

**BOARD PAPER NUMBER: APPENDIX C**  
**PURCHASING POLICY ADDENDUM – Industry Infrastructure Plan**

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**PURPOSE:**

To seek approval from the Board of RQL for the addition of the addendum to the Racing Queensland Limited (RQL) Purchasing Policy approved at the 4 November 2011 Board meeting. The addendum has been drafted to address the need for additional policy controls in particular relating to the Industry Infrastructure Plan. In order to better align the RQL Purchasing Policy with the Queensland (QLD) Government Procurement Policy, additional policy items were introduced.

**BACKGROUND AND ISSUES:**

The need for tight controls in the procurement of goods and services relating to the projects identified in the \$110M Industry Infrastructure Plan has prompted the drafting of the Addendum to the RQL Purchasing Policy.

A comparison review was conducted in order to ensure all necessary elements of the QLD Government Procurement Policy have been addressed in the RQL policy. Areas not specifically addressed in the in the existing RQL policy were identified and other areas were expanded upon to satisfy the Industry Infrastructure Plan committee that the RQL policy was sufficiently detailed to maintain strict controls over all procurement requirements of RQL.

Given the expected scrutiny of all activities relating to the Industry Infrastructure Plan (IIP) the review was undertaken to ensure RQL is able to clearly demonstrate that all project procurement requirements were executed in line with State Government Procurement policy.

**EXECUTIVE SUMMARY**

The Addendum attached seeks to further strengthen the RQL purchasing policy in particular for the Industry Infrastructure Plan projects in order that the policy more closely aligns with Queensland Government procurement policies.

The need for tight controls over all IIP expenditure has prompted the development of additional policy elements and the expansion of others. The Addendum should address the policy differences and ensure the Queensland Government has sufficient comfort that RQL will conduct all procurement processes relating the projects in accordance with strict policy guidelines.

The RQL purchasing policy, including addendum have been forwarded to the Office of Racing for their review and feedback.

**OPTIONS:**

N/A

**FINANCIAL IMPACT:**

N/A

**LEGAL IMPLICATIONS:**

Adoption of purchasing policy which more closely aligns with QLD Government procurement policies may assist with any future claims of impropriety or malfeasance.

**STAFF IMPLICATIONS:**

N/A

**OTHER STAKEHOLDER IMPACTS:**

N/A

**COMMUNICATION STRATEGY:**

To advise the Industry Infrastructure Control Group (IIPCG) and RQL staff

**RECOMMENDATION:**

The Addendum to the Racing Queensland Limited Purchasing Policy be approved



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**Adam Carter**  
**Chief Financial Officer**

Actioning Officer: **Ron Mathofer Business Analyst**



## ADDENDUM TO PURCHASING POLICY

### Owner

Chief Financial Officer

### Stakeholders

Corporate Wide

### Revision History

| Version | Date        | Description of Change                   |
|---------|-------------|---|
| 1.01    | 25 Nov 2011 | Draft Addendum to RQL Purchasing Policy |
| 1.02    | 19 Dec 2011 | Board Approved                          |
|         |             |   |
|         |             |   |
|         |             |   |
|         |             |   |
|         |             |   |



RACING  
QUEENSLAND

**PURCHASING POLICY;  
INFRASTRUCTURE PLAN  
RACING QUEENSLAND LIMITED**

**Introduction**

This addendum has been prepared to expand on the RQL General Purchasing Policy which provides guidelines and procedures to be followed by officers of Racing Queensland Limited when undertaking and managing purchasing activities to meet the organisation's operational requirements and also meet the objectives of the policy.

The Racing Queensland Infrastructure Plan has been designed to improve and further develop racing industry infrastructure by way of a \$110 million redirection of wagering taxes from the QLD government. Projects have been identified and funds allocated to each project.

Given the size and scale of these projects this addendum to the Racing Queensland Purchasing Policy has been developed to ensure the necessary additional steps are taken to ensure all projects funded are completed in an accountable and transparent manner to the highest standards.

The purchasing policy, including this addendum form the basis upon which the Industry Infrastructure Plan Committee is guided in the procurements of goods and services relating to the projects that make up the Industry Infrastructure Plan. (See IIPC Charter)

Racing Queensland Limited is the Control Body established by, and obtaining its objects and functions from, the *Racing Act 2002* and its Constitution. Racing Queensland Limited is required to conduct its financial activities with probity and accountability, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Australian Equivalent to International Financial Reporting Standards A-IFRS and Australian Securities and Investment Commission- ASIC.

**Key Principles**

In conducting all of its purchasing activities, including infrastructure plan projects, it is the policy of Racing Queensland Limited to adhere, at all times, to the key principles of:

1. Value for money;
2. Quality of product, service, and support;
3. Open and fair competition;
4. Probity and Accountability of outcomes;
5. Use of Queensland product where price competitive, and where quality standards are met; and
6. Suppliers are compliant with all taxation requirements.

## Policy

There is also a focus on using preferred suppliers as explained in this report in further detail. The procurement system should result in the following benefits:

- Reduce operating costs;
- Reduce risk;
- Increase control; and
- Improve cash flow visibility

## Industry Infrastructure Plan

Racing Queensland Limited's Infrastructure Plan procurement policy must adhere to the strictest guidelines of Probity, Accountability and Transparency as the funds for these projects come directly from the QLD Government and as such are expenditure of these funds is expected to stand up to rigorous scrutiny.

Policy in relation to the approval of supplier payments specifically related to the Industry Infrastructure Plan is as follows;

- All invoices must be checked and signed by the Project Director even if outside of delegation limit.
- The Project Director is to obtain the approval of the CEO or Board if over his delegation limit.
- All delegations are to be in line with the RQL purchasing policy.
- All items outside of the approved budget with an aggregate tolerance level of greater than either 1% or \$200K of the project value will require Board approval.

## Suppliers

As much as possible, Racing Queensland Limited should consolidate its suppliers and utilise preferred suppliers for either off-the-shelf goods/services where there are several sources of supply and the purchase is low risk or where there is an established relationship with a proven record of success. The advantages of using preferred suppliers are that it streamlines and simplifies purchasing, reduces administrative costs and promotes cost savings through volume discounts and exclusivity arrangements. Other benefits are that it minimises costs and risk for suppliers through not being required to regularly prepare and submit quotations.

### 1.1. Selection of Preferred Suppliers

The selection of preferred suppliers should be based on selection criteria that could include:

- Technical capability and experience
- Financial capacity and viability
- System and management responsibility incorporating product and service compliance with agreed industry standards
- People
- Business/organisation factors
- Favourable referee reports (a successful track record to deliver)

Racing Queensland Limited's 6 key principles:

1. Value for money;
2. Quality of product, service, and support;
3. Open and fair competition;
4. Probity and Accountability of outcomes;
5. Use of Queensland product where price competitive, and where quality standards are met; and
6. Suppliers are compliant with all taxation requirements.

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## 1.2. Preferred Suppliers Listing

Preferred Supplier listings for Infrastructure Plan projects are to be developed by inviting suppliers with experience and expertise in the key areas that make up the projects identified in the RQL Infrastructure Plan to tender for projects thereby forming supplier panels.

These supplier panels could be further refined by way of prequalifying of suppliers lists.

## 1.3. Prequalification of Suppliers

Prequalification is where suppliers of particular goods or services are assessed against pre-determined criteria and then only those suppliers who satisfy the prequalification criteria are invited to tender for projects.

Prequalification provides added confidence that suppliers being invited to offer have the capability to supply the goods and services. Prequalification does not eliminate the risk of contract failure, but, if well managed, is a method of reducing the risk and administrative burden created by repeated approaches to the market.

Suppliers that are successful in meeting the prequalification criteria are generally included on a database maintained by the purchaser. Prequalification of suppliers is a strategy best used when the buyer procures a particular type of good/service on a regular basis and the procurement tends to be complex and/or costly and/or there is a high degree of risk involved in the procurement.

Some goods and services required for the development of racing tracks and facilities would fall under this category. As a general guide only they have been categorised into five broad groups:

1. Technical capability and experience
2. Financial capability
3. Systems and managerial capability
4. People
5. Business/organisation factors

Potential suppliers are assessed against specific criteria established by the purchaser and if successful are placed on a prequalification database. When a specific need by the purchaser arises, the prequalified suppliers are invited to offer. The offers are evaluated by the purchaser according to the specific offer evaluation criteria and the successful offeror is awarded the contract. Performance reporting about suppliers is an integral part of any prequalification system and should be incorporated into the system.

## 1.4. Outsourcing of Supplier Panel Selection

The use of organisations specialising in procurement processes such as preferred supplier lists, prequalifying suppliers and other supplier related contractual arrangements may be an alternative or addition to in-house procurement processes.

