers sometimes struggle to understand their role and meet their compliance obligations. Previously, RQ has treated minimum standards, financial compliance and race day operations as three separate elements within its organisation.
- As part of the sustainability plan, RQ intends to combine these three functions into one Bureau as a single point of contact for clubs to gain assistance with compliance and financial obligations with a dedicated team who understand the pressures of clubs with experience in that arena.
- In relation to capital works, it is proposed that clubs will be responsible for minor capital works and major capital works will be subject to an application for funding from the racing infrastructure fund.

Sustainability Plan

Expenditure Options – Clubs

Anticipated savings from new club funding model

- RQ has reviewed the financial statements for TAB clubs across three codes and anticipates the proposed model will provide a substantially more cost effective club operation.
- Placing the onus on clubs to increase non-racing revenues is designed to reduce reliance on industry funds to subsidise their operation.
- The FY16 budget includes a \$500k provision for clubs' minor capital works. As minor capital works become the responsibility of clubs under the new funding model, this provision will be removed from RQ's budget in subsequent financial years.
- RQ is aiming for a further saving in the order of 15% of the remaining budgeted club related expenditure, or approximately \$2m annually, however RQ anticipates the incentive funds to approximate \$1m.



Sustainability Plan

Expenditure Options - Jockeys

Jockeys are a significant stakeholder group and perform a vital function for the thoroughbred industry

The total cost of fees and benefits provided to Queensland Jockeys has increased by 34% over the past five years.

Racing Queensland has a significantly lower riding fee than Victoria however, as a portion of revenue Queensland Jockeys receive a similar % outcome.

Return to jockeys – background

- Jockeys are a significant stakeholder group and perform a vital function for the thoroughbred industry.
- Racing Queensland has a significantly lower riding fee than Victoria and NSW. However the total cost of fees and benefits provided to Queensland Jockeys has increased by 34% over the past five years.
- Excluding prizemoney, under the FY16 BAU budget the 245 jockeys and apprentices across the State are anticipated to receive 6% of RQ's total expenditure by way of:
 - Riding fees (Riding fees are a non-prizemoney return to owners. For the purpose of efficiency and convenience for owner and jockey, riding fees are paid by RQ on behalf of owners);
 - Superannuation;
 - Insurance;
 - Workcover;
 - Jockey welfare initiatives; and
 - Training – i.e. the jockey apprenticeship program.
- Victorian payments to jockeys for riding fees, workcover and other welfare programs (but excluding the apprentice program) total \$16.472 million from a total revenue of \$310.7million or 5.3% of total revenue. (Racing Victoria Annual Report 2014)
- In addition to the above payments jockeys receive 5% of prizemoney and incentives.

Return to jockeys – consultation

- The submission from the QJA referred to statistics suggesting 40% of jockeys will suffer an injury that will keep them out of the saddle for six to eight weeks per annum.
- The QJA noted that RQ pays a lower riding fee and provides fewer benefits than the PRAs in the other States of Australia.
- The QJA acknowledge that RQ organises insurance on jockeys' behalf as jockeys individual insurance premiums would be prohibitive.
- RQ funds the jockey's insurance from a 1% levy on prizemoney.
- In their submission, the QJA suggested a new jockey license be created for trackwork riders. It is anticipated that this license category would reduce the number of racing jockeys licensed and therefore reduce workcover premiums.
- RQ is in the process of discussing the potential savings with Workcover QLD.

Sustainability Plan

Expenditure Options - Jockeys

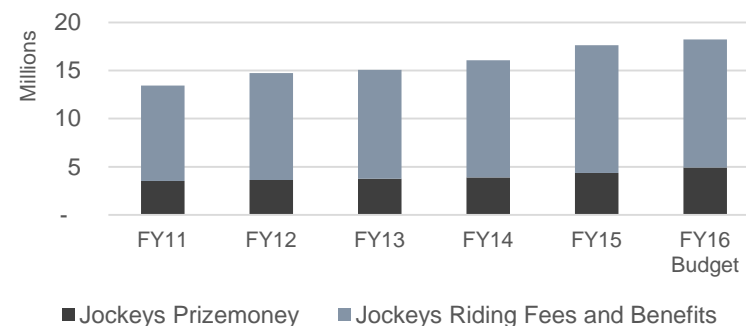
The proposed structure will guarantee payments to Queensland jockeys as a fixed portion of overall RQ expenditure.

A feature outcome for jockeys from the proposal is that jockeys, via the Queensland Jockeys' Association, will control how these funds are apportioned.

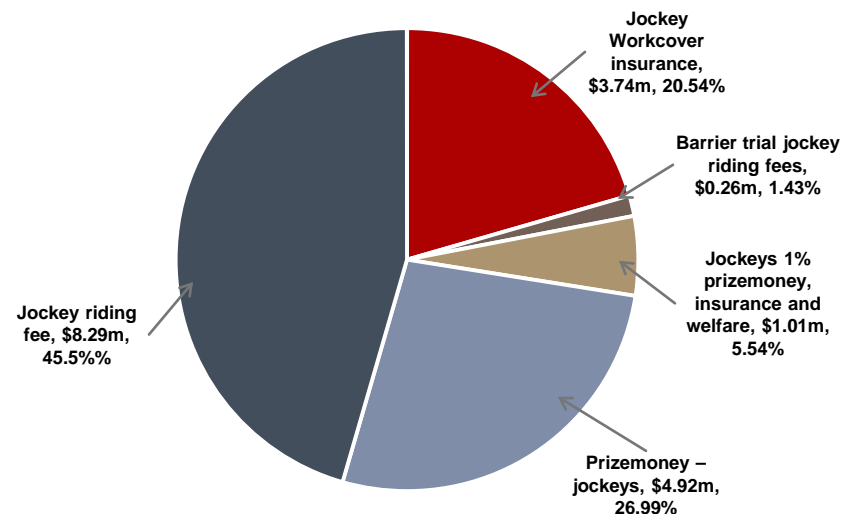
Return to jockeys – proposed arrangement

- The proposed structure is to create a pool of funds set at the value of the current returns to jockeys as a percentage of total prizemoney.
- A significant feature of the proposal is that jockeys, via the Queensland Jockeys' Association, will be able to determine how these funds are apportioned across the following:
 - Riding fees (Riding fees are a non-prizemoney return to owners. For the purpose of efficiency and convenience for owner and jockey, riding fees are paid by RQ on behalf of owners);
 - Superannuation;
 - Insurance;
 - Jockey welfare initiatives; and
 - Workcover.
- The pool will be impacted by the quarterly level of prizemoney throughout the year. Depending on the priority given to the spending of the pool by the QJA, the percentage of prizemoney paid to jockeys may vary from the existing percentage.
- Jockeys share in the upside when revenue allows RQ to increase prizemoney. They will be impacted adversely where lower wagering returns force a reduction in prizemoney.
- It is intended to negotiate the total value of the pool on an annual basis in conjunction with the budget process.
- An example of the proposed jockeys' pool arrangement is set out on the following page.

