



RACING NSW



Strategic Plan

For the NSW Thoroughbred Racing Industry

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INTRODUCTION

The NSW Thoroughbred Racing Industry is at a critical juncture in its existence. Unfortunately, the last 10 years has seen a decline in all levels of participation. Further, TAB turnover on Thoroughbred Racing in NSW has diminished in real terms, and on-course attendances have dropped substantially.

This Plan will identify the causes of the above mentioned deterioration and provide solutions to move the Industry in a positive direction. It should be stressed however that this document is only the commencement of the process and the Plan will be updated on a quarterly basis.

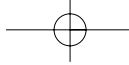
MISSION STATEMENT

To establish a dynamic NSW Thoroughbred Racing Industry which advances participation, ensures integrity and delivers quality Racing at all levels.

VISION

OBJECTIVES

- Provide a committed, user-friendly, professional and cost effective administration which uses best business practice in serving all aspects of the NSW Thoroughbred Racing Industry.
- Provide Leadership and Strategic Direction to ensure the NSW Thoroughbred Racing Industry achieves revenue growth, profitability and greater returns to Owners and Industry Participants.
- Provide a Racing product which appeals to all demographics, and take all actions necessary to guarantee integrity and confidence in the sport.
- Maximize betting turnover on NSW Thoroughbred meetings by accommodating punters needs and desires, and working with TAB Limited to promote new wagering products, to keep up with changes in demand.



MAJOR ISSUES

DECLINE IN PARTICIPATION LEVELS

Participation levels in the Industry have significantly declined and are summarised in the Table below:

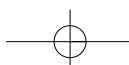
Comparison of NSW Thoroughbred Industry Participation Levels Over Ten Years				
	1993	1998	2003	% Decline In 10 Years
Trainers	2,398	1,747	1,416	41%
Jockeys	349	297	168	52%
Number of Horses which had a Race Start	13,876	11,146	10,823	22%
Number of Starts	74,226	58,791	55,056	26%

Causes in Participation Decline

There is no doubt the decrease in participation levels has been primarily due to it being virtually financially unviable to be involved in the Industry. This is mainly due to the cost of owning a horse, as compared to the poor return generated.

Independent studies have indicated that it costs Owners in NSW \$200 – \$250 million per year to have their horse educated, trained, agisted, vetted, transported, etc, yet only received \$91 million net in prizemoney and rebates. (Prizemoney paid to Owners after the 15% deduction for Trainer and Jockey commission). Owners are subsidizing the Industry by \$100 – \$150 million.

To exacerbate the problem \$35 million of prizemoney went to only 2.8% of races. This means the majority of Owners could not return a profit on owning a horse, and participate purely for entertainment. Owners are realists and expect to make a loss by owning a horse. The problem is the amount of the loss is now a disincentive. The poor economics of owning a horse has caused Owners to use their entertainment dollars on other interests. The uneconomical return to Owners, means Trainers are also suffering as their revenue from training does not recoup their costs. The more successful Trainers are relying on winning percentages to earn a profit, or at least remain viable.



The following Table provides an overview of the annual Owner's costs as compared to prizemoney returned.

COST TO OWNERS 2003

Metropolitan – Group & Listed races

607 individual starters x \$30,000 p.a. training & Racing costs		18,210,000	
Nomination and Acceptance Fees paid by Owners		3,820,640	
Prizemoney on Metropolitan Group and Listed races	32,846,115		
Deduct – Trainer and Rider percentages	<u>4,926,172</u>		
Net prizemoney		27,919,943	
Net return to Owners			<u>5,889,303</u>

Metropolitan – other races

2,497 individual starters x \$30,000 p.a. training & Racing costs		74,910,000	
Prizemoney and rebates paid	32,599,885		
Deduct – Trainer and Rider percentages	<u>4,014,900</u>		
Net prizemoney and rebates		28,584,985	
Net return to Owners			<u>(46,325,015)</u>

Provincial

1,811 individual starters x \$20,000 p.a. training & Racing costs		36,220,000	
Prizemoney and rebates paid	14,386,266		
Deduct – Trainer and Rider percentages	<u>1,805,782</u>		
Net prizemoney and rebates		12,580,484	
Net return to Owners			<u>(23,639,516)</u>

Country

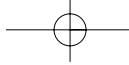
5,908 individual starters x \$12,000 p.a. training & Racing costs		70,896,000	
Prizemoney and rebates paid	25,316,655		
Deduct – Trainer and Rider percentages	<u>3,609,166</u>		
Net prizemoney and rebates		21,707,489	
Net return to Owners			<u>(49,188,511)</u>

*** Net loss to Owners – Prizemoney less Expenses (\$113,263,739)**

Assumptions

Training & Racing costs are estimates and include costs such as daily charge, float, Vet, Farrier, etc.