Local Buy is one such organisation with experience in procurement processes for local government. Local Buy is the Local Government Association of Queensland (LGAQ) procurement services company. Local Buy develops contractual arrangements for councils and government entities, eliminating the need for government authorities to establish their own supply contracts. <http://www.localbuy.net.au/>

The use of this type of organisation may be beneficial for tendering and contracting arrangements relating to the infrastructure plan projects, as the suppliers are effectively pre-screened for compliance with government procurement suitability

### 1.5. Applications for Sole Supplier

In some special circumstances the normal practices as outlined above may need to be set aside. For these instances an exemption from normal policy practice may be applied for.

Reasons for such Exemptions include but are not confined to;

- (a) Accessing existing standing offer and/or preferred supplier arrangements
- (b) Pursuing subsequent stages of multi-staged procurement processes
- (c) A sole supply situation exists whereby a high degree of technical expertise is required
- (d) A genuine urgency exists. If this is the case there must at all times be adequate supporting documentation to prove urgency is genuine and not the result of inadequate planning

Unless the above stated exemption criteria is met, or other compelling reason is able to be supported, the current RQL Purchasing Policy with addendum will apply to the procurement of goods and services.

### Consulting Services

Racing Queensland Limited uses consulting services in a number of aspects of its operations including legal, information technology, human resource management, financial management, business development, and marketing.

These consultancies vary from short-term "one-off" contracts, to longer-term arrangements, which may encompass a series of different activities (e.g. marketing and promotional work).

For short-term "one-off" contracts the following policy guidelines are to apply:

- The six key purchasing principles outlined above are to be applied at all times;
- For contracts under \$10,000 in value, preferred supplier arrangements\* can be used. That is, where a purchasing officer is satisfied that a consultant that has provided a high quality service in the past, has the necessary expertise to undertake the work, and is available in an appropriate timeframe, that consultant can be appointed without a formal competitive process being undertaken. If such a person is not available, three quotes from prospective consultants should be obtained and evaluated;

(\* Please note that where preferred supplier arrangements are referred to later in this document for other categories of purchasing, similar procedures to those above will apply)

- For contracts between \$10,000 and \$100,000, tenders should be called from at least three "preferred" contractors. The selection of these three preferred suppliers, and subsequent evaluation of their proposals, should take into account the six key purchasing principles. The evaluation of the proposals should be undertaken by two accountable officers, and be approved by a delegated officer (Chief Executive Officer or Chief Financial Officer);
- For contracts over \$100,000, will be subject to an open tender process unless the RQL Board waive the requirement of an open tender, including appropriate advertising of the consultancy. Advertising may take the form of website notices and/or Courier Mail advertisement. Tenders are to be evaluated, in accordance with the six key purchasing principles, by a panel of no less than two accountable officers, and be approved by a delegated officer.

For longer-term consultancy arrangements (e.g. the ongoing provision of external services that cannot be delivered in-house), which may involve the use of a preferred supplier or suppliers for a range of individual tasks over an extended period of time, the following guidelines are to be followed:

- Individual consultancy contracts over \$100,000 in value are not to be entered into under these preferred supplier arrangements. Such consultancies, will be subject to Board discretion as to the waiver of an open tender, as described above, must be followed.

- The purchasing officer may select a consultant for a range of tasks from a panel of preferred suppliers for the type of work involved;
- A competitive process, adhering to the six key purchasing principles of Racing Queensland Limited, to appoint the panel of preferred suppliers must have been undertaken, be appropriately documented, and be signed-off by a delegated officer;
- In selecting the preferred supplier from the panel, the purchasing officer must clearly document the reasons for the selection, and be accountable for that selection. The selection must be approved by a delegated officer; and

### Intellectual Property Rights

Intellectual property rights relating to plans, designs and concepts for Industry Infrastructure Plan projects are to reside with RQL. For this to be clearly articulated in any contractual arrangements there would need to be included in the document a clause to this effect.

Below is an example of such a clause:

*'The physical ownership of, and ownership of intellectual property in, all plans, drawings, specifications, programs, computer data, samples, models, manuals, documents and all other information relating to the project remains vested at all times in the Company. The invited supplier may use and keep copies of such materials only for the purpose of providing services to the Company.'*

### Confidentiality and Security of Information

The integrity of competitive procurement hinges on maintaining appropriate confidentiality that will protect information and give offerors the confidence to do business with Government. Confidentiality has many dimensions and confidentiality of submissions is particularly important prior to the awarding of the contract with information shared only on a 'need to know' basis.

Confidential information may include designated or defined (and as agreed) elements of the supplier's proposal, specific intellectual property and offerors pricing structures. Importantly, much of the information relating to the offer needs to be kept confidential up to the point where a contract is signed with the successful offeror.

A Confidentiality Agreements may include the following elements;

- The Contractor must not, and must ensure that its officers, employees, agents and sub-contractors do not use or disclose any Confidential Information without RQL's consent
- The Contractor may disclose Confidential Information to its officers, employees, agents and sub-contractors to the extent necessary for the performance of the arrangement, provided that the Contractor:
  - (a) Makes such persons aware that the information is confidential; and
  - (b) If directed by RQL during the contract term, obtains from such persons a confidentiality undertaking in a form acceptable to RQL
- RQL and Contractor must keep all Confidential Information in a secure location so that no unauthorised person is able to gain access to it
- Upon receipt of a written request by RQL, either during the arrangement term or upon termination or expiration the arrangement, the Contractor must deliver to RQL any records in the Contractor's power, possession or control

### Conflict of Interest

Conflicts of Interest represent one of the potential threats to independence. A conflict of interest means having an interest (whether personal, financial or otherwise) which conflicts with, or may reasonably be perceived as conflicting with, the ability of the probity auditor or advisor to perform his/her obligations fairly and objectively. Perceived or potential conflicts of interest can be as damaging as actual conflicts of interest.



### Recommended practice

The issue of independence should be specifically considered and addressed prior to engaging contractors, suppliers or consultants. At this stage, potential threats to independence should be considered as well as any safeguards that might eliminate or reduce the threats to independence. Independence is essential. A third party to the procurement should be able to rely on the fact that any and all potential conflicts of interest have been identified and recorded.

Potential goods and service providers should be required to divulge all potential threats to independence, including conflicts of interest, at the time of offer or as soon as any conflict becomes apparent during the service engagement. The service provider should be required to provide written assurance that he/she has no conflict of interest in the procurement, is able to remain objective and impartial throughout the engagement, and will provide notification of any conflict of interest, or compromise to independence, that arises during the engagement.

A Conflict of Interests document may contain the following elements;

- Contractor warrants that, to the best of its knowledge, as at commencement date neither contractor or any of its officers, employees or sub-contractors have, or are likely to have, a Conflict of Interest in the performance of its obligations under current or subsequent contracts
- If a conflict of interest, or risk of such, arises during the term of the contract the contractor must immediately give notice of the Conflict of Interest, or risk of such, to RQL
- The Contractor must:
  - (a) Take all reasonable measures to ensure that its officers, employees and sub-contractors do not engage in any activity or obtain any interest which is in conflict with the Contractor's ability to fulfil its obligations to RQL in good faith and objectively, and
  - (b) Immediately give notice to RQL of any Conflict of interest relating to the activities or interests of any of its officers, employees or sub-contractors

Similarly all employees and agents of Racing Queensland Limited involved in any of the projects undertaken as part of the Infrastructure Plan are governed by the Employee Conflict of Interest policy of the company, and as such must immediately, in the event of a potential Conflict of Interest arising, notify their immediate manager of the issue.

### Delegations

All expenditures for goods and services are to be authorised by a duly delegated officer and are to be in line with budget. These delegations are as follows:

#### *Unlimited*

- Board of Directors
- Up to \$150,000*
- Chief Executive Officer
- Up to \$50,000*
- Chief Financial Officer
- Director of Product Development
- Project Director

### Capitalisation of expenditure

Expenditure on discreetly identifiable plant and equipment items of \$2,000 and above will be capitalised where the future benefit of that expenditure exceeds one year at the time of purchase. All land purchases must be capitalised.

The Chief Executive Officer or Chief Financial Officer may approve the capitalisation of services expenditures of \$2,000 and above where those services have a future benefit exceeding one year. All assets which are under \$2,000 must be expensed in the year of purchase and recorded in the portable and attractive items register. All other service expenditures shall be written off in the financial year the expenditure was incurred.

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Compliance with Commonwealth Government GST & Australian Business Number legislation

The Commonwealth Government implementation of GST and Australian Business Number legislation, has given rise to some additional obligations in respect of purchasing. These are as follows:

- Organisations are required to withhold 46.5% of any payment to a supplier of goods or services that does not provide an ABN. In response to this, it is the policy of Racing Queensland Limited that no supplies be purchased from entities that are unable to quote an ABN;
- All suppliers to Racing Queensland Limited are to be advised that they must be able to provide a "Tax Invoice" in the form specified by the GST legislation, to enable Racing Queensland Limited to claim input credits. Under law, the supplier must supply Racing Queensland Limited with a Tax Invoice within 28 days of request. Racing Queensland Limited staff should not enter into contractual arrangements with suppliers unless satisfied that the supplier will be able to provide a suitable Tax Invoice; and
- When obtaining quotes or prices from potential suppliers, purchasing officers must satisfy themselves that the prices quoted are GST inclusive.

