

**QUEENSLAND RACING
COMMISSION OF INQUIRY**

AFFIDAVIT OF STUART PATRICK BOOKER

I, **Stuart Patrick Booker**, C/o Crown Law, State Law Building, 50 Ann Street, Brisbane, Consultant, state on oath:

Role

1. I was employed with the State Government from July 1984 to 30 June, 2012.
2. Relevantly, in July 2009, I was appointed Assistant Under Treasurer, initially of the Commercial Division, in the Department of Treasury (Treasury).
3. In my role as Assistant Under Treasurer, my responsibility changed to the Resources and Economic Development Branch (the Branch) within Treasury from August or September 2011 until 30 June 2012. I had several direct reports and I reported to the Deputy Under Treasurer and the Under Treasurer.

The Cabinet Submissions and Cabinet Budget Review Committee (CBRC) Submissions referred to in the summons

4. I was not involved in the preparation, development or endorsement of the Cabinet submissions and Cabinet Review Committee submissions referred to in the summons. These submissions all took place prior to my involvement with a racing industry related portfolio.

Matter to note of briefing on 30 January 2012

5. I have some recollection of this matter to note.



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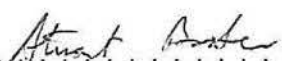
Signed: . . . *Stuart Patrick Booker*
Deponent

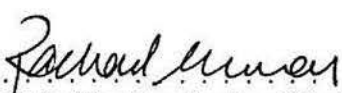
Taken by: *Richard Murray*
Solicitor/~~Barrister~~ Justice of the Peace/
Commissioner for Declarations

Affidavit of Stuart Booker

GR Cooper
CROWN SOLICITOR
11th Floor, State Law Building
50 Ann Street
Brisbane Qld 4000
Telephone 07 3239 3734
Facsimile 07 3239 3456

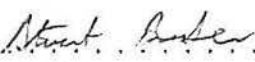
6. I recall the contents of the matter to note were such that Treasury considered they should be referred to the CBRC for decision, rather than being in a matter to note.
7. Treasury's position was that responsible fiscal management policy would dictate that a redistribution of funds should be determined by the CBRC. The CBRC could assess its best use against competing priorities across Government, rather than such funding simply being reallocated within the racing industry on a basis which lacked any apparent objective rigour in establishing the new funding beneficiaries.
8. Matters to note generally have a much lower level of supporting analysis to support recommendations, unlike CBRC submissions where the level of scrutiny is much higher due to the usual extensive level of supporting analysis. Typically, Treasury undertakes a structured detailed analysis which is routinely reported in CBRC submissions, including a discussion of whether, and to what extent, specific funding requests and proposals align with prevailing needs and priorities at the time of the submission.
9. 
10. 
11. As outlined in the briefing note, it was a decision for the Treasurer as to whether he would support or oppose the contents of the matter for note, and whether he would propose the contents should rightly be in a CBRC submission. I do not recall seeing any formal decision being made by the Treasurer in this regard.
12. However, I understand the matter to note was progressed as a matter to note and endorsed by the Cabinet at its meeting on 30 January 2012.

Signed: 
Deponent

Taken by: 
Solicitor/Barrister/Justice of the Peace/
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Business Cases

13. I had been briefed by the Director of the Branch, Natalie Barber, as to the background of the business cases and I recall that the Racing Industry Capital Development Scheme (the Scheme) had already allocated \$110 million dollars in expectation of the business cases being accepted.
14. I understood Treasury's role in assessing the business cases was to bring a rigour to the process to ensure that the best sustainable improvements on the State's network of racing facilities were achieved, as a result of the capital works expenditure. These were not business cases in the normal sense of the term. There was no expectation of a financial return to government.
15. Treasury's position was to check the business cases to review:
 - a. the intent of the proposal contained in business case was within the parameters of the Scheme; and
 - b. the proposed investment was commercially viable, thereby not requiring further government funding support.
16. The review of the business cases was undertaken by myself in conjunction with the Treasury analysts, and Branch Director at that time, Natalie Barber. I recall that there was limited time to review the business cases, particularly those lodged after those in relation to the Mackay and Beaudesert projects.
17. I assumed that the business cases had been prepared by Racing Queensland Limited (RQL).
18. I considered it was the Office of Racing's responsibility to maintain the primary monitoring and reporting interface with RQL, consistent with agency responsibilities of DEEDI at that time, and the relevant Minister's portfolio responsibilities.
19. I recall advising Mr Michael Kelly, Executive Director, Office of Racing, that Treasury would closely review all Business cases provided by RQL, but that the Office of Racing would maintain its primary interface role with RQL.

Signed: . . . 
Deponent

Taken by: . . .  . . .
Solicitor/Barrister/Justice of the Peace/
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20. I had no involvement with the Mackay Business Case which was approved by Cabinet on 7 July 2011.
21. The first business case with which I was involved was that of Beaudesert, which arrived at Treasury on 16 December 2011.
22. I was copied into correspondence from the Office of Racing dated 3 January 2012 which had the effect of chasing up Treasury for approval of the Beaudesert business case. I was copied into Treasury's response dated 6 January 2012, which posed a list of questions regarding the Beaudesert business case arising from a meeting between Treasury Analysts, Office of Racing and RQL on 5 January 2012. Exhibit **SPB3** is a copy of those emails.
23. I am of the understanding that those questions resulted in a revised Beaudesert business case which was received by Treasury on 24 January 2012.
24. Further questions were asked of the revised business case. These questions were put by Treasury to the Office of Racing to be sent on to RQL for a response. Exhibit **SPB4** is a copy of an email from Treasury Analyst Gerald Foley to Michael Kelly dated 1 February 2012 listing those further questions. I cannot recall but it is likely that the Analysts discussed such questions with me. The questions were important so that Treasury could query or validate the underlying assumptions and financial basis to the financial modelling associated with the business cases.
25. On the 2 February 2012, I was copied in on an email sent by Michael Kelly to Treasury Analyst Gerald Foley containing an email trail and also attaching a response to Treasury regarding the questions and further information requested. I assumed from such email that such response had been provided by RQL. The email also attached a copy of a Media Statement of Minister Mulherin released the day before and asked Treasury to note that it contained an announcement "that construction will start on the \$8.2 million upgrade to the Beaudesert Race Club before the end of the month following the submission of a business case by RQL to Government". The email advised that the statement was approved in discussions between the Minister Mulherin and the Treasurer. Exhibit **SPB5** is a copy of that email copied to me from Michael Kelly dated 1 February 2012.

Signed: *Stuart B. ...*
Deponent

Taken by: *Rachel Murray*
Solicitor/Barrister/Justice of the Peace/
Commissioner for Declarations

26. Soon after the Matter to Note, and the associated media release by Minister Mulherin, I recall Treasury sought a meeting with the Treasurer to discuss the Beaudesert business case, and to understand first hand what had been discussed and agreed, if anything, with Minister Mulherin. This meeting was scheduled and rescheduled several times, before we were finally able to meet with him on 10 February 2012. Exhibit **SPB6** is a bundle of correspondence relating to the arrangement of this meeting.
27. The Cairns, Rockhampton and Logan business cases were received soon before this meeting. Due to the timing between receipt of the business cases and the government going into caretaker mode, the business cases were reviewed together and a brief for noting was drafted for the Treasurer's consideration on 10 February 2012. The briefing note sets out Treasury's position with respect to the business cases. Exhibit **SPB7** is a copy of this briefing note.
28. I recall a recurrent theme with the business cases was that, even after an injection of the capital works funding as requested by the business cases, all the club facilities would continue to be unprofitable, and in some cases profoundly non-profitable, requiring significant ongoing subsidies.
29. Given Minister Mulherin's media release and the explicit political imperative of the release of funds, Treasury sought a way to ensure the clubs and RQL would not request further funding subsidies in the future. I developed a risk mitigation strategy involving two elements.
30. The first element was to seek a letter of assurance from RQL. Whilst Treasury could not approve the business cases due to their inherent financial non-viability, it was proposed the Treasurer could release the funds, on assurance from RQL that it was committed to funding any emerging shortfall, so that no further funds would be required, or requested of the Government. This commitment would be consistent with the existing practice whereby RQL already provides subsidies to regional racing facilities to maintain event programs.
31. The second element of the risk mitigation strategy was for RQL to establish and maintain a reserve of funds, available specifically to provide ongoing subsidies as necessary to the unprofitable clubs, so that facilities improved or established by the RICDS would not require ongoing subsidies from the State. If effect, this "funding buffer" would add substance to any

commitment forthcoming from RQL. The source of the funds to establish the buffer could either come from a reserve portion of the RICDS (rejected by RQL on the basis that Cabinet had fully allocated the RICDS), or from setting aside a portion of wagering revenue.

32. A draft letter from the Treasurer to Minister Mulherin seeking the letter of assurance and proposing the establishment of the reserve fund was attached to the briefing note of 10 February 2012.
33. The briefing note of 10 February 2012 was updated on 14 February 2012 to include the Logan business case which by that time also had been assessed. A draft letter from the Treasurer to Minister Mulherin seeking the letter of assurance and proposing the establishment of the reserve fund was also attached to that briefing note. Exhibit **SPB8** is a copy of that briefing note and draft letter to Minister Mulherin. REU 17
35. I understand the draft letter from the Treasurer to Minister Mulherin was sent to the Minister Mulherin's officer prior to it being signed and a letter of assurance was received from RQL via the office of Minister Mulherin in response. I received a copy of that letter of assurance from the Treasurer's office for assessment. Exhibit **SPB9** is a copy of the email string which I received setting out that series of events.
34. On receipt of the letter of assurance, I asked my Treasury team to review the letter as to the adequacy of the assurance which it provided. Exhibit **SPB9** is also a copy of my email to the team.
35. The team's consideration of assurance contained in that letter is contained in my email to Alex Beavers, Gerard Bradley and Tim Spencer, dated 14 February 2012. Exhibit **SPB10** is a copy of that email. In essence, team's position was that the letter went to close to the assurance that we had been suggesting. The main missing element was an undertaking to establish a reserve fund to cushion the impact of the potential reducing revenue.
36. Subsequently, the Ipswich and Gold Coast business cases also were delivered to Treasury. The briefing note of 14 February 2012 was accordingly updated to include the Ipswich and

Signed: . . . *Stuart Bradie*
Deponent

Taken by: *Rachael Murray*
Solicitor/Barrister/Justice of the Peace/
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Gold Coast business cases on 17 February 2012. Exhibit **SPB11** is a copy of that briefing note, a copy of the draft letter I believe was sent to the Treasurer with the briefing note on 14 February 2012 and an exchange of emails relating to the provision of the business cases and the letter of assurances for those race clubs.

37. I recall several discussions over the telephone with Michael Kelly during the time Treasury was assessing the business cases. He expressed his dissatisfaction with the business case approval process and sought advice on when Treasury would finish reviewing the business cases. I cannot provide any further particular details of these discussions, or the dates on which they took place.
38. On the matter of Treasury's evaluations, management and reporting of business cases, I was proud of the efforts made by Natalie Barber, Gerry Foley, Michael Buckby and supporting work by Melanie Jones. The team worked tirelessly over extended hours in order to evaluate and identify weaknesses in the business case proposals.
39. I understand a letter was sent from the Treasurer to Minister Mulherin advising that the release of funds for the Beaudesert, Cairns, Rockhampton and Logan was approved. This letter differed from the draft letter proposed by Treasury, as it was overtaken by the assurance provided by RQL. I note however the Treasurer, in accordance with the advice of Treasury, proposed that RQL establish the reserve of funds. Consistently with the position of Treasury, I also note that the Treasurer's letter did not approve the business cases, but approved the release of funds on the condition of the assurance provided by RQL. Exhibit **SPB12** is a copy of the Treasurer's signed undated letter
40. I understand the Treasurer wrote a letter to Minister Mulherin approving the release of funds for the Gold Coast business case in a separate letter. Exhibit **SPB13** is a copy of that Treasurer's letter.
41. I have no independent recollection or knowledge of whether the Treasurer responded to Minister Mulherin about the Ipswich business case.

Signed: . . . *Stuart Barber*
Deponent

Taken by: *Rachael Murray* . . .
Solicitor/Barrister/Justice of the Peace/
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42. On 1 March 2012 (during caretaker period), Natalie Barber and I met with members of RQL and the Ipswich Turf Club to discuss the business case.
43. A file note of those discussions was prepared contemporaneously. Exhibit **SB14** is a copy of that file note.
44. I remember being quite careful as to any advice provided, about the release of funds, as the government was in caretaker mode.

Other relevant meetings and discussions

45. I recall two meetings with members and officers of the relevant entities.
46. The first took place in 2007 and was related to a synthetic tracks funding grant. This meeting took place in my capacity as the Deputy Coordinator-General. I was brought in for commercial evaluation purposes. Exhibit **SPB15** is a bundle of correspondence relating to this matter.
47. The second meeting is described in paragraph 41 of this affidavit.
48. I did also have a number of telephone discussions with Robert Bentley on various occasions. These did not involve matters of substance and, relevantly, were about the business cases. I do not recall the full details of these conversations, other than they were usually involving queries about when the business cases would be approved.

Other relevant matters

49. There are two matters which I consider to be of relevance to the Commission which are:
 - a. The refund of business case costs to Racing Queensland. Exhibit **SPB16** is a bundle of documents which speak for themselves on this issue. I was not personally involved in the review of the information provided for the release of funds for costs incurred by Racing Queensland in the preparation of the business cases. I do, however, remember that it was not my expectation that Treasury would be involved in a detail review of such costs. It was to the Office of Racing that requests for reimbursement of such costs were to be made

pursuant to the Treasurer's letter dated 5 December 2011 and it was my understanding that the Office of Racing would be primarily responsible for the approval and release of those funds.

b. The synthetic tracks funding grant. I recall this matter because of the expense of synthetic tracks. It was a proposal to install synthetic tracks in Toowoomba, Gold Coast and Caloundra during the period of severe drought in Queensland. It was claimed that the synthetic tracks would be safer for users of the track rather than the in-situ grass tracks. As set out in paragraph 45, Exhibit **SPB15** is bundle of correspondence relating to this issue, which should be self explanatory.

50. All of the facts and circumstances deposed to in this affidavit are within my own knowledge and belief, except for the facts and the circumstances deposed to from information only, and my means of knowledge and source of information appear on the face of this my affidavit.

Sworn by STUART PATRICK BOOKER on 30 August 2013 at Brisbane in the presence of:

... Stuart Booker ...

Deponent

Richard J. Munan ...

