

Racing NSW **Strategic Plan** **October 2014**



Executive Summary

Overview

The NSW Thoroughbred Racing Industry plays an important role throughout NSW via its economic and social contribution.

The industry makes an economic contribution of \$1.2 billion annually and supports in the order of 50,000 jobs. This economic benefit is widely spread throughout NSW, as the industry here holds more race meetings than any State, and they are conducted across an expansive network of clubs serving communities in all regions of NSW.

The NSW Thoroughbred Racing Industry is predominantly funded from NSW TAB wagering revenue - that is from bets placed by punters with the NSW TAB. These monies are used to stage race meetings, maintain and enhance racing facilities, promote the industry and pay prizemoney to owners. The NSW State Government also takes a share of wagering revenue.

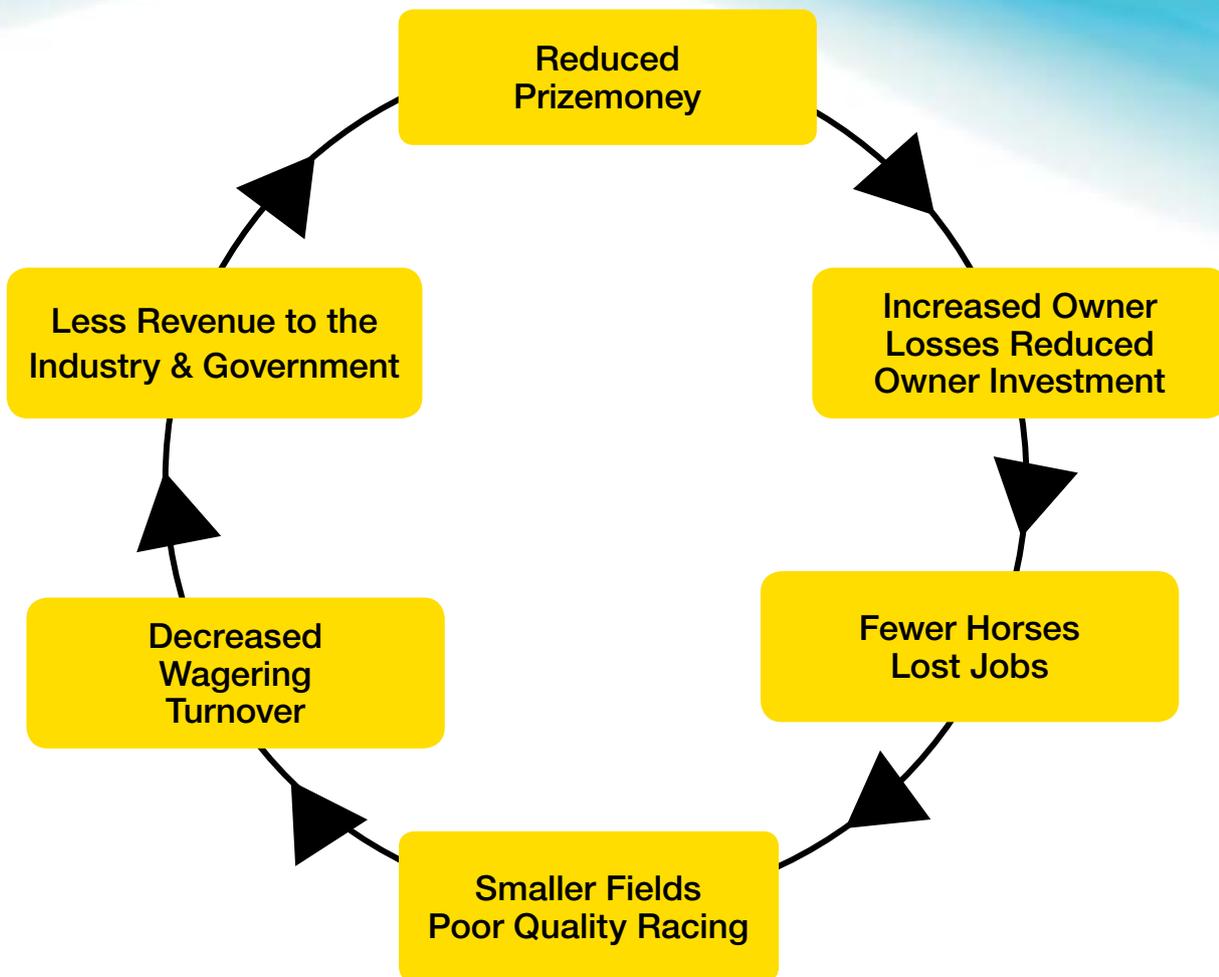
There is approximately \$1 billion in wagering revenue (from \$6 billion in turnover) on the TAB annually. This compares to \$5 billion gaming revenue on NSW poker machines.

The NSW Thoroughbred Racing Industry through returns from the TAB is at a competitive disadvantage with all other States and particularly, against its strongest competitor, the Victorian Thoroughbred Racing Industry. This disadvantage is due to the NSW Government capturing a far greater share of wagering revenue (player losses), to the detriment of the racing industry, than is the case in Victoria and other States as shown in the table below.

Revenue share of gross wagering revenue for each \$100 wagered – Totalizator and Fixed Odds Betting

State	Totalizator - per \$100 Bet			Fixed Odds Betting - per \$100 Bet		
	Racing Industry Share	State Government Share	GST	Racing Industry Share	State Government Share	GST
NSW	\$4.70	\$3.22	\$1.52	\$4.00	\$1.56	\$1.30
Victoria	\$7.90	\$1.28	\$1.52	\$7.04	\$0.63	\$1.30
Queensland	\$7.25	\$0.82	\$1.52	\$6.17	\$0.13	\$1.30
South Aust.	\$8.00	\$0.00	\$1.52	\$6.79	\$0.00	\$1.30
Western Aust.	\$6.67	\$2.00	\$1.52	\$5.66	\$2.00	\$1.30

The above situation is unsustainable, resulting in large and increasing losses to horse owners. NSW owners absorb as a group annual losses of \$200 million, not including the cost of buying and breeding the horses. This creates a vicious downward spiral with reduced prizemoney producing larger owner losses, reducing the number and quality of horses racing and hence wagering turnover so reducing revenue to the racing industry and government and so further reducing prizemoney and racehorse participation. (See top of page 3.)



Racehorse owners are prepared to sustain losses up to a level which reflects the qualitative benefits they enjoy as participants in the industry, racing horses. However there is a tipping point at which the level of losses becomes a major disincentive to reinvestment. The evidence points to that tipping point having been reached. The number of individual horses registered in NSW each year has been in steady decline. Between 2007 and 2013, the number of horses registered to race declined by 14% to 4,059.

This decline is also adversely impacting field sizes and will continue to do so unless it is stemmed.

Racing NSW is not seeking some form of tax concession. The industry pays normal corporate and GST taxes. What is clear is that the government levy on racing revenue is excessive relative to that imposed on NSW's competitors and is undermining the economic sustainability of the industry and of the tax revenue flowing to the State.

Racing NSW is committed to using all of the additional revenue that will flow to racing to invest in improving the position of racing through increased prize monies and greater promotion, ensuring the viability of clubs and improved facilities that will all contribute to improved industry performance.

In the absence of any measures to rejuvenate racing, the downward trend in NSW TAB wagering revenue, returns to the industry and to government will continue.

Strategies and Initiatives

The initiatives outlined in this Plan can only be achieved if the NSW Thoroughbred Racing Industry can achieve a correction of its funding disadvantage. Treatment similar to that which has been introduced by Governments interstate, is vital to inject the required additional funding to revitalise Thoroughbred racing in NSW.

Increased funding to the NSW Thoroughbred Racing Industry will be utilised to deliver the following key measures:

- Further developing The Championships and a world class Sydney Autumn Racing Carnival into an internationally attractive event;
- Further increasing minimum prizemoney levels throughout NSW;
- Increasing feature race prizemoney at all levels throughout the season;
- Reducing costs to owners;
- Developing Showcase race meetings in country NSW;
- Developing an integrated industry marketing and branding strategy;
- Improving workplace health and safety across the industry;
- Further boosting the investment in integrity, investigation and surveillance to strengthen public confidence in racing;
- Improving the viability of race clubs; and
- Investing in the future workforce of the industry.

The table below summarises the estimated cost of strategic initiatives identified in this Plan which are proposed to be funded from monies generated by parity and other strategies to increase revenues.

Race Category	Description	Investment
The Championships and Autumn	The staging and lead-up to The Championships including prizemoney, bonuses, marketing and management	\$15,225,000
Premium Stakes Racing	Increased prizemoney minimums for all Stakes races	\$8,925,000
Metropolitan Racing	Increased prizemoney minimums for Saturday, midweek and Public Holiday racing	\$6,500,000
Provincial Racing	Increased prizemoney minimums	\$8,240,000
Country Racing	Increased prizemoney minimums to TAB racing, country 'Showcase' race meetings	\$16,080,000
Existing Prizemoney Shortfall	Prizemoney deficit to maintain existing investment from owners	\$3,000,000
Nomination & Acceptance Fees	Elimination of Nomination & Acceptance Fees	\$4,000,000
Jockeys Ride Fees	Increasing Jockey Ride Fees in line with Victoria	\$660,000
Race Clubs	Funds to meet operating expenditure	\$6,000,000
Capital Development	Infrastructure Investment Program at Racecourses across NSW	\$5,000,000
Marketing Program	Industry Marketing Program	\$2,000,000
Traineeships & Apprenticeships	Establish 100 Traineeships & Apprenticeships in high youth unemployment areas	\$2,000,000
Integrity	In order to maintain highest level of racing integrity	\$1,000,000
	Total	\$78,630,000

* Includes \$1.8 million for Provincial and Country Championships as well as marketing and other costs associated with the staging of The Championships.

In addition, **Racing NSW** will utilise the following series of complementary strategies, providing avenues to build the revenues of Thoroughbred racing. These specifically include:

- Maximising Race Fields fees;
- Improving broadcast quality, access, presentation and quality of form;
- Further developing the Autumn Carnival;
- An industry marketing and branding strategy;
- Increasing engagement with a broader audience through effective digital marketing and branding.

In turn, increased revenues will provide the NSW Thoroughbred Racing Industry with funding to increase returns that are distributed more broadly to participants, specifically:

- Expanded distribution of prizemoney among participants and sectors;
- Restructure of race meetings among sectors;
- Further development of racing initiatives;
- Refinement of racing, programming and handicapping policies;
- Development of key training centres;
- Widening the distribution of Capital Expenditure;
- Improving workplace health and safety across the industry;
- Improved regulatory and integrity mechanisms; and
- Improved administrative and financial practices throughout the industry.

Summary of Strategic Initiatives

- **Reducing the deficit faced collectively by racehorse owners between prizemoney and training and racing costs, by further increasing prizemoney levels benefitting all participants including owners, trainers, jockeys and licensed stablehands**
- **Broadening the distribution of prizemoney to participants across NSW including enhancements to the BOBS scheme**
- **Reviewing Race Fields fees and determining the optimum level of fees that can be generated**
- **Further developing The Championships and a world class Sydney Autumn Racing Carnival that is compelling and attracts considerable international and interstate visitation at its climax**
- **Improving the quality of race broadcasts, presentation, quality and access to racing information and form**
- **Engagement of a broader audience through effective digital marketing and branding**
- **Developing an integrated industry marketing and branding strategy**
- **Setting race dates to maximise returns, improve the opportunities for participants outside the Metropolitan area and promote racing throughout NSW as a whole**
- **Reviewing the capital expenditure proposals for racing across NSW and broadening the base of capital expenditure for racing, training and customer facilities**
- **Improving workplace health and safety across the industry**
- **Improved regulatory and integrity regimes that build public confidence**
- **Improving the viability of race clubs**
- **Improving future workforce and human resources**

This Strategic Plan is a dynamic document and the implementation plan may require changes to some elements.

Racing NSW will continue to consult RICG and other participants to ensure the NSW Thoroughbred Racing Industry achieves the maximum outcomes from the Plan.

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THE THOROUGHBRED RACING INDUSTRY NEEDS TO INCREASE ITS REVENUE

Background

As identified in the 2004 and 2010 Strategic Plans, the revenue base of the NSW Thoroughbred Racing Industry has been diminishing in real terms.

The validation of the Race Fields Legislation by the High Court of Australia in March 2012 has provided much needed revenue to the Thoroughbred racing industry.

Since the 2010 Strategic Plan there have been a number of developments that have seen changes to the potential funding from sources other than Race Fields fees.

The introduction of the animated racing game Trackside in NSW, was seen as a possible source of additional recurrent revenue. Trackside was to be shown in NSW TAB agencies, hotels and clubs and **Racing NSW** would in the normal course of events receive 17% of all profits generated. It was estimated that annual recurrent income would be between \$3 million to \$5 million to the NSW Thoroughbred industry. However, **Racing NSW** made a strategic decision to sell its revenue share from Trackside to Tabcorp for \$150 million and those funds were directed to the Australian Turf Club (ATC) for the development of Royal Randwick into a world class facility, providing an immediate benefit to the industry.

