1. New Revenue Sources

The primary sources of the Industry’s revenue emanate from TAB Distributions, other TAB payments and Race Fields fees. Accordingly, it is essential that receipts from these sources are maximised.

**Action**

*Racing NSW* has recently been able to source additional revenue from these areas.

(i) **Other TAB Payments** – *Racing NSW* has negotiated new arrangements with TAB Ltd which will generate substantial revenue for the Industry. These include:

- Payment from TAB Ltd relating to pooling arrangements in connection with its off-shore wagering operation located in the Isle of Man.
- Settlement of Race Fields dispute with TAB Ltd.
- An extension of TAB’s on-course advertising exclusivity.
- A 5 year extension of TAB’s sponsorship of the successful Saddle Up Sundays programme.
The total revenue from Racing NSW's efforts in negotiating these new arrangements amounts to approximately $20.3 million per annum.

(ii) Race Fields Fees – Receipts derived from Race Fields fees continue to represent a significant share of the Industry’s total revenues and Racing NSW has been active in developing a number of initiatives designed to increase this revenue source. These include:

- **Premium Race meetings** - Race Clubs incur extra costs when conducting premium race days with increased marketing and promotional campaigns and higher prizemoney. As customers are more attracted to these meetings each wagering operator’s business for the day reflects that interest.

Accordingly, as a result of a proposal submitted to the Government by Racing NSW, the Racing Administration Amendment (Fees) Regulation 2013 was introduced from 1 March 2013 to provide for an increase from 1.5% to 2% of wagering turnover in the maximum amount of the fee that a relevant racing control body may impose for the use of NSW Race Fields information at race meetings at which any race offering prizemoney of $150,000 or more is held. This will generate an additional $3.5 million for the industry annually.

- **Removal of threshold on first $5 million of wagering turnover** - From 1 July 2013 Racing NSW amended the conditions applying to Race Fields approvals to provide for the payment of a 1% fee by wagering operators on turnovers less than $5 million per annum. The move brings New South Wales into line with most other Australian States which charge Race Fields fees on all wagers and will raise an additional $2.5 million per annum.

Thus, these initiatives will generate an additional $6 million in revenue per annum. The $2.5 million obtained from the additional 1% fee on turnovers of less than $5 million will be fully distributed to those race clubs on whose meetings the turnover is generated.

### 2. Maintenance of Minimum Prizemoney Levels

- **Metropolitan Saturday** – $85,000
- **Metropolitan Midweek** – $40,000
- **Metropolitan Public Holidays** – $50,000
- **Provincial** – $22,000
- **Country TAB** – $15,000

**Action**

Racing NSW is paying race clubs, including the ATC, an additional $54 million annually (from Race Fields fees and other revenues) to ensure the maintenance of the minimum prizemoney levels above. In addition Racing NSW has extended the term of its $16 million loan to the ATC, in order to assist the ATC to restructure its bank funding. Again, these funds have been provided through Race Fields fees collected.

### 3. Racecourse Developments

Following the release of accrued Race Fields funds subsequent to the High Court decisions Racing NSW has proceeded with its major capital development program for the State’s racecourses. This program will be focused on improvements to racing surfaces and training facilities at major provincial and country racecourses throughout the State.

**Action**

Racing NSW seeks to ensure that the projects approved for funding create the best possible value to the racing industry and that the works will have a profound and lasting positive impact benefitting the industry. Further we must ensure that the relevant race clubs have the financial capacity and skill to maintain the proposed improvements.

Accordingly, Racing NSW will continue to follow rigorous procurement processes to ensure value for money and the avoidance of problems seen in the Queensland racing industry. In addition, in several instances Racing NSW is testing proposals for works to provide assurance that such works will provide an effective outcome.
In some instances where works are substantial and will require a shut-down of racing, ensuring additional capacity at other tracks in the region is an important consideration.

Amongst the projects approved and commenced are:

**Newcastle** - $11.2 million for the construction of a new Pro-Ride fast work track and for the construction of a second racecourse inside the course proper plus the upgrade of the existing course proper.

**Hawkesbury** - $4.1 million - The course proper was upgraded with the home straight lengthened to 400m. The extension of the home straight beyond the previous winning post required the construction of a large gabion wall to fill the area into which the home straight was extended. Other works at the racecourse included construction of new broadcast, stewards and photo finish towers, improvements to drainage of the course proper and a full refurbishment of the race days stalls.

**Royal Randwick** - $1.7 million - Complete upgrade of the Kensington racecourse with a StrathAyr turf profile and new PVC running rail.

**Loan to ATC - Racing NSW** has provided a loan to the ATC from Race Fields funds totalling $16 million.

**Goulburn** - $75,000 has been provided for drainage upgrades. Further works up to a total value of $2.9 million will be commenced once the Club has undertaken required changes to its governance structure.

**Tuncurry-Forster** - $900,000 for upgrade of racecourse to provide amenities to enable the racecourse to stage TAB race meetings. These included additional race day stalls, stewards towers, jockeys rooms, stewards room and racegoer amenities. These works will enable the venue to stage race meetings and provide valuable capacity as works are undertaken elsewhere in the region.

**Bathurst** - $750,000 for irrigation upgrades, water, sewer, electrical connections and upgrade of female jockeys’ room.