Please Note – * The above Table does not allow for the initial cost of the horse either by purchase or costs of Breeding. Further does not provide for rearing and education cost and does not include the training cost of horses that didn't start in 2003.



As indicated previously, a major cause in the majority of Owners sustaining losses is the inequitable distribution of Prizemoney. Group and Listed races which make up 2.8% of races (159 races) receive 37.2% of the prizemoney.

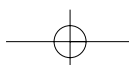
NSW RACES – PROPORTION OF PRIZEMONEY ALLOCATED BY RACE CATEGORY

Type of Race	No. Races	Prizemoney	% of Total Races	% of Total Prizemoney
Group One	23	18,799,860	0.4%	19.6%
Group Two	33	5,899,010	0.6%	6.2%
Group Three	34	5,061,905	0.6%	5.3%
Listed	69	5,823,040	1.2%	6.1%
Total – Group & Listed	159	35,583,815	2.8%	37.2%
Non G&L Metropolitan	834	26,766,250	14.8%	28.0%
Non G&L Provincial	987	9,885,850	17.5%	10.3%
Non G&L Country	3,653	23,476,200	64.8%	24.5%
TOTAL	5,633	95,712,115	100.0%	100.0%

Further, races which carry prizemoney in excess of \$100,000 generate 14.7% of TAB sales, and use 41.7% of Prizemoney.

NSW RACES – PRIZEMONEY TO TURNOVER DISTRIBUTION

Prizemoney per Race	Market Shares			Turnover to Prizemoney Ratio
	Turnover	Prizemoney	No of Races	
< \$10,000	27.2%	15.6%	54.9%	18.75
\$10,000 – \$19,999	13.4%	8.4%	17.8%	17.15
\$20,000 – \$39,999	15.2%	13.3%	14.6%	12.25
\$40,000 – \$50,000	24.2%	16.3%	8.2%	15.93
\$50,001 – \$99,999	5.2%	4.6%	1.5%	12.29
\$100,000 – \$199,999	7.3%	10.2%	1.8%	7.68
> \$200,000	7.4%	31.5%	1.1%	2.54
Total	100.00%	100.00%	100.00%	13.15



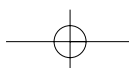


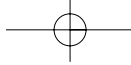
DECLINE IN TAB BETTING

Betting on NSW Thoroughbred Racing has declined. This has contributed to Thoroughbred Market share of TAB Turnover also diminishing. Thoroughbred Racing generated 80.4% of TAB Sales in 1993 for the three codes of racing, compared to 69.5% in 2004.