Returns to Jockeys FY11 to Budget FY16



Jockeys Pool of Funds



Sustainability Plan

Expenditure Options - Jockeys

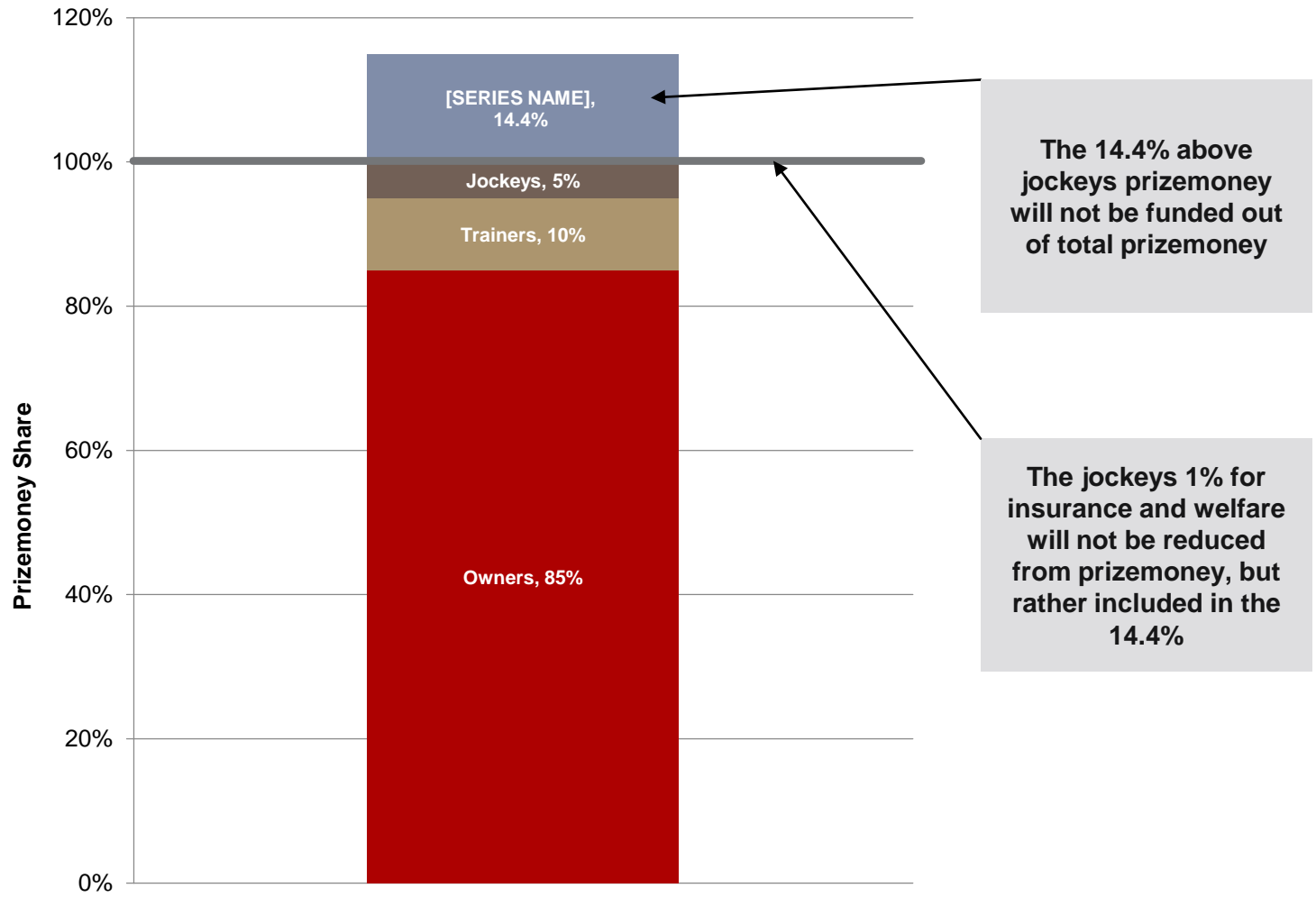
Set out to the right is a comparison of the proposed jockeys' pool model at FY17 thoroughbred prizemoney levels and if prizemoney was to increase by \$10m.

Category	Baseline FY15		At FY17 PM Levels		\$10m increase in PM Levels	
	Rate	Baseline FY15	Rate	Baseline FY15	Rate	Baseline FY15
Public Liability Insurance	Fixed	244,544	Fixed	244,544	Fixed	244,544
Personal Injury Insurance	Fixed	504,057	Fixed	504,057	Fixed	504,057
Jockey Welfare	Fixed	50,000	Fixed	50,000	Fixed	50,000
Jockey Distress Fund	Fixed	100,000	Fixed	100,000	Fixed	100,000
WorkCover	Fixed	3,600,000	Fixed	3,600,000	Fixed	3,600,000
Career Benefit Fund	Fixed	13,700	Fixed	13,700	Fixed	13,700
5% Prizemoney	5%	4,400,000	5%	4,084,800	5%	4,871,975
Riding Fee	170	5,159,500	170	5,417,475	170	5,688,349
Riding Fee Non-TAB	170	1,948,030	170	1,593,240	170	1,593,240
Barrier Trial Riding Fee @ 35%	60	200,000	60	200,000	60	200,000
Jockey Superannuation	9.5%	694,215	9.5%	685,018	9.5%	710,751
PPE (Helmets)	Discretionary	Nil	Discretionary	Nil	Discretionary	Nil
Total		16,914,046		16,492,834		17,576,616
Total Prizemoney		87,200,000		85,100,000		97,439,500
Total Jockeys as a % of Prizemoney		19.4%		20.3%		18.0%
Target @ 19.4%				16,506,713		18,900,186
Surplus/(Deficit) to Target				13,879		1,323,570
<i>Meeting Count Assumptions</i>						
TAB Meetings		404		404		404
TAB Races		3,051		3,051		3,051
Total Starters		30,350		31,868		33,461
Average Starters per Race		9.95		10.44		10.97
Non-TAB Meetings		273		213		213
Non-TAB Races		1,419		1,065		1,065
Total Non TAB Starters		11,459		9,372		9,372
Average Starters per Race		8.08		8.80		8.80

Sustainability Plan

Expenditure Options - Jockeys

The proposed jockeys' pool model does not alter owners' 85% share of prizemoney or trainers' 10% share of prizemoney



Sustainability Plan

Expenditure Options – Breeding Schemes

Breeding schemes provide the grass root support for the racing industry.

A successful breeding scheme ensures the longevity of the industry and provides a quality racing product.

Breeding incentive schemes

- RQ currently administers the QTIS and QBred breeding schemes.
- In addition to increases in prizemoney in FY15, additional funds were allocated to breeding incentive schemes.
- Until 30 June 2015, RQ also administered the QGreys breeding scheme. This scheme was abolished due to concerns regarding the overbreeding of greyhounds.
- Significant changes were made to the QTIS and QBred schemes following the new UBET Agreement.
- The changes increased the cost to the industry of these schemes, and it is unclear whether all of the changes benefited the QLD racing industry.

Consultation

- The importance of a defined and robust breeding incentive scheme was noted on a number of occasions in the consultations.
- It was also noted from time to time in the consultations that the current QTIS scheme is more of an owners' scheme than a breeders' scheme, and is really just pseudo prizemoney.
- Submissions also suggested that the breeder's bonus has not resulted in a higher quality of thoroughbreds in QLD.
- Limited suggestions were provided in relation to the QBred scheme. However, one of the state's premier breeders suggested that the QBred scheme be extended and increased to address the national decline of the standardbred breeding industry across Australia.

QTIS – proposed adjustments to the scheme

- RQ proposes the following changes to the QTIS breeding scheme:
 - Remove Breeders' Bonus on the basis that the 2015/16 revamp of the scheme will already provide the potential for significantly better outcomes for both breeders and owners. The fillies and mares (50%) increase in bonuses in particular will make racing QTIS registered female horses more attractive and accordingly have positive ramifications for the wider breeding industry.

- Reduce Saturday Metro Bonuses – with a view to reducing the difference between the Metro weekend and Provincial bonus levels. This reduction will still see QTIS 2yo and 3yo fillies which win at Saturday Metropolitans (and taking into account standard proposed prize money as well) amass approximately \$64k. Pre-October 2014, the same victory would have secured the connections \$56.5k.
- Reduce provincial bonuses – will result in the Metro and Provincial bonuses being paid at the same rate. Midweek Metro races are run at higher prizemoney levels than is the case at provincial meetings but attract lesser QTIS bonuses.
- The FY16 budget also included a provision for additional QTIS races totaling \$630k. It is proposed to remove these discretionary bonuses, unless the financial performance of RQ allows for their inclusion in the schedule racing.
- It is anticipated that the above changes will result in a \$1.56m saving after considering the strike rate reduction being the likelihood that a QTIS registered horse wins or places in a QTIS race.

