



7 November 2011

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Dear Mike

RE: INDUSTRY INFRASTRUCTURE PLAN – PROBITY

We acknowledge that as part of the delivery of the Industry Infrastructure Plan (IIP) for the racing industry the importance of implementing a high degree of probity with the expenditure of these funds.

In doing so we have amended, and incorporated, the fundamentals of the Racing Queensland Limited (RQL) Purchasing Policies as part of the commitment to providers of services to RQL. In addition, RQL has established a control group to oversee the delivery of the Infrastructure Plan. Attached for your information is the group's charter along with the "RQL internal financial process" document.

We wish, however, to advise that in the case of the Mackay project, due to the urgency of commencing the works from a workplace, health and safety aspect, it was necessary to appoint Contour Consulting Engineers (CCE). This appointment did not involve the preferred process of seeking competitive fee submissions from alternative providers for the following disciplines:

- Project Management
- Civil Engineering
- Structural Engineering
- Environmental Engineering – To be sub consulted
- Architectural – Basic
- Building Hydraulics
- Flooding Drainage

The reasons for this appointment were due to the following:

1. Immediately upon the announcement of the IIP there was a requirement by the state for RQL to immediately commence the Mackay project.
2. The preferred process of this appointment would have delayed the commencement of this project by two months.

In order to satisfy 'value for money' RQL based the appointment on the following:

- Comparative industry rates of the percentages of construction costs normally applied for these disciplines.
- The level of experience of CCE has in relation to racecourse projects
- The detailed negotiation by RQL employees with CCE on their fees which resulted in the total consultant fee budget for the project of \$877,030 being below the state approved budget of \$940,000.

RQL confirms that sufficient probity has been incorporated with the appointment of CCE in this role to ensure appropriate 'value for money'.

Further to this, it is also noteworthy that CCE, as a qualified supplier to RQL, also played an integral role in shaping up the original material for the infrastructure plan that needed to be compiled in a confidential manner.

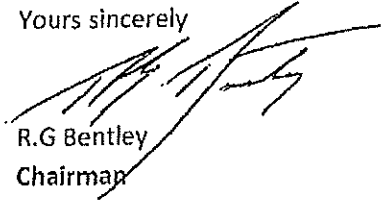
RQL can advise that the fundamentals of the Purchasing Policy are continuing to be applied to all other commitments to service providers on this project.

In order to be able to prepare and lodge the necessary business cases with the state for funding approval RQL needed to appoint CCE to assist with the preparation of this material and this appointment is for this process only. The reason for the appointment without the preferred procurement process was based on the same reasons provided above for the Mackay project and RQL based the appointment on the same criteria as above.

RQL can advise you that the fundamentals of the Purchasing Policy will be implemented on all appointments for these projects moving forward once the business cases have been approved and funding is made available.

We trust the above is acceptable to you and please contact the writer should you wish to discuss the matter further.

Yours sincerely



R.G Bentley
Chairman