The same delegations on the following page (8) apply to the payment of Invoices with one exception:

- An Invoice can be approved by a person with a lesser delegation provided the original purchase order was approved appropriately and the Invoice does not exceed an amount that exceeds 10% of the original purchase order.

It should be noted that as a business rule, staff are not permitted to circumvent their delegation by raising multiple orders to purchase a good or service for an amount that exceeds their delegation limit.

Documentation and the Role of the Finance Department

See Purchasing Policy and Racing Queensland limited Infrastructure Plan Internal Financial Process document

# RACING QUEENSLAND LIMITED

| Item   | Regional Senior Stewards | Admin Authorities: Racecourse Supervisor, Racing Manager - Procurement Track Supervisor | Managers: Chief Steward, Racing and Facilities Supervisor, Track Supervisor | Information Technology and Communications Manager, Licensing and Training Managers, Racing Managers, Managing Accountant, Revenue & Services Accountant | Director of Integrity, Operations, Facility & Development Manager, Senior Corporate Counsel/Company Secretary | Chief Financial Officer, Director of Product Development, Project Director                    | Chief Executive Officer        | Board of Directors   |
|--|--------------------------|---|---|---|---|---|--------------------------------|--|
| Overall Delegation   | <\$500                   | <\$1,000  | <\$2,000  | <\$5,000  | <\$20,000   | <\$50,000   | <\$150,000 In line with Budget | Unlimited  |
| Contractual Agreements (all contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of Contracts register and assess if any legal advice is required)              | X                        | X   | X   | X   | <\$20,000 total value (not lease or license) assuming that authorised to sign in ordinary operations          | Yes with CEO assuming CEO previously approved and legally authorised to sign where <\$100,000 | Yes where value <\$150,000     | Yes, subject to Board agreement  |
| Execution of Contractual agreements (All contracts to be reviewed by Senior Corporate Counsel/Company Secretary for updating of contracts register and assess if any legal advice is required) |                          |   |   |   |   |   |                                | To be executed by 2 Directors of the Company or a Director and a Company Secretary of the Company (\$127 (1) - Corporations Act 2001). |

**Summary of Key Controls**

As a high level summary, the key controls associated with the procurement system are:

- Only deal with suppliers who have a valid ABN.
- Three quotes required for amounts of \$10,000 or more where a preferred supplier is not used.
- Ensure appropriate delegation authorities applied
- Ensure probity and accountability in supplier selection process
- Confirm expenditure falls within approved budgets
- Ensure correct invoice coding to assist with budget review process
- Tax invoices to be obtained at all times.
- Required signatures for goods received.
- To ensure appropriate separation of duties; vendor creation, deletion or addition must be performed by the Accounts Payable Officer and the bank account details are required in accordance to the Sun Security matrix to be entered by an Accounts Receivable Officer who does not have the ability to raise purchase orders or make payments in SUN. The change of details form is located G:\Finance\FORMS\Accounts Payable\Change of Details form.xls.
- Invoices are only paid after the prior approval of a purchase order (excluding credit card statement payments and direct debits) and after goods have been received.

In addition to the above, Racing Queensland Limited should perform a routine supplier analysis to review expenditure to determine that value for money is being achieved, and all probity issues are addressed.

**Reference material (available on QLD Govt website)**

**QLD State Procurement Policy**

**QLD Purchasing – Ethics, Probity and Accountability in Procurement**

**QLD Purchasing – Prequalifying Suppliers**

**QLD Purchasing – Engaging and Managing Consultants**

**QLD Govt – Capital Works Management Framework – Procurement Strategy and Contract Selection**

Monday, 19 December 2011

Board Room, Racing Queensland  
Racecourse Road, Deagon

Meeting Commenced at 9:05am  
Meeting Concluded at 4:20pm

|                                |  |   |
|--------------------------------|--|---|
| Board<br>Directors<br>Present: | Bob Bentley<br>Tony Hanmer<br>Bob Lette<br>Bill Ludwig<br>Wayne Milner<br>Bradley Ryan   | - <i>Chairman</i><br>- <i>Deputy Chairman</i>   |
| In attendance:                 | Malcolm Tuttle<br>Shara Reid<br><br>Adam Carter<br>Jamie Orchard<br>Paul Brennan<br>David Rowan<br>Mark Snowdon<br>Ron Mathofer<br>Peter Smith | - <i>Chief Executive Officer</i><br>- <i>Senior Corporate Counsel/Company Secretary</i><br>- <i>Chief Financial Officer</i><br>- <i>Director, Integrity Operations</i><br>- <i>Director, Product Development</i><br>- <i>IT &amp; Communications Manager</i><br>- <i>Project Director</i><br>- <i>Business Analyst</i><br>- <i>Licensing &amp; Training Manager</i> |
| Item 3.1 (only)                | Bill Dixon<br>Bob Lutherborrow   | - <i>BOTRA</i><br>- <i>Standardbred Breeders Qld</i>  |
| Minutes:                       | Debbie Toohey  | - <i>Board Secretary</i>  |

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The Chairman opened the Meeting at 9:05am.

**1.1 Apologies**

Nil.

**1.2 Declaration of Conflicts of Interest**

Directors are required by the *Corporations Act 2001(Cth)* to disclose any material personal interest in a matter relating to the affairs of the Company.

There were no other additional Declarations of Conflicts of Interest. (See Attachment "A")

**1.3 Confirmation of Minutes of RQL Board meeting of 4 November 2011**

The Board **RESOLVED** that the RQL Board Meeting Minutes of 4 November 2011 be received and confirmed.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Bill Ludwig

**Motion carried**

#### 1.4 Action Sheet

The Board **NOTED** the action sheet.

#### 1.5 Media Releases / Correspondence / Matters for Noting

The Board **NOTED** the following:

##### ***Emails***

|   |                  |
|---|------------------|
| Revised strategy for the delivery of the Mackay Project | 22 November 2011 |
| Gold Coast Turf Club                                    | 25 November 2011 |

The Chairman tabled the following letters on the day:

##### **Letters**

|   |                  |
|---|------------------|
| Letter to Mr Mike Kelly, re: Gold Coast Project Update          | 16 December 2011 |
| Letter to Mr Mike Kelly, re: QRIS or Super – QRIS (1992 – 2002) | 16 December 2011 |

The above correspondence was **NOTED** by the Board.

#### 1.6 Confirmation of Flying Minutes

The Board **NOTED** the following Flying Minutes:

|  |                  |
|--|------------------|
| Business Case for Cronulla Park, Logan | 17 November 2011 |
| Warning Off of Cameron Barnes          | 21 November 2011 |
| The Gold Coast Turf Club               | 24 November 2011 |
| Cairns Turf Club                       | 29 November 2011 |

The above Flying Minutes were **CONFIRMED** by the Board.

#### 1.7 Changes to National OH & S Laws

The company secretary opened this item with a detailed analysis of new O H & S obligations. The Board viewed the State Government video of Directors obligations and liability on O H & S matters.

The Board discussed the issues surrounding its and company liability, many issues were raised by board members in relation to country and tab clubs and, in position where liability arose.

Mr Bob Lette raised the issue of the jockeys who were now considered employees and how the liability of harness drivers was to be covered in future.

The main areas of concern for directors focused on the following:

- Jockey liability
- harness drivers
- country race meetings
- training at race clubs
- overall RQL liability in relation to licensing and current licencing policy.

In addition, the Board agreed that a Workplace Health and Safety seminar be held during February 2012 and that the posters be prepared for erecting at the relevant places at RQL headquarters.

Mr Malcolm Tuttle was directed as a matter of urgency to seek legal advice from a qualified lawyer specialising in workplace health and safety issues.

## **2.1 CEO's Report**

Mr Malcolm Tuttle updated the Board in relation to the CEO's report.

### **National Jockeys Trust**

The Chairman and Mr Tuttle will meet with Mr Glen Prentice prior to setting next years budget to discuss what additional funding RQL will need to consider for the 2012/2013 budget in relation to payments and other commitments with a view to discussing riders' initiatives in totality so that consideration for funding over the next couple of years could be discussed collectively.

Mr Prentice be requested to provide a report to Mr Tuttle prior to this meeting

### **Asian Racing Federation**

The Chairman informed the Board that at the recent Asian Racing Board meeting in Hong Kong, that there were definitive moves afoot to restructure the international horse racing Board (IHFA) due to the shift of racing importance to Asia and the prohibitively expensive operation in Paris.

