

IN THE AUSTRALIAN COMPETITION TRIBUNAL



Statement

No. ACT of

Tabcorp Holdings Limited

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

Statement of: Paul Innes

Address: 406/10 Century Circuit, Baulkham Hills New South Wales 2153

Occupation: Chief Executive Officer, Australian Jockeys' Association

Date: 3 March 2017

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I, Paul Innes, Chief Executive Officer of the Australian Jockeys' Association (**AJA**) in the State of New South Wales say that:

PERSONAL BACKGROUND

- 1 I am currently the Chief Executive Officer of the AJA and have held that position since the establishment of the AJA in 2001. As Chief Executive Officer, I am responsible for managing the day to day operations of the AJA.
- 2 In addition to my role as Chief Executive Officer of the AJA, I am Chairman and a founding member of the National Jockeys Trust (**the Trust**). The Trust was established in 2004 by the

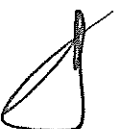
Filed on behalf of	Tabcorp Holdings Limited (Applicant)		
Prepared by	Luke Woodward		
Law firm	Gilbert + Tobin		
Tel	+61 2 9263 4014	Fax	+61 2 9263 4111
Email	lwoodward@gtlaw.com.au		
	Level 35, Tower Two International Towers		
	200 Barangaroo Avenue, Barangaroo		
Address for service	Sydney NSW 2000		

AJA and provides support and funds for current and former jockeys and their families during periods of injury, illness or on death of a jockey. I am responsible for driving the long term vision of the Trust, acting as a spokesperson for the Trust and have responsibility for all board related matters.

- 3 I am also a member of the Racing Industry Consultative Group (RICG). The RICG is a group established under the *Thoroughbred Racing Act 1996* (NSW) for the purpose of consulting with and making recommendations to Racing NSW on matters concerning horse racing in New South Wales.
- 4 Prior to joining the AJA, I was a secretary of the New South Wales Jockeys' Association from 1998 to 2001, the state representative body for New South Wales based jockeys.
- 5 Between 2006 and 2008, I was Deputy Chair of the Racing Industry Participants Advisory Committee (RIPAC). RIPAC was also established under the *Thoroughbred Racing Act 1996* (NSW) as a vehicle by which industry representation is made to Racing NSW.
- 6 In 2011, I was awarded an Order of Australia Medal (OAM) in the General Division for service to the thoroughbred horseracing industry, particularly my services to the AJA.
- 7 I also previously spent approximately 28 years working at the Australian Taxation Office. I was responsible for a range of matters, including reviewing and assessing taxpayer annual returns, conducting audits and investigations in relation to taxpayers, preparing cases on behalf of the ATO in various Courts and Tribunals and drafting taxation guides for business.
- 8 I am a qualified accountant, a Fellow of the Institute of Public Accountants and a graduate of the Institute of Company Directors.
- 9 I make this statement in my position as Chief Executive Officer of the AJA, in relation to an application by Tabcorp Holdings Limited (Tabcorp) to the Australian Competition Tribunal (the Tribunal) for the authorisation of the proposed merger of Tatts Group Limited (Tatts) and Tabcorp.

AJA OVERVIEW

- 10 The AJA is the peak national representative body for jockeys riding in thoroughbred races organised by PRAs and racing clubs in Australia.
- 11 The AJA aims to support jockeys throughout their involvement in the racing industry in such a way that they are able to make the maximum contribution to the racing industry whilst gaining rewards from the industry as a valued participant. The AJA seeks to raise the profile of jockeys as elite professional athletes while promoting the educational, industrial health, safety and welfare of jockeys.