A significant funding uplift was anticipated by the introduction of Government regulations in 2009 that enabled reductions in tax rates to assist Tabcorp in attracting international players into the NSW totalizator pool. However, the potential uplift from these changes has not been realised.

Race Fields fees had expected to provide a significant fillip to NSW racing and improve field sizes and the appeal of racing for wagering. While Race Fields fees have helped underpin prizemoney levels, the underlying decline in foal crops has continued to place downward pressure on field sizes.

While the positive impact of Race Fields fees and improvements in prizemoney and other strategies will boost NSW racing, much of this uplift is being eroded by the increase in competition to the totalizators in the national wagering market. New entrants into the Australian wagering market will see a continuation of this trend into the future.

At the time of the 2010 Strategic Plan an amount of \$3 million per annum in additional income from overseas wagering on NSW racing was anticipated, especially from the commingling of the NSW totalizator pool internationally. This has now increased to \$6.7 million per annum. These funds are being distributed to assist race clubs to meet their cost base.

Despite the positive outcomes from the above measures initiated by **Racing NSW**, the overriding disparity in terms of TAB wagering revenue shared between the NSW racing industry and NSW Government (compared to all other States of Australia) needs to be addressed to improve and sustain the industry.

Collective Returns to Owners – the Over-arching Objective

The 2004 and 2010 Strategic Plans discussed the collective returns to owners throughout NSW and how these returns compare to the costs of preparing horses for racing.

Racing NSW has sought updated data from a cross-section of trainers in order to estimate the total payments made by owners for racehorse training, veterinary and spelling costs. Assuming a horse is in work eight months and spelling four months each year, a survey of Metropolitan, Provincial and Country trainers reveals the average annual training, spelling and veterinary costs to be:

METROPOLITAN	\$47,324
PROVINCIAL	\$27,300
COUNTRY	\$24,330

Based on these figures and following prizemoney increases made for the 2013/14 financial year, the estimated average annual costs of having horses trained and returns to owners are:

Description	\$
Annual Training, Spelling, Veterinary, Racing Costs, Nomination and Acceptance Fees and Other Costs (does not include cost to purchase or breed a horse)	\$347m
Prizemoney and Bonuses; net of trainer's, jockey's and stablehand's percentages	-\$147m
Deficit met collectively by owners	\$200m
Collective Return on Training, Spelling, Veterinary and Racing Costs	42%

In other words, owners receive \$147 million yet pay out \$347 million. This \$200 million deficit places unsustainable pressure on the viability of Thoroughbred ownership and unless rectified, will continue to restrict development and progress of the racing industry.

This is further compounded by the fact that there is a marked disparity in the distribution of returns among the collective group of owners in a given year. Owners of the most successful horses receive a return in excess of their costs of training and racing. Conversely the larger group of owners who race less successful horses have returns well below the collective average of 42%.

Owners are prepared to sustain losses up to the level which reflects their enjoyment as participants in the industry. However there is a tipping point at which the level of losses becomes a major disincentive. The evidence collected suggests that tipping point has been reached demonstrated by a decline in racehorse ownership.

Reducing the deficit between owners' costs and their returns is the dominant objective of this Strategic Plan.

Meeting the Objective of Improving Returns to Owners

Of paramount importance to the NSW Thoroughbred Racing Industry is correcting the current imbalance of wagering revenue divided between the NSW racing industry and NSW Government. This current inequitable distribution means that the NSW Government receives the highest share of wagering revenue of any State in Australia. This in turn causes the NSW racing industry to operate at a marked disadvantage to our interstate competitors.

Securing an effective reduction in the Government's share of TAB wagering revenue is the spearhead of multi-faceted strategies to grow revenue thereby enabling the industry in NSW to reduce the deficit faced by owners, resulting in increased investment in ownership, breeding and racing.

Successful pursuit of parity in the Government's share of wagering revenue and increased funding to the NSW Thoroughbred Racing Industry will enable **Racing NSW** to implement the following key measures of its Strategic Plan;

- Development of a world class Sydney Autumn Racing Carnival and internationally significant event for Sydney;
- Increasing minimum prizemoney levels throughout NSW;
- Increasing feature race prizemoney at all levels throughout the season;
- Reducing costs to owners;
- Developing Showcase race meetings in Country NSW;
- Improving workplace health and safety across the industry;
- Further boosting the investment in integrity, investigative and surveillance service to strengthen public confidence in racing;
- Improving the viability of race clubs; and
- Investing in the future workforce and human resources.

This Plan incorporates strategies to best utilise these revenues to increase and more broadly distribute returns to participants, specifically by:

- Expanding distribution of prizemoney among participants and sectors;
- Redistributing race meetings among sectors;
- Developing racing initiatives;
- Refining racing, programming and handicapping policies;
- Developing key training centres;
- Widening the distribution of Capital Expenditure, especially on training and racetracks;
- Improving regulatory and integrity mechanisms; and
- Improving governance, administrative and financial practices throughout the industry.

In addition, **Racing NSW** will utilise the following series of complementary strategies which will build revenues of the NSW Thoroughbred Racing Industry:

- Maximising Race Fields fees;
- Improving broadcast quality, access, presentation and quality of form;
- Developing an integrated industry marketing and branding strategy; and
- Increasing engagement with a broader audience through effective digital marketing and branding.

Execution of these strategies will sustain and broaden engagement with racing and investment in Thoroughbreds by owners and will underpin its mainstream popularity.

REDRESSING THE IMBALANCE IN SHARE OF TAB WAGERING REVENUE

A key revenue initiative for **Racing NSW** is to pursue parity with other States, with respect to the share of TAB wagering revenue between Government and the racing industry; in other words to ensure the NSW Government takes the same share of TAB wagering revenue as the Governments of other States.

This is best highlighted by tracing the wagering revenue received by the racing industry and the NSW Government respectively on every \$100 bet with that State's TAB.

What is Gross Wagering Revenue?

Gross wagering revenue refers to the net losses of punters from wagering (being turnover less the amounts returned in winning dividends). State TABs offer both the traditional pari-mutuel wagering through the three major totalizators as well as fixed odds wagering which has grown its share of the market over recent years.

The figures below show a typical return to punters and revenue shared among Government, the racing industry and TAB for the NSW TAB.

Pari-mutuel Wagering		Fixed Odds Wagering	
↙ \$100 Bet ↘		↙ \$100 Bet ↘	
\$83 Dividends to Punter	\$17 Revenue to be distributed to Government racing industry and TAB	\$86 Dividends to Punter	\$14 Revenue to be distributed to Government racing industry and TAB

Background to Government's Share of TAB Wagering Revenue

The NSW Government takes a higher share of TAB wagering revenue than any State in Australia. The proportion of TAB wagering revenue taken by the NSW Government is far higher than that taken by the Victorian Government, with the Victorian racing industry being a significant beneficiary of this disparity.

In NSW, the Government's share of wagering revenue through the NSW TAB is 19.11% of revenue on totalizator betting and 10.91% on fixed odds betting.

The Victorian Government has reduced its share of TAB wagering revenue on totalizator betting to 7.6% of revenue and fixed odds to 4.38% of revenue from August 2012.

The Queensland Government has reduced its share of wagering revenue on totalizator wagering to 4.91% of revenue and 0.91% on fixed odds TAB wagering revenue.

The South Australian Government gradually reduced its share of TAB wagering revenue from 2008/09, culminating in a zero rate from 2012/13 with the proceeds rebated entirely to the racing industry in that State.

The Tasmanian Government charges a small fixed fee of \$6 million with no further share of wagering revenue.

In addition to the above, the Victorian Government established the \$79.5 million Victorian Racing Industry Fund (VRIF) across four years.

Also, in January 2010 the Queensland Government announced a capital works funding package to redevelop racing infrastructure across Queensland over the next four years. The value of this funding package was more than \$80 million and obviated the need for the racing industry to find this funding from its own revenues.

The NSW Government receives the largest share of TAB revenue of any State in Australia and the NSW racing industry receives the lowest share of revenue by comparison to its interstate counterparts.

The high percentage of the NSW Government's share of wagering revenue is out of step with the evolution of wagering into a national market.

Government Share of TAB Wagering Revenue per \$100 Bet

State	Totalizator	Fixed Odds
	Revenue \$17.00 per \$100 Bet	Revenue \$14.00 per \$100 Bet
NSW	19.11%	10.91%
Victoria	7.60%	4.38%
Queensland	4.91%	0.91%
South Australia	0.00%	0.00%
Western Australia	11.91%	12.00%
Tasmania	0.00%	0.00%

The lower share of TAB wagering revenue taken by the Victorian Government is a key driver of the higher TAB Distributions paid to the Victorian racing industry compared to NSW.

Revenue Allocation by State for Totalizator Betting per \$100

State	Racing Industry Share Per \$100 bet	State Government Per \$100 bet	GST Per \$100 bet	TAB Per \$100 bet
NSW	\$4.70	\$3.22	\$1.52	\$7.56
Victoria	\$7.90	\$1.28	\$1.52	\$6.30
Queensland	\$7.25	\$0.82	\$1.52	\$7.41
South Australia	\$8.00	\$0.00	\$1.52	\$7.48
Western Australia	\$6.67	\$2.00	\$1.52	\$6.81

The revenue received by TABs is an estimate of the amount received per \$100 bet prior to meeting their operating expenses.

The NSW racing industry receives \$4.70 for every \$100 bet through the totalizator in stark contrast with \$7.90 per \$100 bet in Victoria.

Revenue Allocation by State for Fixed Odds Betting per \$100

State	Racing Industry Share Per \$100 bet	State Government Per \$100 bet	GST Per \$100 bet	TAB Per \$100 bet
NSW	\$4.00	\$1.56	\$1.30	\$7.14
Victoria	\$7.04	\$0.63	\$1.30	\$5.03
Queensland	\$6.17	\$0.13	\$1.30	\$6.40
South Australia	\$6.79	\$0.00	\$1.30	\$5.91
Western Australia	\$5.66	\$2.00	\$1.30	\$5.04

The revenue received by TABs is an estimate of the amount received per \$100 bet prior to meeting their operating expenses.

The NSW racing industry receives \$4.00 for every \$100 bet through fixed odds in stark contrast with \$7.04 per \$100 bet in Victoria.

This disparity negatively affects both the long-term viability of the NSW racing industry and the Government's revenue derived from the industry. In NSW, the Thoroughbred racing industry makes a substantial contribution to the economy and communities. Across the State – Metropolitan and Regional areas – thousands of people are involved in breeding and training, organising the tracks and races and administering the sport, often on a volunteer basis.

The NSW Government's share of TAB wagering revenue is approximately \$157 million annually (in FY2013) including sports betting. However the proportion of TAB wagering revenue taken by Government and that paid to the NSW Thoroughbred Racing Industry is out of balance, especially by comparison to interstate jurisdictions.

Currently payments to the NSW Thoroughbred Racing Industry are inadequate to reasonably sustain owners and broaden racing's customer base. This is a major contributing factor to the shortfall to racehorse owners in NSW identified earlier, who as a group collectively sustain losses of \$200 million per annum to have their horses trained to compete, without taking into account the capital cost of the horses.

The losses sustained by racehorse owners in NSW effectively subsidise the Government's share of TAB wagering revenue received by the NSW Government, with these losses being greater than the amount of wagering revenue taken by the State Government – truly an imbalance between the Thoroughbred racing industry and Government.



Funding Disparity between NSW and Victoria

Racing NSW approached the NSW Government in March 2013 with a proposal to allow a higher share of TAB wagering revenue for the NSW racing industry that benefited all parties and would create a significant contribution to the NSW economy. The proposal was to provide a competitively neutral position for the NSW Thoroughbred industry by eliminating the majority of the funding disparity of \$100 million between the NSW and Victorian racing industries which arises from different treatment of TAB wagering revenue by the respective Governments.

Making a strong case for the racing industry to be on a similar Government share of TAB revenue footing as Victoria is vital to its future competitiveness and success. **Racing NSW** also commissioned an independent firm, Deloitte Access Economics, to assist in developing its case.

In contrast to the NSW racing industry which receives \$225 million in TAB distributions, the Victorian racing industry received an estimated \$100 million extra for FY2014. The Victorian racing industry previously benefited from a share of poker machine profits in Victoria. That situation in Victoria has since changed with the loss of Tabcorp's gaming machine licence and the decision of the Government to compensate the racing industry by a lowering its own share of TAB wagering revenue was significant in that State maintaining its substantial financial advantage over NSW.

Under those arrangements, the Victorian Government's share of TAB revenue was reduced from 19.11% to 7.6% with the proceeds of the reduction being paid to the three Victorian codes of racing.

In addition, unlike the situation in NSW where unclaimed dividends become the property of Tabcorp after a period of 12 months and constitute wagering revenue, all unclaimed totalizator dividends in Victoria (\$79.5 million over four years) are currently paid into that State's Consolidated Fund and deployed through the Victorian Racing Industry Fund, being invested into a range of programs to assist the Victorian racing industry.