**Muswellbrook** - $550,000 for an upgrade to the racecourse irrigation system and new drainage.

**Scone** - $480,000 for drainage works and other race day infrastructure including additional race day stalls, upgrades to the parade ring and outside running rail.

**Racing NSW** has received a number of further applications for funding and these will be examined and considered in coming months.

### 4. Strategic Plan

In accordance with the provisions of the Thoroughbred Racing Act 1996, **Racing NSW** is to prepare a Strategic Plan for the Thoroughbred Racing Industry every three years and in so doing is to consult with the Racing Industry Consultative Group (RICG) and other stakeholders in the industry.

**Action**

Following the successful outcome of the High Court Appeals in the Race Fields Legislation matters, **Racing NSW** has now prepared a new plan for the three years commencing 2013. This Plan was provided to RICG for its input. As the Plan has various commercially sensitive matters it will not be released until these are finalised.

### 5. Club Governance

At the time of approving funding of capital projects to be financed from Race Fields accrued revenue, **Racing NSW** approved the introduction of new governance models for race clubs including the appointment of independent directors for race clubs receiving such financial assistance.

**Action**

Under this policy, clubs receiving more than $1 million in capital funding are now required to adopt a governance model that includes a mix of elected directors and appointed independent directors.
6. TVN

**Action**

Arrangements and contractual agreements for the aggregation of All NSW and Victorian Thoroughbred Racing Industry media rights have now been finalized. However the full benefits of this aggregation have not yet been seen as TVN and Sky Channel are still to finalize the relevant commercial arrangements.

7. Race Meeting Abandonment Policy

At various times race meetings are called off after scratching time on the day of the meeting and owners and trainers incur expenses such as transport and staff costs. The Board felt that in such cases it is reasonable that participants receive some compensation to offset these costs.

**Action**

*Racing NSW* approved of the following policy:

- for TAB race meetings called off after scratching time on race days, the following compensation payments are to be made to trainers for credit to owners’ accounts:
  - $200 - Base Payment;
  - $150 - Transport up to 80 km round trip (excluding race meetings at the horse’s home track); and
  - $0.60 - per kilometre travelled after the first 80km round trip.

- the maximum transport payment is $400 per horse and the total compensation payment is $600 per horse.
- the compensation payment for non-TAB meetings is to be the base payment of $200 per horse.

8. Directors’ Manual

To assist current and new Directors of Race Clubs, *Racing NSW* has prepared a Manual setting out guidelines for Directors of Thoroughbred Race Clubs as well as a model Code of Conduct for Clubs and Club Directors.

**Action**

The Manual covers the following subjects:

- General Guidelines for Race Club Directors
- Guidelines for Board Operations
- Guideline for the Procurement of Goods and Services
- Guideline for Major Capital Works

The Manual will be forwarded to Clubs shortly and should be distributed to all current and future Directors.

9. Integrity

The integrity of the Thoroughbred Racing Industry is integral to the on-going viability of the Industry. Therefore, *Racing NSW* remains committed to developing and pursuing policies designed to protect and enhance the Industry’s integrity.

**Action**

In accordance with its commitment *Racing NSW* recently implemented the following policies aimed at protecting the integrity of the industry.

(i) **Minimum Penalties** – *Racing NSW* was concerned that there had been a number of breaches of the Rules of Racing involving serious integrity issues that had been damaging to the image and public perception of the Thoroughbred Racing Industry. Hence, *Racing NSW* felt that it was in the best interests of the industry if minimum penalties were introduced in respect of breaches of the Rules of Racing of the most serious kind, i.e. those at the higher scale which involve the intentional conduct tantamount to cheating and/or fraud.

Accordingly, following submissions from *Racing NSW*, the Australia Racing Board approved of a scale of minimum penalties which have been adopted throughout Australia.
The new regime of uniform penalties will ensure consistency of penalties across all State and Territory jurisdictions and act as a strong deterrent to potential wrongdoers.

(ii) **Conflict of Interest Rules** – Following the much publicised More Joyous Inquiry, the Board of Racing NSW took action to ensure that the Thoroughbred Racing Industry had in place appropriate Rules dealing with the issues of conflict of interest and inside information. The Board felt that the confidence of the public and racing participants in the integrity of racing is a paramount objective of Racing NSW.

Accordingly, Racing NSW introduced new Local Rules 110A and 110B dealing with inside information and conflicts of interest. These rules are consistent with the protocols in place in the corporate world and are intended to ensure that the Thoroughbred Racing Industry has the best practices in place to maintain the confidence of racing participants and the public in the integrity of racing.

(iii) **Licensing of Veterinarians** – Racing NSW has been concerned that a deficiency existed in the integrity net due to the fact that persons who had a significant access to horses (veterinarians) were not licensed by Racing NSW. Accordingly, following protracted negotiations with the Australian Veterinarian Association (AVA) and the Australian Racing Board (ARB), Racing NSW will shortly introduce a new rule governing the activities of veterinarians who treat horses in New South Wales.

(iv) **Rules of Racing** – In addition to the above Racing NSW has also adopted a number of other miscellaneous rules designed to enhance the integrity of the industry.

John Messara AM
Chairman
Racing NSW
October, 2013