Solicitor/Barrister/Justice of the Peace/
Commissioner for Declarations

**QUEENSLAND RACING
COMMISSION OF INQUIRY**

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Stuart Patrick Booker

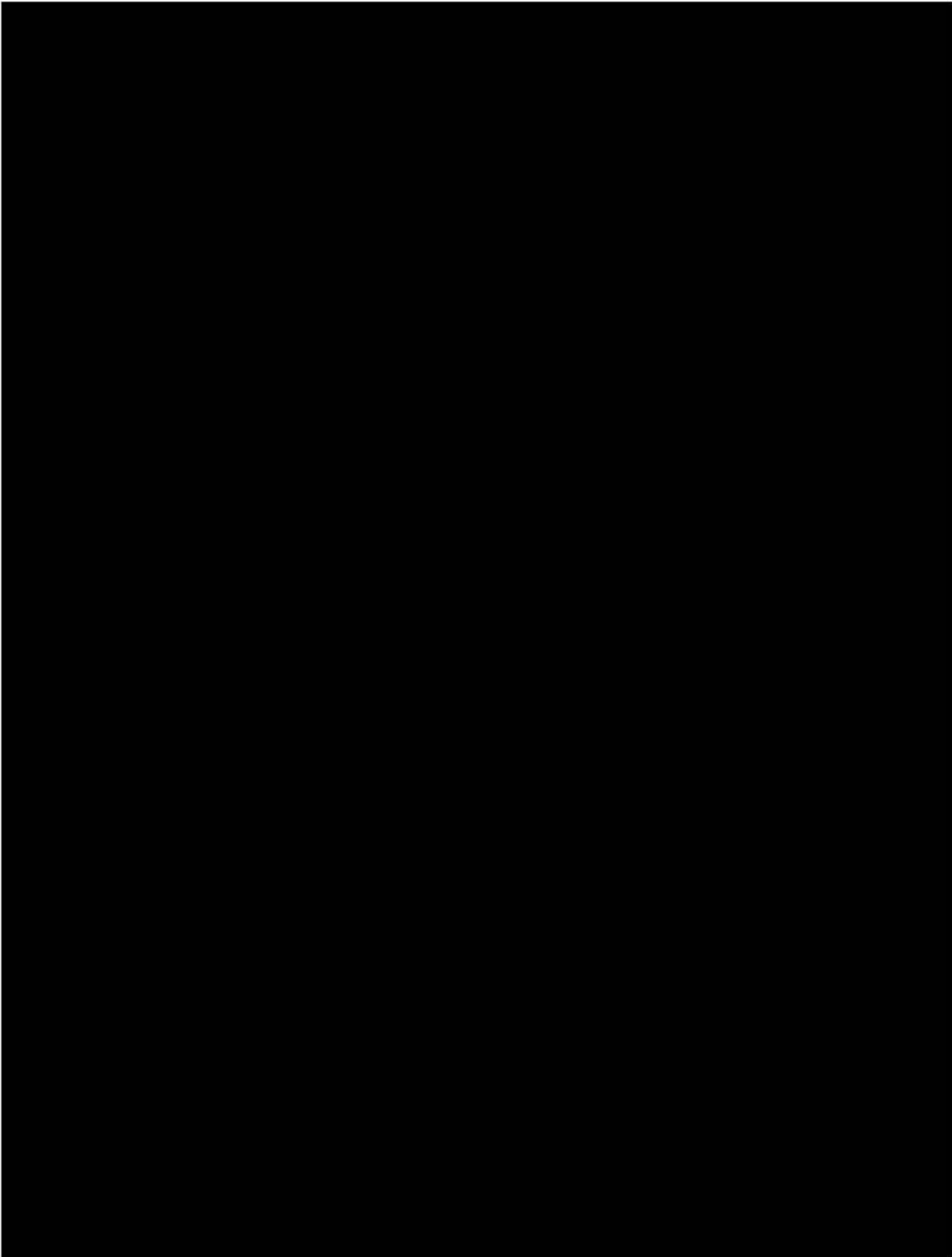
Stuart Patrick Booker

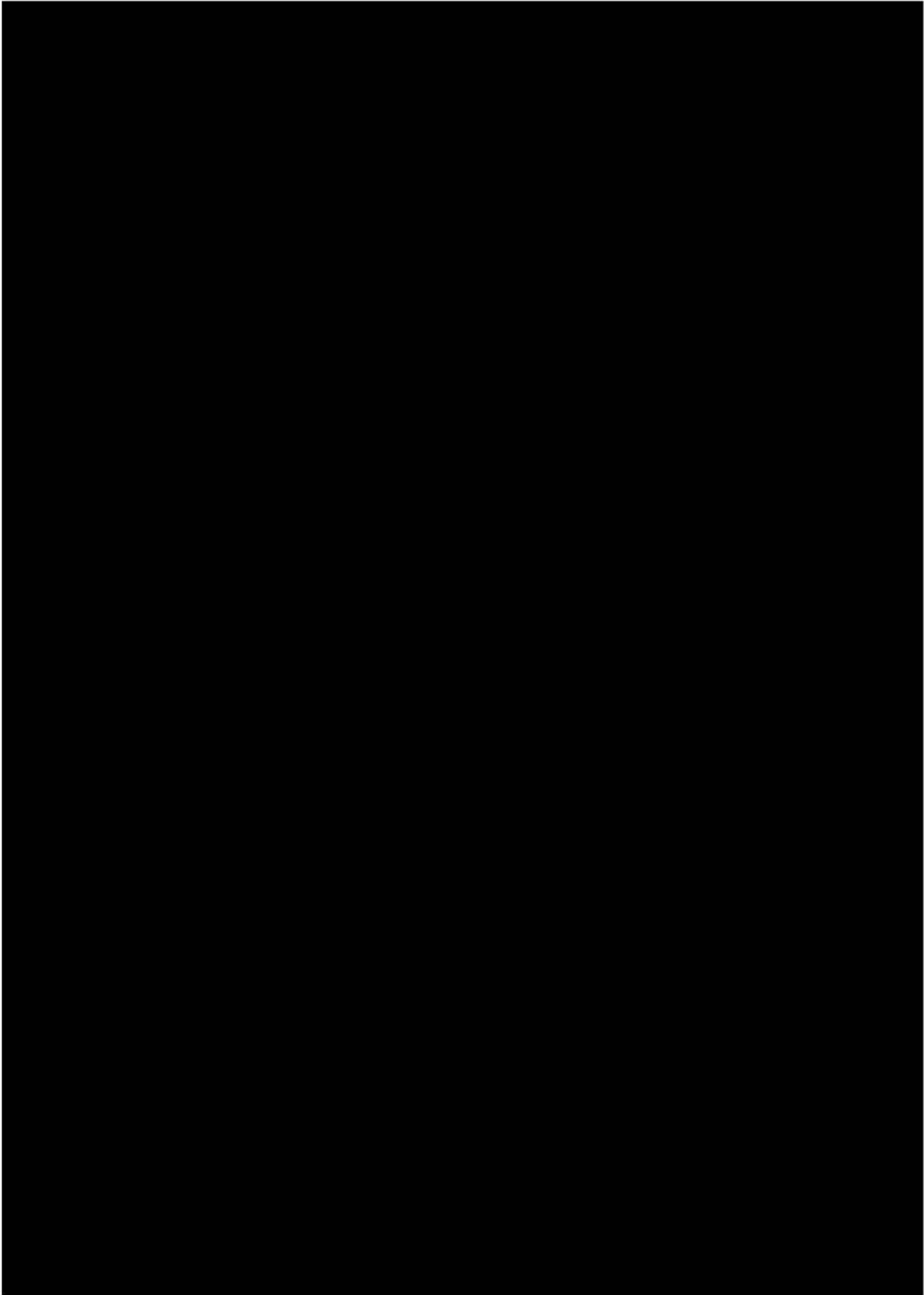
Rachael Murray

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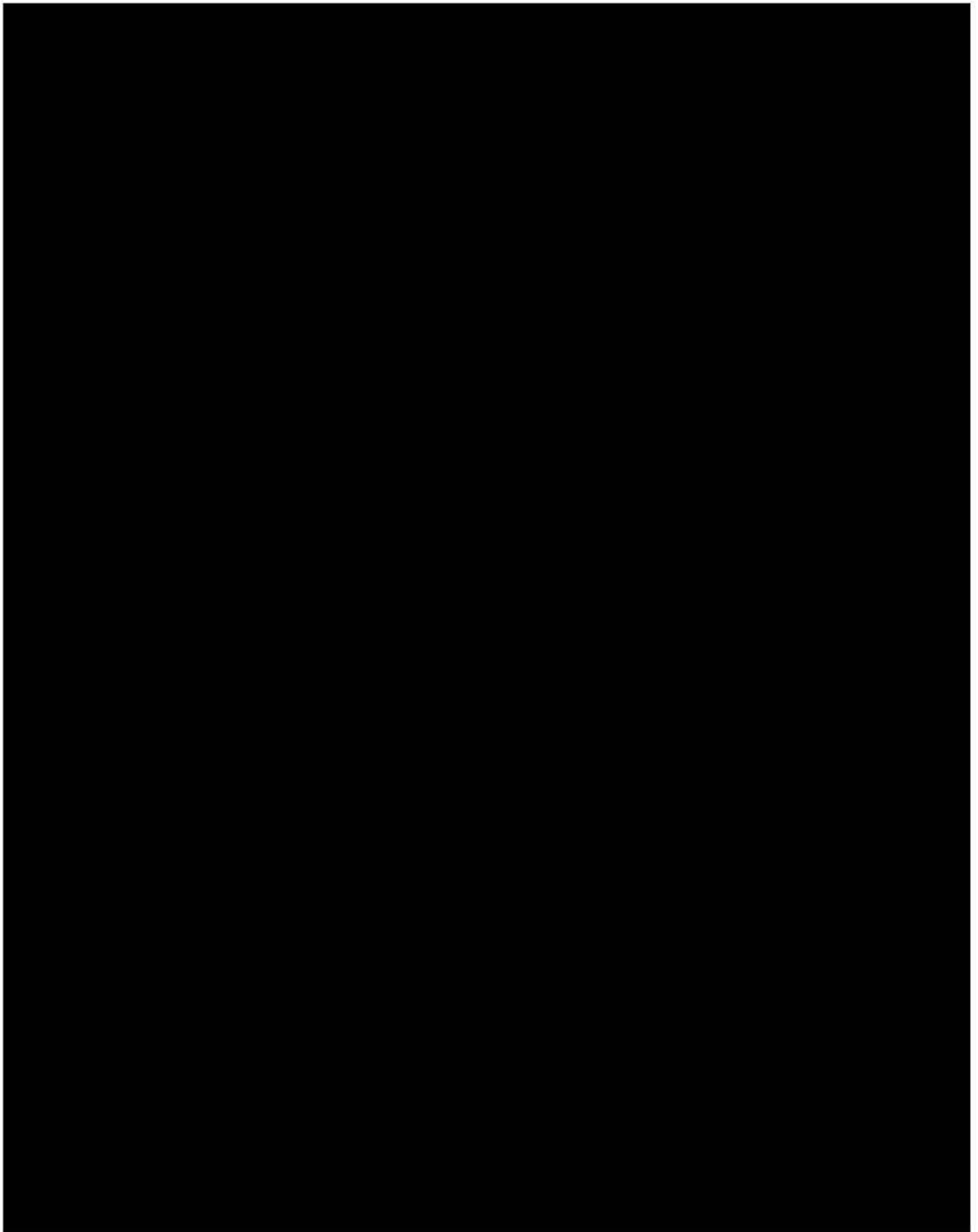
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Affidavit of Stuart Patrick Booker

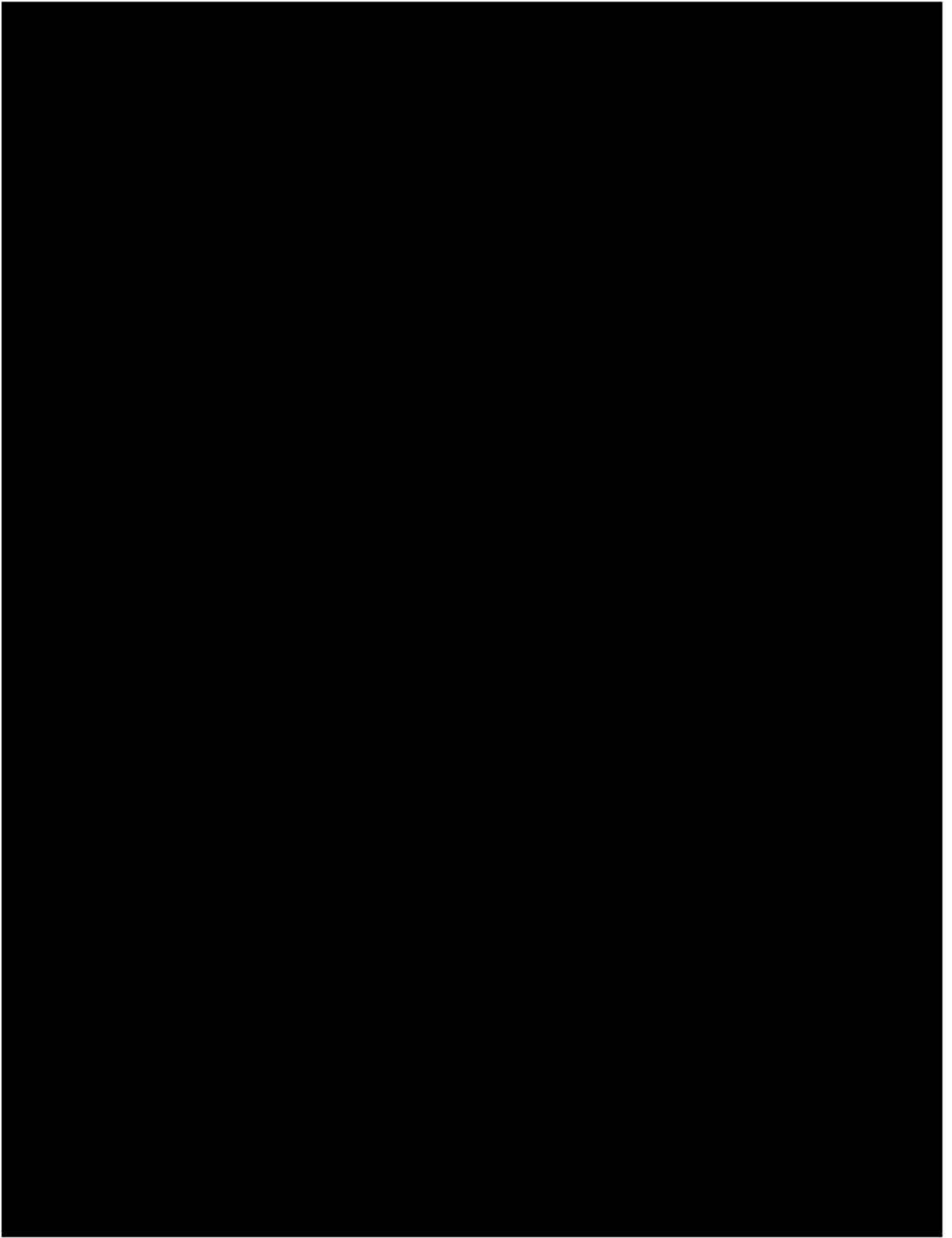
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Facsimile 07 3239 6272