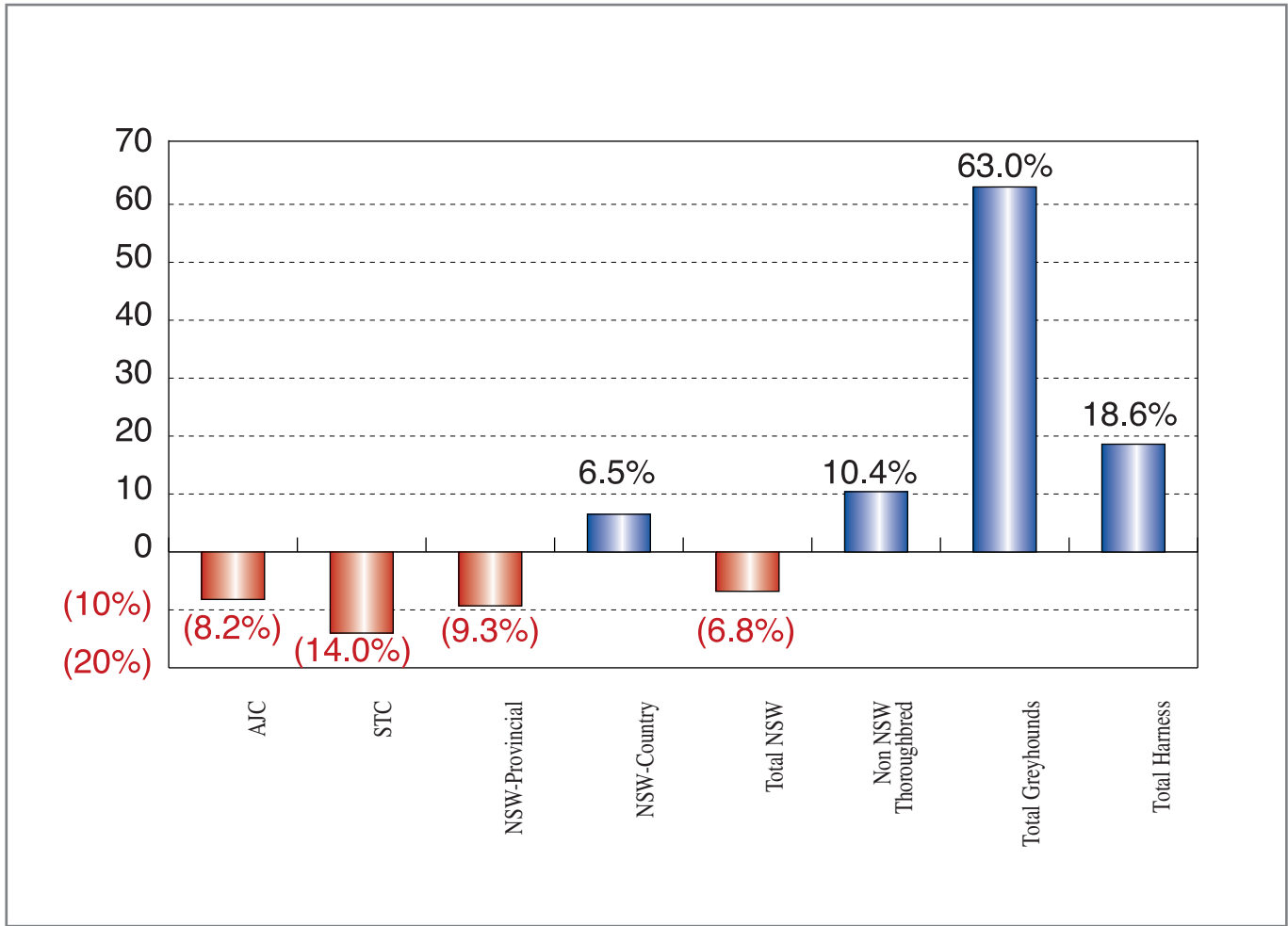
In the last five years TAB Sales on NSW Thoroughbred Racing have declined by 6.8%. At the same time TAB Sales increased by 12.2%

TAB LIMITED SALES FOR NSW THOROUGHBRED RACING									
Region	FY 93 \$M	FY98 \$M	FY99 \$M	FY00 \$M	FY01 \$M	FY02 \$M	FY03 \$M	%Decline/ Increase in last 5 years	FY04 \$M <small>Latest figures provided by TAB Ltd.</small>
AJC TAB Sales		336,354	311,638	327,465	315,677	287,257	308,777	8.2%	296,322
STC TAB Sales		339,495	307,454	298,691	288,557	277,044	292,120	14%	280,154
NSW – Total Metro TAB Sales	692,606	675,849	619,092	626,156	604,234	564,301	600,897	12%	576,476
% of Total NSW Thoroughbred TAB Turnover/Metro	61.60%	57.45%	56.62%	55.70%	55.02%	52.44%	54.81%		52.07%
NSW – Provincial		238,275	208,640	218,551	221,868	222,784	216,028	9.3%	229,335
% of Total NSW Thoroughbred TAB Turnover/Provincial		20.26%	19.08%	19.44%	20.20%	20.70%	19.71%		20.72%
NSW – Country		262,246	265,729	279,515	272,130	288,992	279,393	6.5% Increase	301,203
% of Total NSW Thoroughbred TAB Turnover/Country		22.29%	24.30%	24.86%	24.78%	26.86%	25.48%		27.21%
Total Provincial and Country NSW TAB Turnover	431,777								530,538
	38.40%	42.55%	43.38%	44.30%	44.98%	47.56%	45.19%		47.93%
NSW – Total TAB Thoroughbred Sales	1,124,384	1,176,370	1,093,460	1,124,222	1,098,232	1,076,077	1,096,318		1,107,015
NSW Thoroughbred as a % of Total TAB Sales	35.08%	29.8%	27.4%	27.7%	26.3%	25.2%	24.8%		
OTHER SECTORS									
Non NSW Thoroughbred	1,451,076	1,825,771	1,821,269	1,827,157	1,912,014	1,953,187	2,015,598		
Total Greyhounds	307,705	442,290	559,018	589,421	624,367	678,278	720,957		
Total Harness	321,692	501,886	506,080	513,070	540,211	564,906	595,116		
Total TAB Sales	3,204,857	3,946,318	3,979,828	4,053,870	4,174,824	4,272,448	4,427,989	12.2%	
Thoroughbred Racing Share of the TAB Sales between 3 codes of Racing	80.4%	76%	73.2%	72.8%	72.1%	70.9%	70.2%		69.5%