- 12 The AJA was established in 2001 and became an incorporated organisation in 2005.
- 13 The AJA works closely with state and territory based jockey associations.
- 14 Membership of the AJA is comprised of two representatives of each of the state and territory based jockey associations. Collectively, the AJA represents all members of those state and territory based jockey associations and this amounts to approximately 790 licensed jockeys.
- 15 The Board of Directors of the AJA consists of two representatives of each of the state and territory based jockey associations.
- 16 The AJA currently has the equivalent of 4.5 full time employees. Its office is located in Baulkham Hills, New South Wales.
- 17 The AJA's sole source of funding is contributions from jockey riding fees. These contributions assist the AJA with its general administration costs.
- 18 The AJA has a number of purposes including to:
- (a) review the remuneration to jockeys in relation to riding fees and trial fees;
 - (b) negotiate for and develop Australia wide insurance, superannuation and retirement arrangements for jockeys (as explained at paragraph 19 below);
 - (c) perform an advocacy role with governments and other bodies on behalf of jockeys on a range of issues (as explained at paragraph 20 below); and
 - (d) provide a range of information and services to jockeys (as explained at paragraph 21 below).
- 19 Since its inception, the AJA has played an important role in securing more favourable insurance, superannuation and retirement arrangements for jockeys. In 2002, it was successful in achieving public liability insurance for jockeys, such that premiums were paid on riding fees on a per ride basis. As set out above, in 2004, the AJA established the Trust to provide jockeys and their families support during periods of injury, illness or on death of a jockey. The AJA has also helped secure improved workers compensation conditions with government to achieve payments when jockeys are injured or suffer career ending injuries. Further, in 2007, the AJA proposed that a portion of national prize money be distributed to fund public liability insurance, personal accident insurance and various welfare programs for jockeys. The proposal was accepted by the Australian Racing Board and since 1 July 2009, 1% of all national industry prize money has been allocated to fund public liability insurance, personal accident insurance and various welfare programs for jockeys.



- 20 The AJA has performed an important advocacy role in relation to a range of safety, health and welfare matters. It has lobbied PRAs and governments regarding the installation of safer tracks, the use of protective riding gear and the provision of sports physicians and psychologists to assist injured or affected riders. The AJA submitted a proposal to the ATO that jockeys ought to be entitled to superannuation guarantee payments on their riding fees. That proposal was accepted by the ATO and since 1 July 2014 jockeys have been able to access superannuation guarantee payments on their riding fees.
- 21 As the peak representative body for jockeys, the AJA provides a range of information and services to jockeys. Most of the information is made available on the AJA website and covers a range of topics pertinent to jockeys, including matters such as steps that jockeys should take if they suffer a fall (including how to make a claim under the workers compensation scheme to the relevant PRA), career development information, regulatory information (including relevant racing rules) and superannuation entitlements. The services provided by AJA include referral to a solicitor on legal issues and access to a sports psychologist and sports physician.
- 22 In addition to the jockey focused initiatives referred to above, the AJA aims to promote the prosperity and welfare of the Australian racing industry. It seeks to create a national focus for the thoroughbred racing industry and the complementary industry infrastructure to both lead and manage it.

ROLE AND IMPORTANCE OF JOCKEYS IN THOROUGHBRED RACING

- 23 Jockeys are key participants in the thoroughbred racing industry. I understand from the current Racing Australia factbook that in the financial year 2015/2016, there were 523 licensed jockeys, 270 apprentice jockeys and a further 80 amateur jockeys in Australia (see a copy of the relevant page of the Racing Australia factbook for 2015-2016 at **Annexure PI-1**). The vast majority of jockeys are engaged on a full time basis, with a small portion engaged on a seasonal or part time basis.
- 24 Jockeys derive income from the following sources:
- (a) jockey fees which are paid on a per-ride basis. These fees are set and paid by state and territory bodies (being the PRAs in each state or territory) where the ride takes place. The amount of jockey fees payable varies by State and Territory but is typically in the range of \$165 to \$195 (excluding GST and superannuation);
 - (b) trial fees, which vary by State and Territory; and
 - (c) a share in prize money, which is typically 5% of stakes.

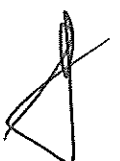
- 25 In the period 2015/2016, approximately \$568 million (including trophies) was distributed in Australia in prize money in the thoroughbred racing industry. Prize money is therefore an important source of funding support for jockeys who may receive a stake in prize money to supplement modest riding fees. While the prize money share that jockeys receive provides a significant financial incentive, it is inherently uncertain and the stakes money income is dominated by the top metropolitan riders.