QBred – proposed adjustments to the scheme

- RQ proposes the following changes to the QBred scheme:
 - QBred bonuses will be discontinued following the completion of the current season, resulting in a reduction totaling approximately \$1.1m
 - QBred Stakes races will continue to be raced with stakes levels unchanged.
- It is anticipated that these changes to the QBred scheme will result in a reduction in scheme benefits of \$1.1m, a saving to RQ of \$990k after applying the strike rate reduction.
- The number of standardbred breeders in QLD is limited, and therefore it is anticipated that the quantum of saving as against the number of participants affected is reasonable.

Sustainability Plan

Expenditure Options – Prizemoney

Prizemoney is RQ's largest cost and represents 61% of total expenditure and returns to industry.

Currently prizemoney is set for an extended period of time and RQ is unable to react to shifts in wagering revenue in a timely manner.

RQ proposes to set a base prizemoney component and a variable component that shifts in line with movements in wagering revenue.

In essence, RQ's proposal is not dissimilar to the current process. However what RQ is proposing is more transparent, timely and reflecting levels of wagering revenue and the overall financial performance of the organisation.

Prizemoney - background

- Prizemoney represents the largest return to the racing industry from RQ, and is anticipated to be 61% of RQ's expenditure in FY16.
- Currently prizemoney is set based on two broad categories:
 - Standard prizemoney levels which is set for each code based on the type of meeting, i.e. TAB vs. Non-TAB and Metro vs. Provincial vs. Strategic.
 - Feature prizemoney which is set at certain levels to meet class requirements.

Challenges

- Following the commencement of the new UBET Agreement, prizemoney levels were dramatically increased from 1 October 2014, and were based on revenue levels that were subsequently not achieved.
- As wagering revenue did not cover the budgeted prizemoney a 'correction' of the prizemoney increase is required.
- The longer the period for which prizemoney is set, the higher the risk that actual revenue is not sufficient to meet budgeted prizemoney. RQ needs to be able to react in a timely manner where wagering revenue is not meeting budget expectations.
- It is likely that industry participants have geared their businesses for the current prizemoney levels, and therefore it is necessary to phase any correction to prizemoney over a number of months.

RQ's proposal

- RQ's proposal is not dissimilar to the current process. However, what RQ is proposing is more transparent, timely and reflective of levels of wagering revenue and the overall financial performance of the organisation.
- The key proposed changes to the prizemoney structure for the three codes are:
 - Prizemoney will be adjusted based on a three month rolling schedule depending on RQ's financial performance against budget. Consequently, the maximum exposure to RQ will be approximately three months.
 - Prizemoney levels will be advertised when the racing schedules are released.
 - A "base" amount of prizemoney will be set, and a "variable" component will be included based on the financial performance of RQ against budget. A graphic on the following page provides an example. It is intended to set the base portion at a high level to provide certainty to the industry regarding prizemoney returns.
- The base and variable prizemoney structure is designed to provide participants with certainty in that their prizemoney returns will not fall below a set level. It will also provide the opportunity for increased returns from revenue growth.
- The tables on the following pages set out the current prizemoney level as against the proposed prizemoney levels for the three codes of racing.

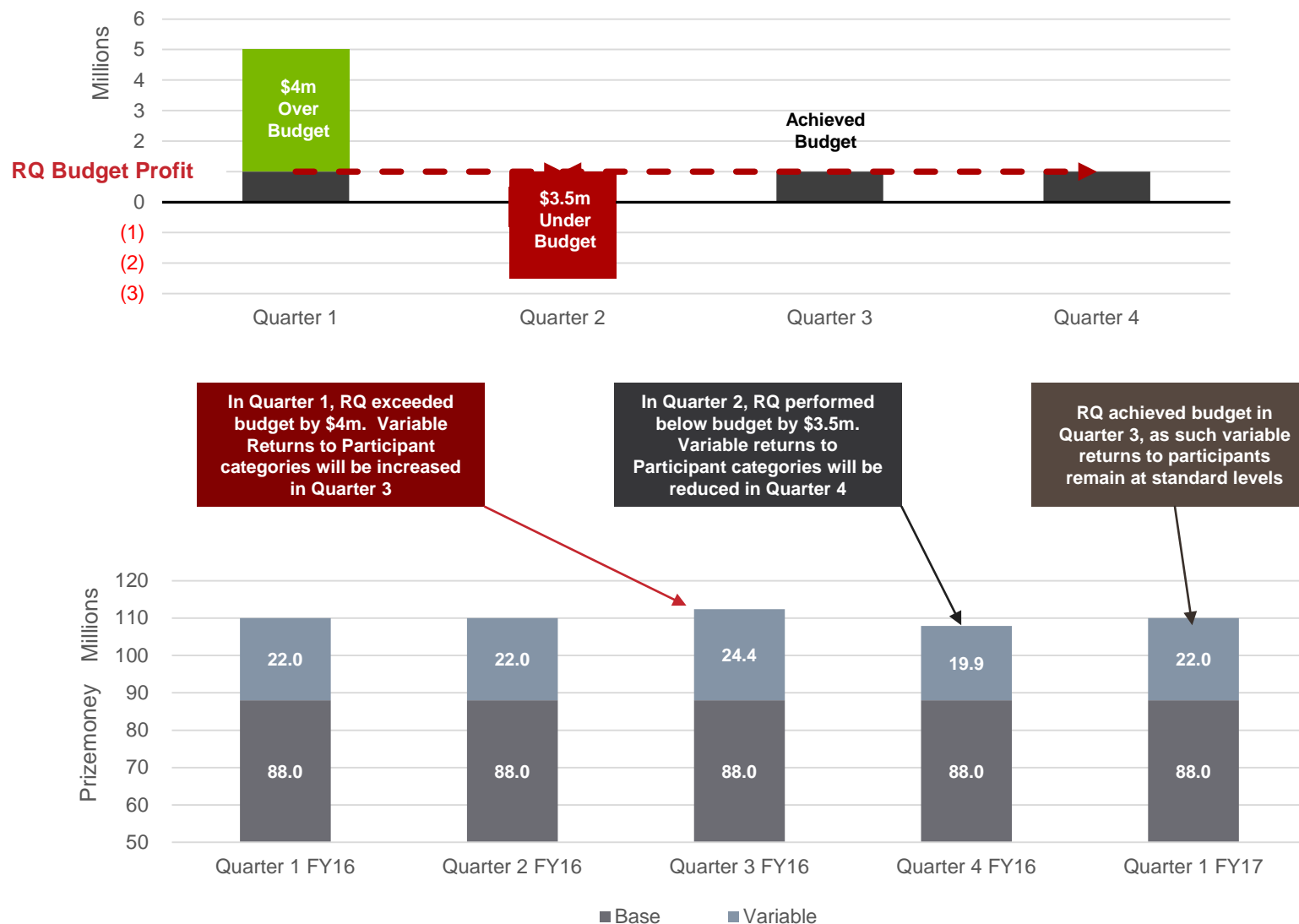
Sustainability Plan

Expenditure Options – Variable Prizemoney Example

The graph to the right sets out a simplified example of how the performance of RQ will impact the proposed variable component of prizemoney.

The model provides a number of benefits:

- Ensures participants are getting the highest return possible within RQ's financial capacity
- Provides transparency to the industry regarding RQ's performance
- Provides an incentive to all participants to grow revenue and to control and be accountable for the expenditure of industry funds.