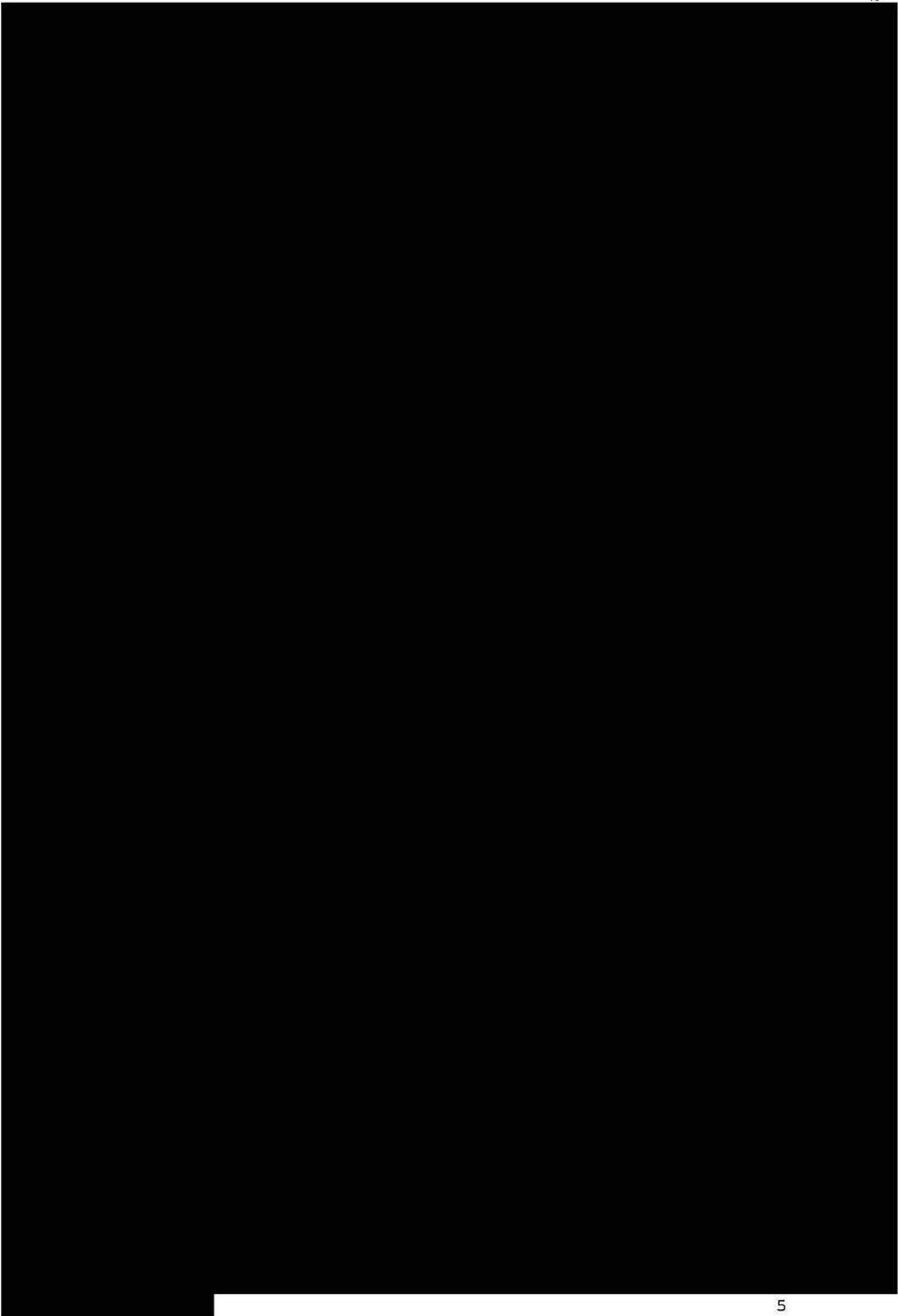




c
s.







From: "Kelly, Michael - Racing" </o=deedi.org/ou=exchange administrative group (fydibohf23spdlf)/cn=recipients/cn=makell">
Date: Tuesday, 3 January 2012 12:35 PM
To: <michael.buckby@treasury.qld.gov.au>
Cc: <stuart.booker@treasury.qld.gov.au>; <gerald.w.foley@treasury.qld.gov.au>; "Perrett, Carol" <carol.perrett@racing.qld.gov.au>; "Hamish Williams" <hamish.williams@ministerial.qld.gov.au>
Attach: 20120103121714131.pdf
Subject: RICDS - Beaudesert business case

Michael et al,

I refer to the attached correspondence received from Racing Queensland Limited concerning the status of a decision regarding the Beaudesert business case. As you know, Treasury approval of the business case is required before any RICDS funds can be released. The business case was provided to Treasury from this Office on 16 December 2011.

As outlined in the attached RQL correspondence, it would be most unfortunate if additional race meetings have to be cancelled and this will no doubt cause some considerable angst on a range of levels. However, if further delay in a decision on the Beaudesert business case is unavoidable, RQL will have to wait and readjust their plans. That said, if the issue can be resolved asap that would prevent some serious problems.

Can you please advise what is the status of the Beaudesert business case assessment and when a decision is likely.

Regards

Mike Kelly
Executive Director
Office of Racing
Department of Employment,
Economic Development and Innovation

Hamish - fyi as I suspect Mr Bentley will raise this with the Min if he has not already done so.

16/07/2013

PERRETT Carol

From: michael.buckby@treasury.qld.gov.au
Sent: Monday, 9 January 2012 9:38 AM
To: Perrett, Carol
Subject: Fw: Beaudesert Race Course Infrastructure Expenditure Business Case - Treasury written comments
Attachments: Treasury Comments - Proposed Urgent Capital Works Beaudesert Race Course 050112.doc

----- Forwarded by Michael Buckby/TO/QTreasury on 09/01/2012 09:36 AM -----

From: Michael Buckby/TO/QTreasury
To: "Perrett, Carol" <Carol.Perrett@racing.qld.gov.au>
Cc: Gerald W Foley/TO/QTreasury@QTreasury, Stuart Booker/TO/QTreasury@QTreasury
Date: 06/01/2012 12:41 PM
Subject: Beaudesert Race Course Infrastructure Expenditure Business Case - Treasury written comments

Hi Carol,

As requested I have attached written comments following our meeting yesterday with Mark Snowdon.

These comments represent a broad outline of our detailed discussions.

I hope this assists.

Regards

Michael Buckby
Senior Treasury Analyst
Resources & Economic Development/Queensland Treasury Level 10, 100 George Street, Brisbane
Phone: 3237 9999
Email: michael.buckby@treasury.qld.gov.au

(See attached file: Treasury Comments - Proposed Urgent Capital Works Beaudesert Race Course 050112.doc)

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TREASURY COMMENTS:
RACING QUEENSLAND BUSINESS CASE – BEAUDESERT

5 January 2012

The business case currently contains dollar amounts to be expended on the various components of the Beaudesert upgrade. However it is difficult to provide a 'reality check' on these numbers unless the underlying context is provided. The business case should provide clarity on the work-up of cost estimates by including such information as:

- Method and basis of calculation
- by whom the calculations were made
- when the estimates were made, and in what dollar amounts (real or nominal and what year as base)
- allowances within the estimates (i.e. is there any inherent contingency?)
- comparisons with similar projects

The business case assumes that there will be increased demand for training facilities once the upgrade is completed. There is also projected to be sufficient demand for additional race-days such that 8 non-TAB meetings per year will be replaced by 18 TAB meetings per year. The business case should contain supporting analysis to justify these expectations. Information should include:

- What is the basis for the projections?
- Over what time frame would the increased demand unfold?

Benefits of redevelopment should be more fully explained, including:

- Benefits for the local community including the existing club
- Benefits for Queensland racing generally, including an analysis of whether increased activity at this venue may be at the expense of decreased activity at other venues, including major venues and other regional facilities.

The business case currently contains no financial information on the proposed operation of the track. It is important that the viability of the upgraded venue be established. This would be a key expectation: that the provision of significant amounts of capital funding from the Government will place the racecourse in a financially sustainable position. Information should include:

- projected revenue, expenses over a reasonable period (at least three years, or more if revenues are expected to ramp up slowly)
- basis for projections including source of revenues, which should be subject to analysis that would show, for example, whether the success of the venue relies on local patronage or on off-track revenue
- include adequate provision for FTEs
- adequate provision for maintenance, depreciation
- detailed responsibility for expenses (including possible local club involvement)
- the effect on viability if cutbacks are found to be necessary on public facilities.

SPB4



Beaudesert business case

Gerald W Foley to: michael.kelly

Cc: Michael Buckby, Natalie Barber, Stuart Booker

01/02/2012 10:06 AM

Mike

As discussed this is a list of further questions on the business case:


We acknowledge that Racing Queensland Ltd (RQL) already provides funding to meet the operating funding needs of many Queensland Clubs. However the Beaudesert business case indicates that the facility, after its upgrade and based on the increased frequency of meetings per year (from 8 rising to 18), the indicated forecast subsidy from RQL rises from \$21K to \$300-\$400K p.a.

- How is it proposed for RQL to fund the Beaudesert facility in the face of reduced UNITAB allocations?
- Has the RQL considered moderating the frequency of meetings, on the basis that 18 meetings per year is not financially sustainable?
- Will the facilities which have reduced mid-week meetings (p. 18) incur operating offsetting reduced losses?
- Has RQL considered using an element of the Deagon capital (\$39.9M) as a "buffer" (eg \$10 - \$15M) to absorb such increased operating losses?
- As increased deficits also appear to be a feature of other business cases (Rockhampton and Cairns) has RQL identified where it will find the increased financial resources required to cover these deficits as well?

regards
Gerry

Gerald Foley
Principal Treasury Analyst
Resources And Economic Development / Treasury Office / Queensland Treasury

Phone: (07) 30351483
Executive Building

 Queensland Government

PERRETT Carol

From: Kelly, Michael - Racing
Sent: Thursday, 2 February 2012 12:03 PM
To: 'Gerry.Foley@treasury.qld.gov.au'
Cc: Booker (stuart.booker@treasury.qld.gov.au); 'Peter McCabe'; Perrett, Carol; Hamish Williams
Subject: RQL response to Treasury Questions - Beaudesert
Attachments: RQL response to Treasury.docx; Min Media Statement re Amended IIP.doc

Gerry

RQL has provided the following response to me regarding the questions you posed on Wednesday morning. If my Office can assist, or explain any of their comments pls do not hesitate to contact me.

I have also attached a copy of Min Mulherin's Media Statement released yesterday that relates, partially, to the Beaudesert issue and outlines changes to the IIP approved by cabinet on Monday. It can be accessed at <http://www.cabinet.qld.gov.au/mms/StatementDisplaySingle.aspx?id=78620>

You should note it contains the statement, "I can also announce today that construction will start on the \$8.2 million upgrade to the Beaudesert Race Club before the end of the month following the submission of a business case by RQL to Government." I am advised that this was approved in discussions between Min Mulherin and the Treasurer.

RQL has asked that I request your urgent decision re Beaudesert.

Gerry - can you pls confirm receipt of the RQL response.

MK

From: Malcolm Tuttle [<mailto:mtuttle@racingqueensland.com.au>]
Sent: Thursday, 2 February 2012 11:35 AM
To: Kelly, Michael - Racing
Cc: Robert Bentley
Subject: RQL response to Treasury.docx

Mike
Pls see attached response to Treasury regarding further information for the Beaudesert Business case. Grateful if you could forward to Treasury.

Regards Mal

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Fw: Progress on Treasury Consideration of Beaudesert Business Case -
Racing Industry Infrastructure Plan

Stuart Booker to: Sharon Humphreys

31/01/2012 04:58 PM

Cc: Mary-Anne Wilson, Natalie Barber, Tim Spencer

Sharon,

as discussed we need to resolve an unfunded and recurrent operating deficit associated with the proposal to upgrade the Beaudesert facility, in order to finalise our advice to the UT.

As Natalie indicates below, we should have our advice completed by the end of the week.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 31/01/2012 04:40 PM -----

From: Natalie Barber/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Date: 31/01/2012 04:36 PM
Subject: Progress on Treasury Consideration of Beaudesert Business Case - Racing Industry Infrastructure Plan

Stuart

Treasury received the business case for the Beaudesert capital project under the Racing Industry Infrastructure Plan on 16 December 2011.

Following our review, we requested further information be provided on the business case on 5 January 2012.

Racing Queensland has subsequently provided the additional information in response to our feedback which we received on 24 January 2012.

Treasury is now in the process of finalising its analysis of the information and expect to be in a position to make a recommendation to the Treasurer by the end of the week.

Thanks,
Natalie

Natalie Barber
Director

Resources & Economic Development Branch / Treasury
Phone 322 44475 / Rm 10.20 Executive Building

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 31/01/2012 05:52 PM -----

From: Michael Buckby/TO/QTreasury
To: michael.kelly@deedi.qld.gov.au
Cc: Natalie Barber/TO/QTreasury@QTreasury, Stuart Booker/TO/QTreasury@QTreasury
Date: 31/01/2012 05:37 PM
Subject: Business Case Questions

Hi Mike,

As discussed this afternoon we are preparing a number of questions relating to the business cases.

We will have these to you early tomorrow morning.

Regards

Michael Buckby
Senior Treasury Analyst
Resources & Economic Development/Queensland Treasury
Level 10, 100 George Street, Brisbane
Phone: 3035 1423
Email: michael.buckby@treasury.qld.gov.au

Stuart Booker Alex, We will look at the business model for B...

31/01/2012 06:03:05 PM

From: Stuart Booker/TO/QTreasury
To: Alex Beavers/TO/QTreasury@QTreasury
Cc: Gerard Bradley/TO/QTreasury@QTreasury, Sharon Humphreys
<Sharon.Humphreys@ministerial.qld.gov.au>, Natalie Barber/TO/QTreasury@QTreasury
Date: 31/01/2012 06:03 PM
Subject: Fw: Business Case Questions

Alex,

We will look at the business model for Beaudesert with Racing Qld and quickly explore ways to moderate the operating subsidies (including a focus on the cash operating needs as well as accounting expenses). The subsidies look like increasing by a factor of 15+ for Beaudesert, as it is currently planned. ie \$20,000 growing to \$300,000 - \$400,000.

As I briefly mentioned, I would also like to test whether an element of the \$39.9 M which was earmarked for the Deagon facility, now not proceeding, could be reserved to fund the operating deficits.

A reserve fund of say \$20 M would be very useful in terms of shielding CF from calls to supplement Racing sourced revenue, which may decrease substantially over the next decade, due to emerging structural changes in the industry. In order to obtain this reserve fund, we would need to limit the reallocation of Deagon's \$39.9 M capital allocation - which RQL already have plans to redistribute to other facility improvements.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 31/01/2012 05:52 PM -----

From: Michael Buckby/TO/QTreasury
To: michael.kelly@deedi.qld.gov.au
Cc: Natalie Barber/TO/QTreasury@QTreasury, Stuart Booker/TO/QTreasury@QTreasury
Date: 31/01/2012 05:37 PM
Subject: Business Case Questions

Hi Mike,

As discussed this afternoon we are preparing a number of questions relating to the business cases.

We will have these to you early tomorrow morning.

Regards

Michael Buckby
Senior Treasury Analyst
Resources & Economic Development/Queensland Treasury
Level 10, 100 George Street, Brisbane
Phone: 3035 1423

Email: michael.buckby@treasury.qld.gov.au



Fw: Business Case Questions
Stuart Booker to: Alex Beavers, Natalie Barber
Cc: Gerard Bradley

01/02/2012 09:22 AM

Alex,

I understand.

We think QRL needs to review the activity level of its Loss Making Facilities, otherwise, without modifying some of the base parameters such as the number of (loss making) meetings per year, I don't see how we can support long term arrangements which depend on a funding source (TAB alloc) which may/will become diminished in the medium term.