The recent examination of the finances of the IHFA reveal that the Asian Racing Federation is responsible for the majority of costs and this can no longer be acceptable, in addition, Mr Akatini of Japan is acting as the international secretary at the expense of the Japan Racing Association. Japan has advised that Mr Akatini will be repatriated in March 2012 and this position would need to be filled if the Secretariat is to remain in Paris. This option would be expensive under French Industrial Law.

The funding of the IHFA in Paris cannot fall back on the Asian Board as there is little financial support from Europe.

Singapore/Turkey and Hong Kong have all offered support to relocate the IHFA to their respective countries.

A decision will be made at the Asian Racing Board meeting in Dubai at the end of March prior to a final decision being made by the Asian Board in Paris. Should Europe/South America/USA not be in favour, it is the Asian Board recommendation to proceed as the funding structure with Asia being the primary source of funds will see the others reconsider.

### *Executive Council of the Asian Racing Federation*

|                                 |                   |              |
|---------------------------------|-------------------|--------------|
| Dr Koji Sato                    | Chairman          | Japan        |
| Mr Bob Bentley                  | Vice Chairman     | Australia    |
| Mr Guy Sargeant                 |                   | New Zealand  |
| Mr Winfried Engelbrecht-Bresges |                   | Hong Kong    |
| Mr Surender Reddy               |                   | India        |
| Mr Yu Pang Fey                  |                   | Singapore    |
| Mr Rob De Kock                  |                   | South Africa |
| Mr Omar Faruk Girgin            |                   | Turkey       |
| Mr Frank Gabriel                |                   | UAE          |
| Mr Andrew Harding               | Secretary-General | Australia    |

### **Artificial Insemination**

Mr Tuttle advised the Board that a decision on this long running matter is anticipated in March/April 2012.

### **Commission Agents**

The Board noted the update on commission agents and agreed that there was an underlying issue on the strict definition of *commission agents*.

### **Breeding Panel Report**

Mr Tuttle informed the Board of a Swedish initiative regarding the expansion of ownership. Mr Tuttle advised the he will request Mr Blair Odgers to look at this initiative with the idea that all codes could be involved.

Mr Tuttle to report back to the Board.

### **National Greyhound Welfare Committee**

Mr Tuttle advised the Board that a formal welfare committee will be formed for Greyhounds.

The Board noted the critical nature of welfare issues across all codes and the heightened interest in this area.

### **National Race Planning Committee**

Mr Tuttle chairs this National Committee and the Board noted that the committee was working towards setting race dates for thoroughbreds for the next financial year. Items under consideration:

- Night racing strategy with 35 minute intervals
- Staying race series revival

### **Personal Property Securities Act 2009**

Mr Tuttle informed the Board that Mr Andrew Harding has written to the Attorney General, the Hon. Robert McLelland MP seeking clarification as to the application of this legislation to the racing industry, in particular whether or not owners should register horses on a Personal Property Securities Register.

Mr Tuttle will keep the Board updated.



**Fairfax Media (AAP)**

RISA is currently negotiating to expand its supply of racing material and the Board noted this strategy with interest.

**HR Report**

Ms Reid tabled the current HR report for Board members.

The Report was **NOTED**.

**2.2 Legal & Compliance Report****First Level Appeals**

The Board **NOTED** that there have been Four (4) First Level Appeals for the month of November 2011.

**Appeal Committee Restructure**

Ms Reid sought the Board's approval for the restructure of RQL's First Level Committee.

Ms Reid advised the Board that she had concerns over the present structure and she considered that the decision making process was compromised by not having a more permanent principal member backed up by a Deputy Member. The Following structure was put to the Board as a recommendation from the Company Secretary.

Mr Lette suggested to include accommodation as part of the retainer for the Principal Member and Deputy Member and also include a fixed term of 2 years.

1. RQL to appoint a Principal Member to reside on all First Level Appeals. This Principal Member will receive a retainer of \$15,000.00 per year, which will include his or her mileage and remuneration. RQL will pay for airfares required for the Principal Member to reside on appeals located in Townsville. The Principal Member is to comply with RQL's Policies and Procedures and is to undertake that he or she will not bet on any races.
2. RQL to appoint a Deputy Member to reside on all First Level Appeals. This Deputy Member will receive a retainer of \$10,000.00 per year, which will include his or her mileage and remuneration. RQL will pay for airfares required for the Deputy Member to reside on appeals located in Townsville. The Deputy Member is to comply with RQL's Policies and Procedures and is to undertake that he or she will not bet on any races.
3. If the Principal Member is unable to act, the Deputy Member is to act in his or her position.
4. A pool of four (4) Appeal Members located in Townsville will be kept and will be called upon to reside as a Member/s of the First Level Appeal Committee in Townsville.
5. A pool of six (6) Appeal Members located in Brisbane will be kept and will be called upon to reside as a Member/s of the First Level Appeal Committee in Brisbane and Toowoomba.
6. Any Member called upon to sit on a First Level Appeal must complete a Conflict of Interest Form prior to sitting on an Appeal.

7. A decision supported by a majority of the Members of the Appeal Committee hearing an appeal is the decision of the Committee. If the Members of the Appeal Committee are evenly split on a question, the decision of the Principal Member of the Committee is the decision of the Committee.

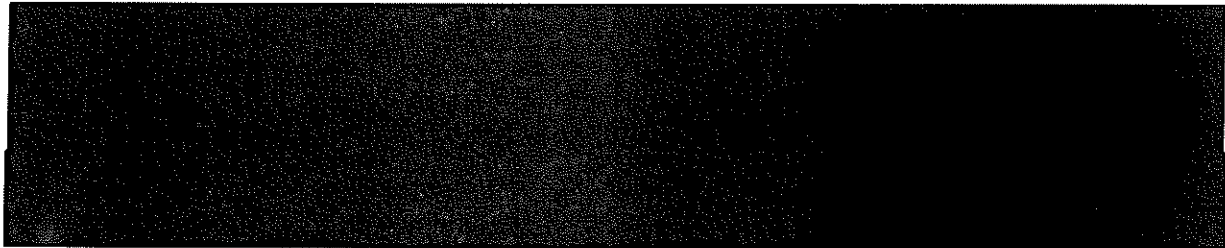
The Board **APPROVED** the restructure with the following change; that a fixed term be included of 2 years.

**MOVED** by Mr Bob Lette **SECONDED** by Mr Wayne Milner

**Motion carried**

#### **Anti- Discrimination Commission Matters**

- Bobby Chrystal - This matter was resolved by way of a Deed of Settlement. The matter is now closed.



- Heather Warland – RQL has responded to allegations. Ms Reid contacted ADCQ and was informed that the complainant had identified Mr Craig Williams as the Security Guard – Tru-Guard. The ADCQ confirmed that the complainant was serious with her complaint and still intends to pursue the matter. Ms Reid will keep the Board updated.
- Donald Cavanough – A Conciliation Conference was held on 4 October 2011 in which Mr Cavanough failed to attend. RQL briefed the Conciliator as to why the matter should lapse, however, the Conciliator determined that Mr Cavanough would be allowed a further seven (7) days to continue to pursue his complaint against RQL. On Monday, 24 October 2011, the ADCQ advised RQL that they have had no response to their first letter. The ADCQ advised that they would now write again and provide Mr Cavanough a further seven (7) days to respond – if no response, the ADCQ will lapse the complaint. This has now lapsed. Mr Cavanough has a right of appeal to QCAT: appeal period expires 3 January 2012.

#### **Litigation Matters**

##### **Old Harness Racing Limited v RQL & Anor**

This matter is still progressing these matters is so that RQL are in a position to move quickly toward trial in the event the strikeout application is unsuccessful.

##### **John Maguire v Greyhound Racing Authority [8110/09] (Supreme Court)**

A mediation conference was held on Monday, 12 December 2011. Mr Maguire made a settlement offer to RQL:

- (a) RQL pay \$15,000.00 in damages
- (b) RQL waive costs orders made against Mr Maguire, and
- (c) RQL pay mediation costs.

RQL rejected this offer. A further Application Hearing date will be set in relation to this matter.

Ms Reid will keep the Board updated on this matter.

- **Race Information – Debt Recovery x 3**

The defendants are being represented by Mr Peter Previtera of Alex Mackay & Co.

The defendants have required all documents as per the 222 Rule prior to entering their defence. Time then runs from the delivery of the last Rule 222 document.

Each defendant filed their defence on 20 September 2011.

Particulars were received by RQL on Monday, 31 October 2011.

RQL has drafted Orders requesting that the matters be heard together as one matter is the District Court and that the matter be set down for trial in February 2012 – dates not yet set.

The defendants have requested that a Mediation Conference occur late January 2012 – The Board noted that Courts are mindful to grant mediation requests.

Ms Reid to keep the Board updated.