With the new Victorian totalizator licence regime having come into force from August 2012 and a lower share of wagering revenue taken by that Government, the funding disparity between the two States is such that the NSW Thoroughbred Racing Industry would receive approximately \$70 million per annum more funding if the Victorian Government's share of TAB wagering revenue applied to NSW.

Unless the NSW Thoroughbred Racing Industry receives a share of TAB wagering revenue comparable with that provided to the industries in other States and Territories it will be increasingly difficult for it to remain competitive with those jurisdictions. More importantly, it will be challenging for the industry to remain financially viable and provide a proper return to those involved in it.

Thoroughbred Racing and the NSW Economy will Benefit from Government Taking a Lower Share of TAB Wagering Revenue

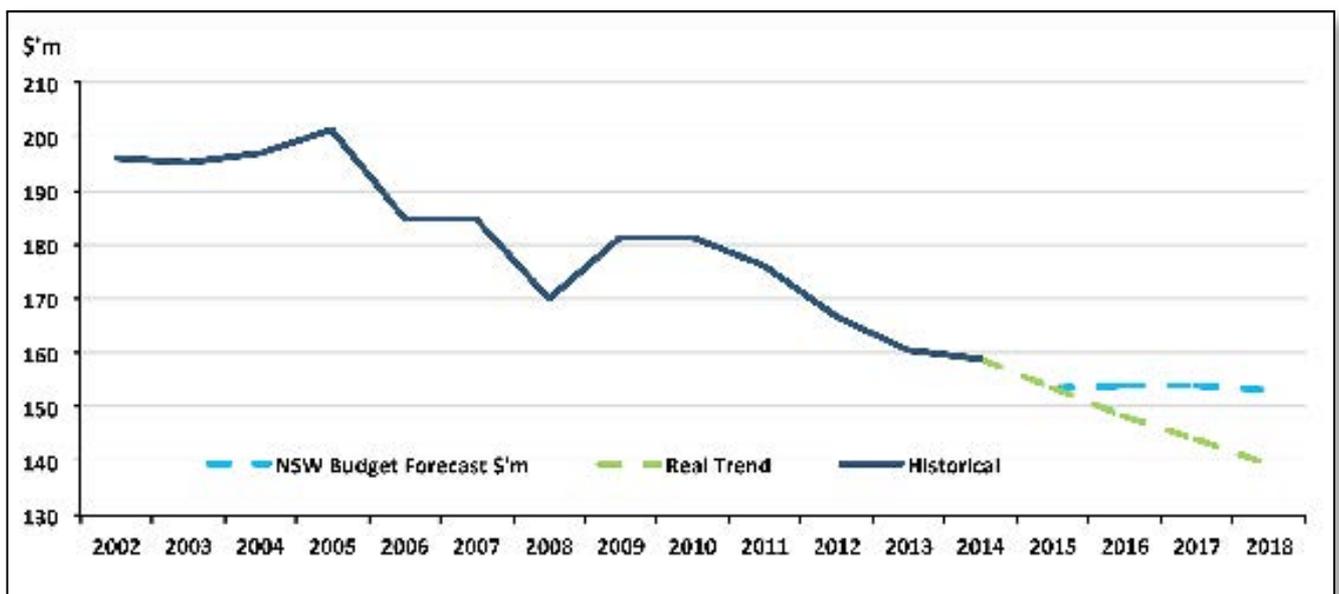
In recent years considerable competitive pressure has come to bear on State TABs, especially on totalizator wagering. Corporate bookmakers who pay miniscule wagering taxes and have limited obligations to the racing industry, have exploited their considerable cost advantage over TABs. In particular wagering operators have been successful in building their market share at the expense of TABs, exploiting their cost advantage and offering 'best tote' options to their customers.

As such the annual share of TAB wagering revenue derived by the NSW Government from wagering on racing with the NSW TAB, (both totalizator and fixed odds combined) has declined to below \$150 million and by 2016 is estimated to be as low as \$140 million.

Without an impetus to reinvigorate wagering, the outlook is for continuing declines in TAB wagering and the amount of wagering revenue paid to Government.

The chart below represents forecasts from Deloitte Access Economics (DAE) of future State wagering tax revenues expressed in real terms, given prevailing trends. In turn the industry will endure pressure on existing prizemoney levels unless change occurs.

This would likely escalate into a vicious cycle of fewer horses racing and being bred with smaller field sizes in NSW, resulting in a further decline in wagering and accompanying negative economic benefit and employment outcomes.



It is imperative that the NSW Thoroughbred Racing Industry escapes this vicious cycle, otherwise the industry will continue its long decline. This is not just a problem for the industry but also a problem for the NSW economy. DAE has estimated that the direct and indirect contribution of NSW wagering and racing to the NSW economy is \$1.2 billion per annum with direct and indirect employment of almost 11,000 full time equivalent employees. Not only is the Thoroughbred racing industry very labour intensive and hence a major generator of jobs but it is a very significant industry and employer in Regional NSW. It should also be noted that a percentage of the work force is unskilled.

International Event Resources (IER) has recently undertaken a report into the NSW racing industry for the NSW Government, confirming the size and importance of the NSW racing industry.

DISTRIBUTION OF ADDITIONAL ANNUAL REVENUE FROM PARITY WITH INTERSTATE RACING

If successful in obtaining parity with racing interstate in terms of Government share of TAB wagering revenue, **Racing NSW** will enact a program of prizemoney increases and other measures to rejuvenate Thoroughbred racing throughout NSW.

The table below summarises the estimated cost of strategic initiatives identified in this Plan which are proposed to be funded from monies generated by parity and other strategies to increase revenues.

Race Category	Description	Investment
The Championships and Autumn	The staging and lead-up to The Championships including prizemoney, bonuses, marketing and management	\$15,225,000
Premium Stakes Racing	Increased prizemoney minimums for all Stakes races	\$8,925,000
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Capital Development	Infrastructure Investment Program at Racecourses across NSW	\$5,000,000
Marketing Program	Industry Marketing Program	\$2,000,000
Traineeships & Apprenticeships	Establish 100 Traineeships & Apprenticeships in high youth unemployment areas	\$2,000,000
Integrity	In order to maintain highest level of racing integrity	\$1,000,000
	Total	\$78,630,000

* Includes \$1.8 million for Provincial and Country Championships as well as marketing and other costs associated with the staging of the Championships.

This Strategic Plan is a dynamic document and the implementation plan may require changes to some elements.

Racing NSW will continue to consult RICG and other participants to ensure the NSW Thoroughbred Racing Industry achieves the maximum outcomes from the Plan.

GROWING THE NSW THOROUGHBRED RACING INDUSTRY WITH THE BENEFIT OF PARITY IN THE GOVERNMENT'S SHARE OF TAB WAGERING REVENUE

The earlier reference to the inequity created by the imbalanced share of TAB wagering revenue in NSW highlighted that the NSW Thoroughbred Racing Industry would receive an additional \$70 million if the Government's share of TAB wagering revenue in NSW was changed to replicate that of Victoria.

Success in achieving a more equitable share of TAB wagering revenue with the NSW Government will create important opportunities to grow the NSW Thoroughbred Racing Industry.

With the benefit of additional revenue from parity, **Racing NSW** will pursue initiatives to give new impetus to the NSW Thoroughbred Racing Industry, which will include:

- Development of a world class Sydney Autumn Racing Carnival and internationally significant event for Sydney;
- Increasing minimum prizemoney levels throughout NSW;
- Increasing feature race prizemoney at all levels throughout the season;
- Developing Showcase race meetings in Country NSW; and
- Further boosting the investment in integrity, investigation and surveillance to strengthen public confidence in racing.



DEVELOPING A WORLD CLASS SYDNEY AUTUMN CARNIVAL

A key characteristic of great racing carnivals is their focus on a highlight – a period of approximately a week that becomes the climax of a carnival.

The Victorian Spring Carnival achieves this with Melbourne Cup week without taking away from the excitement of the Caulfield Cup and the Cox Plate. So too can the Randwick Autumn Carnival without taking away from the excitement of the Golden Slipper.

Importantly, to attract international and interstate visitation the Carnival climax needs to be sufficiently long to justify travel, yet not so long as to impinge too heavily on business and other commitments of visitors.

Two related events that occurred in 2011 have created the opportunity for racing in NSW to pursue a showcase event of the highest quality during the Sydney Autumn Carnival.

The successful merger of the Australian Jockey Club and Sydney Turf Club into the Australian Turf Club along with **Racing NSW** securing \$174 million funding for the redevelopment of Royal Randwick and upgrade of Rosehill Gardens can be seen as the catalyst for reinvigorating the Sydney Autumn Racing Carnival.

THE CONTENDERS
GORDON LORD BYRON

THE CHAMPIONSHIPS
ROYAL RANDWICK - DAY 1, SATURDAY 12 APRIL

Come and see Gordon Lord Byron this Saturday at The Championships, racing's Grand Finals

THECHAMPIONSHIPS.COM.AU @CHAMPIONSHIPSRR

Part of THE BMW SYDNEY CARNIVAL

Racing NSW NSW NOW The new state of business Destination NSW ROYAL RANDWICK

Racing NSW is working with the Australian Turf Club and other partners to develop a week-long festival built around two consecutive Saturdays at Royal Randwick, with key events such as the Inglis Easter Sale held between these book-end days.

The Championships and Sydney Autumn Carnival will become a destination event with substantial visitation and attendance from overseas and interstate.

The opportunity exists to attract external sponsorship funding for The Championships which will provide a significant boost to earnings of winners and placegetters, essentially sourced from national and international sponsors. Importantly, this initiative will draw participation from horses racing internationally.

As an event, the week-long festival will also be a significant driver of growth in the NSW economy and provide a cultural dividend to the State of NSW.

It is envisaged that The Championships will rise to be among the world's premium racing carnivals, rivalling the Melbourne Spring Racing Carnival, Dubai World Cup, Kentucky Derby, Royal Ascot Week, US Breeders' Cup and Hong Kong International races.

A revamped Sydney Autumn Racing Carnival will be the spearhead of strategies to further reinvigorate the NSW Thoroughbred Racing Industry.



INCREASING MINIMUM PRIZEMONEY THROUGHOUT NSW

After success in the Race Fields case in the High Court, **Racing NSW** announced prizemoney increases amounting to more than \$29 million which commenced in July 2012. This represented a tremendous boost to racing in NSW improving collective returns to participants on their racing and training costs from 36% to 42%.

Further prizemoney increases are contingent on achieving a more equitable sharing of TAB wagering revenue. This will enable **Racing NSW** to make further broad-based increases in minimum prizemoney across NSW.

A useful gauge of the adequacy of prizemoney and ownership viability is the number of wins required to cover the typical annual training and racing costs. This comparison is especially useful if undertaken on a per sector basis and for simplicity disregarding cross sector racing.

International comparisons of this ratio are also a useful reference in assessing the adequate levels of prizemoney.

With the benefit of parity, **Racing NSW** is targeting total increases in non-feature minimum prizemoney of up to \$31 million per annum.

FURTHER ENHANCEMENTS TO THE BOBS SCHEME

BOBS has paid approximately \$85 million since its inception to the participants. BOBS already has the unique features of Double Up and BOBS Extra.

The BOBS Double Up concept continues to grow in popularity. Normally, if a BOBS eligible horse wins a 2YO or 3YO race on a Metropolitan Saturday meeting, a \$20,000 bonus via BOBS is paid. After deductions the Owners of the winner receive \$16,000. This money may be lost to the racing economy as the Owners may spend the \$16,000 on areas outside racing. In order to encourage reinvestment into racing, the BOBS Double Up option is provided where, rather than taking the \$16,000, the Owner(s) can receive a voucher for \$32,000 which must be used at Thoroughbred sale or for a stallion service. Similar double ups are available for BOBS races in Provincial and Country. **Racing NSW** has invested almost \$20 million in the breeding industry since the introduction of the Double Up program.

From 2010/11 **Racing NSW** commenced BOBS Extra which is an extension, aimed at encouraging slower maturing middle distance and staying horses.

BOBS Extra allows owners the option to nominate their horse to continue racing for BOBS bonuses following the end of their three year old season. BOBS Extra bonuses apply to races of 1800 metres and further, throughout a horse's racing career from the age of four. Since its inception, BOBS Extra bonus payments have reached almost \$4 million.

BOBS has been successful in keeping NSW horses competing within the State which has an effect on field sizes. **Racing NSW** will investigate ways to further enhance the BOBS scheme.

Distribution across Sectors

Broadening of the base of returns to participants across NSW, especially Country and Provincial racing is desirable while maintaining the quality of Saturday Metropolitan racing to reward strong non-feature racing performance.

The collective deficit met by racehorse owners in Victoria is less than that encountered in NSW. However as highlighted, the Victorian racing industry benefits from \$100 million in additional funding due to a substantially higher share of TAB wagering revenue through its TAB agreements. In addition, the NSW racing industry hosts 200 more race meetings per annum than Victoria, at significant extra cost.

The table below summarises the targeted level of minimum prizemoney in NSW to be funded from achieving parity in the share of TAB revenue taken by the Government.