Otherwise, if we were to accept the current Beaudesert business case and others like it, we are effectively being asked to endorse a partially unfunded initiative.

That said, we are currently working with the Office of Racing to see how the Beaudesert facility can be improved in is "viability" context.

I suggest we continue this and hopefully bring something more acceptable to you later today - or would you prefer to meet early today to discuss approach etc.. ?

SB

Stuart Booker
Assistant Under Treasurer
Ph: 3238 3059
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 01/02/2012 09:08 AM -----

From: Alex Beavers/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Cc: Gerard Bradley/TO/QTreasury@QTreasury, Natalie Barber/TO/QTreasury@QTreasury
Date: 01/02/2012 09:02 AM
Subject: Re: Fw: Business Case Questions

Thanks Stuart

I agree with your thinking on this.

My understanding though is that Government today will announce the revised infrastructure plan allocations - which went to Cabinet on Monday as a matter to note. The Tsr understands our views and concerns, but on balance feels the announcement can proceed.

Perhaps we should have a round table on this later today and work out the way forward as to we approach these business cases.

Alex

Alex Beavers
Deputy Under Treasurer
Queensland Treasury
(07) 3224 2566
email: alex.beavers@treasury.qld.gov.au



RQL

Stuart Booker to Michael Buckby
Cc: Gerald W Foley, Natalie Barber

26 b-2)

06/02/2012 03:06 PM

Michael, the Treasurer's meeting to discuss the Racing Capital Program has been put back to Wednesday.

One aspect which may come up is the comparison of total RQL subsidy amounts to clubs, pre 2012 and post 2014 when the capital program will be largely deployed and rationalisation has occurred to some extent.

This will reveal how gross subsidies to a smaller number of tracks after substantial completion (each generally receiving a much larger subsidy) is greater or less than the value of gross subsidy to a larger number of clubs (each generally receiving a lesser amount compared to the situation post capital program) prior to rationalisation.

I think we need to be able to answer this one.

Happy to discuss.
Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

2.2 (b-1)

Fw: Agenda for Meeting with Deputy Premier on Tuesday 7 February

Stuart Booker to Natalie Barber

06/02/2012 01:42 PM

Cc: Gerald W Foley, Michael Buckby

Hi Natalie - good news (? I think) our bn will be important to support the direction of discussion.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 06/02/2012 01:40 PM -----

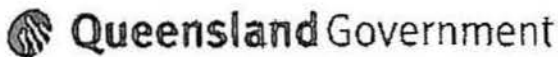
From: Diane Fahey/TO/QTreasury
To: Diane Fahey/TO/QTreasury@QTreasury
Cc: Dennis Molloy/TO/QTreasury@QTreasury, Gary Ward/OESR/QTreasury@QTreasury, Kassia Rouw/TO/QTreasury@QTreasury, Kate Bowdler/OESR/QTreasury@QTreasury, Kristy Grant/TO/QTreasury@QTreasury, Stuart Booker/TO/QTreasury@QTreasury, Tim Spencer/TO/QTreasury@QTreasury
Date: 06/02/2012 01:39 PM
Subject: Re: Agenda for Meeting with Deputy Premier on Tuesday 7 February



Agenda Tuesday 7 February 2012.doc

Diane Fahey
Executive Officer
Out / Office Of The Under Treasurer / Treasury Office / Queensland Treasury

Phone: (07) 32244643
Executive Building



Diane Fahey This is the agenda for tomorr... 06/02/2012 01:10:58 PM


From: Diane Fahey/TO/QTreasury
To: Dennis Molloy/TO/QTreasury@QTreasury, Gary Ward/OESR/QTreasury@QTreasury, Stuart Booker/TO/QTreasury@QTreasury, Tim Spencer/TO/QTreasury@QTreasury
Cc: Kristy Grant/TO/QTreasury@QTreasury, Kate Bowdler/OESR/QTreasury@QTreasury, Kassia Rouw/TO/QTreasury@QTreasury
Date: 06/02/2012 01:10 PM
Subject: Agenda for Meeting with Deputy Premier on Tuesday 7 February

This is the agenda for tomorrow. I am just waiting to hear from the Minister's Office to finalise, but this is what we have to date.

thanks Di.

Diane Fahey
Executive Officer
Out / Office Of The Under Treasurer / Treasury Office / Queensland Treasury

Phone: (07) 32244643
Executive Building

 **Queensland** Government

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Tuesday 7 February 2012
10.45am to 11.30am.
Treasurer's Conference Room

1. **CLLO Issues**
2. **Fiscal Update**
 - Revenue YTD (attached)
 - Moody's Rating
3. **GST Review**
Gary Ward
3. **Racing Plan**
Stuart Booker
4. **QTC Financial Statements**
Alex Beavers

~~22~~
26 - (d)

Fw: Attached is the agenda for the meeting with the Deputy Premier at 11am.

Stuart Booker to: Natalie Barber, Gerald W Foley,
Michael Buckby
cc: Kassia Rouw

07/02/2012 03:53 PM

Hi Team,

I am not feeling 100 % well and may get away a bit early today.

Attached is the agenda for tomorrow's meeting with the Treasurer - it is good that we get an opportunity to discuss the Racing Plan.

Please send on the related brief as an email so I can prepare prior to the meeting. I still think the idea of a buffer is sensible given the significant risk / likelihood that RQL's access to betting sourced revenue is very likely to reduce in the short to medium term.

Please also leave a copy of the Beaudesert, Rockhampton and Cairns business cases with Kassia or on her desk, as I plan to come in very early tomorrow and review these for talking points. (Kassia, if you get any of these before I leave today, I will take them with me).

Thanks for your assistance with this.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 07/02/2012 03:45 PM -----

From: Diane Fahey/TO/QTreasury
To: Dennis Molloy/TO/QTreasury@QTreasury, Gary Ward/OESR/QTreasury@QTreasury,
Stuart Booker/TO/QTreasury@QTreasury
Cc: Kristy Grant/TO/QTreasury@QTreasury, Kate Bowdler/OESR/QTreasury@QTreasury,
Kassia Rouw/TO/QTreasury@QTreasury
Date: 07/02/2012 03:27 PM
Subject: Attached is the agenda for the meeting with the Deputy Premier at 11am.



Agenda Wednesday 8 February 2012.doc


Call if you require anything further.

Regards

Di.

Diane Fahey
Executive Officer
Out / Office Of The Under Treasurer / Treasury Office / Queensland Treasury

Phone: (07) 32244643
Executive Building

 **Queensland** Government

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Wednesday 8 February 2012

11.00am to 11.45am.

Treasurer's Conference Room

1. **CLLO Issues**
2. **Fiscal Update**
 - Revenue YTD (attached)
 - Moody's Rating
3. **GST Review**
Gary Ward
3. **Racing Plan**
Stuart Booker
4. **QTC Financial Statements**
Alex Beavers

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Tuesday 7 February 2012
10.45am to 11.30am.
Treasurer's Conference Room

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 - Revenue YTD (attached)
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Gary Ward
3. **Racing Plan**
Stuart Booker
4. **QTC Financial Statements**
Alex Beavers



Attached is the agenda for the meeting with the Deputy Premier at 11am.

26-6)

Diane Fahey to: Dennis Molloy, Gary Ward, Stuart Booker
Cc: Kristy Grant, Kate Bowdler, Kassia Rouw

07/02/2012 03:27 PM

his.cry

This message has been forwarded.



Agenda Wednesday 8 February 2012.doc


Call if you require anything further.

Regards

Di.

Diane Fahey
Executive Officer
Out / Office Of The Under Treasurer / Treasury Office / Queensland Treasury

Phone: (07) 32244643
Executive Building

 **Queensland Government**

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Wednesday 8 February 2012

11.00am to 11.45am.

Treasurer's Conference Room

1. **CLLO Issues**
2. **Fiscal Update**
 - Revenue YTD (attached)
 - Moody's Rating
3. **GST Review**
Gary Ward
3. **Racing Plan**
Stuart Booker
4. **QTC Financial Statements**
Alex Beavers



Racing Queensland / Confidential

Stuart Booker to: Gerard Bradley, Alex Beavers, Tim
Spencer

08/02/2012 09:14 AM

Cc: Natalie Barber, Gerald W Foley, Michael Buckby

Gerard,

I am not feeling well this morning but came in for the Treasurer Update (Qld Racing) which has now been cancelled due to other issues.

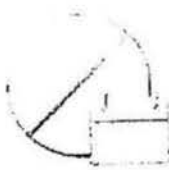
I realise the idea of suggesting or requiring a "buffer" to be established from an element of the \$110 M capital funds, may not be achievable. Nevertheless the prospect of declining betting revenue funds going to RQL will affect its ability to fund the increasing subsidies expected to be required for the improved facilities, which will in some cases have many more meetings per year planned as part of their "Business Case".

I mentioned to Alex and Tim the alternative idea of encouraging RQL to establish a reserve account from its share of betting revenue - this may be possible while there is not a major leakage of betting funds to other providers of betting services. This may enable a buffer of 1 to 2 years subsidy value to be established, which could allow time to identify further rationalising etc. rather than have the subsidies become an ongoing further drain on CF.

Alex mentioned you might be considering other ways to put the facilities on a sustainable basis - should we revise the bn and letter to reflect the above approach ?

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307



Cancelled: Treasury Update Meeting

Wed 08/02/2012 11:00 AM - 11:45 AM

Attendance is required for Stuart Booker

Chair: Gerard Bradley/TO/QTreasury

Location: Treasurer's Conf Room - level 9

26-(e) 22-(f)

Gerard Bradley has cancelled this meeting. Your calendar will be updated to reflect this change.

You cannot process this notice because this meeting is not in your mailfile or has not been accepted.

Required: Adrian Noon/OGOC/QTreasury@QTreasury, Alex Beavers/TO/QTreasury@QTreasury,
Chris Turnbull/PS/QTreasury@QTreasury, David
Smith/BNE/QOSR/QTreasury@QTreasury, Dennis Molloy/TO/QTreasury@QTreasury,

Description



Agenda Tuesday 7 February 2012.doc

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Tuesday 7 February 2012
10.45am to 11.30am.
Treasurer's Conference Room

1. **CLLO Issues**
2. **Fiscal Update**
 - Revenue YTD (attached)
 - Moody's Rating
3. **GST Review**
Gary Ward
3. **Racing Plan**
Stuart Booker
4. **QTC Financial Statements**
Alex Beavers



Treasury Update Meeting on Friday 10 February 2012 10.45am - 11.30.

Diane Fahey To: Dennis Molloy, Gary Ward, Stuart Booker

09/02/2012 03:25 PM

Cc: Kristy Grant, Kate Bowdler, Kassia Rouw, Susan Towne

26(h)



Agenda Friday 10 February 2012.doc

Same agenda as Wednesday.

thanks Di.

Diane Fahey
Executive Officer
Out / Office Of The Under Treasurer / Treasury Office / Queensland Treasury

Phone: (07) 32244643
Executive Building

 **Queensland Government**

TREASURY AGENDA

DEPUTY PREMIER'S UPDATE MEETING

Friday 10 February 2012

10.45am to 11.30am.

Treasurer's Conference Room

1. **CLLO Issues**
2. **Fiscal Update**
 - Revenue YTD (attached)
 - Moody's Rating
3. **GST Review**
Gary Ward
3. **Racing Plan**
Stuart Booker
4. **Other**

edocs 824899

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditure		
Contact Officer:	Marjelle Barber - Director, Resources and Economic Development Branch Tel: 3036 1414, Mob: 0412 689 242	Record No: TRX-18469	Date: 10 February 2012
Requested by:	N/A	Date Approval Required By:	N/A

PURPOSE

1. The purpose of this submission is to:
 - inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Beaudesert, Cairns and Rockhampton race courses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Mulherin MP, Minister for Agriculture, Food and Regional Economics, informing him of Treasury's conclusions.

BACKGROUND

2. On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
3. On 16 December 2011 a business case was provided to Treasury requesting the release of \$7,271,512 held under the RICDS for infrastructure expenditure at Beaudesert race course.
4. On 5 January 2012 Treasury provided written feedback to DEEDI's Office of Racing requesting further information. A revised business case for Beaudesert race course was provided to Treasury on 24 January 2012 with business cases for Cairns and Rockhampton race courses provided on 31 January 2012.
6. On 30 January 2012 Cabinet noted a revised IIP which redirected \$37.9 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$6 million), works at Ipswich Turf Club (\$6 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.76 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton race courses.

ISSUES

6. Proposed expenditure on infrastructure projects at Beaudesert (\$8.2 million), Cairns (\$2.2 million) and Rockhampton (\$1.8 million) race courses total \$12.2 million of the \$110 million IIP, or 11 per cent of the overall program.
7. The business cases demonstrate that, following completion of the infrastructure works at Beaudesert, Cairns and Rockhampton race courses, all three clubs will continue to report an operating deficit throughout the forecast period 2012-16. This in effect demonstrates that in each case, the club is forecast to be commercially unviable without some level of subsidy.

8. As substantial public funds are proposed to be invested in capital projects at these clubs, it is important from a stewardship perspective, that the business cases demonstrate that the clubs have the financial capacity to operate the new facilities to be funded by the State and that the clubs are viable in the medium to longer term. In each business case Treasury has reviewed, this position has not been demonstrated.
9. It is apparent that there is a generally accepted view by the industry that racing clubs are not financially viable businesses. Indeed the business cases advise that "no TAB race club in Queensland is financially viable without financial support from Racing Queensland" and that RQL has subsidised the costs of racing at every race club in Queensland.
10. The business cases indicate that the cumulative subsidies required from RQL to meet the deficits of the three race courses would increase from \$0.177 million for 2010-11 to \$0.806 million for 2013-14 (refer graph at Attachment 1).

FINANCIAL IMPLICATIONS

11. Treasury's review of the three business cases has identified that there is a consistent trend towards an increasing gap between revenues forecast to be generated by clubs and their costs of operating. On the basis of the current business cases under review, Treasury considers there is a strong likelihood that this position will be replicated across the whole IIP.
12. RQL contends that it has the necessary financial resources to continue to fund the operation of race clubs Queensland-wide.
13. It further contends that the deficits are largely on account of depreciation. However, this is only the case for Cairns, which has a more modest operating loss of some \$117,000. RQL's forecast financials for Beaudesert indicate that operating (cash) costs increase significantly from \$355,000 to \$913,000 with depreciation listed separately at \$186,000. Similarly, the projections for Rockhampton include a relatively modest depreciation charge. For both Beaudesert and Rockhampton, the projected racing operations are profoundly non profitable.
14. RQL's revenue is largely comprised of its share of wagering revenue from UNTAB in accordance with the agreement by the Government to issue UNTAB with an exclusive wagering licence. It is noted that RQL's wagering revenue has fallen from \$140 million in 2008-09 to \$134 million in 2010-11. It is likely that wagering revenues will decline in the future because of the impacts of recent legal challenges to exclusive wagering licences in other jurisdictions, and also due to the impact of technology enabling access by non state-based wagering operators.
15. RQL's 2011 Annual Report shows that it had receipts of \$159 million. It provided prize money and other distributions of \$105 million, and on face value it appears would have some capacity to support clubs. However, it is unclear what impact the increased deficits will have across the whole program, and to what extent existing commitments can be realigned.
16. Given that the business cases are being progressed individually, Treasury is unable to form a view as to whether RQL has the capacity to subsidise increasing operating deficits for clubs across the whole program. Without a transparent disclosure of RQL's strategy for underwriting the deficits, it is not possible to be assured that the capital program is sustainable in the longer term.
17. Treasury therefore considers the risk of an increasing subsidisation requirement from RQL is a financial risk to the Government also, as it not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance.