THE TRUST

- 26 As I refer to above, the AJA established the Trust in 2004. The AJA set the Trust up because we were concerned that not enough was being done by the industry to protect the interests and welfare of jockeys and their families, in the event of serious injury or death. It is the case that being a jockey is the most dangerous occupation in Australia and so this issue is central and important to the trustees of the Trust.
- 27 The Trust is constituted by a trust deed entered into between the Australian Racing Board Limited, the body responsible for the conduct of thoroughbred horse racing in Australian states and territories, and trustees of the trust. Currently, there are 7 trustees of the Trust, of which I am Chairman.
- 28 The Trust is a public charitable trust with the principal purpose of relieving the immediate and ongoing financial needs of jockeys and their families who are in necessitous circumstances caused by a jockey being seriously injured or dying, whether on a racetrack or otherwise or through a jockey suffering a severe illness.
- 29 The Trust has developed policies and procedures for the assessment of applications for financial assistance. If a jockey seeks financial assistance from the Trust, an application for financial assistance together with supporting evidence must be submitted to the trustees. We, the trustees, will then assess the financial resources and particular needs of the jockey (and the jockey's family) and determine whether to provide the requested assistance.
- 30 Funding for the Trust is primarily derived from a longstanding sponsorship arrangement with LUCRF Super (Labour Union Co-Operative Retirement Fund). All jockeys wear LUCRF branding on their breeches when they ride. They do not receive any personal income from this sponsorship, but the funds from the sponsorship go to support the activities of the Trust. Some funding is also derived from public donations made either by the Trust website or through Trust fundraising events.
- 31 Occasionally the Trust receives corporate contributions. For example, in 2015 Tabcorp entered into a 3 year sponsorship arrangement with the Trust. I consider that establishing and undertaking the activities of the Trust has been the most important part of the AJA's role.

VIEWS ON PROPOSED MERGER OF TABCORP AND TATTS

- 32 As noted above, I am aware that Tabcorp has proposed to acquire the issued shares of Tatts by a scheme of arrangement (**the Proposed Transaction**).
- 33 I received a briefing from Tabcorp executives on the Proposed Transaction's implications for the racing industry. I understand from this briefing that Tabcorp expects that the Proposed Transaction will enable it to achieve significant operating synergies (through technology integration and systems optimisation, consolidation of wagering functions, corporate cost rationalisations and procurement benefits from increased scale), and wagering performance optimisation under the TAB brand (through increased risk management capabilities and wagering turnover growth through alignment of product offerings, targeted investment, combined digital expertise and the possibility of merged pools) and other operating and commercial benefits, such as capex synergies.
- 34 I further understand that Tabcorp expects that as a result of these synergies, approximately \$50 million will flow through to the racing industry each year in the form of additional funding, with additional benefits available to shareholders.
- 35 The funding model for the Australian racing industry is critically dependent on a strong totalisator or pari-mutuel operator in each state or territory.
- 36 Over the past 5-10 years, with the entry and growth of a number of large corporate bookmakers into the wagering market, there have been changes to the level of funding across the Australian racing industry. In my view, the nature of the products that are offered by corporate bookmakers have led to punters betting less with pari-mutuel products (and the tote operator) and instead moving to fixed odds products offered online by corporate bookmakers. Given the funding relationship that exists in a number of states between tote operators and the racing industry, this has led to a reduction in funding for a number of participant groups.
- 37 These changes have been experienced to varying degrees across all Australian states and territories, with some states experiencing greater changes in funding than others. I am aware that one state that has been particularly impacted by the decline in funding from pari-mutuel wagering is Queensland. While I understand that there may be a number of reasons for the financial difficulties currently faced by Queensland Racing, there is little doubt that the industry in that state has suffered. I'm aware from the Racing Queensland 2015-16 annual report that Racing Queensland has faced a number of consecutive years of financial losses and currently has budgeted losses of approximately \$20 million. Racing Queensland is currently reliant on government funding to continue to operate.
- 38 This compares with the position in larger states, such as NSW and Victoria, which are doing relatively better financially and NSW and Victoria recently increased stakes money for its races.

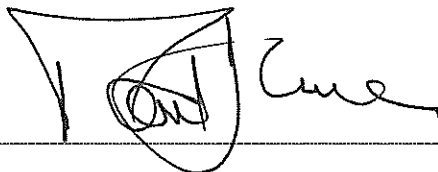


This disparity in funding across states has resulted in trainers and jockeys, particularly on the Queensland border with NSW, participating more often in race events in NSW where greater funding (and prize money) is available. This further exacerbates the problem for Queensland.

- 39 To the extent that the Proposed Transaction delivers greater efficiencies and synergies of the kind identified to me by Tabcorp, it appears likely to lead to an increase in funding for the racing industry in Queensland, given its funding agreement with Tatts. The prospect of increased funding creates the potential for better stakes, better quality races and more funding being available to racing industry participants (including jockeys). If that increased funding improves the quality of the product offered, the volume of races and stakes, I believe that the whole Australian racing industry will stand to benefit.
- 40 While I do not have the expertise to comment upon the difference in performance between Tabcorp and Tatts, my personal view is that Tabcorp has a proven track record as an effective tote operator. With Tabcorp's strong wagering expertise, I believe that greater economies of scale may be achieved through the operations of the companies being merged.
- 41 Jockeys love their industry and take great personal risk. As noted above at paragraph 26 of my statement, being a professional jockey is the most dangerous occupation in Australia. I sincerely believe that jockeys and their families deserve appropriate access to financial support in the event of illness, injury or death. If the proposed transaction were to proceed, the AJA would like to continue to look for any opportunity for some of the improved financial resources derived from a stronger tote and racing industry to flow through to the Trust.