Race Category	Prizemoney July 2012	Prizemoney July 2013	NSW Targeted Minimum prizemoney
Metropolitan Saturday	\$85,000	\$85,000	\$100,000
Metropolitan Midweek	\$35,000	\$40,000	\$45,000
Metropolitan Public Holiday	\$40,000	\$50,000	\$55,000
Provincial (incl. Saturdays)	\$22,000	\$22,000	\$30,000
Country TAB	\$15,000	\$15,000	\$20,000
Country Sky 2	\$8,000	\$8,000	\$10,000

Metropolitan Racing

Saturday Metropolitan racing is the most visible element of racing in each State and is a key barometer of racing industry health. From July 2012 **Racing NSW** increased Sydney Saturday prizemoney to \$85,000 per race.

Sydney Saturday prizemoney also compares very favourably with the best standard of non-feature prizemoney from most racing jurisdictions internationally.

For a win in a Saturday Metropolitan race, prizemoney paid to the owner is just short of the annual training and racing costs of a Thoroughbred in a Metropolitan stable.

Midweek prizemoney was increased to \$35,000 per race at 1 July 2012 and then again to \$40,000 per race from 1 July 2013. Prizemoney for public holiday racing was also increased from July 2013 to \$50,000 per race.

The latest increases were part of a restructure of Metropolitan and Provincial race dates that transferred ten Metropolitan meetings to the Provincial sector.

The existing level of midweek prizemoney is such that approximately two wins are required to cover a year's training in a Metropolitan stable.

Non-feature Saturday Metropolitan prizemoney of \$100,000 per race is an important aspirational target level for racing in Sydney.

Although it is necessary to maintain Saturday racing as the pinnacle of Sydney racing there is scope to build the level of midweek prizemoney.

Our target for Metropolitan midweek races will be \$45,000 per race and \$55,000 per race for public holiday racing.

Provincial Racing

The increases to Provincial prizemoney from 1 July 2012 to \$22,000 require just over two wins to cover the typical annual costs of having a horse trained in the Provincial region. Although Provincial trained horses generally have reasonable access to Metropolitan racing, this multiple of Provincial wins to cover a year's training and racing costs leaves scope to increase the minimum level of Provincial prizemoney.

The targeted level for Provincial prizemoney is \$30,000 per race.

This will enable NSW racing to compete strongly in this important 'bread and butter' segment of racing which often hosts Metropolitan class horses in the early stages of their racing careers.

For the many horses which do not progress to compete effectively at Metropolitan level, the targeted level of prizemoney will reduce the number of wins needed to meet training and racing costs in the Provincial area and improves the viability of racing horses below genuine Metropolitan standard.

Country Racing

Country racing is spread across a number of 'sub-sets' which include professional trainers and participants that generally race at TAB meetings. Non-TAB and picnic racing operate at lower prizemoney as these would be unaffordable to the industry at the higher level of Country TAB prizemoney.

From July 2012, minimum Country TAB prizemoney was increased to \$15,000 per race from \$10,000 per race. In addition 'Sky 2' races were increased to \$8,000 from \$5,000 per race and non-TAB races to \$6,000 from a minimum of \$3,500 per race.

An assessment of Country racing at the TAB prizemoney level from July 2012 of \$15,000 per race shows that to meet the annual training and racing costs, approximately 3.5 wins are required per season.

The fact that a higher ratio of wins in the Country is needed to cover annual training costs is inevitable given the size and scale relative to Metropolitan racing. Nonetheless the present ratio of 3.5 wins is regarded by **Racing NSW** as being too high and signals that Country racing requires attention to reduce the deficit for Country participants.

The targeted Country TAB prizemoney level is \$20,000 a race.

This will further reduce the number of Country TAB wins needed to meet annual training and racing costs. However the multiple of wins required to meet the annual racing and training costs will still remain higher than for Metropolitan and Provincial racing.

Country & Provincial Championships

From 2015 **Racing NSW** is introducing a series for both Country and Provincial trained racehorses culminating in two finals worth \$300,000 in prizemoney run over 1400m at Royal Randwick Racecourse over the week of The Championships.

The **Country Championships** will feature seven regional qualifying races run throughout Country NSW with the first two from each race qualifying for The Country Championships Final. The series will be worth a total of \$1 million and be open only to bona fide country trained gallopers.

Similarly the **Provincial Championships** will feature five qualifying races at the Provincial tracks, with the first three from each race qualifying for The Provincial Championships Final.

The series will be worth a total of \$800,000 and be open only to bona fide Provincial trained gallopers.

Both series will target progressive, up and coming racehorses through Class 5 qualifying races with eligible horses not having run in more than 20 races at the time of contesting the qualifying race.

Country Showcase & Carnivals

Racing in the Country sector will also be assisted by the introduction of Country Showcase meetings throughout the various regions of Country NSW (with prizemoney at Provincial levels). **Racing NSW** has targeted distributing an additional \$3.1 million through these initiatives.

The overwhelming majority of NSW Country TAB races are run for the minimum level of \$15,000 in prizemoney.

While this provides a broad base of racing it creates relatively few opportunities for participants to race for prizemoney at higher levels similar to Provincial or Metropolitan levels. Contesting Provincial and Metropolitan races is often accompanied by considerable travel and although some horses and their connections enjoy success it does not provide broad access to racing for above average returns.

If **Racing NSW** is successful in achieving a more equitable share of TAB wagering revenue, it is proposed that throughout regions of Country NSW, some Country race meetings will race for Provincial level prizemoney. These Showcase race meetings are to be conducted in the larger centres of Country racing and their locations will be determined on the following criteria:

- Geographically accessible and providing greatest benefit to horses trained within a particular region;
- Racecourses that are among the leading centres within their region and generally able to conduct races of fourteen starters;
- Racecourses with good geometry and turf surfaces; and
- Racecourses that meet minimum facilities standards for patrons.

Country Showcase meetings will be held approximately every six weeks in each region and provide a full programme of races at the level of Provincial prizemoney, approximately \$5,000 per race above the basic Country TAB prizemoney level, with a feature race on such days offering a higher level of prizemoney.

It is envisaged that there will be three to four Showcase meetings held in each month of the year, creating approximately 320 races annually at above average prizemoney for the sector.

The spread of races and race meetings will approximate horse populations within the broader regions.

North Coast

12 Meetings

Hunter & North West

10 Meetings

Central-West

8 Meetings

South & South East

10 Meetings

A boost to Country carnivals is also targeted. This will assist in improving the vibrancy of these meetings and aid in developing them into local events which encourage tourists to the region and boost the local economy.

These targets will sustain Country racing in NSW, where long distances and travel make it more difficult and expensive to compete for Metropolitan prizemoney. The targeted prizemoney is also crucial to maintain and improve the skills base and economic contribution made by racing throughout regional NSW.

Racing NSW's total targeted increase in Country prizemoney is more than \$17 million per annum, including the Country Championships.

Returns to Owners for Stakes Racing in NSW

Racing at the Stakes level during Carnivals is the pinnacle of racing and the aspiration for most participants. Prizemoney for Black Type races is higher than non-feature events, providing an incentive for participants to work towards and contest these races during carnival periods. Carnivals also provide increased attendances, sponsorship and media opportunities.

Increases in minimum prizemoney that have taken effect from 1 July 2012 were not extended to Group and Listed races.

This Plan has considered Black Type racing in the context of the entire racing season as well as proposed changes to Group One races contained in the 2010 Strategic Plan.

With respect to Group One racing, this Plan has taken the viewpoint that Stakes level prizemoney should be set with established, structured minimums.

The Victorian racing industry stages a larger programme of Group and Listed races than NSW with a total of 200 such races compared to 174 in NSW.

Prizemoney increases in Victoria from August 2012 included some races within the Group and Listed programme. The Victorian Thoroughbred Racing Industry has higher prizemoney minimums than NSW for races from Listed to Group 2 level, and higher total Group and Listed prizemoney albeit aided by nomination and acceptance fees. This is despite the NSW racing industry boasting a larger overall number of races and larger horse population.

Racing NSW aspires to improve the overall prizemoney base of its Group and Listed schedule.

This involves increasing prizemoney for NSW's Stakes level races which will in turn improve the depth and quality of these races. Stronger overall prizemoney for Group and Listed races will draw attendance from out of State and overseas Stakes level horses and their connections. It will also make NSW a more attractive base for trainers and owners.

The receipt of additional revenue to the NSW Thoroughbred Racing Industry from the parity proposal will also create the opportunity to eliminate appearance fees. This will effectively benefit all owners with horses contesting these races and is discussed in greater depth opposite.



The following table summarises key comparative levels of Group and Listed prizemoney and possible increases.

LEVEL	Aus PC Minimum	Present Minimum	Possible Minimum
Group 1	\$350,000	\$350,000	\$500,000
Group 2	\$175,000	\$175,000	\$300,000
Group 3	\$115,000	\$125,000	\$200,000
Listed Race	\$80,000	\$100,000	\$150,000

The column on the right represents a strong target for Group and Listed prizemoney and an appropriate distribution of prizemoney for racing at the Stakes level.

For the funding of increases in Group and Listed prizemoney, a formula will be devised to ensure that contributions to the increases in prizemoney are equitable among sectors and clubs, including Country and Provincial Group and Listed races.

With respect to prizemoney for Group One races, this Plan has considered the need to match prizemoney with the strategic role of these races within carnivals and the depth of field likely to be attracted to given races.

While this Plan does not seek to specifically establish prizemoney for Group One races above the targeted minimum, it is proposed that Group One races carrying prizemoney above the minimum levels be appropriately targeted and justified in line with this principle.

The development of Group One races, especially at the height of the Sydney Autumn Carnival could potentially be supplemented by corporate or other funding additional to income from wagering.



NOMINATION AND ACCEPTANCE FEES

Nomination and acceptance fees represent a cost burden to owners and **Racing NSW** is reviewing the charging of these fees, aside from futurity style races.

Feedback from participants indicates that not only does this create unnecessary expense, but it also diminishes the enjoyment and attractiveness of having horses contest Group and Listed races. Nomination and acceptance fees also create an unwelcome leakage from the racing economy. During 2012/13 charges to owners for nomination and acceptance fees in NSW, Victoria and Queensland Thoroughbred races were as follows:

State	Nomination and acceptance Fees
NSW	\$5.691m
Victoria	\$9.791m
Queensland	\$8.528m

In NSW the \$5.69 million in Group and Listed nomination and acceptance fees are dominated by the Golden Slipper and Golden Rose (\$1.921 million for both) which have the nature of futurity races.

However nomination and acceptance fees for races are also charged across all other Metropolitan Group and Listed races.

As many as 80% of horses nominating are raced by owners who are hobbyists and not registered for GST. This makes them unable to claim an input tax credit for GST paid and as such an amount of approximately 8% of nomination and acceptance fees received by clubs is transferred from owners to GST. Aside from futurity style races, approximately \$3.71 million is charged in nomination and acceptance fees, therefore creating a cost for owners that leaks from the racing industry an amount of \$300,000 (GST) per annum.

In effect, nomination and acceptance fees contribute toward prizemoney levels. Elimination of these fees in NSW could create problems with the perception of prizemoney for Group and Listed races in NSW by comparison with Victoria. If NSW abolished nomination and acceptance fees while they were retained by the Victorian racing industry, this would create an unfavourable perception with participants even though much of the prizemoney is sustained by payments from owners. As such, additional revenue from a more equitable share of wagering revenue would provide the best opportunity to eliminate fees and maintain or increase “headline” prizemoney levels.



CAPITAL UPGRADE OF RACECOURSES AND TRAINING FACILITIES

Following the handing down of the High Court decision in the Race Fields case Racing NSW determined that a portion of the accrued revenue from Race Fields would be set aside for a racecourse Capital Development Program as well as establishing a “Future Fund” to hedge the industry against any unforeseen declines in revenue receipts. The Capital Development Program will be largely in alignment with the 2010 Strategic Plan.

An audit of the top 30 Country and Provincial racecourses was undertaken to assess racing and training facilities throughout NSW and the prioritization of works was determined in accordance with the primary targets detailed in the 2012 Annual Report.

In line with these guidelines the Board approved the following works for the implementation at racecourses and for industry assets.