18. Following an analysis of the business cases for Beaudesert, Cairns and Rockhampton, Treasury has concluded that as the clubs are not viable in the medium to longer term, funds should not be advanced from the RICDS towards the capital projects identified for those clubs.
19. However, should RQL be able to demonstrate that it has in place an overall rationalisation strategy which supports an increase in subsidies for some clubs with at least an offsetting decrease in other less profitable clubs, Treasury considers that may be an acceptable position. To this end, Treasury recommends that a letter of comfort be sought from RQL which provides an outline of RQL's program strategy and risk management approach across the whole of the IIP and which clearly outlines RQL's commitment to support the IIP and any emerging subsidies across the program.
20. Furthermore, Treasury recommends that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenue to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

RECOMMENDATION

21. It is recommended that you:

- o Note that Treasury has reviewed the business cases for Beaudesert, Cairns and Rockhampton Racing Clubs and has concluded that the business cases do not demonstrate the ongoing viability of those clubs without some level of subsidy, and that this precludes Treasury from endorsing the release of public funds to those clubs in the absence of an assurance from Racing Queensland Ltd that it is committed and has the resources to meet any ongoing operating deficits;
- o Approve that you request Minister Mulhern to seek a letter of comfort from Racing Queensland Ltd to provide an assurance to Government that Racing Queensland Ltd has the capacity to fund the ongoing operating deficits (including depreciation) of Queensland race clubs, following the investment of State funds in racing club assets; and
- o Subject to your approval, sign the attached letter to Minister Mulhern which has been prepared on this basis.
- o Note that subject to receiving the letter of comfort from RQL, Treasury will review subsequent business cases under the IIP and advise Government of its assessment, but that the advancement of funds would not be precluded, should the business cases demonstrate future viability issues for the relevant racing club.

G.B. Bradley
 Gerard Bradley
 Under Treasurer Date 10/2/12

<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input type="checkbox"/> Noted
Deputy Premier, Treasurer and Minister for State Development and Trade	Comments	
<p><i>Andrew Fraser</i> Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade Trade 15/2/12</p>		

Name:	Action Officer/Author:	Director:	ED/AUT:	OUT:
Michael Buckby	Michael Buckby	Naine Barber	Aluart Booker	
Resources and Economic Development	Resources and Economic Development	Resources and Economic Development	Resources and Economic Development	
07 3035 1423	07 3035 1414	07 3035 1860		
16/02/2012	10/02/12	10/02/12		

cDocs: 028231

TRX-18459

The Honourable Tim Mulherin MP
Minister for Agriculture, Food and Regional Economies
GPO Bcx 46
BRISBANE QLD 4001

I refer to recent correspondence between the Department of Employment, Economic Development and Innovation, Racing Queensland Limited (RQL), and Treasury Department (Treasury) regarding business cases for proposed capital works under the Industry Infrastructure Plan (IIP), and recent correspondence to you from the Chairman of RQL.

I have been informed that Treasury considers there are outstanding issues in the business cases so far received, being for capital works at Beaudesert, Cairns, Rockhampton and Logan. The business cases disclose reasonable information regarding the proposed upgrades and construction, however the business cases demonstrate that the ongoing viability of the facilities is dependent on continuing increased support from RQL. I understand that operational deficits for individual racecourses are likely to be a feature of the majority, if not all, of future business cases. The ability of RQL to provide this support in the long term is not explicitly evident in each business case..

I acknowledge that providing financial support for racing clubs is a prime function of RQL in its capacity as a racing control body. In particular I note the financial assurance provided on 14 February by RQL, which addresses the need to provide adequate financial backing to the upgraded and new facilities, for which RQL is seeking funding from the Racing Industry Capital Development Scheme. On this basis, I am prepared to approve the release of funds for the capital works at Beaudesert, Cairns, Rockhampton and Logan.

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In addition to RQL's financial assurance which you have already obtained, it would be prudent to seek confirmation that RQL will establish a reserve fund through setting aside a portion of wagering revenue to use as a buffer for increased operating deficits in the event that betting distributions decline in the near future. Thank you for your continuing assistance in advancing the capital upgrade program on a financially sustainable basis.

Yours sincerely

ANDREW FRASER

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditure		
Contact Officer:	Nicole Barber - Director, Resources and Economic Development Branch Tel: 3035 1414, Mob: 04 12 666 242	Record No: TRX-18458	Date: 14 February 2012
Requested by:	N/A	Date Approval Required By:	N/A

PURPOSE

- The purpose of this submission is to:
 - inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Beaudesert, Cairns, Rockhampton and Logan race courses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Mulharin MP, Minister for Agriculture, Food and Regional Economics, informing him of Treasury's conclusions.

BACKGROUND

- On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
- On 16 December 2011 a business case was provided to Treasury requesting the release of \$7,271,512 held under the RICDS for infrastructure expenditure at Beaudesert race course.
- On 6 January 2012 Treasury provided written feedback to DEEDI's Office of Racing requesting further information. A revised business case for Beaudesert race course was provided to Treasury on 24 January 2012 with business cases for Cairns and Rockhampton race courses provided on 31 January 2012. On 8 February 2012 a further business case for the establishment of greyhound racing venue at Cronulla Park Logan was received.
- On 30 January 2012 Cabinet noted a revised IIP which redirected \$37.8 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$8 million), works at Ipswich Turf Club (\$6 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.75 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton race courses.

ISSUES

- Proposed expenditure on infrastructure projects at Beaudesert (\$8.2 million), Cairns (\$2.2 million), Rockhampton (\$1.8 million) and Logan (\$24 million) race courses total \$36.2 million of the \$110 million IIP, or 33 per cent of the overall program.

7. The business cases demonstrate that, following completion of the infrastructure works at Beaudesert, Cairns and Rockhampton race courses, all three clubs will continue to report an operating deficit throughout the forecast period 2012-16. This in effect demonstrates that in each case, the club is forecast to be commercially unviable without some level of subsidy. The Logan facility is forecast to achieve profitability in 2016-17, however this is achieved with a substantial subsidy (over \$1 million annually) from Racing Queensland Limited (RQL).
8. As substantial public funds are proposed to be invested in capital projects at these clubs, it is important from a stewardship perspective, that the business cases demonstrate that the clubs have the financial capacity to operate the new facilities to be funded by the State and that the clubs are viable in the medium to longer term. In each business case Treasury has reviewed, this position has not been demonstrated.
9. It is apparent that there is a generally accepted view by the industry that racing clubs are not financially viable businesses. Indeed the business cases advise that "no TAB race club in Queensland is financially viable without financial support from Racing Queensland" and that RQL has subsidised the costs of racing at every race club in Queensland.
10. The business cases indicate that the cumulative subsidies required from RQL to meet the deficits of the three race courses would increase from \$0.177 million for 2010-11 to \$0.806 million for 2013-14 (refer graph at Attachment 1). The position is less clear for the greyhound racing venue at Logan which may in the long term act as a substitute for existing venues.

FINANCIAL IMPLICATIONS

11. Treasury's review of the three business cases for the horse racing venues has identified that there is a consistent trend towards an increasing gap between revenues forecast to be generated by clubs and their costs of operating. On the basis of the current business cases under review, Treasury considers there is a strong likelihood that this position will be replicated across the whole IIP. The business case for the Logan greyhound racing venue forecasts a relatively stable operating deficit requiring funding from RQL. This is an entirely new facility and therefore the forecasts are not based on historical data.
12. RQL contends that it has the necessary financial resources to continue to fund the operation of race clubs Queensland-wide.
13. It further contends that the deficits are largely on account of depreciation. However, this is only the case for Cairns, which has a more modest operating loss of some \$117,000. RQL's forecast financials for Beaudesert indicates that operating (cash) costs increase significantly from \$355,000 to \$913,000 with depreciation listed separately at \$186,000. Similarly, the projections for Rockhampton include a relatively modest depreciation charge. For both Beaudesert and Rockhampton, the projected racing operations are profoundly non profitable. As previously noted the new venue at Logan will require an operating subsidy of over \$1 million per annum to achieve break even.
14. RQL's revenue is largely comprised of its share of wagering revenue from UNTAB in accordance with the agreement by the Government to issue UnNTAB with an exclusive wagering licence. It is noted that RQL's wagering revenue has fallen from \$140 million in 2008-09 to \$134 million in 2010-11. It is likely that wagering revenues will decline in the future because of the impacts of recent legal challenges to exclusive wagering licences in other jurisdictions, and also due to the impact of technology enabling access by non state-based wagering operators.
15. RQL's 2011 Annual Report shows that it had receipts of \$169 million. It provided prize money and other distributions of \$106 million, and on face value it appears would have some capacity to support clubs. However, it is unclear what impact the increased deficits will have across the whole program, and to what extent existing commitments can be realigned.

16. Given that the business cases are being progressed individually, Treasury is unable to form a view as to whether RQL has the capacity to subsidise increasing operating deficits for clubs across the whole program). Without a transparent disclosure of RQL's strategy for underwriting the deficits, it is not possible to be assured that the capital program is sustainable in the longer term.
17. Treasury therefore considers the risk of an increasing subsidisation requirement from RQL to be a financial risk to the Government also, as it not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance.
18. Following an analysis of the business cases for Beaudesert, Calma and Rockhampton, Treasury has concluded that as the clubs are not viable in the medium to longer term, funds should not be advanced from the RICDS towards the capital projects identified for those clubs. The new Logan venue also requires substantial ongoing support from RQL to remain viable.
19. However, should RQL be able to demonstrate that it has in place an overall rationalisation strategy which supports an increase in subsidies for some clubs with at least an offsetting decrease in other less profitable clubs, Treasury considers that may be an acceptable position. To this end, Treasury recommends that a letter of comfort be sought from RQL which provides an outline of RQL's program strategy and risk management approach across the whole of the IIP and which clearly outlines RQL's commitment to support the IIP and any emerging subsidies across the program.
20. Furthermore, Treasury recommends that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenue to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

RECOMMENDATION

21. It is recommended that you:

- o Note that Treasury has reviewed the business cases for Beaudesert, Cairns and Rockhampton Racing Clubs and the new Logan venue, and has concluded that the business cases do not demonstrate the ongoing viability of those clubs without some level of subsidy, and that this precludes Treasury from endorsing the release of public funds to those clubs in the absence of an assurance from Racing Queensland Ltd that it is committed and has the resources to meet any ongoing operating deficits;
- o Approve that you request Minister Mulherin to seek a letter of comfort from Racing Queensland Ltd to provide an assurance to Government that Racing Queensland Ltd has the capacity to fund the ongoing operating deficits (including depreciation) of Queensland race clubs, following the investment of State funds in racing club assets; and
- o Subject to your approval, sign the attached letter to Minister Mulherin which has been prepared on this basis.
- o Note that subject to receiving the letter of comfort from RQL, Treasury will review subsequent business cases under the IIP and advise Government of its assessment, but that the advancement of funds would not be precluded, should the business cases demonstrate future viability issues for the relevant racing club.

G Bradley
 Gerard Bradley
 Under Treasurer Date 14/2/12

<input type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input type="checkbox"/> Noted
Deputy Premier, Treasurer and Minister for State Development and Trade	Comments	
Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade		

Name:	*Action Officer/Author:	Director:	Initials:	ED/AUT:	Initials:	OUT:	Initials:
Michael Buckley	Michael Buckley	Nelie Barber	B	Skurr Booker	SB		
Branch/Division:	Resources and Economic Development	Resources and Economic Development		Resources and Economic Development			
Telephone:	07 3035 1423	07 3035 1414		07 3035 1880			
Date:	14/02/2012						

Docs: 521231



Fw: RQ Business Case - release of money
Stuart Booker to: Natalie Barber
Cc: Gerald W Foley, Michael Buckby

14/02/2012 04:44 PM

Team - please review this letter in terms of adequacy as "assurance" which we are seeking.
Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 14/02/2012 04:43 PM -----

From: "Jonathan Scott" <Jonathan.Scott@ministerial.qld.gov.au>
To: <stuart.booker@treasury.qld.gov.au>
Date: 14/02/2012 04:12 PM
Subject: FW: RQ Business Case - release of money

Hi Stuart

This letter apparently just came in from RQ. It doesn't mention quarantining money but does more or less assure RQ wont approach us for operational funding.

Are you able to advise whether we should now pull or amend the letter proposed to go to Mulherin?

It is currently with the Deputy Premier.

Cheers

Jon

From: Hamish Williams
Sent: Tuesday, 14 February 2012 4:08 PM
To: Jonathan Scott
Cc: Sharon Humphreys; Peter McCabe
Subject: RE: RQ Business Case - release of money

Jonathan

Please see the attached letter from RQL to Minister Mulherin.
Please advise if you require anything further.

Regards

Hamish

From: Jonathan Scott
Sent: Tuesday, 14 February 2012 12:44 PM
To: Hamish Williams
Subject: RQ Business Case - release of money

Hi Hamish

See the proposed letter from Treasury attached.

Note that, if AF signs it, it'll mean RQ will have to provide assurances prior to getting the \$.

Cheers



Jon doc20120214154055.pdf

SPB10

13



Fw: RQ Business Case - release of money

Stuart Booker to: Gerard Bradley, Tim Spencer, Alex Beavers

14/02/2012 05:24 PM

Cc: Natalie Barber, Gerald W Foley, Michael Buckby

Gerard,

this letter from QRL to Minister Mulherin goes close to the assurance we have been suggesting - the only missing elements are (1) a reference to the four Business Cases we have sighted to date (several more unsighted and we don't want to imply approval of these) and (2) an undertaking to establish a reserve fund to cushion the impact of potential reducing betting revenue in the future.

We think the Treasurer's letter to Minister Mulherin should still proceed so that Treasury's position on the Business Cases is established, and the request for a reserve fund is still conveyed to the RQL Board.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 14/02/2012 04:45 PM -----

From: "Jonathan Scott" <Jonathan.Scott@ministerial.qld.gov.au>
To: <stuart.booker@treasury.qld.gov.au>
Date: 14/02/2012 04:12 PM
Subject: FW: RQ Business Case - release of money

Hi Stuart

This letter apparently just came in from RQ. It doesn't mention quarantining money but does more or less assure RQ won't approach us for operational funding.

Are you able to advise whether we should now pull or amend the letter proposed to go to Mulherin?

It is currently with the Deputy Premier.

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Jon

From: Hamish Williams
Sent: Tuesday, 14 February 2012 4:08 PM
To: Jonathan Scott
Cc: Sharon Humphreys; Peter McCabe
Subject: RE: RQ Business Case - release of money

Jonathan

Please see the attached letter from RQL to Minister Mulherin.
Please advise if you require anything further.