Sustainability Plan

Expenditure Options – Thoroughbred Prizemoney

Set out to the right is an indicative prizemoney structure proposed for Thoroughbred Racing

A base prizemoney has been set for each category of meeting with a variable component that will depend on the financial performance of RQ

Category	Standard Meeting Details	Proposed Variable Prizemoney Structure			PM Pre 30 Sep 2014	% Change on Pre 30 Sep 2014	PM Budget FY16	% Change on Budget FY16
		Base Proposed 80%	Variable Proposed 20%	Total Proposed 100%				
Metro	6 races @ \$60,000 2 races @ \$50,000	\$368,000	\$92,000	\$460,000	\$380,000	21.1%	\$520,000	(11.5%)
Metro Midweek	8 races @ \$18,000	\$115,200	\$28,800	\$144,000	\$136,000	5.9%	\$160,000	(10.0%)
Public Holiday Metro	8 races @ \$20,000	\$128,000	\$32,000	\$160,000	\$136,000	17.7%	\$400,000	(60.0%)
Public Holiday Provincial	8 races @ \$17,500	\$112,000	\$28,000	\$140,000	\$96,000	45.8%	\$160,000	(12.5%)
Provincial 1	8 races @ \$14,000	\$89,600	\$22,400	\$112,000	\$104,000	7.7%	\$128,000	(12.5%)
Provincial 1 SKY 2	8 races @ \$13,000	\$83,200	\$20,800	\$104,000	\$104,000	-	\$96,000	8.3%
Provincial 2	8 races @ \$12,000	\$76,800	\$19,200	\$96,000	\$88,000	9.1%	\$112,000	(14.3%)
Provincial 3a	8 races @ \$12,000	\$76,800	\$19,200	\$96,000	\$84,000	14.3%	\$104,000	(7.7%)
Provincial 3	8 races @ \$11,000	\$70,400	\$17,600	\$88,000	\$84,000	4.8%	\$96,000	(8.3%)
Provincial 3 SKY 2	8 races @ \$10,000	\$64,000	\$16,000	\$80,000	\$80,000	-	\$80,000	-
Provincial 3a SKY 2	8 races @ \$10,000	\$64,000	\$16,000	\$80,000	\$80,000	-	\$80,000	-
Non-TAB	5 races @ \$5,500	\$27,500	-	\$27,500	\$30,000	(8.3%)	\$35,000	(21.4%)
Picnic	5 races @ \$2,000	\$10,000	-	\$10,000	\$10,000	-	\$10,000	-

Sustainability Plan

Expenditure Options – Harness Prizemoney

Set out to the right is an indicative prizemoney structure proposed for Harness racing.

A variable component has been included in the prizemoney for Albion Park meetings. No variable component will initially be included within standard prizemoney at Redcliffe, however a variable component may be introduced if there is an increase in wagering return.

Category	Standard Meeting Details	Proposed Variable Prizemoney Structure			Average Proposed PM per Race	Average PM per race per FY16 Budget	Per Race % Change on Budget FY16
		Base Proposed*	Variable Proposed*	Total Proposed PM Per Meeting			
Albion Park Friday	8 races @ \$4,000 1 race @ \$3,501	\$31,509	\$3,992	\$35,501	3,944	5,000	(21.1%)
Albion Park Saturday	1 race @ \$13,000 5 races @ \$11,000 4 races @ \$7,500	\$72,800	\$18,200	\$98,000	9,800	10,600	(7.5%)
Albion Park Tuesday	7 races @ \$5,000 2 races @ \$3,501	\$31,509	\$10,493	\$42,002	4,667	5,600	(16.7%)
Marburg Sunday	5 races @ \$1,501	\$7,505	-	\$7,505	1,501	1,500	-
Redcliffe Wednesday	8 races @ \$3,501	\$28,008	-	\$28,008	3,501	3,501	-
Redcliffe Tuesday	5 races @ \$1,501	\$7,505	-	\$7,505	1,501	1,500	-
Redcliffe Thursday	9 races @ \$4,000	\$31,509	-	\$36,000	4,000	4,400	(9.1%)
Deagon Sunday	8 races @ \$2,500	\$20,000	-	\$20,000	2,500	2,500	-
Grass Sunday	8 races @ \$2,500	\$20,000	-	\$20,000	2,500	2,500	-
Kilcoy Sunday	3 races @ \$2,500	\$7,500	-	\$7,500	2,500	2,500	-
Marburg Saturday	5 races @ \$1,501	\$7,505	-	\$7,505	1,501	1,500	-

*The base prizemoney levels are set in reference to the minimum prizemoney level of \$3,501 per race in accordance with penalty thresholds.

Sustainability Plan

Expenditure Options – Greyhounds Prizemoney

Set out to the right is an indicative prizemoney structure proposed for Greyhound racing

A base prizemoney has been set for each category of meeting with a variable amount that will depend on the financial performance of RQ against budget.

Category	Standard Meeting Details	Proposed Variable Prizemoney Structure			Average Proposed PM per Race	Average PM per Race FY16 Budget	% Change on Budget FY16
		Base 80%	Variable 20%	Total 100%			
Brisbane Monday	2 races @ \$1,800 7 races @ \$2,160 1 race @ \$2,340	16,848	4,212	21,060	2,106	2,850	(26.1%)
Brisbane Sunday	4 races @ \$1,350 6 races @ \$1,530 2 races @ \$1,710	14,400	3,600	18,000	1,500	2,043	(26.6%)
Brisbane Thursday	7 races @ \$5,400 1 race @ \$7,200 1 race @ \$5,850 1 race @ \$7,650	46,800	11,700	58,500	5,850	7,363	(20.5%)
Brisbane Wednesday	2 races @ \$1,800 7 races @ \$1,980 1 race @ \$2,160	15,696	3,924	19,620	1,962	2,660	(26.2%)
Bundaberg, Capalaba & Cairns Saturday, Cairns Sunday and Capalaba Tuesday	8 races @ \$630	4,032	1,008	5,040	630	760	(17.1%)
Ipswich Tuesday	3 races @ \$1,350 4 races @ \$1,530 3 races @ \$1,710	12,240	3,060	15,300	1,530	2,043	(25.1%)
Ipswich Friday	3 races @ \$1,350 4 races @ \$1,530 3 races @ \$1,710	12,240	3,060	15,300	1,530	2,043	(25.1%)
Ipswich Saturday	2 races @ \$1,800 2 races @ \$2,980 5 races @ \$2,160 1 race @ \$2,340	16,560	4,140	20,700	2,070	2,660	(22.2%)
Rockhampton Wednesday	2 races @ \$900 5 races @ \$1,080 2 races @ \$1,260 1 race @ \$1,440	8,928	2,232	11,160	1,116	1,245	(10.4%)
Townsville Tuesday	2 races @ \$900 6 races @ \$1,080 3 races @ \$1,260 1 race @ \$1,440	10,800	2,700	13,500	1,125	1,245	(9.6%)

Sustainability Plan

Expenditure Options – Prizemoney Summary

Total prizemoney for Thoroughbred TAB and Greyhound racing is proposed to increase by 12.6% and 6.2% respectively.

Whilst the increase in prizemoney for Greyhound racing appears higher than the other codes, it is a function of 438 additional races being run in FY17 as opposed to FY14. The average prizemoney per race is proposed to decrease by 2%.

Due to the higher loss budgeted for Harness racing, a reduction of 1.3% has been applied to its total prizemoney pool between FY14 and FY17.

Summary of Changes by Code

- The table below sets out the summary of changes in prizemoney for the three racing codes between FY14 to FY17.