Club	Amount	Works
Australian Turf Club - Royal Randwick	\$1.70m	Refurbish the “Kensington” track and upgrade PVC running rail.
Newcastle Jockey Club	\$11.20m	Pro-Ride training track renovations, establish inside racing surface, fully refurbish course proper.
Hawkesbury Race Club	\$4.75m	Extension of home straight and course proper, new broadcast facilities, renovate day stalls.
Illawarra Turf Club	\$8.00m	Establish inside racing surface, fully refurbish course proper, upgrade sand training track.
Wyong Race Club	\$1.50m	Install an equine pool, upgrade irrigation system. Provision for replacement of sand training tracks.
Gosford Race Club	\$0.24m	Renovate ProRide fast work training track.
Tamworth Jockey Club	\$2.15m	Realign chutes, turns and cambers on course proper. Upgrade fast work training facilities.
Scone Race Club	\$0.48m	Upgrade course proper drainage, additional day stalls, Upgrade parade ring and fencing outside the home straight.
Muswellbrook Race Club	\$0.55m	Upgrade course proper drainage and the irrigation system.
Coffs Harbour Racing Club	\$1.10m	Conversion of damaged fast works track to a new sand track, upgrade of drainage.
Port Macquarie Race Club	\$3.70m	Fully renovate the course proper including chutes, turns and racing surface. Upgrade training track.
Ballina Jockey Club	\$2.17m	Fully renovate the course proper including chutes, turns and racing surface. Upgrade training track.
Tuncurry-Forster Jockey Club	\$0.9m	Additional day stalls, construct racing infrastructure including stewards room, jockeys rooms, toilets.
Dubbo Turf Club	\$1.55m	Additional day stalls, upgrade training tracks and training infrastructure.
Racing Orange	\$1.30m	Relocate and upgrade the sand training track and upgrade drainage of course proper.
Bathurst Thoroughbred Racing	\$0.75m	Upgrade irrigation system, upgrade utilities connections including sewer, water and electricity.
Murrumbidgee Turf Club	\$1.10m	Upgrade course proper drainage.
Goulburn & District Racing Club	\$2.95m	Acquisition of land, upgrade training tracks, establish additional training infrastructure.
Laboratory Equipment	\$3.25m	Acquisition of new instruments to test samples, improving the integrity of racing in NSW.
Outside Broadcast Infrastructure	\$10.00m	Transportable equipment for high quality filming and broadcast of race meetings
Quarantine Centre	\$8.00m	Provision for establishment of an Equine Quarantine Station
	\$67.10m	Total

Upgrade and Maintenance of Racecourses, Training and Customer Facilities

While accumulated Race Fields fees are being expended on track and training upgrades as well as industry assets, the available funding is limited and does not provide sufficient funds for future development of all tracks and customer facilities or the ongoing maintenance of these assets.

As there is a need for a further ongoing program of capital works and track and asset maintenance at racecourses, **Racing NSW** wishes to establish a substantial fund with \$5 million accumulated annually, if successful in achieving a more equitable share of TAB wagering revenue with the NSW Government, to undertake a variety of capital works and ensure best practice maintenance at racecourses throughout NSW.

The objective of the fund is to provide improved racing and training facilities for participants and increase the attraction of racing and training horses throughout NSW. The fund also seeks to provide monies for improved customer facilities, benefitting the racing industry and also communities more broadly both economically and culturally.

A committee will be formed with industry representation to make recommendations to **Racing NSW** regarding capital development projects to be financed from this fund that are consistent with its strategic direction.

Bringing Best Practice Corporate Governance to Race Clubs

Traditionally, as Directors of race clubs were elected by popular vote of members, the skills necessary for optimum corporate governance were not always present. Accordingly **Racing NSW** wishes to move to a model based on merit whereby a part of the Board is appointed to provide the necessary skills which may not be present from the popularly elected members. For example these skills and independence may include areas such as law, accounting, construction, marketing, event management, business management or other expertise which the elected Board members may not have. Also, many skilled and experienced persons may not run for popular elections, and are lost to the industry.

This is the model adopted by the State Government in respect of the Australian Turf Club.



Strengthening the Integrity and Public Confidence in Racing

Paramount to the growth of the Thoroughbred racing industry are high levels of public confidence and trust that races are run fairly and that all licensed persons are 'playing' within the rules of racing.

A number of incidents nationally have had the potential to damage this confidence in racing.

In March 2013 **Racing NSW** took the step of establishing a Surveillance and Investigation Unit within **Racing NSW** working closely with **Racing NSW** Stewards. **Racing NSW** has plans to further invest in its investigative surveillance and integrity function to ensure that Thoroughbred racing in NSW is run in a manner than enjoys the highest possible level of public confidence.

In turn, increased confidence in racing's integrity will flow through to improved wagering, corporate partnerships, race club membership and race day attendance.

Racing NSW will continue to strengthen its relationship and the sharing of information through a Memorandum of Understanding with the Australian Crime Commission and other Crime Prevention Authorities.

In addition to directing further resources to strengthen the integrity function, other strategies are discussed later in this Plan.

OTHER REVENUE GROWTH STRATEGIES

Maximise Race Fields Fees

The increasing competition and growing popularity of internet betting in the Australian wagering market has seen corporate bookmakers and Betfair capture more than 25% of the national racing wagering market.

The sustained growth by corporate bookmakers and Betfair contrasts with the decline in market share of State TABs.

The competitive pressure encountered generally by State TABs including NSW, in turn affects the fees received by the NSW Thoroughbred Racing Industry from the NSW TAB.

This intensifies the imperative of maximising fees that are generated from Race Fields Legislation. Accordingly **Racing NSW** needs to continually analyse this situation to ensure it obtains adequate revenue from this source of funding.

From March 2013, **Racing NSW** has commenced charging Race Fields fees at a rate of 2% of turnover on all race meetings that carry a race of \$150,000 or more in prizemoney. This better reflects the value created by feature races and additional prizemoney required.

The increased fee applies to approximately 36 race meetings each season and raises an additional \$4 million in revenue.

Racing NSW has retained its existing structure of Race Fields fees for 2014/15, but introduced requirements that wagering operators enable account customers to place wagers to win an amount up to a prescribed level.

From September 2014 wagering operators with net assessable turnover on NSW Thoroughbred racing of \$5 million per annum or higher are required to lay the odds displayed for fixed odds bets to the limits below.

Race type	Bet (Win and/or Each Way/*Win & Place)
Metropolitan NSW Thoroughbred races	Wagering operator to lose a minimum \$2,000 (*place component \$800)
Non-Metropolitan NSW Thoroughbred races	Wagering operator to lose a minimum \$1,000 (*place component \$400)

Wagering operators with net assessable turnover on NSW Thoroughbred racing of less than \$5 million per annum are required to lay the odds displayed for fixed odds bets to the limits below.

Race type	Bet (Win and/or Each Way/*Win & Place)
All NSW Thoroughbred races	Wagering operator to lose a minimum \$1,000 (*place component \$400)

Wagering operators are also required not to take actions such as closing a bona-fide punter's accounts, refusing to open a punter's account or placing restrictions on a punter's account solely to avoid complying with the minimum bet limit conditions.

Although **Racing NSW** has not increased Race Fields fees from July 2014, there remains an imperative to maximise fees that are generated from Race Fields Legislation.

As such **Racing NSW** is examining its options to maximise Race Fields fee revenue.

Interstate racing bodies, especially Racing Victoria and Racing Queensland have increased their scale of Race Fields fees from July 2014 as follows. Both bodies have adopted models that charge a higher rate of either turnover or revenue on non-pari-mutuel bet types.

State	2013/14 Fee Structure	2014/15 Fee Structure
Victoria	1.5% of turnover (standard), 2.0% of turnover on race meetings staged in October and November	<ul style="list-style-type: none"> - Pari-mutuel Bets 1.5% of turnover on 'Standard Meetings' 2.0% of turnover on meetings carrying at least one group or listed race (45 in total annually) 2.5% of turnover on 'Premium Gr1' race meetings (10 in total annually) - All Other Bet Types (non-pari-mutuel) 1.5% of turnover or 15% of revenue, whichever is greater, on 'Standard Meetings' (440 in total annually) 2.0% of turnover or 20% of revenue, whichever is greater, on meetings carrying at least one Group or Listed race (45 in total annually) 3% of turnover or 30% of revenue, whichever is greater, on 'Premium' Gr1 race meetings (10 in total annually) For Betfair 1.5% of net customer winnings, 2.0% of net customer winnings on Group/Listed meetings, 3.0% of net customer winnings on premier meetings
Queensland	1.5% of turnover (standard), 2.0% of turnover on race meetings in May and June	<ul style="list-style-type: none"> - Pari-mutuel Bets 1.5% of turnover on 'Standard Meetings' 2.0% of turnover on 'Premium Meetings' - Fixed Price Bets 2.0% of turnover on 'Standard Meetings' 3.0% of turnover on 'Premium Meetings' - Derivative and Bet Matching Product Bet Types 2.5% of turnover on 'Standard Meetings' 3.5% of turnover on 'Premium Meetings' For Betfair 2.5% of net customer winnings, 3.5% on premium racing Premium race meetings May and June

Broadcast Quality and Access to Racing Information

Vision of races has been a fundamental element of wagering since the commencement of filming of races and further increased with Sky Channel commencing live broadcasts in the late 1980s. Notwithstanding the rapidly evolving environment in which media is viewed or consumed by users, the vision of races is expected to remain critical to customers of racing, especially for wagering.

Consistent with this fundamental and the 2010 Strategic Plan **Racing NSW** will pursue strategies to improve the delivery and presentation of racing for wagering including by:

- Enhancing the visual presentation and delivery of race broadcasts to improve the consumer experience;
- Utilising interactive mechanisms and graphics which enhance the consumer experience;
- Digitising race form including presentation, delivery and accessibility; and
- Introduction of video form and replay of races immediately after they have been conducted.

Visual Presentation of Race Broadcasts

There are two key elements pertaining to the visual presentation of race broadcasts.

First, the quality of broadcast pictures represents a vital aspect of improving the appeal of racing for viewers.

At present the overall quality of television pictures broadcast from NSW generally lags behind the quality of successful Asian jurisdictions and Victorian racing. Bringing the quality of television pictures and images of NSW racing broadcast to the forefront of available technology will improve the standing of NSW racing and wagering.

This will require a significant capital injection in outside broadcast infrastructure. Currently the equipment is serviceable and adequate rather than being the best technology available. An amount of almost \$10 million has been approved for the renewal of outside broadcast infrastructure.

Secondly, there is considerable scope to improve the visual appearance of racecourses, their surrounds and their appeal on television, especially in Country racing. This includes elements such as:

- Turf quality, adequate watering of tracks;
- Distance markers, advertising signs that are easily seen and attractive; and
- Neat and attractive background to racecourses.

Much of this visual renovation of Country racecourses can be undertaken at race club level and represents an opportunity for race clubs to engage locally in the beautification of the racecourse.

It is proposed to deploy high quality outside broadcast units that cover NSW, possibly with the assistance of well-equipped units from Victoria operating in Southern NSW. **Racing NSW** will acquire a fleet of vehicles able to operate across the State and fitted with high quality broadcast equipment to service NSW TAB meetings.

The broadcast infrastructure will be capable of delivering high definition pictures and features such as super slow-motion. Associated equipment will be capable of accepting and incorporating into broadcast, new graphics that enhance broadcast and are of interest to regular punters and also useful in enticing new customers to racing.

Global Positioning Systems (“GPS”) can enhance broadcast and accurately calibrate the position of runners represented through the graphics.

Suitable graphics may include coloured numbered images at the bottom of a screen that indicate the position and changing position of runners in a race. The deployment of such technology would enhance the ‘real’ broadcast of races as well as creating virtual images that replicate races and complement the broadcast.

The use of virtual race technology that tracks a given runner from the horse’s and jockey’s viewpoint throughout a race is a feature that has been developed internationally.

The outside broadcast services will be provided to clubs at a lower rate than presently with any surpluses to be reinvested into new age technology and upgrading equipment in the future.

Racing NSW will form a management committee including representation from race clubs to make recommendations to **Racing NSW** regarding future outside broadcast practices and policies.

INTERACTIVE ENHANCEMENT OF CUSTOMER EXPERIENCE AND DIGITISING PRESENTATION

The development of interactivity has accompanied advances in technology. It is now common for people to watch television while also viewing content on a tablet or smart phone. The content may be complementary to the television viewing experience.

Enabling punters and racegoers to customise information delivered digitally will make the consumption of racing more attractive to the fans and potential fans of racing.

For instance, the use of graphics or new broadcast images would enhance viewing at the track, from a private platform such as home television or mobile device if the graphics or virtual elements they desire could be selected.

As a starting point **Racing NSW** will investigate other jurisdictions which utilise this technology. **Racing NSW** also needs to replicate the best prevailing technology in this field whilst pursuing enhancements to ensure that the presentation of images to fans both on-course and off-course is continuously evolving and highly engaging.

Delivery of Race Form

In addition to race broadcast and live viewing of races, the use of digital technology in the delivery of race form is a further avenue for creating greater engagement with customers.

There is a compelling need for racing to provide information in digital format. There is also scope to “demystify” elements of racing information and educate potential customers about racing, in effect breaking down a barrier that presently exists for people who may become fans of Thoroughbred racing.

GPS systems could be used to record the total distance covered by individual runners and each runner’s sectional times, that can in turn be utilised by punters in race analysis and in assessing form.

For potential customers an aspect of form analysis such as the real distance covered by a runner at a previous start (e.g. if it was caught wide in running) is relatively simple to understand compared to some other complexities of race form analysis.

In addition, this technology can be used to accurately record sectional times and splits. This will prove to be invaluable in the presentation of digitised information and race form.

Video form has already been implemented for all computers, tablets and smart phones. Further, customers can now access the replays of races immediately after they have been conducted. Aided by graphics and statistics, this will be an important adjunct to the presentation of racing information.