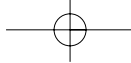


**TAB SALES GROWTH
FY98 - FY03**



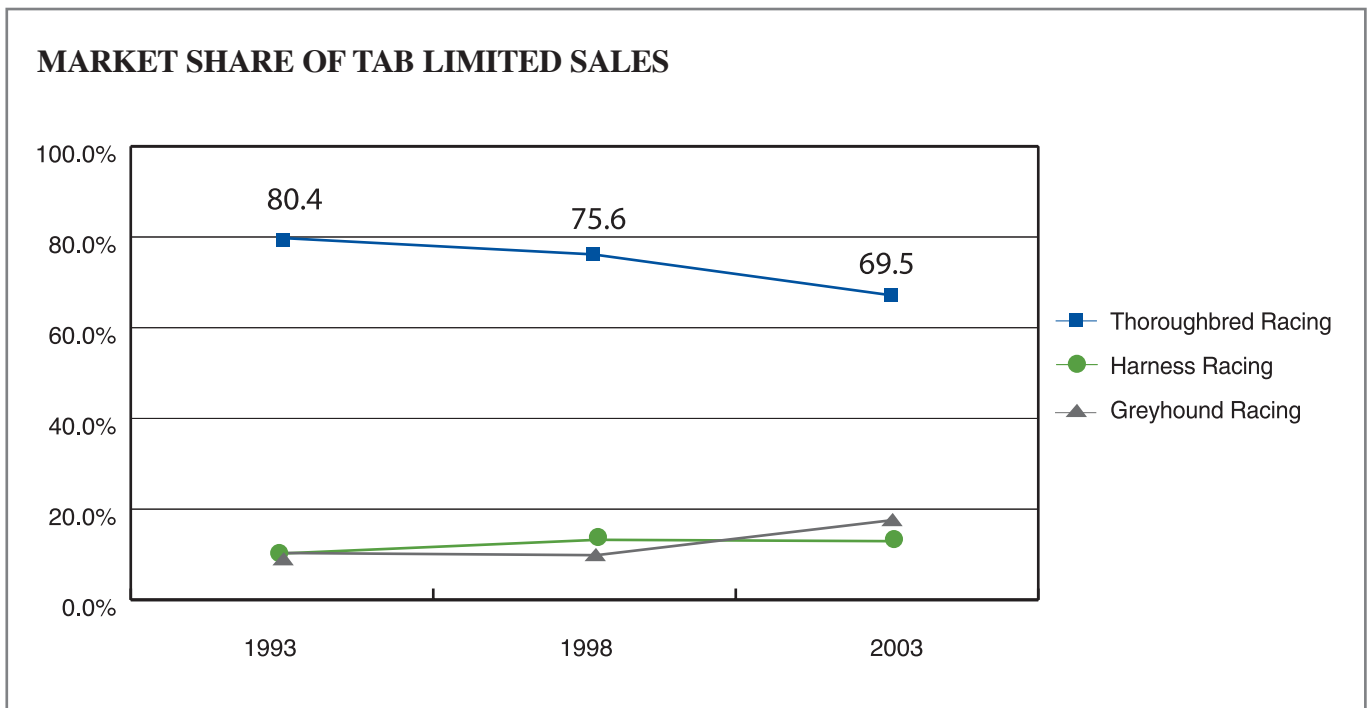
RACING NSW – STRATEGIC PLAN





Thoroughbred Racing Market share as a percentage of total TAB Sales on the three codes of Racing has also significantly declined. In 1993, Thoroughbred Racing generated 80.4% of total TAB Sales. In 2004, 69.5% of total TAB Sales came from Thoroughbred Racing.