Racing Code	FY14	FY15	FY16 Budget	FY17 'Corrected'	FY14-FY17 Increase
Thoroughbred	\$77.9m	\$87.2m	\$98.3m	\$85.2m	9.3%
TAB	\$69.6m	\$77.6m	\$88.0m	\$78.4m*	12.6%
Non-TAB	\$8.3m	\$9.6m	\$10.3m	\$6.8m**	(18.6%)
Harness	\$13.5m	\$14.9m	\$16.3m	\$13.3m	(1.3%)
Greyhounds	\$10.4m	\$12.9m	\$14.3m	\$11.0m	6.2%
TOTAL	\$101.7m	\$115.0m	\$128.9m	\$110.1m	8.3%

Thoroughbred

- The table on page 77 sets out the proposed changes to the thoroughbred prizemoney levels.
- Prizemoney is generally above the level set prior to 30 September 2014, however prizemoney for non-TAB racing has been reduced to \$5,500 per race for both strategic and non-strategic venues.
- The reduction in prizemoney for non-TAB racing is also as a result of reducing non-TAB races by 50 meetings (10 meetings from the Queensland Country Racing Series, and 40 from standard non TAB events).
- TAB meetings have been reduced by 10 meetings due to the proposed discontinuance of the Queensland Country Racing Series as discussed on page 83.
- The prizemoney for feature races has been reduced by \$500,000 as a result of reducing the Stradbroke from \$2m in the FY16 budget to \$1.5m.

- The figures in the table to the left include the impact of the country racing adjustments as discussed on page 83. After excluding the reduction in thoroughbred country racing prizemoney, there is a \$8.5m reduction to thoroughbred prizemoney.

Harness

- Due to the significant shortfall Harness is facing in the FY16 budget, prizemoney has generally been reduced back to the level at 30 September 2014.
- Whilst RQ has endeavored to include a base and variable component for prizemoney across the three codes, the reducing in Harness is limited by the penalty thresholds.
- As such, no variable component has been proposed for racing outside of that which is conducted at Albion Park.
- Should the performance of RQ exceed budget, then RQ may consider introducing a variable component for non-Albion Park harness racing.
- Feature prizemoney across a number of meetings has also been amended, resulting in a \$515k reduction in prizemoney.
- Although total prizemoney for harness has reduced from \$13.5m in FY14 to \$13.3m in FY16, the average prizemoney per race is proposed to increase from \$5,343.94 in FY14 to \$5,487.92 in FY17.

Greyhound

- Whilst total prizemoney is proposed to increase by 6.2% from FY14 to FY17, it must be noted that the number of races is proposed to increase by 8% from 5,475 in FY14 to 5,913 in FY17.
- Under the proposed prizemoney levels, the average prizemoney per race is therefore proposed to decrease by 2% from \$1,893.54 in FY14 to \$1,862.64 in FY17.

*Note the corrected FY17 TAB Thoroughbred prizemoney includes the impact of the discontinuance of the Country Racing Series, as discussed on page 83.

**Note the corrected FY17 Non-TAB prizemoney includes the impact of the reduced non-TAB meetings as discussed on page 83.

Sustainability Plan

Expenditure Options – Country Racing

Participants generally accepted in the consultations that the volume of country racing in Queensland is not sustainable.

Non-TAB thoroughbred racing accounts for over 40% of meetings in Queensland and does not generate a wagering return to RQ.

Country thoroughbred racing

- Further to the discussion on page 59 in relation to the potential for Government contributions to country thoroughbred racing, this section outlines the proposed future structure for country racing.
- The proposed structure seeks to provide the following in a cost effective manner:
 - Social benefit for country communities;
 - A racing economy for rural owners, trainers, breeders, jockeys, clubs and other racing related participants;
 - A safe racing environment for all participants;
 - Continual improvement and training programs to ensure racing intellectual property is retained in the country regions;
 - Links between community events and the scheduling of race meetings to enhance patronage and other sources of funding;
 - Ensuring that Non-TAB races do not detract from field sizes at nearby TAB meetings; and
 - The scheduling of circuits to provide more regular racing and cost efficiencies in terms of stewarding and other race day costs.

Current structure

- It was generally accepted in the consultations that the current country racing structure is not sustainable. In FY15, RQ paid \$5.3m in prizemoney above its minimum requirement under the Racing Act of 5.32% of the UBET Product and Program fee.
- A further \$9.2m was spent by RQ in order to facilitate country racing by providing stewards, paying club administration and subsidy payments, subsidising insurance and providing further TAB prizemoney for non-TAB clubs.
- Although Non-TAB racing provides obvious social and economic benefits for country communities, Non-TAB racing does not produce wagering returns to the industry. There is thus no income to offset the costs.
- The geographical nature of Queensland makes country racing challenging in comparison with the other States and Territories of Australia.
- The table below shows that Queensland runs the highest number of Non-TAB thoroughbred race meetings in Australia. Moreover, the number of Non-TAB meetings in Queensland is greater than the combined number of Non-TAB meetings held by all of the other States and Territories combined.

TAB vs. Non-TAB Racing 2014/15	QLD	NSW	VIC	SA	WA	TAS	NT	ACT
TAB Meeting	404	615	502	187	270	69	74	26
Non-TAB Meeting	273	123	47	9	26	8	1	-
Total Meetings	677	738	549	196	296	77	75	26
% of Non TAB to Total Meetings	40.3%	16.7%	8.6%	4.6%	8.8%	10.4%	1.3%	-
TAB Races	3,051	4,611	4,052	1,420	2,086	568	412	201
Non TAB Races	1,419	669	290	52	157	42	6	-
Total Races	4,470	5,280	4,342	1,472	2,243	610	418	201
% of Non TAB to Total Races	31.7%	12.7%	6.7%	3.5%	7.0%	6.9%	1.4%	-

Source: Racing Australia, 2014/15 Fact Book Early Edition

Sustainability Plan

Expenditure Options – Country Racing

89% of Non-TAB meetings are conducted on Saturdays, in order to provide clubs with the best opportunity to increase patronage and turn a profit.

Current structure (cont.)

- In comparison to the other States and Territories, Queensland has 115 thoroughbred clubs, which is the second highest behind NSW which has 120 clubs.
- 107 of the 115 Queensland thoroughbred clubs run Non-TAB meetings. The table to the right provides a comparison of the volume of meetings run by these non-TAB clubs.
- 68% of Non-TAB clubs run either one or two race meetings each year.
- Of the 107 clubs, 28 are designated 'strategic non-TAB', meaning that they are strategically located to ensure regional sustainability. RQ intends to change classification to not distinguish between strategic and non-strategic to reflect the nature of non-TAB events.
- Under the current model, strategic non-TAB clubs are provided with a subsidy payment of \$3,000 for each meeting they hold. RQ has included \$483,000 in per meeting subsidies for strategic non-TAB clubs in the FY16 budget.
- RQ has budgeted a further \$205,000 in club subsidy payments for the Queensland Country Race Series and for TAB clubs which hold Non-TAB race meetings.
- As Non-TAB meetings are primarily community events, nearly 89% of meetings are scheduled to be held on a Saturday to allow high-levels of patronage and to provide the respective clubs with a greater chance to turn a profit.
- To encourage owners and trainers to run at the non-TAB meetings, many clubs 'value-add' to prizemoney. In FY15, non-TAB clubs value added approximately \$1.43m to prizemoney.
- Participants in the consultations noted however that encouraging owners and trainers to run at non-TAB meetings reduces field sizes at nearby TAB meetings which may in turn reduce wagering revenue.

Number of Non-TAB Clubs	FY16 Number of Non-TAB Meetings
55	1
18	2
7	3
7	4
4	5
3	6
4	7
5	8
2	9
1	10
1	14
107	288

Sustainability Plan

Expenditure Options – Country Racing

It is proposed to use a portion of the funds saved to develop a regional hub and spoke based model for country racing.