Regards

Hamish

edias 824921

BRIEFING NOTE

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Business Cases for Racing Industry Infrastructure Expenditure - Gold Coast and Ipswich		
Contact Officer:	Natalie Barber - Director, Resources and Economic Development Project Tel: 3035 1414, Mo: 0412 558 242	Record No: TRX-18557	Date: 17 February 2012
Requested by:	N/A	Date Approval Requested By:	N/A

PURPOSE

1. The purpose of this submission is to:
 - inform you of the results of Treasury's review of the business cases for infrastructure expenditure at Gold Coast and Ipswich racecourses under the Racing Industry Capital Development Scheme (RICDS); and
 - seek your signature on a letter to the Honourable Minister Mulherin MP, Minister for Agriculture, Food and Regional Economics, informing him of Treasury's conclusions.

BACKGROUND

2. On 7 July 2011 CBRC approved the \$110 million Industry Infrastructure Plan (IIP) which comprised 11 projects with funds allocated under the RICDS. Funding for the IIP also included \$10 million previously committed by the Government for the closure of the greyhound racing complex at Parklands. CBRC determined that a business case for each project was required to be submitted to Treasury and accepted prior to funding being made available.
3. On 30 January 2012, Cabinet noted a revised IIP which redirected \$37.8 million in funding from the Deagon development to new greyhound racing facilities at Logan (\$24 million) and Townsville (\$8 million), works at Ipswich Turf Club (\$8 million), project variations at Beaudesert (\$0.94 million), new works at Brisbane Race Club (\$0.75 million) and increases in cost estimates at Cairns, Mackay, and Rockhampton racecourses.
4. Business cases for Beaudesert, Cairns, Rockhampton and Logan racecourses have recently been reviewed by Treasury (refer TRX-18469). As the business cases for the projects did not demonstrate the ongoing viability of those clubs without some level of subsidy, Treasury was precluded from endorsing the release of public funds and recommended that a letter of assurance be sought from Racing Queensland to underwrite the forecast losses.
5. On 14 February 2012, Racing Queensland Limited (RQL) provided a written financial assurance to Government that RQL has the capacity to underwrite the operation of the new and upgraded facilities and their maintenance into the future. Following receipt of this assurance you approved the release of funds for the capital works proposed at Beaudesert, Cairns, Rockhampton and Logan racecourses. The funds total \$36.2 million which represents 33% of the \$110 million IIP.

ISSUES

6. Proposed expenditure on capital works at the Gold Coast (\$36.48 million) and Ipswich (\$8 million) racecourses total \$44.48 million or a further 38% of the \$110 million IIP.
7. Business cases for capital works at the Gold Coast and Ipswich racecourses were received by Treasury on 15 and 16 February 2012 respectively. Given the limited time available to review the documentation, Treasury has examined the key aspects of the business cases and has formed its conclusions within a restricted framework.

Gold Coast Turf Club (GCTC)

8. The business case for the GCTC indicates that, following the reconstruction works, the club will report continuing operating deficits of around \$0.4 million per annum after including a \$1 million subsidy from RQL. The RQL subsidy is not forecast to change from its current level. The operating deficits can be attributed to non-cash expenses, with depreciation of approximately \$1.9 million per annum, therefore the club should achieve a positive cashflow. However the inability to cover depreciation costs may indicate that in the long term, further government assistance could be sought, as there would be insufficient provision to replace the assets if the deficit position was sustained. This is consistent with the other business cases submitted.
9. In the limited time available, Treasury has not conducted a thorough analysis of the underlying assumptions of the business case. However it is noted that the business case contains limited analysis of the financial risks faced by the GCTC once works have been completed and insufficient analysis of how these risks may be mitigated.
10. Treasury is therefore not assured that the club will remain viable in the longer term without further assistance. The letter from RQL provides an important assurance that RQL has the capacity to provide any further assistance necessary to the GCTC.

Ipswich Turf Club

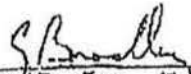
11. The business case for the Ipswich Turf Club (ITC) at Bundamba indicates that the proposed capital expenditure will not enhance the ability of the club to conduct meetings, nor will it provide any direct benefit to the racing industry in general or to RQL. Instead, the expenditure will enable the ITC to take advantage of the relocation of facilities in order to enter into a commercial development on a vacated portion of the facility.
12. The business case assumes that the club will become profitable in 2015-16 due to income received from the proposed commercial development. Treasury considers that the relocation of facilities should be a cost to the proposed commercial project, which Treasury understands to be a prospective joint arrangement between the ITC and a commercial developer.
13. Treasury considers that providing RICDS funding for this project would not be in accordance with the aims of the RICDS.

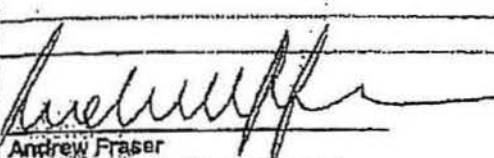
FINANCIAL IMPLICATIONS

14. Treasury notes that RQL has provided a letter to the Minister for Racing undertaking to support the racing clubs as necessary, and advising that it has financial capacity to fulfill these obligations. Nevertheless Treasury considers that the risk of an increasing subsidisation requirement from RQL and falling wagering tax revenues is a financial risk to the Government, as it not unreasonable to expect that RQL may have difficulty meeting these deficits in the longer term and could call upon the Government for financial assistance, despite the written financial assurance provided by RQL.

15. Furthermore, Treasury reiterates its previous recommendation that it would be prudent as a risk mitigation strategy for RQL to set aside a portion of wagering revenue to be held in reserve and to act as a buffer against rising expenses and potentially reducing wagering revenue. This could be reviewed annually, based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.
16. RECOMMENDATION
17. It is recommended that you note that Treasury has reviewed the business cases for the Gold Coast Turf Club and the Ipswich Turf Club and:
- Treasury does not endorse the business case for the Gold Coast Turf Club due to the forecast operating deficits, however does not object to the release of funds to the project under the RICDS on the basis of the assurance received from Racing Queensland Limited on 14 February 2012; and
 - Treasury does not approve the business case for the Ipswich Turf Club and does not recommend the release of funds under the RICDS as the project is not considered to have met the objectives of the scheme.

The attached letter to Minister Metherin has been prepared on this basis for your consideration.


 Gerard Bradley
 Under Treasurer Date 17/2/12

<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Not approved	<input type="checkbox"/> Noted
Deputy Premier, Treasurer and Minister for State Development and Trade	Comments	
		
Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade 17/2/12		

Name:	ACTION Q/Deer/AUTHOR:	Director:	ED/AUT:	OUT:
Branch/Division:	Michael Buckley	Natalie Barber	Stuart Becker	
Telephone:	Resources and Economic Development	Resources and Economic Development	Resources and Economic Development	
Date:	07 3085 1423	07 3035 1414	07 3035 1000	
Doc#: 824650	17/02/2012			



29-h

Re: FW: Approval of business cases - Ipswich and Gold Coast /
Commercial in Confidence

Stuart Booker to: Jonathan Scott
Cc: Gerard Bradley, Natalie Barber, Mary-Anne Wilson

17/02/2012 10:25 AM

Hi Jonathan,

we spoke with Gerard and we propose to include this with the Treasurer's Update this morning.

We have only just received these two Business Cases. The Gold Coast one (rec. 15/2) is similar to the recent cases reviewed, whilst the Bundamba case (rec. yesterday) presents us with a more fundamental issue we wish to explain.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

"Jonathan Scott" Hi Stuart You mentioned ea... 17/02/2012 09:56:21 AM

From: "Jonathan Scott" <Jonathan.Scott@ministerial.qld.gov.au>
To: <stuart.booker@treasury.qld.gov.au>
Date: 17/02/2012 09:56 AM
Subject: FW: Approval of business cases - Ipswich and Gold Coast

Hi Stuart

You mentioned earlier this week we were yet to receive the business cases for these two?
I assume therefore we won't be getting a letter approving release of funds for these today..
Are you able to confirm?
Cheers
Jon

-----Original Message-----

From: Hamish Williams
Sent: Friday, 17 February 2012 9:01 AM
To: Jonathan Scott
Cc: Sharon Humphreys; Peter McCabe; michael.kelly@racing.qld.gov.au
Subject: Approval of business cases - Ipswich and Gold Coast

Hi Jon

Just tried to call you.

Is there a similar letter to be sent from the Treasurer regarding the business cases for Ipswich and Gold Coast?

We have a letter of assurance from RQL if that is the case.

Please give me a call on my mobile to discuss - 0449707034

Thanks

Hamish



FW: CORRESPONDENCE TO MINISTER MULHERIN

Jonathan Scott for stuart.booker

Cc: Gerard.Bradley

17/02/2012 10:42 AM

History: This message has been forwarded.

2 attachments



Correspondence to the Minister 17 February 2012.pdf



image001.jpg

29 i

Hi Stuart

Just received this from Mulherin's office – essentially is the same as the previous letter of financial assurance for Cairns, Logan, Beaudesert, Rockhampton.

This one provides assurances for Gold Coast and Bundamba.

Cheers

Jon

From: Hamish Williams

Sent: Friday, 17 February 2012 10:38 AM

To: Jonathan Scott

Cc: Sharon Humphreys; Peter McCabe; Kelly, Michael - Racing

Subject: FW: CORRESPONDENCE TO MINISTER MULHERIN

Importance: High

Jonathan

Please see the attached letter from RQL to Minister Mulherin providing assurances for the Ipswich and Gold Coast business cases.

Please advise if more information is required for the Treasurer's approval.

We will need to receive approval by early afternoon today as the Associate DG Rob Setter is in Toowoomba and the appropriate documents will need to travel there to be signed.

Please advise of the outcome of your 11.30am meeting with Treasury.

Thanks

Hamish

From: Toni Fenwick [mailto:tfenwick@racingqueensland.com.au]

Sent: Friday, 17 February 2012 10:27 AM

To: Hamish Williams

Subject: CORRESPONDENCE TO MINISTER MULHERIN

Importance: High

Good Morning Hamish

Please find attached urgent correspondence for the Minister from Mr Bentley.

Kind Regards

Toni

Toni Fenwick

Executive Assistant to
Director of Product Development

PO Box 63, Sandgate QLD 4017



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ZS(3)

Fw: Racing Business Cases / Revised Letter

Stuart Booker to Jonathan Scott
cc: Sharon Humphreys, Gerard Bradley
bcc: Natalie Barber, Tim Spencer

14/02/2012 06:24 PM

Jonathan,

attached is the revised letter which takes into consideration today's letter from RQL to Minister Mulherin, and which Gerard has reviewed.

regards,
Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

----- Forwarded by Stuart Booker/TO/QTreasury on 14/02/2012 06:18 PM -----

From: Michael Buckby/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Date: 14/02/2012 06:17 PM
Subject: Fw: Racing Business Cases



Ltr Treasurer to RQL re Infrastructure Plan Business_Cases 140212.doc

----- Forwarded by Michael Buckby/TO/QTreasury on 14/02/2012 06:15 PM -----

From: Michael Buckby/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Date: 14/02/2012 06:11 PM
Subject: Racing Business Cases



R-TY_TO-822879-TRX-18459_Ltr_Treasurer_to_Racing_Qld_Ltd_re_Infrastructure_Plan_Business_Cases.DRF

TRX-18459

The Honourable Tim Mulherin MP
Minister for Agriculture, Food and Regional Economies
GPO Box 46
BRISBANE QLD 4001

I refer to recent correspondence between the Department of Employment, Economic Development and Innovation, Racing Queensland Limited (RQL), and Treasury Department (Treasury) regarding business cases for proposed capital works under the Industry Infrastructure Plan (IIP), and recent correspondence to you from the Chairman of RQL.

I have been informed that Treasury has continuing concerns regarding the business cases so far received, being for capital works at Beaudesert, Cairns, Rockhampton and Logan. The business cases disclose reasonable information regarding the proposed upgrades and construction, however the business cases demonstrate that the ongoing viability of the facilities is dependent on continuing increased support from RQL. I understand that operational deficits for individual racecourses are likely to be a feature of the majority, if not all, of future business cases. The ability of RQL to provide this support in the long term is not evident in each business case, and indeed, the sustainability of such operations in the medium term is not demonstrated.

I acknowledge that providing financial support for racing clubs is a prime function of RQL in its capacity as a racing control body. In particular I note the financial assurance provided on 14 February by RQL, which addresses the need to provide adequate financial backing to the upgraded and new facilities, for which RQL is seeking funding from the Racing Industry Capital Development Scheme. On this basis, I am prepared to approve the release of funds for the capital works at Beaudesert, Cairns, Rockhampton and Logan.

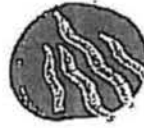
In addition to RQL's financial assurance which you have already obtained, it would be prudent to seek confirmation that RQL will establish a reserve fund through setting aside a portion of wagering revenue to use as a buffer for increased operating deficits in the event that betting distributions decline in the near future. Thank you for your continuing assistance in advancing the capital upgrade program on a financially sustainable basis.

Yours sincerely

ANDREW FRASER



Hon Andrew Fraser MP
Member for Mount Coot-tha



Queensland
Government

Deputy Premier and Treasurer
Minister for State Development
and Trade

TRX-18459

The Honourable Tim Mulherin MP
Minister for Agriculture, Food and Regional Economies
GPO Box 46
BRISBANE QLD 4001

Tim,

I refer to recent correspondence between the Department of Employment, Economic Development and Innovation, Racing Queensland Limited (RQL), and Treasury Department (Treasury) regarding business cases for proposed capital works under the Industry Infrastructure Plan (IIP), and recent correspondence to you from the Chairman of RQL.

I have been informed that Treasury considers there are outstanding issues in the business cases so far received, being for capital works at Beaudesert, Cairns, Rockhampton and Logan. The business cases disclose reasonable information regarding the proposed upgrades and construction, however the business cases demonstrate that the ongoing viability of the facilities is dependent on continuing increased support from RQL. I understand that operational deficits for individual racecourses are likely to be a feature of the majority, if not all, of future business cases. The ability of RQL to provide this support in the long term is not explicitly evident in each business case.

I acknowledge that providing financial support for racing clubs is a prime function of RQL in its capacity as a racing control body. In particular I note the financial assurance provided on 14 February by RQL, which addresses the need to provide adequate financial backing to the upgraded and new facilities, for which RQL is seeking funding from the Racing Industry Capital Development Scheme. On this basis, I am prepared to approve the release of funds for the capital works at Beaudesert, Cairns, Rockhampton and Logan.

Level 9 Executive Building
100 George Street Brisbane
GPO Box 611 Brisbane
Queensland 4001 Australia
Telephone +61 7 3224 6900
Facsimile +61 7 3229 0642
Email deputypremierandtreasurer@qld.gov.au
ABN 65 959 415 158

The assurance should have a clear basis of justification. You may care to consider whether it would be prudent to set aside a portion of wagering revenue to use as a buffer for increased operating deficits in the event that betting distributions decline in the near future, for various reasons including the level of popularity and success of the racing industry, and emerging changes to gaming and betting infrastructure and service providers. This could be reviewed annually based on an assessment of RQL's ability to continue funding the operating deficits, and an improved understanding of the operating position of the improved facilities.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Andrew Fraser". The signature is written in black ink and is positioned below the "Yours sincerely" text.