ANNEXURES

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



Signature

Paul Innes, Chief Executive Officer, Australian Jockeys Association

Date: 3 March 2017

SCHEDULE A

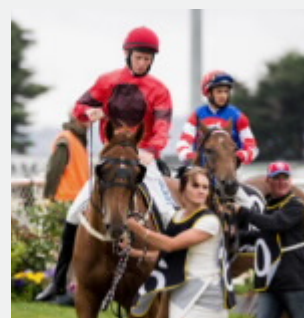
TABLE OF ANNEXURES REFERRED TO IN STATEMENT OF PAUL INNES

Annexure	Description	Confidentiality
PI-1	Extract of Racing Australia factbook for 2015-2016	-

A handwritten signature in black ink, consisting of a large, stylized loop followed by a vertical stroke and a small hook at the top.



RACING SEASON 2015/2016 FACT BOOK



www.racingaustralia.horse
A GUIDETO THETHOROUGHBREINDUSTRYN AUSTRALIA
Racing Season 1st August 2015 - 31st July 2016



Picture supplied courtesy of Goldin Farms

Cover Pictures supplied courtesy of Racing NSW, Racing Photos, Queensland Racing & NT

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KEY STATISTICS - 2015/16

TABLE 1. AUSTRALIAN RACING STATISTICS, STATE BY STATE 2015/16

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUSTRALIA
Clubs	121	69	115	24	35	5	5	1	375
Tracks	116	74	107	22	35	6	5	2	367
Race Meetings	742	550	693	196	297	73	76	24	2,651
Flat Races	5,541	4,339	4,540	1,441	2,268	570	423	181	19,303
Jumping Races	-	70	-	20	-	-	-	-	90
Total Races	5,541	4,409	4,540	1,461	2,268	570	423	181	19,393
Flat Horses	10,463	8,631	7,336	2,955	3,727	969	626	939	35,646
Jumping Horses	-	197	-	53	-	-	-	-	250
Total Horses	10,463	8,828	7,336	3,008	3,727	969	626	939	35,896
Flat Starters	52,374	43,334	42,527	13,724	22,965	5,583	3,302	1,662	185,471
Jumping Starters	-	554	-	116	-	-	-	-	670
Total Starters	52,374	43,888	42,527	13,840	22,965	5,583	3,302	1,662	186,141
Prizemoney (Inc Trophies)	\$174,046,333	\$178,440,691	\$100,097,650	\$34,994,715	\$60,289,562	\$9,888,799	\$7,189,264	\$3,918,500	\$568,865,514
Incentive Scheme Payouts (\$)	\$8,960,000	\$8,871,750	\$6,858,675	\$1,434,950	\$5,603,952	\$203,800	\$300,000	\$240,000	\$32,473,127
Other Returns To Owners	\$10,992,887	\$18,900,000	\$12,534,211	\$3,602,125	\$6,643,379	\$2,161,536	\$1,001,140	\$31,926	\$55,867,204
Fees Paid By Owners (-)	\$6,209,000	\$11,158,019	\$5,096,409	\$2,091,420	\$3,111,450	\$721,334	\$1,128,782	\$213,517	\$29,729,931
Total Return	\$187,790,220	\$195,054,422	\$114,394,127	\$37,940,370	\$69,425,443	\$11,532,801	\$7,361,622	\$3,976,909	\$627,475,914
Bookmakers	157	180	72	12	0	8	32	10	471
Jockeys	132	131	147	27	51	15	20	*	523
Apprentice Jockeys	79	40	82	19	28	18	4	*	270
Amateur Jockeys	17	32	8	-	23	-	-	*	80
Total Riders	228	203	237	46	102	33	24	*	873
Trainers	951	794	804	277	492	92	48	*	3,458

**Other Returns to Owners include starters rebates, appearance fees, float rebates, fess paid on behalf of owners etc.*
Fees paid by owners include, nominations, acceptances, bonus scheme registration
***ACT Jockeys were counted in NSW*

CHART 1. PRIZEMONEY 1995/96- 2015/16