Proposed structure

- RQ proposes that the following changes be implemented from 1 July 2016:
 - The removal of the Country Queensland Showcase Series (which is TAB covered), the Celebrate Country Series and the Sustain Country Series. The feedback received from the consultations was that the various Country racing series do not provide the same level of value to the community as the standard non-TAB meetings.
 - A further reduction in the number of non-TAB meetings, where clubs that race between four to seven times a year are reduced to three meetings each. The purpose of reducing these meetings is to increase field sizes at nearby TAB courses, and allowing race meetings to run on a four monthly basis for community benefit. Clubs may obtain funding for an additional race meeting or meetings from alternative sources i.e. sponsors, regional councils and community action. In that event, RQ will facilitate the conduct of any such meeting, agreeing an appropriate date with the club in question. RQ may also be willing to provide an additional meeting or meetings subject to the club providing adequate subsidisation of the stewarding and race day costs incurred by RQ.
 - A reduction in strategic and non-strategic prizemoney levels.

- A reduction in the per meeting subsidy payment for strategic non-TAB meetings to \$1,000 and limiting the value add prizemoney for non-TAB prizemoney to 50% of sponsorship raised. The intention of this measure is to direct clubs to use sponsorship moneys to maintain facilities and provide community events.

Proposed strategy

- It is proposed to use a portion of the funds saved to develop a regional hub and spoke based model for country racing whereby:
 - A central hub in each region will be upgraded to TAB status and will race on a regular basis, and
 - The remaining clubs in the region will race between one to two times per year.
- The purpose of the hub and spoke model is to derive an income from country racing, which can be used to:
 - Improve country racing facilities;
 - Increase prizemoney to improve returns to participants;
 - Provide training to regional areas to ensure racing intellectual property is retained in Country areas, which may allow RQ to assess whether a regional stewarding model can be implemented.

	Prizemoney	Subsidies	QTIS @ 70%	Race Day and Jockeys	TAB Revenue	Net Reduction
1. Country Race Series (inc TAB meetings)	\$1,414,000	\$89,331	\$35,000	\$315,797	(\$585,503)	\$1,269,094
2. Reduction in Meetings	\$1,420,000	\$117,000	\$49,000	\$401,681	n/a	\$1,987,681
3. Strategic and Non-Strategic Prizemoney	\$1,778,500	n/a	n/a	n/a	n/a	\$1,778,500
4. Subsidy reduction	n/a	\$242,000	n/a	n/a	n/a	\$242,000
Total	\$4,612,500	\$448,331	\$84,000	\$717,478	(\$585,503)	\$5,276,806
Sinking Fund for Reinvestment @ 20%						(\$1,055,455)
Net Saving						\$4,221,351

Sustainability Plan

Expenditure Options – Other Reductions

A number of services and events are currently paid for by RQ for the benefit of the industry.

Based on the 'user pays' governing principles of the sustainability plan, RQ is currently assessing the financial saving from passing such costs onto participants.

Marquees and Super Screens

- Over the last two financial years, RQ purchased large marquees and super screens in order to provide clubs with the opportunity to 'rent' these assets to improve the race day experience at a lower cost than available in the open market.
- To date there has been an underwhelming response from clubs, and the assets have only been rented on a handful of occasions.
- Due to the size and nature of these assets the maintenance and storage costs are material.
- With regard to the super screens, RQ budgeted approximately \$67.4k of revenue from hire fees against \$116.7k of maintenance and storage expenditure.
- No revenue was budgeted for the hire of marquees (only \$15k was generated in FY2015) against \$97.8k for storage and maintenance.
- RQ is currently assessing its options in relation to these assets. Should it not be economically feasible to offer this service to clubs, RQ will dispose of these assets prior to 30 June 2016 so that maintenance and storage costs are not incurred thereafter.
- The annual saving on the FY16 budget will therefore be approximately \$147k.

Awards Night

- RQ holds annual awards nights for the three racing codes to celebrate the achievements of the industry's participants.
- In FY15, the cost incurred by RQ to organise and hold the three awards nights was \$178k and the same amount was budgeted against in FY16.
- The awards nights were discussed within the industry consultations, and participants confirmed the importance of the events to industry.

- However, participants also acknowledged that the current cost structure was not appropriate, and that the awards nights should be held at racing venues in order to keep funds within the industry.
- Following this feedback industry task groups were formed to organise the awards nights on a close to cost neutral basis.
- It is anticipated that each event will again run on a cost neutral basis, and therefore RQ estimates a cost saving of approximately \$178,000 on the FY16 budget.

Albion Park Costs

- In conjunction with the Albion Park Harness Club, RQ is currently undertaking an assessment of the Albion Park facility costs.
- \$930k is budgeted for Albion Park facility expenditure in FY2016, including:
 - Electricity of \$280k
 - Water and waste management of \$208k, and
 - Rates of \$24k
- RQ is targeting a cost reduction of \$160,000 to \$200,000 per annum by:
 - Reviewing the procedures in place for use of the lights
 - Investigating whether management of waste and water can be more efficient
 - Enquiring of Council whether rate relief or special grants are available
 - Commercialising the lease arrangements for the Albion Park tenants to ensure outgoings are being appropriately on-charged.
 - Securing discount on maintenance when combining service arrangements with the Deagon facility.

Sustainability Plan

Expenditure Options – Other Reductions

A number of services and events are currently paid for by RQ for the benefit of the industry.

Based on the 'user pays' governing principles of the sustainability plan, RQ is currently assessing the financial saving from passing such costs onto participants.

Camera Control Unit Costs – Harness Racing

- The Harness clubs currently negotiate the media rights agreement with SKY Racing.
- Under this agreement, the Harness clubs received media rights revenue of approximately \$381k in FY14.
- RQ currently pays for the SKY vision camera control unit which totals approximately \$769k per year. Given the Harness clubs benefit from this expenditure, it is considered appropriate that a portion of such expenses are passed on to the clubs. RQ intends to pass \$300k of this cost on to the harness clubs in FY17, and will consider passing the full cost on in future periods.
- In the longer term, RQ will consider its position in relation to negotiating the SKY agreement on behalf of Harness clubs in an effort to provide a better outcome.

On-Course Fielding Incentive Scheme

- Historically bookmakers paid clubs a fee for the privilege of standing on course to take bets. Currently RQ pays a portion of this fee on behalf of bookmakers, which in FY15 amounted to approximately \$727k.
- This scheme was introduced as the decline in volume of betting on course made it less attractive for bookmakers to stand.
- Due to the significantly changed wagering landscape, RQ deems it appropriate that bookmakers and clubs come to their own arrangements regarding on course standing fees.
- It is anticipated that this will provide a cost saving of \$783k against the FY16 budget.

Greyhound Trainers Appearance Fees

- With concerns within the community of a significant number of dogs being bred for racing that do not make it to the track or are deemed unsuitable for racing at an early age, it is deemed contradictory that that trainers are paid a fee to attend a race.
- However it is also recognised that many hobby trainers supply dogs for racing that will win very few races.
- These industry participants play a role in the industry but rely on the trainers appearance fee as a way to subsidise the feed and veterinary costs of racing. With this in mind it is deemed appropriate to pay the appearance fees to those participants.
- There are concerns however, that the current appearance fee being paid to trainers is not being used for the purpose intended.
- Based on the above, RQ deems it appropriate to make the following changes regarding the appearance fee:
 - Unplaced starters' fee
 - From January 2016 the fee be changed to a unplaced starters' fee where dogs finished 4th to 8th will receive \$15 per dog;
 - Only dogs that start will receive the fee; and
 - Fee would be paid as part of the weekly prizemoney run.
 - This adjustment will reduce the total appearance fees included in the FY16 budget by approximately \$250k.
- To ensure the Trainer's appearance fee is being spent in the manner intended, in the longer term RQ intends to issue a voucher mechanism where the fee can be claimed for goods and services.
- The types of establishments where goods can be claimed may include:
 - Veterinary surgeries,
 - Dog Racing Suppliers.