Race replays are also available for access from the **Racing NSW** website 30 minutes after a race is run.



Marketing and Branding Strategy

Targeted promotion and marketing of Thoroughbred racing in NSW is essential for generating new income streams and is vitally important in broadening the audience base and driving participation, wagering and ownership, in particular amongst young adults.

An important objective will be to improve the mainstream attractiveness of Thoroughbred racing through both traditional media as well as social and digital platforms. **Racing NSW** will pursue a coordinated marketing plan that is well integrated with existing initiatives at race club level and Country racing.

Marketing and promotional activities must be designed to drive a sustainable increase in participation and encourage attendance at Metropolitan and NSW regional race days and events.

Racing NSW will be in a position to take a leadership role in marketing the sport of Thoroughbred racing through the showcase international race series, The Championships, held in Sydney during the Sydney Autumn Carnival.

Working with the Clubs and relevant industry participants, we will pursue the following objectives:

- grow the number of people in NSW actively engaged in Thoroughbred racing;
- demystify the sport by educating potential participants on all aspects including race types, bet types, breeding and the benefits of horse ownership;
- more effective use of data and digital to grow loyalty and make it attractive for occasional race goers to attend more frequently; and
- put Thoroughbred racing on the consideration list alongside other mainstream sports and entertainment events including AFL, NRL etc

Racing NSW participates in cross-functional marketing committees to drive integrated marketing and communication plans to optimise club activities around major race days and carnivals and grow top line attendance and revenues.

We will continue to innovate and use tailored initiatives to create excitement around the launch of The Championships, The Country and Provincial Championships and ensure the ongoing support specific initiatives such as TAB Saddle Up Sundays in the Country.

The opportunity exists to improve the marketing of racing from the viewpoint of wagering. Elsewhere in this Plan, **Racing NSW** has identified enhancements to the quality of the broadcast of races, enhanced information for punters and better presentation of racing form as important to developing wagering on NSW racing. Working with media partners and wagering operators in developing the delivery of racing form tailored to be attractive to specific demographic groups, also has the potential to build wagering.

An amount of \$2 million per annum has been earmarked to implement these marketing programs.

STRATEGIES TO INCREASE AND DISTRIBUTE RETURNS TO PARTICIPANTS

Reducing the Impact of Costs to Owners

Racing NSW has identified that there has been a significant shift in costs to racehorse owners over recent years. This has the potential to exacerbate the problem of the collective shortfall faced by owners, outlined at the start of this Plan. Increased costs have an especially large impact on owners of horses that are less successful or still developing to reach their potential.

Racing NSW has the objective of reducing the costs faced by owners to make racing a horse more viable and strategies are discussed below. In addition, **Racing NSW** will work closely with race clubs to minimise costs which are passed on to owners.

Offsetting Costs through Prizemoney

Racing NSW has already taken measures to assist owners more broadly by a wider distribution of prizemoney. At the time of announcing prizemoney increases in March 2012, **Racing NSW** also reviewed the amounts paid to various finishing positions. These increases in prizemoney which took effect from July 2012 following **Racing NSW**'s successful defence of the Race Fields Legislation case saw prizemoney payments extended to tenth place.

The broader spread of prizemoney was a direct action in enabling owners to meet some of the costs of racing horses. For instance the owner of a horse that races twice in a month in a Saturday Metropolitan race finishing outside the first five placings can receive \$2,000 in prizemoney.

In addition to extending prizemoney to tenth place, **Racing NSW** also increased the proportion of prizemoney paid to runners finishing from second to fifth place.

When reviewing the structure of returns to owners, **Racing NSW** viewed the payment of prizemoney being extended to more runners as creating greater incentives for horses to contest races, which optimises field sizes and thus wagering turnover. The maintenance and improvement of field sizes is more important than ever with the transition to the Race Fields regime and the charging of product fees interstate in addition to within NSW.

It is estimated that up to \$10 million annually will be paid to runners outside race winners as a result of **Racing NSW** broadening the spread of prizemoney payments. **Racing NSW** will monitor and review prizemoney structures, particularly with increases targeted from achieving a more equitable share of wagering revenue.

Future prizemoney increases outlined in this Plan will be distributed among the first to fifth placegetters in races.

Training Facilities

Racing NSW is working toward delivery of more efficient and effective training centres. However some charges to owners are needed to avoid inefficiencies and over-use of training methods such as barrier trialling.

For instance preparation of tracks for gallops or barrier trials comes at a cost to the industry which is generally subsidised. Fully eliminating charges for these will likely generate further demand and a greater cost burden for the industry.

Similarly prices for the use of training facilities should vary across venues as a means of ensuring that trainers and owners make a payment for training, at a level that differentiates between the top quality training facilities and those of a lesser quality. Participants using high quality gallop surfaces (at say Royal Randwick) should reasonably pay more than for a lesser surface elsewhere.

Further if rents were not charged, no pricing mechanism would exist to manage demand for facilities. This would create pressure on the industry to provide a broader spread of facilities with no accompanying increase in productivity measured by trained starters.

Increased subsidisation of these costs would also discourage any private investment in training facilities and further increase the cost to the NSW Thoroughbred Racing Industry of horses exported overseas.

Racing NSW will continually explore other opportunities to minimise or offset the costs to owners of racing Thoroughbreds.

It is important that costs to owners are maintained at as low a level as possible.

Racing NSW will undertake to monitor charges by race clubs to trainers for training and stabling facilities which flow on to be met by owners, with a view to ensuring that clubs do not seek to increase revenues at the expense of owners.

Racing NSW will continue to explore opportunities to reduce costs to owners, provided these savings are able to be fully passed on equitably to all owners. It is also imperative that such cost reductions not have the impact of creating adverse consequences elsewhere in the Thoroughbred racing industry.



RETURNS TO OWNERS POLICY – EXPANDING DISTRIBUTION

Broadening Returns

A fundamental premise of the returns to owners policy is structuring Thoroughbred racing to enable owners to enjoy a viable ownership experience, notwithstanding the challenges involved. While the costs of having horses trained outside Sydney, especially in Country NSW are lower, the financial returns in Country racing are disproportionately lower again. This also applies to Provincial racing, although horses trained at these centres are considerably better placed to contest richer Metropolitan races than Country trained horses.

At the heart of the returns to owners policy is a desire to broaden the distribution of returns ‘across the board’, particularly in Country NSW.

The additional revenue from the successful defence of the Race Fields case has provided funding to increase prizemoney and overall returns to owners. This also enabled a review of the structure of returns to owners in NSW.

Racing NSW has sought to broaden payments to participants and consequently improve race field sizes, particularly Metropolitan fields.

As a result of these considerations, a structure of returns to owners has been developed which seeks to maintain a flow of income across a broad range of participants, while underpinning the desire for winning races. Accordingly:

- Prizemoney payments are extended to 10th place along with continuation of the appearance fee beyond this;
- Prizemoney is redistributed among finishing positions to create greater incentives for horses to contest races, rather than focus excessively on winning; and
- The distribution of payments are extended to pay 1.5% of prizemoney to licensed stablehands.

These new arrangements applied to declared “minimum prizemoney” for non-feature events as from 1 July 2012. Where prizemoney for a race is above the minimum levels, clubs can determine how the incremental minimum prizemoney is distributed, at their own discretion.

The minimum prizemoney levels are intended to act as a safety net to retain participants in the sport.

Licensed Stablehands

Many licensed stablehands have demanding jobs with unusual working hours and modest remuneration. This creates difficulty in attracting appropriately skilled people to commence or remain employed in the racing industry.

The manner in which these participants have been remunerated for racing has been relatively static in recent years.

With success in the Race Fields case in the High Court, the subsequent increases in prizemoney spread among participants is now extended to licensed stablehands.

Prizemoney to participants is now distributed as follows for all amounts above \$300.

Owners	82.65%
Trainer	9.90%
Jockeys	4.95%
Jockeys Insurance & Welfare Programmes	1.00%
Licensed Stablehand	1.50%

The payments to licensed stablehands are a significant extension of the existing distribution of prizemoney to participants. This payment also provides recognition to this group of participants and will assist trainers in attracting and retaining staff to work in their stable.

The distribution of prizemoney to stablehands is one initiative to improve and maintain the skill base required by the industry.

A review of racehorse training practices including the time of commencement for trackwork at major centres is proposed in order to improve the working conditions of licensed stablehands and in turn improve the skill base of the racing industry.

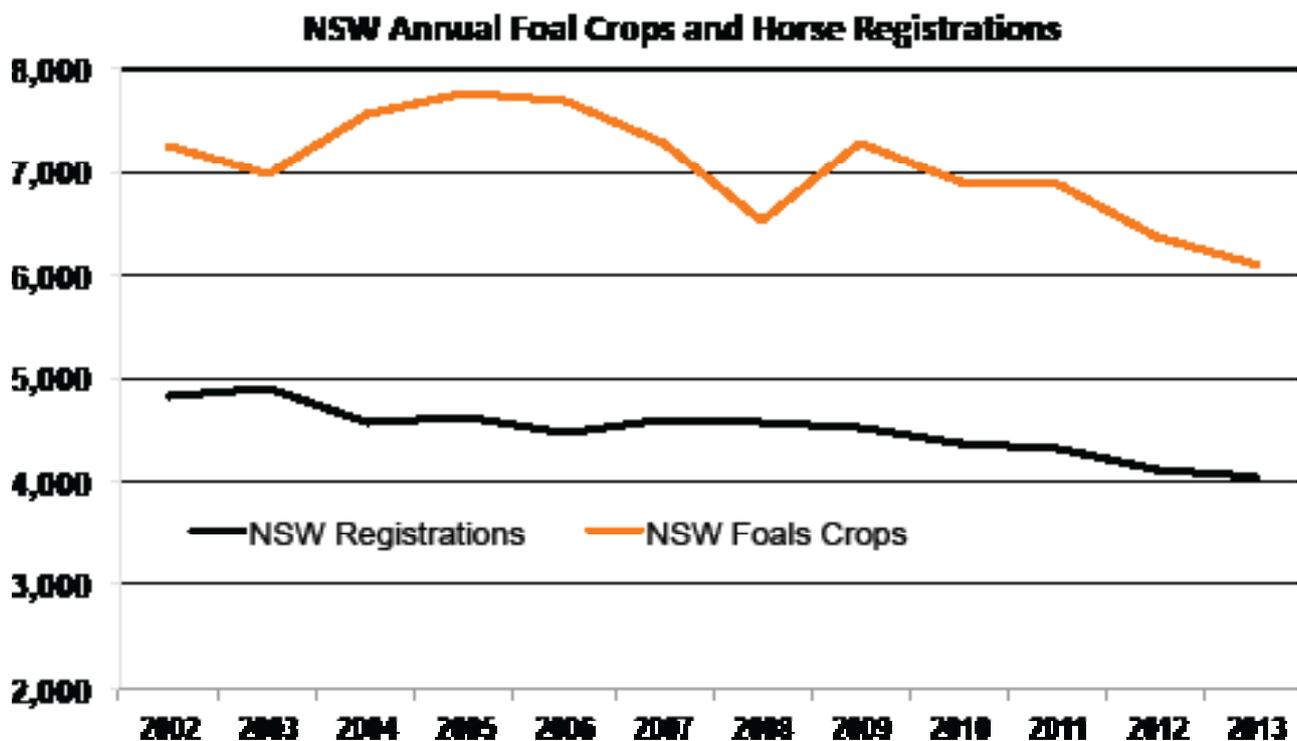


STRUCTURE OF RACING

The NSW Thoroughbred Racing Industry is the largest in Australia in terms of activity metrics such as number of races run, race starters and the individual number of horses racing. Not only does NSW sustain the highest level of racing activity with more than 54,000 race starters over both of the past two racing seasons, this scale of racing activity occurs across a much larger geographical area than Victoria.

For NSW, sustaining a larger and more widely dispersed racing industry brings with it additional expense. However the size and scale of racing in NSW also broadens the economic benefit to communities from racing and underpins the capacity of racing to provide sufficient employment opportunities in regional areas. The structure of racing across NSW must maintain the skill base needed to conduct Thoroughbred racing.

The continued size and scale of Thoroughbred racing in NSW is largely dependent on the number of horses bred and available for racing. Both foal crops and registration of horses have declined in NSW over a period of more than ten years.



The subsidy of the NSW State Government's share of wagering revenue by racehorse owners losses is at a far greater extent than key interstate racing industries.

This produces a downward spiral with the deteriorating collective financial position of owners creating a negative impact on Thoroughbred racing in NSW attracting and retaining participation of racehorse owners. This in turn results in smaller race fields in terms of both quality and quantity, especially in the Metropolitan sector where costs are highest and interstate and international competition the strongest.

Success in pursuing parity with other States in terms of the Government's share of TAB wagering revenue and accompanying prizemoney increases will reinvigorate the investment in Thoroughbred racing.

This should increase the numbers of Thoroughbred racehorses that are bred and the number of horses registered to race, which is vital in maintaining the level of racing activity and race field sizes throughout NSW.