ANDREW FRASER



Hon Andrew Fraser MP
Member for Mount Coot-tha



Queensland
Government

Deputy Premier and Treasurer
Minister for State Development
and Trade

TRX-18557

17 FEB 2012

The Honourable Tim Mulherin MP
Minister for Agriculture, Food and Regional Economics
GPO Box 46
BRISBANE QLD 4001

Tim

I refer to recent correspondence regarding business cases for proposed capital works under the Industry Infrastructure Plan, including recent correspondence to you from the Chairman of Racing Queensland Limited (RQL.)

Treasury Department has recently received a further business case for capital works for the Gold Coast Turf Club (GCTC). The business case discloses reasonable information regarding the proposed upgrades and construction.

Treasury advises that the business case for the Gold Coast facility demonstrates that the long term viability of the facilities is dependent on continuing support from RQL. The letter provided by RQL on 14 February 2012 provides an important assurance that the RQL will continue to support any losses incurred by the GCTC, and on this basis I am prepared to approve the release of funds for the capital works at the Gold Coast.

As previously advised it would be prudent to seek confirmation that RQL will establish a reserve fund through setting aside a portion of wagering revenue to use as a buffer for increased operating deficits in the event that betting distributions decline in the near future.

Yours sincerely

ANDREW FRASER

Level 9 Executive Building
100 George Street Brisbane
GPO Box 611 Brisbane
Queensland 4001 Australia
Telephone +61 7 3224 6900
Facsimile +61 7 3229 0642
Email deputypremierandtreasurer@qld.gov.au
ABN 65 959 415 358

SPB14

17

MEETING FILE NOTE

Date Friday, 2 March 2012

Attendees

Ipswich Turf Club	Mr Wayne Patch	Chairman
	Mr Brett Kitching	General Manager
Racing Queensland Ltd	Mr Bob Bentley	Chairman
Office of Racing (DEEDI)	Mr Mike Kelly	
	Ms Carol Perrett	
Treasury	Mr Stuart Booker	
	Mrs Natalie Barber	

Subject Business Case for Ipswich Turf Club

- Meeting arranged at the request of Minister Nolan
- Treasury outlined the protocols under the Caretaker Conventions which limit the discussion of current and future decisions of Government
- However Treasury offered to discuss the evaluation process for business cases
- Treasury outlined the principle for application of public funds to projects of broad community benefit on core racing assets
- Treasury identified the problem with the Ipswich business case as being the apparent linking of the purpose of the public funds with a proposed commercial project to develop a shopping centre
- This was disputed by ITC, RQL (the parties) and the Office of Racing
- The parties outlined a different proposal which does not link the facilities sought to be funded under the RICDS with the proposed commercial development
- Discussion centred around the status of the Due Diligence Report attached to the business case on which Treasury relied (amongst other things) to form its conclusions
- The parties indicated the Due Diligence Report was out-dated and did not reflect the current project proposal
- Treasury stressed the limited time available (1 day) to review the Ipswich business case prior to the commencement of the Caretaker Period and therefore the lack of opportunity to consult
- Treasury also stressed the business case material submitted, including its attachments was all that was (and could be) relied upon to form Treasury's conclusions
- The parties considered Treasury's interpretation to be flawed, and advised that the tunnel and other assets sought to be relocated in the business case were distinct and separate from the proposed commercial development project
- However based on the material at hand, Treasury is unable to form an alternate view, particularly given the clear statement in the Manix due diligence report, which were not subject to interpretation
- The parties sought to have Treasury reconsider its position and make a further recommendation to Government during the Caretaker Period

-
- Treasury indicated it had sought legal advice, and it was unable to do so under the caretaker government requirements

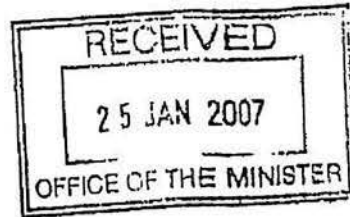


24 January 2007

Hon. Andrew Fraser, MP
Member for Mt Coot-tha
Minister for Local Government,
Planning and Sport
PO Box 15031
CITY EAST QLD 4002

Queensland Racing Limited
A.B.N. 93-116 735 374
Racecourse Rd Deagon QLD 4017
PO Box 53 Sandgate QLD 4017
T 07 3869 0777
F 07 3269 9304
E info@queenslandracing.com.au
W www.queenslandracing.com.au

By Facsimile: (07) 3221 9964



Dear Minister Fraser

RE: SYNTHETIC TRACK PROJECT

The purpose of this correspondence is to inform your office of developments in relation to the all weather synthetic track project.

On 23 January 2007, Mr Bill Ludwig, Mr Malcolm Tuttle and I, held a meeting with the Coordinator-General, Mr Ken Smith and the Deputy Coordinator-General, Mr Stewart Booker. The purpose of this meeting was to discuss government funding to install four (4) synthetic surfaces.

The project proposes that the synthetic surfaces will be installed at the Sunshine Coast, Gold Coast, Toowoomba and Eagle Farm with a funding request for \$20 million.

I have enclosed a brief overview of the project, which was provided during the meeting on 23 January 2007.

QRL will be working with Mr Booker to furnish a business case to government for the project.

It was conveyed during the meeting of 23 January 2007 by Mr Smith that he would be contacting your office.



Should you require additional details, please contact me on (07) 3869 9742.

Yours Sincerely

ANDREW HEDGES
Director, Integrity Operations

Cc Mr Mike Kelly
Executive Director
Racing Division



SYNTHETIC TRACK PROJECT

Overview

1. Situation

Queensland is in drought conditions with the August to November 2006 period being the third driest on historical record. Rainfall deficiencies have brought the declaration of drought or partly drought conditions being declared across the State. Whilst, these conditions paint a bleak picture; future forecasts fall to offer much hope.

Forecast reports outline that there is a seventy (70) per cent chance of below median rainfall occurring and with no change in weather patterns expected, the drought conditions and lack of rainfall are set to continue. The extreme conditions that are highlighted above carry clear implications for water conservation and with dam levels at critical levels, strategies that reduce usage also become critical.

The synthetic track project offers an infrastructure capability that will significantly reduce water consumption as well as enhancing Queensland Industry outcomes by offering the capability to race and train in any weather conditions. Traditional tracks have limitations, in that extreme weather conditions inhibit their use. Synthetic tracks can be used under any condition which means no loss of product and associated income to government and industry through forced loss of race meetings and training sessions.

Economic loss is not only significant to the horse racing industry; it is also significant to government, as the horse racing industry is the third largest industry in Queensland. In 2001, the horse racing industry contributed 6.3 billion dollars into the GDP of Australia and has strong links with other industries in Queensland such as Tourism, Hospitality, and Exporting through events such as the Winter Racing Carnival, the Summer Racing Carnival and Magic Millions on the Gold Coast.

2. Objectives

Geographical shifts in population have changed patterns of demand, which carry the important need of servicing the horse racing industry. The aforementioned points highlight the significance of why the Gold Coast and Sunshine Coast were chosen as two sites for the installation of synthetic surfaces. These two tracks represent a significant component of the industry's training capability, which contributes to the horse racing product. This capability must be nurtured and sustained. Additionally, these two locations offer tremendous opportunity through their nature in that they would support the addition of a twilight racing product. This addition would positively impact on the Queensland Economy by injecting additional funds into local industry and government.

Toowoomba was chosen as the third location because of its extreme drought situation. It is also one of Queensland's largest horse training centres and one which significantly contributes to the horse racing

Industry. The extreme conditions pose strains on water conservation with the installation of a synthetic surface substantially reducing water consumption whilst also sustaining continual training. In addition, the highlighted harsh environmental conditions cause race meetings to be cancelled which impacts on the financial outcomes of the horse racing industry.

Eagle Farm was chosen as the fourth site, as a result of QRL's intention to have a merge of equals between the Queensland Turf Club and the Brisbane Turf Club, creating a new international standard facility for racing.

It is our contention that you cannot create a facility to international standards without a synthetic surface. The American Dirt Track which is currently used for training at Eagle Farm uses substantial amounts of water which will be completely eliminated upon installation of a synthetic surface.

The objectives of the installation of the four synthetic surfaces run deeper than water conservation and industry viability outcomes. The objectives also encompass animal welfare outcomes that will see a reduction in soft-tissue injuries to young horses as well as improving the safety and welfare of jockeys and track riders. These objectives are consistent with Smart State initiatives as industry seeks to collaborate with government to achieve sustainability of an industry in harsh climatic conditions.

3. Methods

Queensland Racing Limited (QRL) is the control body for the thoroughbred horse racing industry in Queensland. Whilst, QRL is a public company limited by guarantee, it is not a profit seeking organisation, it is primarily concerned with the continued viability of the horse racing industry. QRL is also committed to putting Queensland on the International map and seeks to be at the cutting edge of training and racing technology, initially by embracing synthetic track technology.

Being a not for profit organisation, QRL relies on strategic collaborative relationships and firmly believes that in partnership with the Queensland Government, it can achieve not only the objectives of this project but place Queensland at the forefront of the International Horse Racing Industry.

To deliver on project outcomes QRL will seek tenders upon approval of government funding allocation from leading world suppliers of synthetic track surfaces. It is anticipated that an ancillary benefit of the project is that materials and labour for the design, sourcing and installation of the surfaces will be drawn from local industry, further injecting money into Queensland industry.

Synthetic tracks are made of an artificial surface which is a combination of sand, rubber, fibre and oil-based wax that requires no watering. Vertical

drainage is an important component of the installation process and ensures that no surface water is evident on the artificial surface as well as allowing the drained material to be relocated at nearby reservoirs for additional industry use. This measure contributes to the overall water saving at each facility that has the synthetic track installed.

4. Qualifications

Expressions of Interest documentation has been sent by QRL to the eight (8) key industry suppliers of Synthetic surfaces and these companies are well qualified to supply the products. In answering the expression of Interest, QRL has requested that the relevant companies highlight their qualifications, experience, success and intention to utilise local products and knowledge.

The qualifications will be assessed by an experienced business panel, in order to ensure that the project can deliver on its intent and objectives, thereby achieving the below highlighted benefits for both industry and government.

5. Costs

The costs of the project are estimated at \$20 million for all four synthetic surfaces, with an allocation of approximately \$5 million for the installation of each surface. It is also important to note that the costs will be phased over a two year period as a result in installations being phased across the four proposed sites.

6. Benefits

6.1 Reduction in Water Usage

Maintaining training tracks requires substantial amounts of water usage. Synthetic surfaces do not require water for their maintenance.

The current water usage for the four proposed sites on their training surfaces is 2400 kilolitres a week.

The introduction of this project will substantially reduce water usage and offer the additional benefits of acting as a pilot for water reduction technology in the horse racing industry.

6.2 Reduction in Lost Productivity

Weather conditions and the associated impacts and conditions of tracks all impact on productivity, in the sense of the ability to continue racing and training of horses. Adverse weather conditions can cause a race meeting

or training session to be cancelled for workplace health and safety reasons. These closures and cancellations impact across the horse racing industry. Synthetic surfaces allow for activity in any conditions which completely eliminates lost productivity and strengthens the viability of the entire industry.

6.3 Reduction in Animal Injuries

The drought conditions and limitations on water usage impact on the hardness of race tracks and training surfaces. These conditions increase the prevalence of soft tissue injuries, especially to young horses. Synthetic surfaces offer enhanced cushioning with an increased ability to absorb impact, thereby reducing the probability of injury.

The synthetic surface also offers an evenness of ground infrastructure which increases the capability of consistent footing, regardless of weather conditions. This capability also reduces the probability of animal injuries.

6.4 Enhance Rider Safety

Prevention is a key component to workplace health and safety management. Synthetic surfaces provide a consistent surface, regardless of weather conditions. This consistent footing enhances the safety of riders as the probability of a horse slipping or wrong footing itself is significantly reduced. It is therefore acceptable to hold fast to the assumption that the use of synthetic surfaces should reduce rider falls.

6.5 Industry Reputation

Queensland enjoys a strong reputation for showcasing its talents internationally. QRL believes that this project will contribute to our international reputation as we progress to having international class facilities, racing and training surfaces. It is strongly believed that upgrading facilities and tracks will attract greater international interests, not only enhancing reputation capital, but also contributing to the bottom line.

6.6 Increased Wagering

There is evidence from racing in Canberra, that the use of synthetic surfaces has increased wagering turnover by on average, fifteen (15) per cent. This can be attributed to educated punters that embrace the consistency that synthetic surfaces offer by increasing their wagering. There is no reason that the assumption cannot be drawn that establishing synthetic tracks will inject funds into the industry through increased wagering.

7. Conclusion

Training and racing surfaces have traditionally been sand and grass. However, these surfaces pose significant strains on water resources.

Synthetic surfaces are made from materials and are supported by infrastructure and drainage that requires minimal water maintenance. Given the current drought situation, this water conservation element is a significant benefit. The benefits are not limited to water savings, with benefits to animal welfare and horse rider safety. In addition, to the aforementioned benefits; the Queensland Horse Racing Industry must internationalise itself, to remain competitive.

QRL believes in the 'Smart State' strategic vision of the Queensland Government and firmly believes that the Synthetic Track Project is consistent with these ideals, as a large component of the synthetic track process relies on the adoption of Smart technologies and presenting facilities that are world class.

Comprehensive project documentation will be forwarded in due course; this document seeks only to offer a high-level overview of the project.

The funding of \$20 million dollars over two years is an important investment into the future of the horse racing industry in Queensland. In collaboration with the Queensland Government, QRL seeks to showcase the Queensland Horse Racing Industry to the world, and this will have positive impacts on tourism and local industry.

Fw: Reimbursement of RQL's costs
Michael Buckby to: Stuart Booker
Cc: Natalie Barber, Gerald W Foley

21/02/2012 05:03 PM

Hi Stuart,

Below is a suggested response to Mike Kelly.

Thank you for your email requesting the release of funds for costs incurred by Racing Queensland Limited (RQL) in the preparation of business cases.

Treasury has reviewed the information provided and approves that the requested \$2,596,290.58 (engaging external consultants) and \$200,000 (RQL internal costs) be released to RQL.

Yuan Wang 3035 3327 and Sharon Ryan 3035 3328 in our finance area have been advised to expect a request from the Office of Racing via your DEEDI finance colleagues.

Regards
Michael
51423

----- Forwarded by Michael Buckby/TO/QTreasury on 21/02/2012 04:31 PM -----

From: "Kelly, Michael - Racing" <Michael.Kelly@racing.qld.gov.au>
To: "Booker (stuart.booker@treasury.qld.gov.au)" <stuart.booker@treasury.qld.gov.au>
Cc: "michael.buckby@treasury.qld.gov.au" <michael.buckby@treasury.qld.gov.au>, "Gerry.Foley@treasury.qld.gov.au" <Gerry.Foley@treasury.qld.gov.au>, "Setter, Robert" <Robert.Setter@deedi.qld.gov.au>, "Hamish Williams" <Hamish.Williams@ministerial.qld.gov.au>, "Perrett, Carol" <Carol.Perrett@racing.qld.gov.au>
Date: 16/02/2012 10:21 AM
Subject: Reimbursement of RQL's costs

Stuart

I refer to telephone conversations between Carol Perrett and Michael Buckby and wish to confirm that having regard to the Treasurer's letter of 5 December 2011 to Racing Queensland and Racing Queensland's letter of 2 February 2012 to me that Treasury is agreeable to the release of funds to pay Racing Queensland the sum of \$2,796,290.58, which consists of \$2,596,290.58 for the costs incurred by Racing Queensland in engaging external consultants in the preparation of business cases and \$200,000 for Racing Queensland's cost of internal resources for 2010-2011.