Infrastructure



Sustainability Plan

Infrastructure

Racing is a capital-intensive industry and the maintenance and redevelopment of infrastructure is an ongoing issue for clubs and their management boards.

Background

- Racing is a capital-intensive industry, and the maintenance and redevelopment of infrastructure is a continuing issue for clubs and their management boards.
- A significant portion of the racing infrastructure in Queensland is ageing, and many facilities are subject to constant use, such as Albion Park which is currently used every night.
- Queensland has 104 thoroughbred racing tracks: the second highest number in Australia, behind NSW. An added complexity is the regional location of many of the tracks due to the size of Queensland.
- As part of the new wagering agreement that commenced on 1 July 2014, UBET committed to provide \$97.4m over nine years for infrastructure upgrades across the racing industry.
- Unless cash reserves can be retained from trading surpluses, the UBET infrastructure funds, together with the remaining funds under the Racing Infrastructure Capital Development Scheme are the only funds available for industry infrastructure projects for potentially the next 30 years.
- To best place the racing industry for growth, it is essential that the infrastructure funding from UBET is used in an effective manner.
- In order to do so, a review of the framework and process for planning, approval, funding and development of racing infrastructure in Queensland is being carried out by Queensland Treasury in consultation with:
 - The Department of Premier and Cabinet
 - The Department of National Parks, Sport and Racing (including the Office of Racing), and
 - Racing Queensland.

Key principles

- The key principles of the infrastructure process being developed by Queensland Treasury include:
 - Transparent, consistent and robust process
 - Accountability and role clarity (to be aligned with broader racing industry and governance review)
 - Establish needs/costs, and seek to maximise benefits and balance other industry objectives
 - “Staged gate” decision making process, with an independent body to recommend investments decisions based on an established selection criteria and an appropriate level of feasibility analysis.
- It is proposed to develop a new planning, application and assessment framework and processes to address these key principles.

Indicative Framework

- The planning framework is likely to involve an overall Racing Industry Infrastructure Plan, which will identify and prioritise target objectives, key infrastructure projects and concerns for the industry.
- The priority target objectives and infrastructure projects will then be included in a longer term rolling plan, which is intended to be updated on an annual basis.

Application, Evaluation and Approval Process

- The structure of the infrastructure process is still under development. However, it is intended that clubs and RQ will be required to submit applications to an independent panel, which will assess each application against a pre-determined criteria.

Sustainability Plan Infrastructure

Subject to Government approval, Queensland Treasury intends to implement the new infrastructure process in the new year in conjunction with the development of the racing industry's longer term sustainability plan.

Application, Evaluation and Approval Process

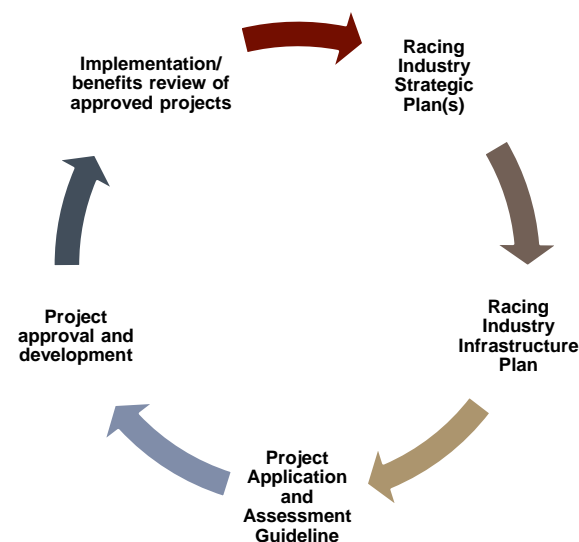
- It is intended to implement a periodic process for submissions from clubs or RQ similar to other Grant funding schemes administered by the Government.
- Furthermore, it is intended to require the approval of the relevant Government Minister for each project, following independent consideration by the panel.

Indicative Criteria

- It is intended to set a broad set of criteria to encourage ideas from clubs and RQ and allow the widest variety of projects to be considered.
- It is intended however, to have a different set of criteria for community versus commercial projects.
- Examples of suggested criteria include:
 - Demonstrated need for the project;
 - Value for money (including cost/benefit analysis and consideration of project risks);
 - Demonstrated benefit to the industry, the club and broader community and link to club and industry long term strategies;
 - Feasibility; and
 - Improvement in non-traditional venue use (e.g. development of multi-purpose facilities).
- The criteria have not been finalised. However they will need to be consistent with the longer term racing industry strategic plan, as well as the Racing Industry Infrastructure plan.

Timeframe

- Subject to Government approval, Queensland Treasury intends to implement the new infrastructure process in the new year in conjunction with the development of the racing industry's longer term sustainability plan.
- A post-implementation review (and ongoing audits) will be included in the plan to ensure that processes are being complied with, objectives are being achieved and that there are no adverse impacts of the new framework.



Animal Welfare



Sustainability Plan

Animal Welfare

Racing Queensland is recognised nationally as the leading authority in addressing animal welfare issues.

Racing Queensland has been commended for its proactive approach to the live-baiting scandal by several animal welfare groups.

Background

- RQ acknowledges that the welfare of all racing animals is paramount to a sustainable racing industry.
- Animal welfare is the most critical social issue for all racing codes.
- As shown by public reaction to the Four Corners exposé of live baiting in February 2015, maltreatment of or cruelty of any kind to animals may jeopardise an industry's social license to operate.
- Whilst live-baiting was about ritualised and unscrupulous cruelty, the most significant issue facing all codes of racing is euthanasia and life after racing.
- The MacSporran recommendation in relation to the functional structure of the racing industry is that animal welfare becomes part of QRIC.
- This section provides an outline of what RQ is currently doing to address animal welfare concerns and discusses the plan for the future.

Greyhounds

- Following a joint investigation by Queensland Police Service and the RSPCA and the subsequent Four Corners exposé in February 2015 of "live-baiting" in the training of greyhounds, the greyhound racing industry became embroiled in the most significant scandal in the sport's history.
- The live-baiting scandal has had a devastating effect on racing's brand and in particular the brand of greyhound racing. However, once the practice was uncovered, Racing Queensland took decisive action.

- Racing Queensland has been commended for its proactive approach to the live-baiting scandal by several animal welfare groups and is recognised nationally as the leading authority in addressing animal welfare issues.
- Specifically, in relation to the live baiting scandal RQ's response has included:
 - Completing more than 700 kennel inspections
 - Vision from the Four Corners program was acquired and analysed resulting in 22 trainers being warned off and a further 15 suspended
 - Continuing to work with the Queensland Police Service to being about further prosecutions
 - Implementing mandatory statutory declarations for greyhound trainers licensing (to the effect that trainers have not been involved in live baiting practices)
 - Undertaking mandatory training and educational modules, and
 - Implementing drone surveillance from mid-October 2015
- RQ is also in the process of implementing systems and processes to enable the life-cycle tracking of greyhounds, including:
 - The introduction of a whelping license
 - The introduction of a rearing license
 - The introduction of a breeding female license, and
 - Tightened regulations around retirement processes and reporting.

Sustainability Plan

Animal Welfare

The number of Greyhounds rehomed via the RQ GAP has grown from approximately one rehoming per week, to one rehoming per day

Greyhounds Continued...

- Additionally, a key strategy to address welfare concerns is to control the breeding levels of greyhounds. In this regard, RQ has:
 - Implemented rules governing the number of litters a breeding female may produce;
 - Lowered the trainer appearance fee (and now proposes to only pay this fee to unplaced starters);
 - Increased litter registration fees;
 - Abandoned the QGreys breeding scheme; and
 - Implemented modules of genetics education.