- **Gold Coast Greyhound Racing Club**

A letter was served on the GCGRC on 21 November 2011 - the letter was intended to establish documentary evidence to support RQL's defence to any claim which might be made by the GCGRC that:

- (a) Mrs Reid's (nee Murray) explanation of the Deed misled Mr Irwin as to the true meaning and effect of the Deed of Settlement;
- (b) Mr Irwin did not otherwise understand the true meaning and effect of the Deed of Settlement; and
- (c) the GCGRC would not have entered into the Deed of Settlement if it had understood its true meaning and effect.

If the proposal is not accepted by the GCGRC, the letter of 21 November 2011 would be powerful evidence to refute any claim by the GCGRC, as set out above, that they would not have signed if they had fully understood its terms. This evidence would support RQL's counterclaim, seeking recovery of the \$20,000 settlement payment.

On 30 November 2011, the GCGRC requested an extension of time for the provision of their Reply and Answer to RQL's counter-claim. RQL advised that it was not agreeable to the GCGRC's proposal, and as such, required the GCGRC and Mr Irwin to file documents when required.

On 6 December 2011, the GCGRC filed its Reply and Answer.

On 10 December 2011, the GCGRC rejected RQL's offer to unwind the Deed of Settlement.

Mr Irwin's Reply and Answer is due on 20 December 2011.

Ms Reid to keep the Board updated.

### **Review of Control Body Section 81 Policies – Office of Racing**

Ms Reid updated the Board in relation to the Office of Racing conducting a desktop audit of RQL's website in relation to RQL's Section 81 policies, with a follow up interview on 31

May 2011. The Office of Racing provided RQL with its assessment for RQL's consideration and review. RQL provided further clarification and an Action Plan to the Office of Racing.

The assessment revealed that RQL was compliant with a suggestion that a few minor amendments should be included. The Board noted the advice of the company Secretary and asked that the amendments be incorporated.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Bill Ludwig

**Motion carried**

### **Section 81 Policies – Office of Racing Review**

Ms Reid informed the Board that at its 3 September 2010, the Board of RQL confirmed that three (3) formal submissions had been received from Mr Jamie Orchard (Director of Integrity Operations), Mr Darren Beavis (Greyhound Racing Manager) and Shara Murray (Senior Corporate Counsel/Company Secretary in relation to the below named policies:

- (a) Licensing Scheme Policy 81(c)
- (b) Policy for a Program for the Testing and Training of Racing Animals, Including Holding Trials 81(e)
- (c) Policy for First Level Appeals 81(h)
- (d) Policy on the Formation, Management and Licensing of Clubs 81(i)
- (e) Policy on the Standards Required for Licensed Venues, Including Venue Licensing Procedures 81(k)
- (f) Policy for Decision Making by Stewards 81(n)
- (g) Drug and Alcohol Policy (Licence holders and Race Club officials) 81(q)
- (h) Awareness of Duties Policy, Including Sexual Harassment, Bullying and Unlawful Discrimination in the Racing Industry 81(p)

The Board considered the feedback that had been received and confirmed their agreement that the changes made to the following policies be adopted.

- 1. Drug and Alcohol Policy
- 2. Licensing Scheme Policy
- 3. Policy on the Standards required for Licensed Venues, including Venue Licensing Procedures
- 4. Policy for Decision Making by Stewards

The Board approved and confirmed the above Policies with the above requested changes.

Ms Reid advised the Board that the minutes of the Board meeting of 1 July 2011, in her opinion did not reflect the Policies made under Sections 81(e), 81(h), 81(i) and 81(p) and sought the Board's approval to re-affirm that these policies be approved and confirmed.

The Board approve and confirm the following policies:

- 1. Policy for a Program for the Testing and Training of Racing Animals, Including Holding Trials 81(e)
- 2. Policy for First Level Appeals 81(h)
- 3. Policy on the Formation, Management and Licensing of Clubs 81(i)
- 4. Awareness of Duties Policy, Including Sexual Harassment, Bullying and Unlawful Discrimination in the Racing Industry 81(p)

**MOVED** by Mr Bob Lette **SECONDED** by Mr Bradley Ryan

**Motion carried****Review of Control Body Section 81 Policies – Clayton Utz**

Following a request from Mr Hanmer that RQL's lawyers should review RQL's section 81 policies in addition to the Office of Racing desktop audit.

Ms Reid informed the Board that she has received comments from Clayton Utz regarding all RQL's Section 81 Policies which they have suggested amendments to certain policies.

The Board instructed the Company Secretary to make the necessary changes and bring the amended policies to the Board for approval.

**MOVED** by Mr Tony Hanmer **SECONDED** Mr Bob Lette

**Motion carried****Race Information – Waterhouse Entities**

The Chairman declared a conflict of interest and left the meeting at 11:13am. Mr Tony Hanmer took the Chair. The Company Secretary advised the remaining Board members that the update was not provided to the Chairman in the Board papers.

Ms Reid updated the Board in relation to the meeting that was held in Sydney between David Quach, CFO of the Waterhouse Entities and Ms Louise Raedler-Waterhouse. The following was discussed:

- (a) Payment of outstanding fees for the authorisation period 1 September 2008 to 31 December 2010, and
- (b) Authorisation for the current authorisation period of 1 January 2011 to 31 July 2012.

After a long discussion, Ms Raedler-Waterhouse proposed the following and for Ms Reid to take her proposal to the next Board meeting for the Board's consideration.

- (a) No retrospective payment – forget the past – do not see why they have to pay a retrospective payment
- (b) The Waterhouse Entities are charged a yearly fee, broken down per month, and
- (c) Credit is taken where there is a loss.

The Board considered at length Ms Raedler-Waterhouse's proposal but did not accept the proposal that was put forward by Ms Raedler-Waterhouse for the Waterhouse entities, and in the absence of the entities entering into the required agreement. The Board determined the Waterhouse Entities be referred to the Office of Racing.

The Board **AGREED** that:

1. The Board does not approve the proposal from the Waterhouse entities and in the absence of the entities entering into the required agreement, inform the Office of Racing that they are in breach of Chapter 3, Part 6 of the Racing Act 2002 (Qld).
2. That the Waterhouse entities be referred to the Office of Racing
3. Ms Reid to inform Ms Raedler-Waterhouse of RQL's Board decision.

**MOVED** by Mr Bill Ludwig **SECONDED** by Mr Bob Lette

**Motion carried**

Ms Reid advised the Board that Betezy have confirmed that they will enter into a Deed of Settlement with RQL in relation to the retrospective payments from September 2008 for Queensland Race Information fees.

The Chairman returned to the meeting.

### **Mackay Contract (Contour)**

The Company Secretary advised that the Contract for the construction at Mackay had been executed and tabled the contract.

Contract **NOTED**.

### **Resignation**

The Board **NOTED** the resignation of Ms Wendy Thomas.

The Board **NOTED** the Legal & Compliance Report.

### **2.3 Finance Report**

Mr Adam Carter updated the Board in relation to the management accounts for the period ending 30 November 2011. The Chairman sought the Board's agreement for the November accounts to be noted rather than discussed in detail as the November outcomes would be incorporated and fully discussed in the budget session later in the meeting.

The Board agreed that this would be the most appropriate way to handle the Wagering Report.

Mr Carter directed Board members to the Forecast 2012 and the comparison of current year against budget, full year against budget and the Forecast 2011/2012. The figures point to significant downturn in revenue notwithstanding wagering levels being up by 1%. The accounts record increased expenditure on:

- a. OB Subsidy to Thoroughbred Clubs \$1M.
- b. Increase in Jockey riding fees \$600K increase on FY1011.
- c. Legal fees provision with an increase of \$1M due to impending legal cases. Currently \$400K over budget YTD.
- d. Grant of \$750K to the BRC.

~~The 2011/12 forecast shows revenue down by approximately \$2M over full year 2011, the prizemoney forecast of \$104.5M compared to full year 2010/2011 of \$98.5M was a budgeted increase of \$6M. Administration costs have been reduced significantly on FY11.~~

The forecast deficit for 2011/12 currently stands at \$4.6M.

The Board expressed their concerns at the deteriorating revenue projections and resolved that the budget for 2012/13 would need to be framed against the forecasted projections that currently could see a significant downturn in revenue. The Board expressed the view that there would need to be a review of Harness prizemoney distributions, thoroughbred prizemoney distributions as well as race club subsidies, with particular attention to the advantageous position of the Sunshine Coast Turf Club and Rockhampton Jockey Club through their receipt of generous administration subsidy.

Mr Mathofer addressed the Board on wagering trends and expressed an opinion that after discussions with Tattsbet that wagering revenue is predicted to remain flat for the remainder of 2010/11. Mr Carter advised the Board that the forecast for 2011/12 projected

an increase of 1% in wagering revenue. The CEO expressed the view that whilst he did not consider the forecast should be changed, the 1% increase may prove to be a bullish forecast. The Board noted the wagering trends and resolved that they would accept Mr Carter's 1% forecasted increase. The Board members discussed the wagering trends with particular concern to the continuing deteriorating performance of the Harness code.

