

## BRIEFING NOTE

FROM	Treasury		
FOR	Treasurer		
SUBJECT	Amendments to Queensland Racing Limited (QRL) constitution		
Contact Officer:	Carol Petrett, Director, Investigations and Compliance, Office of Racing	Record No: QTO-02989	Date: 22 August 2008
Requested by:	Lachlan Smith	Date Approval Required By: 22/08/08	

### PURPOSE

1. To provide advice on the request to ratify proposed amendments to the Queensland Racing Limited (QRL) constitution.

### BACKGROUND

2. The proposed amendments to the QRL constitution seek to:
  - extend the initial term of the founding directors from 3 to 6 years before the process of retirement by rotation commences;
  - change the process for the appointment of directors by removing the requirement for an independent recruitment consultant to prepare a short list of applications for director positions. Shortlisting is to be undertaken by the company secretary;
  - restructure the selection committee to provide for two Class A and two Class B representatives and an independent representative; and
  - clarify the mechanism by which the board may appoint directors up to the maximum seven appointments as currently permitted and to fill vacancies.
3. It is a condition of the control body approval granted to QRL, that it must obtain the ratification in writing of the Minister before implementing any amendment to the company's constitution.

### ISSUES

8. In accordance with the requirements of the QRL constitution and the *Corporation's Act 2001* (Cth), prior to seeking the ratification by the Minister of proposed amendments to the constitution of QRL, special resolutions (75% majority) of the Class A members, the Class B members and the company in general meeting must approve the proposed amendments.
9. At meetings held on 6 August 2008, the Class A members, the Class B members and the company in general meeting each passed special resolutions to amend the constitution of QRL.
10. While there will be a wide variety of opinions on the appropriateness of the proposed amendments, the required approvals by the members of the company have been provided.
11. In reviewing the proposed amendments to the constitution, the only integrity related issue that has been identified is the proposal regarding the removal of the independent recruitment consultant.

### **Independent Recruitment Consultant**

12. The removal of the requirement for an independent recruitment consultant to prepare a short list of applications for director positions, by reference to the selection criteria contained in Appendix A of the constitution, and for this process to be undertaken by the company secretary has the potential to undermine the integrity of the recruitment system.
13. In support of the proposal to remove the requirement for an independent recruitment consultant to prepare a short list of applications for director positions, QRL refer to the cost involved in engaging an independent recruitment company and state that it is unnecessary if the company secretary is competent to undertake this process.
14. The use of an independent recruitment company has been a fundamental aspect of the recruitment and appointment of board members to the thoroughbred control body since 2001 and has provided a good defence against criticism of the recruitment process. Furthermore, similar integrity safeguards concerning the use of an independent recruitment process was a primary consideration in the assessment of recent corporatisation applications by the harness and greyhound control bodies.
15. An independent recruitment company has the professional expertise to review applications against the selection criteria, independent of any real, or perceived, influence from QRL. It is considered that this requirement provides an important safeguard from an integrity perspective to ensure independence and impartiality in the short-listing of applicants. Under the proposed arrangements, it could be argued that the company secretary may be influenced by the views of the board in short-listing applicants.
16. The removal of this requirement has not only the very real potential to be criticised on the basis that it will undermine the integrity of the recruitment system, but also removes a mechanism for ensuring only qualified candidates are available for appointment to the QRL Board.
17. It is considered that the argument of cost savings to QRL is not a sufficient reason to change this aspect of the recruitment process as it is not a material cost.

### **Decision**

18. Your decision must be either to ratify or not ratify the proposed amendments to the QRL constitution. There is no power for you to modify the resolution passed by QRL, by ratifying only part of the resolution.

**RECOMMENDATION**

19. It is recommended that you:

- do not ratify the proposed amendments to the QRL constitution on the basis that removal of the requirement for an independent recruitment consultant to prepare a short list of applications for director positions has the potential to undermine the integrity of the recruitment system; and
- sign the letter to QRL (Attachment 1).

*G Bradley*  
 Gerard Bradley  
 Under Treasurer Date 21/8/08

<input type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input checked="" type="checkbox"/> Noted
Treasurer's Comments		
I will formally consider once matters of process have been investigated and assessed.		
<i>Andrew Fraser</i>		
Andrew Fraser Treasurer 26/8/08		

	(Initials)	(Initials)	(Initials)
Carol Perrett Office of Racing 323 41408 22 August 2008	Mike Kelly Office of Racing 323 41376 22 August 2008		

\* This officer may be required to provide further detailed information regarding the issue.



Hon Andrew Fraser MP  
Member for Mount Coot-tha



Queensland  
Government

Treasurer of Queensland

QTO-02989

Mr Bob Bentley  
Chairman  
Queensland Racing Limited  
PO Box 63  
SANDGATE QLD 4017

I refer to your letter of 12 August 2008 seeking my ratification of proposed amendments to the constitution of Queensland Racing Limited (QRL).

I note that at meetings held on 6 August 2008, the Class A members, the Class B members and the company in a general meeting each passed special resolutions to amend the constitution of QRL.

In reviewing the proposed amendments to the constitution, one integrity related issue has been identified, namely, the removal of the requirement for an independent recruitment consultant to prepare a short list of applications for director positions.

The use of an independent recruitment company has been a fundamental aspect of the recruitment and appointment of board members to the thoroughbred control body since 2001. An independent recruitment company has the professional expertise to review applications against the selection criteria, independently of any real, or perceived, influence from QRL. It is considered that this requirement provides an important safeguard from an integrity perspective to ensure independence and impartiality in the short-listing of applicants.

I consider that the removal of this requirement has the potential to undermine the integrity of the system for the recruitment of directors.

For the reasons outlined above, I am not prepared to ratify the proposed amendments to the QRL constitution.

Yours sincerely

ANDREW FRASER

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