A copy of the relevant documents are attached.

Regard Carol

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From: "Perrett, Carol" <carol.perrett@racing.qld.gov.au>
Date: Wednesday, 22 February 2012 11:30 AM
To: "Kelly, Michael - Racing" <michael.kelly@racing.qld.gov.au>
Subject: FW: Business cases

-----Original Message-----

From: Mark Snowdon [mailto:msnowdon@racingqueensland.com.au]
Sent: Wednesday, 22 February 2012 11:26 AM
To: Perrett, Carol
Subject: Business cases

Carol

I'm on my way to Mackay today, just as I got on the plane Bob phoned to advise he has been speaking to Stuart Booker at Treasury who told Bob that they will consider the other business cases during the caretaker phase

Bob has requested that I get the business cases into government as a matter of urgency which I can but I also have priorities on the approved projects to get activity up and running.

In light of this, and if this is also your understanding, we could start with the cases for the increased budgets for Beaudesert and Cairns which I emailed through to you Monday last week.

I also have the cases for the increased budgets for Rockhampton and Mackay ready to send if you are happy to receive them.

The remaining business cases on Townsville greyhounds, Townsville Turf Club, BRC and Albion Park could be through to you early next week, Bob would like this to be earlier.

I will be in a construction meeting for most of today but will try to call you when I can to discuss.

Bob also mentioned that Booker would be processing the 'costs to date' claim as well.

There is also the interest component of the IIP of \$3m which I was going to provide the overall updated cash flow which will show the interest calculation.

Talk soon

Mark Snowdon
Project Director
Racing Queensland Limited
(07) 3869 9402
0409 582613

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16/07/2013

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16/07/2013

Kelly, Michael - Racing

From: stuart.booker@treasury.qld.gov.au
Sent: Thursday, 23 February 2012 5:22 PM
To: Kelly, Michael - Racing
Cc: michael.buckby@treasury.qld.gov.au; Natalie.Barber@treasury.qld.gov.au
Subject: Reimbursement of RQL's costs

Attachments: Signed letter from Treasurer to RQL 5.12.11.doc; Letter from RQL to Office of Racing 2.02.12.pdf



Signed letter from Treasurer t...
Letter from RQL to Office of R...

.Hi Michael,

Thank you for your email requesting the release of funds for costs incurred by Racing Queensland Limited (RQL) in the preparation of business cases.

We had discussed this internally earlier this week, and I had wrongly thought that I had already replied to you !

Treasury has reviewed the information provided and approves that the requested \$2,596,290.58 (engaging external consultants) and \$200,000 (RQL internal costs) be released to RQL.

Yuan Wang 3035 3327 and Sharon Ryan 3035 3328 in our finance area have been advised to expect a request from the Office of Racing via your DEEDI finance colleagues.

best regards,
Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

```
cc: "'michael.buckby@treasury.qld.gov.au'"  
    <michael.buckby@treasury.qld.gov.au>,  
    "'Gerry.Foley@treasury.qld.gov.au'"  
    <Gerry.Foley@treasury.qld.gov.au>, "Setter, Robert"  
    <Robert.Setter@deedi.qld.gov.au>, "'Hamish Williams'"  
    <Hamish.Williams@ministerial.qld.gov.au>, "Perrett, Carol"  
    <Carol.Perrett@racing.qld.gov.au>
```

Date: 16/02/2012 10:21 AM

Subject: Reimbursement of RQL's costs

Stuart

I refer to telephone conversations between Carol Perrett and Michael Buckby and wish to confirm that having regard to the Treasurer's letter of 5 December 2011 to Racing Queensland and Racing Queensland's letter of 2 February 2012 to me that Treasury is agreeable to the release of funds to pay Racing Queensland the sum of \$2,796,290.58, which consists of \$2,596,290.58 for the costs incurred by Racing Queensland in engaging external consultants in the preparation of business cases and \$200,000 for Racing Queensland's cost of internal resources for 2010-2011.

A copy of the relevant documents are attached.

Regards Carol

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(See attached file: Signed letter from Treasurer to RQL 5.12.11.doc) (See attached file: Letter from RQL to Office of Racing 2.02.12.pdf)



Re: Fw: Reimbursement of RQL's costs

Stuart Booker
Cc: Michael Buckby, Gerald W Foley

16/02/2012 12:00 PM

29(e)

Thanks Natalie,

yes lets confirm first. Also agree that cost of Business cases should only proceed where the Treasurer agrees to release funds - due to the consistent lack of viability, we are not actually approving the Business Cases.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

Natalie Barber Stuart Agree with Michael tha... 16/02/2012 11:42:52 AM

From: Natalie Barber/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Cc: Michael Buckby/TO/QTreasury@QTreasury, Gerald W Foley/TO/QTreasury@QTreasury
Date: 16/02/2012 11:42 AM
Subject: Re: Fw: Reimbursement of RQL's costs

Stuart

Agree with Michael that the request for funds have received the appropriate approval and can proceed to be paid.

We are checking with Treasury Finance to ensure there sufficient funds available in the CIF to make both this payment and the payments for the business cases approved so far.

Can we wait for confirmation before we respond to Mike Kelly pls.

Thanks,
Natalie

Natalie Barber
Director

Resources & Economic Development Branch / Treasury
Phone 322 44475 / Rm 10.20 Executive Building

Stuart Booker Hi Natalie - please review Mr... 16/02/2012 10:24:27 AM

2-9-6



Re: Fw: Reimbursement of RQL's costs

Stuart Booker for Michael Buckby
Cc: Gerald W Foley, Natalie Barber

16/02/2012 11:13 AM

Michael,

No need for any apology with this.

I think you and Gerry have managed the last few hectic weeks of repeated requests etc. from RQL very well !

In the circumstances approaching Caretaker mode, we need maintain our usual careful handling of such funding requests, and making sure all CBRC etc. requirements are met.

On a separate matter, have we received back, the Treasurer's letter to Minister Mulherin ? Jonathan Scott said he had done some minor changes to it late yesterday and indicated we should see it back from the Treasurer's office today.

Stuart

Stuart Booker
Assistant Under Treasurer
Ph: 3035 1860
M: 0418 750 307

Michael Buckby Stuart, We have received the... 16/02/2012 10:48:16 AM

From: Michael Buckby/TO/QTreasury
To: Stuart Booker/TO/QTreasury@QTreasury
Cc: Gerald W Foley/TO/QTreasury@QTreasury
Date: 16/02/2012 10:48 AM
Subject: Fw: Reimbursement of RQL's costs

Stuart,

We have received the requested information regarding these expenses.

The funds requested of \$2,596,290.58 and \$200,000 are OK to be released. The Office of Racing need to request the funds through DEEDI finance and then Treasury finance as I have advised them.

Apologies for not sufficiently calming their anxiety.

Michael
51423

----- Forwarded by Michael Buckby/TO/QTreasury on 16/02/2012 10:29 AM -----

From: "Kelly, Michael - Racing" <Michael.Kelly@racing.qld.gov.au>
To: "Booker (stuart.booker@treasury.qld.gov.au)" <stuart.booker@treasury.qld.gov.au>
Cc: "'michael.buckby@treasury.qld.gov.au'" <michael.buckby@treasury.qld.gov.au>, "Gerry.Foley@treasury.qld.gov.au" <Gerry.Foley@treasury.qld.gov.au>, "Setter, Robert" <Robert.Setter@deedi.qld.gov.au>, "Hamish Williams" <Hamish.Williams@ministerial.qld.gov.au>, "Perrett, Carol" <Carol.Perrett@racing.qld.gov.au>
Date: 16/02/2012 10:21 AM
Subject: Reimbursement of RQL's costs

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Regard Carol

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***** Signed letter from Treasurer to RQL 5.12.11.doc



Letter from RQL to Office of Racing 2.02.12.pdf

BRIEFING NOTE

NO INVOLVEMENT

FROM	Treasury		
FOR	Deputy Premier, Treasurer and Minister for State Development and Trade		
SUBJECT	Racing Queensland Limited – Racing Industry Capital Development Scheme		
Contact Officer:	Natalie Barber – Director, Resources and Economic Development Branch Ph 3224 4475, Mb 0412 566 242	Record No: TRX-17947	Date: 01 December 2011
Requested by:	Matthew Vagne	Date Approval Required By: N/A	

PURPOSE

1. The purpose of this submission is to inform you of issues raised by Racing Queensland Limited (RQ) in relation to the delivery of racing infrastructure under the Racing Industry Capital Development Scheme (RICDS) and to seek your:
 - Approval to provide up to \$2.75M to RQ under the RICDS to meet the cost of procuring external consultants assisting in the preparation of business cases; and
 - Signature on the letter to Mr Bob Bentley, Chairman RQ advising of the above.

BACKGROUND

2. On 26 November 2009, CBRC (Decision 2863) approved the implementation of the RICDS, where 50% of net wagering tax received was to be directed to the RICDS, up to a maximum of \$85M over four years.
3. On 7 July 2011, CBRC (Decision 3255) approved RQ's capital works program totalling \$110.7M as outlined in its Infrastructure Plan (IP). CBRC also approved a one year extension to 30 June 2015 of the wagering tax sharing arrangements under the RICDS, totalling approximately \$100M-\$104M (depending on the total wagering tax collected). A further \$9.852M was made available to RQ under the RICDS being the balance of \$10M previously committed by the State to the establishment of a new greyhound racing facility.
4. Under the CBRC decision access to funds under the RICDS is subject to a business case for each project being submitted and subsequently accepted by Treasury.
5. CBRC also approved Queensland Treasury Corporation (QTC) lending to RQ up to \$100M on the basis that the loan is to be repaid in full by 30 June 2015 through the assignment back to the State of revenues arising from the wagering tax sharing arrangements.
6. Mr Bob Bentley, Chairman of RQ has recently raised a number of issues on the progress of delivery of racing infrastructure under the RICDS.

ISSUES

FUNDING FOR BUSINESS CASES

7. RQ advises that it has progressed eight business cases but does not have the funds to complete the business cases without directing funds away from other priorities within the industry. RQ seeks a preliminary payment of approximately \$3.54M for the continued development of the business cases in advance of submitting business cases to Treasury as approved by CBRC.

8. Treasury considers that it is reasonable to provide RQ access to limited funds from the RICDS to meet the cost of procuring external consultants assisting in the preparation of the business cases where the capital improvement projects are significant and have an associated delivery risk. However Treasury does not support RICDS funds being applied towards reimbursing RQ's internal operating costs as has been requested.
9. Treasury considers up to \$2.75M (approximately 2.5% of the \$110.7M Infrastructure Program) could be made available from the RICDS to meet the cost of preparing business cases. This would mainly relate to the cost of procuring external consultants to assist in the preparation of such business cases, although it would not be unreasonable to also include the direct and indirect costs of a dedicated resource in RQ, up to \$200,000 per annum. Subject to your approval, requests from RQ for reimbursement could be submitted to DEEDI's Office of Racing at the end of each calendar quarter.

REQUIREMENT FOR COUNCIL APPROVALS

10. RQ refers to advice from Treasury that "all council approvals" would need to be in place prior to a business case being lodged and that this would create issues particularly for the proposed Deagon development. As full development funding is to be made available to RQ once the business case has been endorsed by Treasury, Treasury considers it is reasonable that a copy of the Development Approval from the relevant council be included in the business case to provide confidence that the project is able to be delivered.
11. Treasury notes that in the case of the Deagon development, the Brisbane City Council has publicly stated its opposition to the project and this is a key risk to the project's delivery. Treasury has sought to avoid a situation where full development funding is provided to RQ for a development which may not proceed.

TRANSFER DUTY

12. The matter of transfer duty on joint venture transactions has also been raised.
13. RQ advises that the payment of transfer duty has not been factored into its Infrastructure Plan and seeks ex gratia relief of approximately \$3.95M on proposed transactions involving RQ taking an equity position in the Rockhampton Jockey Club, Gold Coast Turf Club and the Townsville Turf Club. Further requests for relief are planned for similar transactions relating to racecourse assets at Cairns, Mackay and Beaudesert.
14. Ex gratia relief from the payment of transfer duty was previously approved for the Sunshine Coast Turf Club, however has not been granted for the payment of transfer duty in relation to arrangements between RQ and the Rockhampton Jockey Club.
15. The Office of State Revenue (OSR) advises that ex gratia relief was approved on the Sunshine Coast Turf Club transaction as the transfer of the racecourse to a new entity was initiated in response to the State Government's policy on the ownership of racing venues. The transaction involved the securing of facilities previously owned by the Caloundra City Council.
16. OSR however considers that the transaction at Rockhampton does not result directly from State Government policy. The transaction involves the transferring of racing assets to a company with shares owned by both the Rockhampton Jockey Club and RQ. OSR advises that ex gratia relief should not be provided as the transaction was voluntary and motivated by commercial considerations relating to RQ's investment in racing facilities and control of racecourse management.
17. DEEDI's Office of Racing advises that while it has been supportive of RQ's approach to take an equity position in the entity holding the assets in exchange for infrastructure funding, it has not advised RQ that an equity position is a pre-condition or requirement for funding.

FINANCIAL IMPLICATIONS

- 18. The provision of up to \$2.75M to RQ to meet consultancy costs incurred in the development of business cases will reduce the amount available for investment in racing infrastructure under the RICDS.
- 19. Transfer Duty for the changes proposed for Rockhampton Jockey Club, Gold Coast Turf Club and the Townsville Turf Club sought by RQ to be refunded is estimated to be \$3.95M.

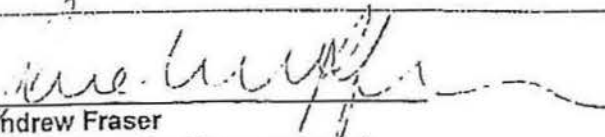
RECOMMENDATION

That you:

- Approve the provision of up to \$2.75M to Racing Queensland under the Racing Industry Capital Development Scheme to meet the cost of procuring external consultants assisting in the preparation of business cases and capped internal costs of \$200,000 per annum. Requests from RQ for reimbursement should be submitted to DEEDI's Office of Racing at the end of each calendar quarter.
- Sign the attached letter to Mr Bob Bentley, Chairman RQ advising of the above.

Gerard Bradley

Gerard Bradley
Under Treasurer Date 2/12/11

<input type="checkbox"/> Approved Deputy Premier, Treasurer and Minister for State Development and Trade	<input type="checkbox"/> Not approved Comments	<input checked="" type="checkbox"/> Noted
		
Andrew Fraser Deputy Premier, Treasurer and Minister for State Development and Trade 5/12/11		

Doc ID	*Action Officer/Author:	Director:	(Initials)	ED/AUT:	(Initials)	OUT:	(Initials)
619055	Michael Buckby	Natalie Barber	AB	Stuart Booker	AB		
Name:	Resources and Economic Development	Resources and Economic Development					
Branch/Division:	07 3237 9999	07 3224 4475		07 3238 3059			
Telephone:	01/12/2011	01/12/2011		1/12/2011		/	/
Date:							