Greyhound Adoption Program

- The Greyhound Adoption Program of Queensland is a non-profit program of RQ. The purpose of this program is to increase and improve the public's awareness and desire to care for Greyhounds in a loving environment once their racing careers have finished.
- The program has recently seen improved results due to a number of initiatives of RQ including:
 - The appointment of an RQ welfare officer;
 - The promotion of the program at the EKKA and across social media channels; and
 - The introduction of a Greyhound Open Day.
- The number of greyhounds being rehomed via the RQ adoption program has grown from approximately one rehoming per week to one rehoming per day.

Equine

- Rehoming and euthanasia are key issues facing the equine codes of racing.

- Racing Queensland has significant relationships with organisations like "After" which actively work to retrain and then rehome retired racehorses.
- There is no model for racehorses similar to GAP in existence.
- Unlike greyhounds however, markets exist for repurposing slow or retired animals.
 - The sporting and pleasure horse industry is large.
 - The most highly represented breed of horse in the sporting horse market is the thoroughbred.
 - Many thoroughbreds possess valuable attributes including athleticism, stamina and beauty which are highly attractive qualities for a pleasure or sporting horse.
 - Some harness horses have competed successfully in sporting horse competitions. However, they are not the all-round performer that thoroughbreds are and rehoming is somewhat more difficult.
- Importantly, many trainers and owners already have networks in place that allow them to rehome racehorses.
- In order to establish a sustainable system for rehoming racehorses, a multifaceted program needs to be undertaken that:
 - Broadens owner exposure to responsibilities for Life after racing;
 - Maintains and enhances the existing rehoming network;
 - Creates a shop front for rehoming by leveraging an existing retraining structure; and
 - Creates value in retired racehorses within the pleasure and sport horse markets (noting that over several decades, retired racehorses have become less fashionable in favor of Warmbloods, for example).

Appendix 1 – Cross Subsidisation by Code



Sustainability Plan

Schedule of Financial Impact - Summary

All Codes Summary	FY17 Preliminary	Other Adjustments	Country Racing Adjustments	FY16 Budget	FY15 Actual	FY14 Actual	FY17 to FY14
Revenue							
• Thoroughbred	170.3	5.0	(0.6)	165.9	168.3	156.6	8.8%
• Harness	22.4	0.1	-	22.2	23.0	27.4	(18.3%)
• Greyhounds	28.9	0.1	-	28.8	32.6	20.5	41.0%
Total Revenue	221.6	5.2	(0.6)	216.9	223.9	204.5	8.4%
Expenditure							
• Thoroughbred	163.0	(12.3)	(4.8)	180.0	171.2	153.6	6.1%
• Harness	27.9	(4.5)	-	32.4	30.1	29.4	(5.1%)
• Greyhounds	29.2	(3.3)	-	32.5	33.8	25.4	15.0%
Total Expenditure	220.1	(20.1)	(4.8)	244.9	235.1	208.4	5.5%
Surplus/(Deficit)	1.5			(28.0)	(11.2)	(3.9)	

The sustainability measures result in an anticipated surplus of approximately \$1.5m for FY17

Executive Summary

Stakeholder Summary - Thoroughbreds

	FY17 Preliminary	Other Adjustments	Country Racing Adjustments	FY16 Budget	FY15 Actual	FY14 Actual	FY17 to FY14
Revenue							
Wagering Revenue	156.2	3.8	(0.6)	153.0	150.8	135.7	15.1%
Racing Fees	6.7	0.4		6.3	5.1	5.3	26.4%
Grants and Other Contributions	1.8	0.8		1.0	6.4	10.5	(82.9%)
Other Revenue Items	5.6	(0.1)		5.6	6.0	5.1	9.8%
Total Revenue	170.3	4.9	(0.6)	165.9	168.3	156.6	8.8%
Expenditure							
Prizemoney							
• TAB	78.4	(8.5)	(1.0)	88.0	82.1	72.5	8.14%, 12.6% exc. sponsored prizemoney
• Non-TAB	6.8	-	(3.6)	10.3	9.6	10.3	(34.0%), (18.6%) exc. FY14 sponsored prizemoney
QTIS	6.6	(1.6)	(0.1)	8.3	6.3	6.0	10.0%
Supplies and Services	23.2		(0.7)	23.5	24.2	22.1	5.0%
Marquees and Super Screens	-	(0.2)	-	0.2	0.1	-	-
Awards Night	-	(0.1)	-	0.1	-	0.1	-
On-course Fielding Incentive	-	(0.8)	-	0.8	0.7	1.3	-
Employee Expenses	8.5	-	-	8.5	7.5	6.7	26.9%
Wagering Expenses	27.6	-	-	27.6	27.2	22.2	24.3%
Grants and Subsidies	10.8	(1.1)	0.6	11.2	11.8	11.3	(4.4%)
Other Expenditure	1.5	-	-	1.5	1.7	1.1	36.4%
Total Expenditure	163.0	(12.3)	(4.8)	180.0	171.2	153.6	6.1%
Surplus/(Deficit)	7.3			(14.1)	(2.9)	3.0	

Executive Summary

Stakeholder Summary - Harness

	FY17 Preliminary	Other Adjustments	FY16 Budget	FY15 Actual	FY14 Actual	FY17 to FY14
Revenue						
Wagering Revenue	21.3		21.3	21.3	25.9	(17.8%)
Other Revenue Items	1.1	0.1	0.9	1.7	1.5	(26.7%)
Total Revenue	22.4		22.2	23.0	27.4	(18.3%)
Expenditure						
Prizemoney	13.3	(2.9)	16.3	15.9	13.9	(4.3%)
QBred	0.3	(1.0)	1.3	1.0	0.7	(57.1%)
Supplies and Services	3.8	-	3.8	3.6	4.9	(22.4%)
Venue Expenditure	0.4	(0.1)	0.5	0.5	0.5	(20.0%)
Video Operators (CCU)	0.5	(0.3)	0.7	0.7	0.7	(28.6%)
Awards Night	-	(0.0)	0.0	0.0	0.0	-
Employee Expenses	4.3	-	4.3	3.0	3.4	26.5%
Wagering Expenses	3.4	-	3.4	3.1	4.3	(20.9%)
Grants and Subsidies	1.5	(0.2)	1.7	1.9	0.5	200.0%
Other Expenditure	0.4	-	0.4	0.4	0.5	(20.0%)
Total Expenditure	27.9		32.4	30.1	29.4	(5.1%)
Surplus/(Deficit)	(5.5)		(10.2)	(7.1)	(2.0)	175%

Executive Summary

Stakeholder Summary - Greyhounds

	FY17 Preliminary	Other Adjustments	FY16 Budget	FY15 Actual	FY14 Actual	FY17 to FY14
Revenue						
Wagering Revenue	28.3		28.3	30.3	17.0	66.5%
Other Revenue Items	0.6	0.1	0.5	2.3	3.5	(82.9%)
Total Revenue	28.9		28.8	32.6	20.5	41.0%
Expenditure						
Prizemoney	11.0	(2.6)	13.7	13.2	10.4	5.8%
Appearance Fees	0.6	(0.3)	0.9	1.4	0.5	20.0%
QGreys	-	-		0.2	0.0	-
Supplies and Services	4.8	-	4.8	4.6	4.4	9.1%
Venue Expenditure	0.6	(0.1)	0.7	0.9	0.7	(14.3%)
Awards Night	-	-	0.0	0.0	0.0	-
Employee Expenses	4.9	-	4.9	4.1	3.5	40.0%
Wagering Expenses	4.6	-	4.7	4.7	2.8	64.3%
Grants and Subsidies	2.2	(0.2)	2.4	4.1	2.5	(12.0%)
Other Expenditure	0.4	-	0.4	0.6	0.6	(33.3%)
Total Expenditure	29.2		32.5	33.8	25.4	15.0%
Surplus/(Deficit)	(0.3)		(3.7)	(1.2)	(4.9)	(93.9%)