The Chairman complimented Mr Mathofer for his report and advised that he should monitor closely the trends for Board members consideration.

Mr Tuttle informed the Board that there was a meeting scheduled in January 2012 with RQL Managers to review expenditure for the current year.

Mr Hanmer advised the Board that he would review the marketing budget as to the timing of capital expenditure for the second half of 2012.

Following discussion the Board agreed that a budget session for 2012/13 should be scheduled mid March 2012 to allow sufficient time to notify stakeholders of any prizemoney changes from 1 July 2012 or to any changes to the administration levy.

The Board **RESOLVED** the current levels of prizemoney paid to the 3 codes for the 2011/12 year will remain unchanged and funded from RQL reserves.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Bill Ludwig

Mr Wayne Milner left the meeting at 12:05pm.

As part of the half yearly review of the budgeted forecast, Mr Carter was asked to present a table on the current loan covenants with both the NAB and Westpac for the Board's consideration.

Taking into consideration the forecasted result for the 2011/12 year the forecasted result would place RQL in breach of its loan covenants. The amount outstanding at the 30 November 2011 was NAB - \$8.387M and the loan for the demolition of Albion Park currently stands at \$3.332M.

The Board discussed at length the situation and debated the possibility of paying out the loans and the estimated break fees that may apply. Mr Carter advised he had contacted the NAB and the break fee would be approximately \$450,000 to NAB. The break fee on the Westpac loan had to be determined but would be less than that of the NAB.

Mr Ludwig commented that in his opinion there was no advantage in having loans outstanding at high interest rates and receiving a much lower rate on deposit. Mr Carter advised that the current interest rates on NAB was a fixed rate of 6.99% and Westpac was a variable rate of 6.84%.

Mr Lette advised that in his opinion if there was sufficient capacity to payout the loans and leave RQL with sufficient liquidity then this course of action should be strongly considered.

Mr Ryan inquired of Mr Carter what the cash flow would be at 30 June 2012 if both loans were paid out. Mr Carter advised that there would be \$15M remaining after paying out the NAB and Westpac loans.

After further discussion:

The Board resolved that the loan to NAB and Westpac should be paid out at the earliest.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Bob Lette

**Motion carried**

## **Appendix A – TAB Club Financials FY1011 Update**

Mr Carter presented to the Board the financial positions of TAB Clubs for all codes as at 30 June 2011.

The report discloses that TAB Clubs have had improved results due in large part to the significant upside from the renegotiated SKY agreement for FY10/11. Total upside for all clubs for FY10/11 \$4.8M is due in large part to sign on rights fees from SKY in year 1. Clubs have received a sign on fee, incentive fee, less costs of negotiations. RQL added a new initiative to the clubs \$1M annually in the OB subsidy for steward's footage. The Agreement is due to finalise on 24 December 2010.

Mr Hanmer commented that on examination of the figures he noted that attendance is down at all Clubs and highlighted the fact that the new RISA admission and ticketing at the Sunshine Coast Turf Club had captured all attendees as against previous years arbitrary recording. The new system at the SCTC showed an increase in attendance as well as revenue.

Mr Lette advised that the report was excellent as far as Board directors were concerned, however, to make full use of the report a system of benchmarking clubs against the average should be initiated. Mr Carter advised that his section was currently working on a template to do this for all clubs.

The Board **NOTED** the Report.

## **Appendix B – Review of Strategic Non-TAB Thoroughbred Club Financials FY 10/11**

Mr Carter and Mr Mathofer presented to the Board the Strategic Non-TAB Club financial results for year ended 30 June 2011.

The Chairman suggested that Mr Mathofer write a generic letter to all Clubs acknowledging their input and advising that a report will follow in late February 2012 where clubs will be ranked against a benchmark on a set KPI's.

The Board **NOTED** the Report.

## **Appendix C – Purchasing Policy Addendum – Industry Infrastructure Plan**

Mr Carter tabled the Purchasing Policy Addendum – Industry Infrastructure Plan for Board approval.

The Board discussed the policy and no amendments were requested.

The Board **APPROVED**.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Bob Lette

**Motion carried**

Mr Milner returned to the meeting at 12:50pm.

## **Appendix D**

The CEO advised that he had received a request by the Brisbane Racing Club (**BRC**) for approval of expenditure of \$1.5M, for the acquisition of gaming entitlements and a refurbishment of the BRC Sports and Social Club. This purchase to be debt funded.



The Board discussed the BRC request at length, but Board members were of the opinion that insufficient detail had been provided for a decision to be made at this stage.

Mr Hanmer advised the Board that the additional expenditure proposed by the BRC on non-racing infrastructure needed to be considered carefully as previously the BRC had projected that by this stage the Sports and Social Club would be profitable. However, on the BRC's submission the Sports and Social Club showed a surplus of \$2K on the 2010/11 year and even with the improvements contemplated funded by the proposed loan the Sports and Social Club would continue to show a loss of \$67K for the 2011/12 and not returning a budgeted profit before the year 2012/13. Mr Hanmer had concerns in BRC's ease of loan servicing because of the projected losses for 2011/12, 2012/13 and 2013/14 b the Club.

Mr Ryan commented that Mr Hanmer was correct, however, the non cash item of depreciation for the years quoted would allow the BRC to record a trading profit and positive cashflow at balance sheet cost.

The Chairman discussed with the Board the administration subsidy going forward for all Clubs in the light of the downturn in revenue for the industry and the BRC need to be made aware that the administration subsidy currently paid cannot be guaranteed going forward.

Mr Carter was directed to request the following information from the BRC to be made available to the Directors:

- Business plan for the Sports & Social Club
- Profile of key personnel
- Membership projections/Demographic Analysis
- Gaming machine application

The Board **NOTED** that Mr Carter will seek the above required information from the BRC and this information to be made available to Directors and the request or otherwise to be settled by Flying Minute.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Tony Hanmer

**Motion carried**

#### **Mackay Turf Club Infrastructure Upgrade Request**

Mr Carter tabled a report for the request by the Mackay Turf Club to spend \$500,000 on refurbishment and construction of racing and public facilities in co-ordination with the Infrastructure Plan project expenditure currently underway.

In accordance, with RQL policy on spending by Non-Proprietary Licensed Clubs and conjunction with the Industry Infrastructure Plan project work. The Board **APPROVED** the investment of \$500,000 of the Club's capital into the following:

- Refurbished and improved Members' Bar
- New roof on Members' Deck
- Demolition of existing Jockey and Steward Building
- New public bar (ground level of Member's Bar)
- New furniture and televisions
- Internal and external painting
- Removal of grandstand roof
- Betting ring rectification

**MOVED** by Mr Bill Ludwig **SECONDED** by Mr Wayne Milner

**Motion carried****Rockhampton Jockey club Members' Grandstand Redevelopment Request**

Mr Carter tabled a report for the request by the Rockhampton Jockey Club to spend \$2.32M on redevelopment of the Members' grandstand at the Callaghan Park Racecourse Facility. Included was an update of the financial position of the Rockhampton Jockey Club. The concept plans were tabled at the November 4, 2011 board meeting.

As a continuation of the redevelopment of the Callaghan Park Racecourse the Rockhampton Jockey Club proposes to inject a further \$2.32M into the Members' facilities. This proposal is to be funded from club cash funds of \$1.87M as well as \$455K held by Rockhampton Racing Pty Limited on behalf of the Rockhampton Jockey Club. Correspondence from Rockhampton Jockey Club Chief Executive Officer Denis Cox, dated 13 December 2011, outlines the intention of the club to invest club capital in the Members' Grandstand development. Included in the correspondence are scope of works, breakdown of project costs, and sources of funding to provide for this redevelopment.

The Board **APPROVED** the investment of \$2.32M into the clubs infrastructure.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Bill Ludwig

**Motion carried****2.4 Product Development Report**

Mr Paul Brennan presented his monthly report.

**Provision of Training Facilities at Sunshine Coast**

Mr Brennan advised the Board that he had been liaising with Mr Peter Smith and the Sunshine Coast TAFE in relation to relocating the main RQL training base to Corbould Park, Caloundra. This move will require a modest capital expenditure of \$100,000 for the transition of student training. The previous Board meeting had approved in the Product Development budget at an amount of \$150,000 for Yeppoon. This amount will no longer be required and Mr Brennan proposed that the \$100,000 be transferred from the previously approved Yeppoon budget. This will produce a neutral effect on the overall RQL budget.

Motion - The Board's approval for the allocation of \$100,000 to enable the current facilities at Corbould Park to be altered to support the provision of student training. These funds will be sourced from the previous allocation for Yeppoon.