This is especially significant for Metropolitan and Provincial racing, where field sizes will remain under pressure even if there are small increases in the size of foal crops.

Racing NSW through Racingcorp is contracted to deliver a minimum number of programmed race meetings to Tabcorp as part of its commercial agreement with that company.

From July 2013 **Racing NSW** had trialled a restructure of the number of Metropolitan and Provincial race meetings conducted, in accordance with the provisions of the Racing Distribution Agreement with TAB.

For 2013/14 the number of meetings that were scheduled to be run was amended as follows:

Sector	From July 2013	Previous
Metropolitan	113	123
Provincial	137	127
Country	340	339

Geographically the Metropolitan and Provincial area is small enough to ensure that participants are able to access all or most race meetings in these sectors.

The minimum coverage programme for Country racing of 241 race meetings is insufficient to service most Country participants, with the coverage programme far higher than the minimum required. That is why 340 race meetings are held, although only 241 are 'required'.

At present the Country racing sector is at best adequately serviced by the incumbent number of TAB meetings, and would be badly under serviced if only the minimum coverage schedule were adopted.

More recently these TAB meetings have been supplemented by the conversion of non-TAB meetings into TAB meetings, and Sky 2 coverage at prizemoney levels between those of Sunday and weekday TAB prizemoney but above non-TAB levels.

Despite these extra meetings, the spread of race meetings throughout Country NSW is such that length and frequency of travel imposes a cost burden on participants much greater than for Metropolitan and Provincial racing.

In addition there are a further 120 non-TAB and 29 Picnic meetings scheduled each season. Although non-TAB and Picnic racing do not contribute revenue to the racing industry from wagering, this Plan does not propose to significantly alter this segment of Country racing. Nonetheless it is important that these meetings are productive from the viewpoint of social returns, community development, non-wagering income and returns to owners.

Additional Training Complex

The development of a dedicated Training Facility, strategically positioned to service Metropolitan and Provincial racecourses was outlined in the 2004 Strategic Plan. There are a number of compelling reasons to revisit this proposal.

Racehorse training has an indisputably important place in the value chain of racing in NSW, yet it is fraught with many challenges.

A purpose-specific Training Complex, modelled on successful specialised training facilities internationally would assist to solve the challenges faced more broadly in conditioning horses to race.

Structural

The establishment of a dedicated Training Facility also potentially solves several structural issues.

For instance the majority of stables at Warwick Farm are privately owned near the racetrack. Development by the ATC and in the Liverpool region may see many of these properties become too valuable to be retained as stables.

With the above in mind, **Racing NSW** will investigate acquiring long-term leasehold or freehold over an alternate property.

The Sydney International Equestrian Centre (SIEC) at Horsley Park, and possibly the adjoining Sydney Western Regional Park were flagged as possible sites in the 2004 Strategic Plan and should be revisited.

Operating a Training Facility similar to Newmarket in England, the site could provide a number of training and conditioning options to trainers. This will improve the variety of work options for horses.

This site would also improve options for accommodation of stable staff and improve the viability of commuting, each potentially improving the quality of life enjoyed by stable staff.

The complex would need to operate in a self-sustaining manner.

Labour Supply

Racehorse training is a labour intensive activity. A shortage of skilled and reliable labour is a constraint to the development of the NSW Thoroughbred Racing Industry.

The capacity of the industry to pay wages comparable with the broader labour market is one important problem faced by Thoroughbred racing. Wage rates are modest and even where above-award rates are paid, relatively basic costs of living consume a large proportion of employees' income, leaving relatively little disposable income.

This has been partly addressed by the payment of 1.5% of prizemoney to licensed stablehands from 1 July 2012. Otherwise a healthy, viable racing industry will best create a framework for improved wages.

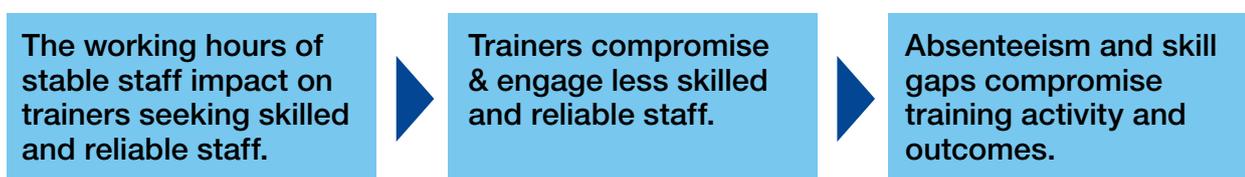
Accommodation costs, especially for stable staff based at Royal Randwick, are very high relative to incomes. In effect costs in surrounding areas are prohibitive for all but basic accommodation, and impede workers owning their residence. This is also the case, but to a lesser extent, at Rosehill and Warwick Farm.

The conditions comprised of unusual working hours and split shifts faced by stable staff represent the other main problem in attracting suitable labour to work in stables.

While some jobs in other industries have very early starts, few are also accompanied by split shifts.

Very early starts and split shifts also make medium to long commuting to work unrealistic for these employees. In turn this exacerbates the problem in securing better accommodation.

These issues are undoubtedly a strong driver of absenteeism and unreliability among stable staff. This in turn compromises racehorse training.



The early hours worked by stable staff are driven by the requirement to vacate tracks for track maintenance staff to prepare racecourses and surrounds including gardens. Hence trackwork starts early to finish early.

A specific-purpose facility built outside of Sydney will largely alleviate this imperative with no actual racecourse and gardens requiring work. Hence grounds staff can commence work later in the day, enabling morning trackwork to commence later and finish later.

These arrangements can also alleviate the lifestyle burden of split shifts.

A significantly improved quality of life, facilitated by altering work hours would be a tremendous boost for existing and potential stable staff.

It is anticipated that this will be significantly more attractive for potential staff and enable trainers to engage better skilled and more reliable candidates.

The location of a dedicated Training Facility may also provide the opportunity for licensed stablehands to secure reasonable accommodation at a lower cost.

Potential Upscaling of Provincial Training

In addition to the establishment of a new training centre, there may be potential to upscale existing Provincial venues.

Racing NSW will also review the possibility of increasing the scale of training at Provincial racecourses.

Infrastructure – Expanding Investment in Racing and Training Facilities

Country Training Facilities

In contrast to Metropolitan and Provincial racing, many Country participants have established themselves in certain locations. The nature of these establishments is such that having to relocate to a given centre would likely be highly disruptive and in many cases lead to the loss of participation.

Consistent with this, consultation undertaken by **Racing NSW** with the Country sector indicated strong support for a broadening of the investment in racing and training facilities outside a Centres of Excellence programme.

Notwithstanding the positives of broadening capital investment across Country NSW, there are obvious economic impediments that make undertaking capital investment at all racecourses across NSW difficult.

As such the racing and training capital expenditure programme will be undertaken across regional and major venues, with a major part of capital expenditure made at racecourses with 450 or more trained starters annually, or approximately 50 horses in work at a given time.

For the 2013 calendar year there were 19 Country racecourses throughout NSW that met these levels of training activity.

Primary Training Centres

Although the 2010 Strategic Plan opted to broaden the capital expenditure across Country NSW, **Racing NSW** intends funding Primary Training Centres in regions located throughout NSW.

It is envisaged these locations will be the focal point of racehorse training in regions and ideally carry the following training facilities:

- Grass galloping surfaces;
- High quality sand or synthetic training track;
- Horse walkers;
- Equine swimming centre; and
- Adequate stabling for rental, with some capacity for expansion.

Supporting Training Centres

In addition to the Primary Training Centres, infrastructure funding will be expanded to include the racecourse supporting these venues. It is envisaged that other racecourses which provide approximately 400 starters or more annually will provide training facilities that include:

- Access to grass gallops two days per week;
- Good quality sand or other track work surface;
- Supplementary training facilities such as a horse walker; and
- Maintaining existing stabling.

Racing NSW has undertaken an audit of 35 racecourses outside the Metropolitan area that address track surfaces and geometry. Specifically the audit targeted:

- Current status of the surface, works required to improve or upgrade the surface, ongoing maintenance schedule; and
- Works and costs to improve geometry of track and turns including cambers to ensure the track is conducive to competitive racing and increase to safety standards.

Categories of works to be undertaken include:

- Course proper reconfiguration;
- Land acquisition;
- Irrigation works;
- Drainage works;
- Equine swimming facilities;
- Sand and synthetic training tracks; and
- Stabling.

Racing NSW is developing a progressive upgrade of items identified at Supporting Training Centres.



Country Racing Facilities

Over the past two years **Racing NSW** has been at the forefront of improving the quality of racing surfaces at racecourses across country NSW. The employment of a Racecourse Maintenance Manager by **Racing NSW** provides a highly skilled resource to develop and oversee track maintenance plans at racecourses in Country and Provincial NSW.

Improved track management has been an important factor in reducing the number of Country race meetings across NSW, especially TAB meetings that are lost to wet weather. This factor was evidenced by a record number of Country TAB meetings actually being conducted during the 2013/14 year.

The development of track maintenance plans for racecourses has also been an important factor in improving the overall quality and presentation of racecourses across Country NSW.

Continuing to improve the quality of racing and training facilities in Country NSW remains an important strategic imperative for **Racing NSW**. This will provide for more attractive racing to punters and racegoers as well as minimising the attrition of racehorses.

An initiative of the 2010 Strategic Plan was the development of expertise in turf management throughout NSW. This can be complemented by a program of developing training programmes tailored to racecourse management by **Racing NSW's** Training Department.

Over five years **Racing NSW** believes this will lead toward the development of appropriately skilled and qualified racecourse managers who could be employed regionally. These racecourse managers will be provided with decision making authority to meet performance guidelines established by **Racing NSW**.

The engagement of a Racecourse Maintenance Manager by **Racing NSW** has not only assisted with the development of maintenance programs but the mentoring of track staff at Country clubs.

Racing NSW has to date funded improvements in racing and training infrastructure at seven country racecourses across NSW with funding approved for further upgrades including large scale projects at nine racecourses across Country NSW.

If successful in achieving parity in the share of TAB wagering revenue taken by Government, an ongoing program of upgrades at racecourses could be established.

Interstate racing bodies have installed synthetic 'all-weather' racing surfaces as a means of weather proofing their respective racing industries.

All weather surfaces may have a role in the future of the NSW racing industry. At this stage however **Racing NSW** is not satisfied that the technology around these surfaces is sufficient to justify the investment. There is also evidence that punters prefer turf racing to synthetic tracks.

RACING DEVELOPMENT

Quarantine Facility

An important element of international participation at The Championships is the construction of a suitable quarantine centre in or near Sydney.

A quarantine facility could serve the Thoroughbred racing industry leading into The Championships. Such a facility could also service the breeding industry requiring quarantine for shuttle stallions and other equine pursuits requiring quarantine on a commercial fee-for-service basis.

There are many requirements of a suitable site for a quarantine centre for Sydney including:

- Located within the Metropolitan area of a declared port that has a permanently based Quarantine Officer;
- Located in an area that has been free from equine infectious anaemia during the previous 12 months;
- Low density of horses in the region;
- No horses located in the immediate proximity of the site, with suitable separation;
- Not prone to flooding or storm surges up to a 1 in 100 year flooding event; and
- Adequately sized to accommodate separation fencing, stabling, decontamination zones and amenities including an on-site veterinary facility. The site must be large enough to provide separation of horses in quarantine from different parts of the world.

Racing NSW is presently investigating sites for that may be suitable for the establishment of a quarantine centre.

Viability of Race Clubs

TAB distributions have plateaued in real terms over recent years, impacting the revenues traditionally flowing to race clubs.

Racing NSW has addressed this through additional payments to clubs for on-course exclusivity, Premier Gateway International monies and the on-course incentive funded from Race Fields fees.

In addition to these revenues, **Racing NSW** has earmarked an amount of \$6 million from monies generated by achieving parity to assist race clubs and underpin their ongoing viability.

This \$6 million in funding to clubs will be distributed in line with the Intra-Code Agreement.

Racing NSW and the other parties to the Intra-Code will also undertake a review of this agreement seeking to ensure that the distribution mechanism creates appropriate incentives for clubs to grow Thoroughbred racing.

Creation of Traineeship and Apprenticeship Opportunities

Thoroughbred racing in NSW presently has a shortage of suitably skilled workers which needs to be addressed. This will likely become the case to a greater extent if **Racing NSW** is successful in achieving parity in Government's share of TAB wagering revenue with Victoria.

An important element of building the skills and employment base for Thoroughbred racing is the further development of traineeships and apprenticeships for workers across a broad spectrum of vocational activities related to Thoroughbred racing.

As such **Racing NSW** is developing a plan to provide traineeship positions for 100 young people from regions within NSW that have high youth unemployment rates.

The traineeships to be provided to young people across various regions of NSW will create opportunities for these people to enter the Thoroughbred racing industry and develop their skills in pursuit of a long term career in racing. Traineeships will be offered in work such as track management, stable work, equine handling and race club management.