This was **APPROVED** by the Board

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Bradley Ryan

**Motion carried****Magic Millions**

The Board further considered the provision of a financial contribution of 20% to the \$500,000 Magic Millions all female bonus scheme.

This was **APPROVED** by the Board

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Bradley Ryan

**Motion carried****Events Queensland and Brisbane Racing Club Strategy**

Mr Brennan tabled a report for the Board to consider a request from the Brisbane Racing Club (**BRC**) to provide a financial contribution to a strategy they are currently developing in conjunction with Events Queensland.

Mr Brennan informed the Board that this expense was not included in the 2011/12 budget, and the proposal would see the Stradbroke have 11 ballot free entries to Queensland signature race is not in the best interests of racing in Queensland. Mr Brennan sought the Board's approval that the request from the BRC be **denied**.

**MOVED** by Mr Wayne Milner **SECONDED** Mr Mr Tony Hanmer

**Motion carried**

1. That the Board deny the approval of the requested ballot free entries for the stradbroke and that RQL not fund this request.
2. Mr Brennan to advise the BRC.

**Deagon Thoroughbred Trainers**

Mr Brennan advised the Board that he had previously prepared correspondence to send to the Deagon Training Committee, the compensation package and cut off date for training as of 31 March 2012.

Mr Brennan requested the Board to give consideration to a letter of advice to the Deagon trainers updating them on the current position. The position had changed considerably since the preparation of the original letter and further meetings with the Deagon trainers in particular, Mr Duff and Mr Murdoch a 1000m sand training track had been included in the Brisbane City Council application and there was a question as to whether compensation would be applicable.

The Chairman commented that the Deagon trainers had received a good hearing from RQL and that RQL at the time of the meetings had acted in good faith and were endeavouring to reach an acceptable compensation package and long term resolution to Deagon.

The Board generally agreed and commented that the Deagon trainers had not acted in good faith and that RQL should proceed with the 1000m track seeing as it was a request from the Deagon trainers to continue to train at Deagon.

The Board considered the proposal put forward by Mr Brennan.

The Board resolved that a new letter should be sent to the Deagon trainers advising that a sand training track had now been included in the application drawings at their request (Deagon trainers) and that the compensation package previously offered should be withdrawn.

In relation to the cut off date for training, the Board resolved to advise that the cut off date at this stage on best estimates of the project manager would be 30 June 2012 and should there be any further delays after 30 June 2012, a month by month lease would be an acceptable resolution to give some certainty.

### **Operational/Management Models – IIP Venues**

Following the Gold Coast Turf Club's (GCTC) elections and the passing of a motion by the GCTC members on ownership change requiring a 75% vote, the Board needed to consider a revision of the previous policy to seek equity for funds expended from the IIP plan.

Mr Brennan advised that following discussions with the Chairman and CEO, he sought the Board's 'in-principle' support for the following operational/management models for the following racecourses:

The Chairman asked the Board to consider the following operational management models as put forward by Mr Brennan and if they were in agreement, he requested the same mover and seconder.

**Cairns** – The IIP expenditure will be provided to the club as a grant. RQL will enter into an SLA with the Club.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

**Townsville** – RQL enter into a Heads of Agreement with the Townsville Turf Club (TTC) for the total funds to be expended at the TTC. The IIP expenditure will be provided to the Club as a grant as part of the Heads of Agreement for the construction of a greyhound track at Cluden. The lease will be 99 years at \$1 per year. This arrangement has not been confirmed in writing at this stage. RQL will enter into an SLA with the Club.

The Board approved the Chairman and Mr Brennan to continue to negotiate with the TTC and report back to the Board if this arrangement is not achievable.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

**Rockhampton** – This is an asset of RQL.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

**Mackay** – The upgraded facilities will be treated as a grant. Mr Brennan is currently working with the Club to review the feasibility of RQL assuming responsibility for maintaining the new facilities for a two year period. Mr Brennan to report back to the Board. An SLA will be entered into for the maintenance.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

**Beaudesert** – This is an asset of RQL. RQL has received an extension of the lease for a further 2 years and will seek a long term of the lease or consider an agreement for the future.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

**Gold Coast Turf Club** – The upgrade facilities will be treated as a grant. An SLA will be entered into. The Board approved the continued negotiations with the Traintech facilities at the Bundall to a maximum of \$3.5M. This will remain an asset of RQL.

Mr Brennan tabled a due diligence report from aQuenta Consulting for Traintech 2000.

The Board approved the GCTC arrangements and the progression of the purchase of Traintech 2000.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

### **Wagering Report**

The board noted the Wagering report and accepted that this report had been fully discussed in the budget session of finance.

The Board **NOTED** the Product Development Report.

## **2.5 Integrity Services Report**

### **Amendments to Local Rules**

Mr Orchard sought the Board's approval to the proposed amendment to the Local Rule 101 (Thoroughbreds), 80 (Greyhounds) and 61 (Harness):

*"Each Way betting*

*Where a Bookmaker bets "Win and Place" or "Each Way", the dividend for the place bet shall be at least 25% of the dividend for the win bet when there are 8 or more runners in the race at the time the bet is made and at least 33.3% of the dividend for the win bet when there are 5, 6 or 7 runners in the race at the time the bet is made."*

The Board **APPROVED** to amend Local Rule Local Rule 101(Thoroughbreds), 80 (Greyhounds) and 61 (Harness) removing the phrase "win and place", or".

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

### **Adoption of National Rules**

Mr Orchard sought the Board's approval to adopt the amendments to the Greyhound Australasian Rules and Australian Harness Racing Rules as presented.

The Board **APPROVED** the adoption of National Rules.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Wayne Milner

**Motion carried**

### **Terry Butts Article**

Mr Orchard informed the Board that he had taken advice from Mr Jim Murdoch in relation an article written by Mr Terry Butts that in his opinion was not in the best interest of racing. An inquiry will be held next week.

Mr Orchard also informed the Board that Mr Murdoch has since declared a conflict of interest and RQL will be represented by Mr Michael Byrne SC.

### **Scanning of Greyhounds**

Mr Orchard informed the Board that from 1 January 2012, all states will start scanning of greyhounds and RQL will also participate, notwithstanding that older greyhounds are not microchipped. Mr Milner commented that it could encourage greyhounds to be microchipped if the stewards adopted the practice of 2 lines for inspection with microchipped greyhounds getting preferential treatment.

### **Finish on Lure**

Mr Orchard advised the Board that marring and injuries have increased over the last 12 months since the Finish on Lure was replaced with the catching pen at Albion Park. Mr Orchard indicated that a proper review will be conducted in January and that he will request more feedback from the industry.

### **Betfair**

The Chairman declared a conflict of interest and advised the he would not take part in the decision making process nor would he vote. The Deputy Chair canvassed the Boards opinion on its Chairman's conflict and whether remaining in the room constituted a conflict. The remaining Board members had no objection to him remaining through the discussion.

Mr Hanmer took the Chair.

Mr Orchard tabled a letter he received from Betfair in relation to RQL requesting Betfair to implement a wagering monitoring system.

Betfair raised the issue that RQL was only focused on Betfair at this stage. Mr Orchard assured betfair that this was not the case and that RQL was in the process of looking at other corporates, and RQL had initially written to Betfair because their risk profile warranted further examination.

Mr Orchard proposed to the Board that he write to Betfair to indentify that they do have effective measures in place and that accounts are only used by the identified individuals. Mr Orchard suggested a 'one off' initial audit be conducted by a forensic accountant and then to determine if a 6 monthly audit is needed; this is then to be conducted.

The Board authorised a one off forensic audit to be conducted by a forensic accountant and results advised to the Board when completed.

The Chairman declined to take part in this discussion or vote on the outcome.

**MOVED** by Mr Tony Hanmer **SECONDED** by Mr Bill Ludwig

The Board approved Mr Orchard to proceed with the above recommendations.

The Chairman resumed the Chair.

**Motion carried**

### **Appointment of Investigator**

Mr Orchard advised the Board that the Integrity Department had employed a new investigator but sought the Board's approval for the investigator to have stewards powers.

This was **APPROVED** by the Board.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Tony Hanmer

**Motion carried**

The Board **NOTED** the Integrity Services Report.

### **Licensing Report**

The Board noted the Licensing Report and no amendments are required.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Tony Hanmer

**Motion carried**

## **2.6 Industry Infrastructure Report**

### **IIP Amended Budget**

Mr Mark Snowdon sought the Board's approval for the budget with amendments.

The Board discussed the amended IIP budget and requested Mr Snowdon's opinion as to the accuracy of the figures portrayed. Mr Snowdon advised that he had checked the figures and he was confident that the Projects could be delivered within budget.

Mr Snowdon to send a copy to the Office of Racing seeking endorsement.

The Board **APPROVED** the amended IIP budget.