The program will also provide an important and visible pilot that can be used to further encourage young people, especially those from regions with high youth unemployment, to pursue a career in racing.

An amount of up to \$2 million per annum has been estimated to deliver this initiative.

Targeted Upgrade of Races through the Australian Pattern Committee

The NSW Group and Listed race schedule comprises 174 races.

From July 2011 the Australian Pattern Committee (AusPC) resolved guidelines for the establishment of new Listed Races.

- Races must have met or exceeded the Listed prize money benchmark of \$80,000 at its most recent running;
- Races must have met or exceeded the Listed International rating benchmarks at its most recent running, as outlined below;
 - » Two Year Old (95) – Fillies (90)
 - » Three Year Old & Over (100) – Fillies & Mares (95)

To improve the Group and Listed programme in NSW, **Racing NSW** will strategically identify and develop races that have the potential to be upgraded into the Pattern.

Summer Carnival

Sydney Summer racing sees the staging of a handful of feature races from early December through to New Year's Day. Over the past decade there have been only superficial changes to the structure of summer racing, despite this being an ideal time to attract holiday crowds and investment without significant competition from other sports.

Australian Turf Club has revamped its summer feature racing program around the Villiers Stakes, Summer Cup and City Tattersalls Cup from December 2013.

A more equitable share of TAB wagering revenue with Government will provide funding to further advance the Summer Carnival. The opportunity exists to further build on summer racing to create an attractive racing carnival in the Christmas/New Year Period. This fits in with an established holiday time of year when many people are away from work and looking for recreation options. This period is an ideal time to create a short burst of quality racing, with the potential for horses to start twice or tune up for Magic Millions in early-mid January.

Gosford Race Club has also successfully consolidated its Listed Takeover Target Stakes and Belle of the Turf Stakes with the Gosford Cup. The meeting ran for the first time as a twilight event on Friday 10 January 2014. This meeting complements any upgrade of the Sydney Summer Carnival.

Feasibility of Night Racing

Night racing has been embraced strongly by the racing industry in both Queensland and Victoria with each having two night racing venues and with plans to conduct night racing at least weekly during the summer period.

Night racing has been conducted in NSW since 1999 at Canterbury Park Racecourse with up to ten meetings per season run at that course over the summer period.

A frank assessment of night racing at Canterbury Park would rate the venture as having worked no better than moderately well. While race attendances have been superior to Wednesday race meetings they have not approached the level of Saturday racing with any consistency. Wagering turnover through the NSW TAB on these meetings has typically been 15% below comparable race meetings held on Wednesday afternoons.

Conversely night racing does bring with it the potential to work into periods that coincide with South-East Asia, bringing with it wagering export potential to these countries. This however is somewhat limited until Hong Kong opens its market more fully to the import of Australian racing.

Racing NSW will revisit the issue of night racing. A re-assessment of the feasibility of night racing should reconsider the Metropolitan venue that is best suited to night racing.

Royal Randwick now boasts revamped customer facilities and better access for crowds from the CBD and is a logical starting point for a review of night racing.

The terms of reference for the review are proposed as:

- Underlying attractiveness of night racing for racegoers;
- Capital cost of lighting racecourse;
- Marginal costs of conducting night racing;
- Logistics for participants;
- Domestic wagering interest; and
- International wagering interest.

Handicapping and Race Programming

Racing NSW adopted the system of Benchmark handicapping and programming commencing in September 2009. The previous Rating Based Programming was restrictive of horses that could contest races, whereas Benchmark programming opens the eligibility of competitors, albeit with better performed horses required to carry additional weight.

Benchmark handicapping sought to introduce 'the best of private and public handicapping'. The system incorporates the advice of an external private handicapping body which provides an assessment of the quality of a horse's race performance for use by the **Racing NSW** Handicappers. This system also seeks to be more 'merit based' and see the benchmark used for handicapping horses marked closer to the true value of a horse's performance.

The handicapping of races is based on the existing benchmarks of horses with trainers able to predict with great certainty the relative weight that horses will carry compared to other nominations. With benchmark programming trainers are also generally able to predict the exact weight that the nominated horse will carry, except where a benchmark race is re-scaled in circumstances that the highest benchmarked nomination is below the advertised level of the race and weights are raised.

Following feedback from trainers, **Racing NSW** undertook a reassessment of its handicapping policies which included:

- More discretion given to the handicapper to weight horses up to one kilogram lower than their published benchmark, if this is warranted by the nominations for a particular race and up to 3kg for Country horses competing in the Metropolitan area;
- Where horses perform well 'above their grade' without winning, the benchmark allocated for the next start is dependent on the grade of a race;
- In assessing the performances of maiden winners, the weight allocated by handicappers is now over a tighter spread than at present; and
- The practice of spreading weights at acceptance time if weights need to be raised to the minimum top weight was discontinued for Class 1 races.

Racing NSW also introduced Class 2 Country Plates with set weights.

Racing NSW will continue to monitor its programming and handicapping systems, including factors such as:

- benchmark programming within each sector;
- the potential to introduce new race types into the programming mix in each sector;
- the influence of programming and race types on field sizes within each sector;
- handicapping policies in general; and
- creating more incentive for horses to contest Metropolitan races as appropriate.

Development of Staying Ranks

The programming of staying races in NSW is an important priority for **Racing NSW** in developing the overall attractiveness and diversity of the racing program and broadening the appeal of horses bred and raced in NSW.

It is proposed that **Racing NSW** expand the number of staying races, particularly in Sydney. Adding a raft of such races overnight would create an over-supply for the existing population of stayers and diminish field sizes to an extent that would be uncommercial.

The approach to be adopted by **Racing NSW** is to seed a number of staying races, gradually increasing these into the future. At the same time **Racing NSW** will communicate this progressive increase to the industry, enabling planning and buying decisions to be made with a degree of certainty.

Staying Race Targets

Five additional Metropolitan Saturday races in the range from 2200m to 2800m each season.

Five additional Metropolitan midweek or public holiday races in the range from 2200m to 2800m each season.

Five additional Metropolitan Saturday races in the range from 1800m to 2200m each season.

Five additional Metropolitan midweek or public holiday races in the range from 1800m to 2200m each season.

Staying Race Prizemoney Premium

Racing NSW will investigate progressively implementing a 10% prizemoney premium over the usual levels for some or all staying races. Such a premium would be in recognition of the additional time and training preparation needed to develop stayers to race at longer distance ranges.



IMPROVING WORKPLACE HEALTH AND SAFETY

Racing NSW has made considerable gains in recent years in improving workplace health and safety (WHS) throughout the NSW Thoroughbred Racing Industry. Further improving the safety of racing, both during and away from race days remains important both operationally and strategically for **Racing NSW**.

Upgrades to the racing surfaces and racing infrastructure, better track management practices and risk management will lead to improved safety for jockeys and horses alike.

Other than upgrades of racing and training surfaces, key safety related racing infrastructure for possible further roll-out includes PVC running rail, barrier stalls, tie up stalls and mounting yards.

Enhancing workplace health and safety (WHS) practices will benefit racing's existing participants as well as make a career in racing more attractive to prospective participants. Fewer injuries to jockeys and stable staff also have longer term economic benefits from reduced injury rates.

The focus on improved WH&S will continue to include:

- Enhancements to the on-line WHS Management System for Race Clubs and trainers;
- Provision of specialist ongoing WHS tuition specifically tailored to the Thoroughbred racing industry to ensure effective training and dissemination of updated legislation/requirements; and
- Engaging with race clubs to further refine and deliver Minimum Standards at racecourses, and general improvements in track management practices.

INTEGRITY

Licensing of Veterinarians

Racing NSW's primary responsibility is to protect and enhance the integrity of the sport of Thoroughbred racing. Participants and fans need to believe that racing is fundamentally fair and that our races are contested wholly within the Rules of Racing. No shortfalls or short cuts of any kind can be tolerated in safeguarding the reputation of our industry.

Racing NSW believes that the absence of any requirement to license Veterinarians is a serious omission in the integrity measures available to its stewards in ensuring races are conducted within the rules of the sport.

At present Stewards cannot fully investigate actions which might impact on racing's integrity involving a veterinarian in an effective and timely manner unless the Veterinarian concerned voluntarily co-operates or if the evidence by chance is self-evident.

At present the Australian Veterinary Association (AVA) and the Equine Veterinary Association (EVA) implement and exercise an element of control over professional standards of Veterinarians. The AVA and EVA believe that the Veterinary Practitioners Board of NSW (VPB) is the appropriate body for investigating and punishing Veterinarians found to be in contravention of the rules of racing.

Unless arrangements can be made with the VPB which satisfy **Racing NSW**'s requirements it will have no option but to proceed with the licensing of Veterinarians.

The Supreme Court of NSW recently confirmed the power of **Racing NSW** to license Veterinarians who intend to treat Thoroughbred racehorses.

Laboratory Testing

The investigative capacity of **Racing NSW**'s Stewards is of vital importance to the integrity of racing. Similarly the capacity of the Australian Racing Forensic Laboratory (ARFL) to detect the development of new drugs and therapeutics is vital in ensuring the integrity of Thoroughbred racing in NSW.

State-of-the-art capital equipment is essential for the ARFL to enhance its capabilities to identify new threats to the integrity of racing.

Racing NSW has acquired two new Q-Exactive liquid chromatograph mass spectrometers. These instruments have the capability of detecting prohibited substances with accurate mass determination and identifying new drugs with retrospective data retrieval. Several laboratories have recently purchased this instrument including Racing Analytical Services in Victoria, LCH in France and the Garvan Institute. This instrument also has the capability to detect new threats to racing such as ITPP.

The first Q-Exactive is being utilised in expanded drug coverage for **Racing NSW**, Harness Racing NSW and Greyhound Racing NSW samples with superior drug coverage from hundreds to thousands at one time on routine 25,000 samples per year, in line with leading international laboratories. The second Q-Exactive will be dedicated to testing ITPP and other new designer performance enhancers.

The research and development capacity of the ARFL is important in maintaining an edge in detecting illegal substances. Similarly, sophisticated and targeted research on new drugs that may be developed and used illegally in Thoroughbreds is essential to ensuring integrity and confidence in racing.

We are also participating in a number of joint ventures with the University of Sydney to ensure we have available technology and screen to detect new-age drugs.

Racing NSW will also investigate means of collaborating or pooling knowledge with other racing laboratories to increase the capability to remain at the forefront of drug and other substance detection.

GOVERNANCE

Transfer of the Australian Stud Book to RISA

The Australian Stud Book carries out important functions directly linked to the integrity of Thoroughbred racing and is fundamental to the provision of racing information in Australia. Given these important functions its co-ownership by two race clubs (Australian Turf Club and Victoria Racing Club) remained an anomaly in the structure of Thoroughbred racing in Australia.

Racing NSW believed that the Stud Book should be transferred to the Principal Racing Authorities and that Racing Information Services Australia (RISA) was the appropriate vehicle for the ownership of the Stud Book.

RISA, which is owned collectively by the Principal Racing Authorities, already plays an important role in the collation and sale of racing information and related services such as the Registrar of Racehorses.

It was considered that this was an appropriate time to effect the transfer of the Stud Book to RISA, with the asset being sold to RISA by the respective race clubs. In addition, divestment of the asset provided both clubs with much needed and timely funding as well as seeing its ownership and operation transferred to a more appropriate body.

Minimum Standards

Minimum standards are established by **Racing NSW** and create expectation of the delivery of various elements of racing and training by race clubs.

The minimum standards are to be reviewed and expanded to encourage clubs to operate in a manner consistent with the expectations of **Racing NSW** and racing industry participants. This includes meeting the strategic objectives of **Racing NSW**.

The expansion of minimum standards will include periodic financial reporting by race clubs in an established format as well as periodic reporting on compliance with minimum standards.



Financial Reporting

The financial health of race clubs in NSW is fundamental to the consistent delivery of good quality racing throughout the State.

It is equally important that any financial underperformance by a club is detected to identify problems that may be systemic or occurring within that club.

Racing NSW Country presently employs a method of race meeting reporting each month. The expansion of a financial reporting system can be incorporated into the minimum standards structure.

An expanded financial reporting structure would include:

- Periodic financial reporting, say quarterly;
- Reporting to be consistent with a standard format;
- Reporting ratios including trading margins; and
- Obligation to report certain events including any adverse financial trends.

Race clubs can save money by cost-cutting in not fully maintaining their facility and not meeting minimum standards. Financial reporting and minimum standards reporting should be considered in the same vein.

Youth Think Tank

Historically there has been a strong tendency for Thoroughbred racing's governance to be dominated by older people with established success in a given field of endeavour. Although this in itself is not a problem, it is accompanied by the tendency to excise any input or opinion from younger people who may be equally capable and bring with them different and useful perspectives and insights.

A Youth Think Tank will be drawn from younger people with an interest in racing to consider issues referred to it by **Racing NSW**. The body will not have any binding power but rather operate in an advisory capacity to the Board of **Racing NSW**, considering matters referred to it.

The Youth Think Tank may provide experience for people undertaking future administrative roles in racing, including race clubs.





Racing NSW

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