**MOVED** by Mr Bill Ludwig **SECONDED** by Mr Tony Hanmer

**Motion carried**

### **IIP Project Delivery Framework**

As part of the amended IIP plan, Mr Snowdon presented a project management structure for the Board's consideration. The Board had stressed to Mr Snowdon that it was imperative from a Board and government point of view, that a Project Manager must be appointed as a separate discipline from all other contractors

The Board **APPROVED** the IIP Project Delivery Framework.

**MOVED** by Mr Bob Lette **SECONDED** by Mr Bradley Ryan

**Motion carried**

### **To appoint contractors for the development of the Business Cases**

Mr Snowdon sought the Board's approval for the appointment of Contractors in order to prepare the required information to be included in the business cases for the projects.

The Board confirmed their approval of the Chairman's actions in progressing the business cases and approved the costs incurred to date in developing the business cases for Treasury approval.

**MOVED** by Mr Wayne Milner **SECONDED** by Mr Tony Hanmer

**Motion carried**

#### **Appointment of Contractor for Mackay Project**

Mr Snowdon advised the Board that a contractor's appointment had not been ratified to date and sought approval for the appointment of a contractor for the Mackay project.

The Board **APPROVED** Mr Snowdon's recommendation.

**MOVED** by Mr Bradley Ryan **SECONDED** by Mr Bob Lette

**Motion carried**

#### **Mackay Business Case**

The business case for Mackay was presented to the Board for approval.

Mr Snowdon gave an update on progress and outlined the detailed of the business case.

The Board **APPROVED**.

**MOVED** by Mr Bill Ludwig **SECONDED** by Mr Bradley Ryan

**Motion carried**

#### **Project updates**

The Board approved expenditure of up to \$500,000 on the IIP as may be required prior to each quarterly period for reimbursement from Treasury. The Board acknowledged that at all times that this expenditure would be at RQL's risk.

The Chairman advised that the Board needed to understand the risk, minimal as it maybe, and that under exceptional circumstances, this amount could be at risk.

Mr Snowdon advised the Board that he was working on the GCTC business case and that he was expecting to have a draft business case available by 23 December 2011 and this will be provided to the Office of Racing.

The Chairman advised that a binding Heads of Agreement with the Gold Coast Turf Club was signed on Friday, 16 December 2011 and Mr Brennan was proceeding with the necessary work to prepare and offer to Traintech 2000.

The Board approved the expenditure of up to \$500,000 a quarter on the preparation of the remaining business cases.

### **3.1 Harness Presentation – Mr Bill Dixon and Mr Bob Lutherborrow**

Meeting commenced at 9:07am.

The Board afforded Mr Bill Dixon, President of BOTRA and Mr Bob Lutherborrow, President of the Standardbred Breeders Owners, the opportunity to address the Board in relation to previous submissions made to Mr Paul Brennan on issues concerning the RQIS Harness Scheme and the state of the Harness industry in general.



The Board complimented Mr Lutherborrow of the quality of his written submission and whilst not agreeing with the conclusions reached, none the less understood their concerns.

Mr Lutherborrow advised that:

1. The RQIS scheme payouts are consistent with previous years.
2. The 2010/11 season fell by 28%
3. Current season estimated further drop of 30-40% demonstrating a loss of confidence and viability in the industry
4. Closure of Egmont Park is a blow to the Queensland breeding industry
5. Colemountain stud clearance sale was a disaster and mares are being relocated south
6. Western Australian harness breeding is now defunct.
7. Requesting a revision of the RQIS scheme immediately.

Mr Lutherborrow and Mr Dixon offered some solutions to the problem sighting that these solutions would be within the existing budget.

The Board engaged Mr Lutherborrow and Mr Dixon on their submission and the various points raised.

Mr Milner advised that the submission as presented would add an additional \$400,000 to the prizemoney budget in a full year and their submission was based on the fact that all prizemoney would be paid. This is not the budgeted outcome that was approved.

Mr Ludwig in discussing the state of the breeding industry pointed out that the problems of the harness breeding industry, has not suddenly appeared and there had been a steady decline in breeding numbers and the viability of the harness industry over the last 10 years.

The Chairman put the question to Mr Lutherborrow that breeding schemes no matter how well meant were only a stop gap measure and eventually they need to be renewed to be relevant. The harness breeding industry may have to face the fact that they are not competitive and level of subsidisation needed, is beyond the capacity for the Queensland racing industry to support.

The executive members expressed the view that it was not advisable to review the breeding scheme that had only been in operation for 4 months. But they would be prepared to recommend to the Board that the scheme be reviewed at the appropriate time.

Mr Hanmer confirmed that the quality of revenue from the racing product was in decline and additional money in his opinion was not available and that the level of support for harness racing will need to be reviewed in the up coming budget for 2012/2013.

The discussion concluded that Mr Dixon and Mr Lutherborrow be advised that at the time that RQL prepares the budget for 2012/2013 they will be invited to give input and put forward their own statistical review on the RQIS scheme and be consulted on the level of funding of the harness industry for the coming year.

In summing up, the Chairman confirmed the Board's intention for the invitation to be issued and for Mr Dixon and Mr Lutherborrow to fully understand that going forward the level of prizemoney available for Harness racing will be reviewed.

Mr Lutherborrow and Mr Dixon left the Board meeting at 9:57am.

Following the departure of Mr Dixon and Mr Lutherborrow the Board resolved to issue the invitation and for Mr Brennan to advise that the RQIS scheme would not be reviewed for this current year as there was insufficient evidence that a factual decision could be made.

### **3.2 Greyhounds System Replacement**

Mr David Rowan spoke to his Board paper outlining to the Board the options to replace the greyhounds IT system and in doing so, updated the Board on the levels of risk attached to each proposal and the current risk profile currently being experienced.

Mr Rowan recommended that RQL migrate to the Ozchase system in conjunction with RWWA and GRNSW with the overall cost saving of \$26,000 per year.

The Board **APPROVED**.

**MOVED** by Mr Bob Lette **SECONDED** by Mr Bradley Ryan

**Motion carried**

### **3.3 Harness Racing Broadcast Agreement Extension**

Mr Rowan sought the Board's approval to enter into a broadcast service agreement with Camera Control Unit Pty Ltd for 12 months from 30 June 2012, with an extension of 12 months in RQL's favour.

This was **APPROVED** by the Board

**MOVED** by Mr Bob Lette **SECONDED** by Mr Bradley Ryan

**Motion carried**

### **3.4 Review – Apprentice Jockey Recruitment Training and Welfare 2011**

Mr Peter Smith sought the Board's approval for the presented recommendation and expenditure for the Apprentice Jockey Recruitment Training and Welfare scheme.

The Chairman complimented Mr Smith on the quality of his Board paper and the work and recommendations the report made good sense and requested him to speak to the report.

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The key recommendations in the report were all endorsed by the Board. The financial impact to the budget for 2011/2012 was \$60,000 with ongoing support of \$130,000 per annum. Mr Smith was instructed to prepare a media release and a shorten version of the report prepared for the website and a letter to all apprentices and trainers, QJA, AJA and ATA.

The Board **APPROVED** the jockey recruitment training and welfare scheme.

**MOVED** by Mr Tony Hanmer **SECONDED** by Mr Bob Lette

**Motion carried**

**3.5 Update on discussions with Sunshine Coast TAFE (SCT)**

Mr Smith updated the Board in relation to the discussion held with Sunshine Coast TAFE in developing the new model for racing industry training.

The Board **NOTED** the update and encouraged Mr Smith to continue discussions. Mr Smith will keep the Board updated.

**3.6 RQL 2012 Board Dates**

The RQL 2012 Board dates were discussed and amendments were made to particular dates throughout 2012. These new dates will be distributed to the Board.

**Confirmed as a true record.**



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R G Bentley  
Chairman

Dated... 9<sup>th</sup> / 12 / 2012

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**Attachment 'A'**

**Mr Bob Bentley**

Director of Tatts Group  
Director/Chairman of Sunshine Coast Racing Pty Ltd  
Director/Chairman of Australian Racing Board

**Mr Tony Hanmer**

Member of the Sunshine Coast Turf Club Inc.

**Mr Bob Lette**

Life Member Albion Park Harness Racing Club Inc.  
Member of Brisbane Racing Club  
Consultant to Mullins Lawyers  
Non Executive Director Watpac Limited

**Mr Bill Ludwig**

Secretary of the Australian Workers' Union (including signing of all correspondence and Industrial Instruments)  
Board Member of WorkCover Queensland  
Member of Brisbane Racing Club

**Mr Bradley Ryan**

Member of Brisbane Racing Club  
Member of Tattersalls Club

**Mr Wayne Milner**

Member of the Brisbane Racing Club  
Member of the Sunshine Coast Turf Club  
Member of the Ipswich Turf Club  
Member of the Victoria Racing Club  
Life Member of QROA  
Holder of Victoria Owners Gold Card  
ME Bank Consultant

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