MARKET SHARE OF TAB OFF-COURSE SALES				
	1993	1998	2003	2004
Thoroughbred Racing	80.4%	76%	70.2%	69.5%
Harness Racing	10.0%	12.7%	13.4%	
Greyhound Racing	9.6%	11.3%	16.4%	

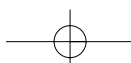


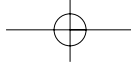
RACING NSW – STRATEGIC PLAN

The decrease of TAB Sales on NSW Thoroughbred meetings has meant that it now only accounts for 24.8% of Total TAB Sales as compared to 35.1% in 1993.

BETTING ON NSW THOROUGHBRED RACING AS % OF TOTAL TAB SALES

1993	1998	2003	2004
35.1%	29.9%	24.8%	24%



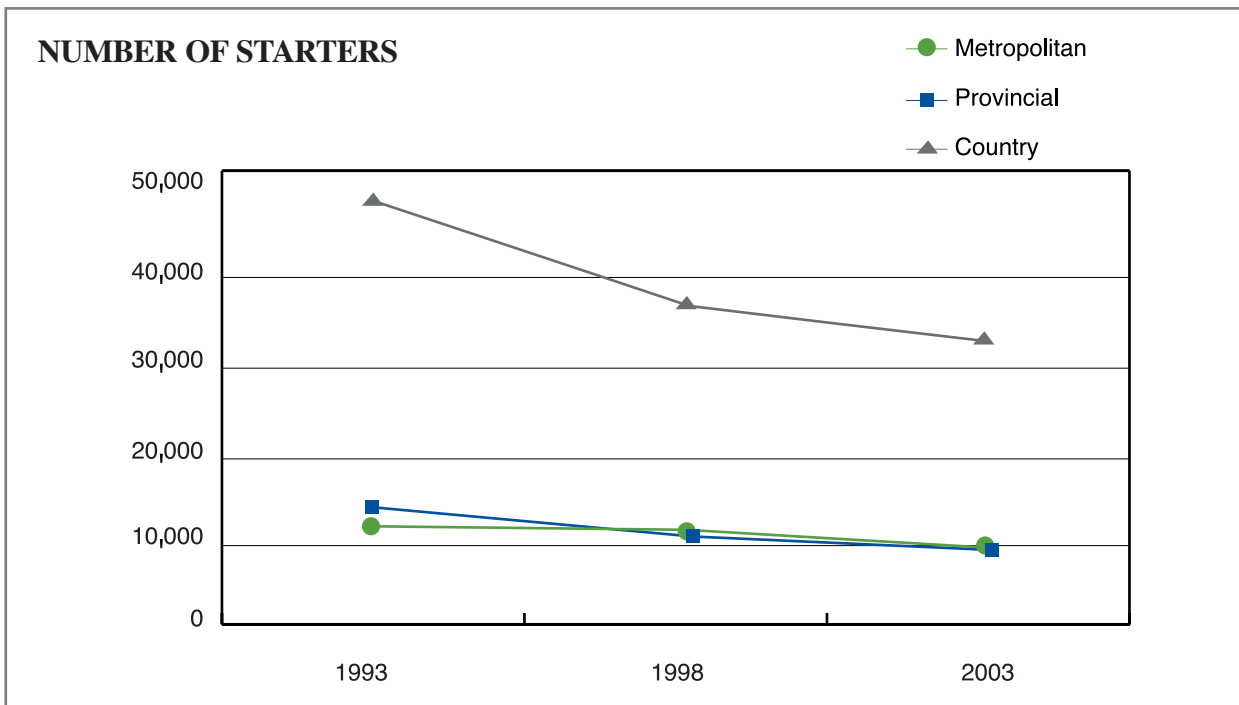


The decrease in horse numbers has had a significant effect on the number of starters, especially in the Provincial and Country areas.

DECLINE IN THE NUMBER OF NSW THOROUGHBRED STARTERS BY SECTOR

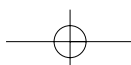
	1993	1998	2003	% Decline In 10 Years
Metropolitan	12,193	10,862	10,414	14.5%
Provincial	13,768	11,056	10,438	24.1%
Country	48,265	36,873	34,204	29.1%

RACING NSW – STRATEGIC PLAN



	1993		1998		2003	
	Average Starters Per Race	Number of Race Meetings	Average Starters Per Race	Number of Race Meetings	Average Starters Per Race	Number of Race Meetings
Metropolitan	11.7	122	10.6	126	10.7	123
Provincial	11.8	129	9.8	126	10.4	125
Country	9.4	770	9.2	620	9.6	570

Even though there were less races conducted the average field size did not increase to levels which maximises betting turnover.

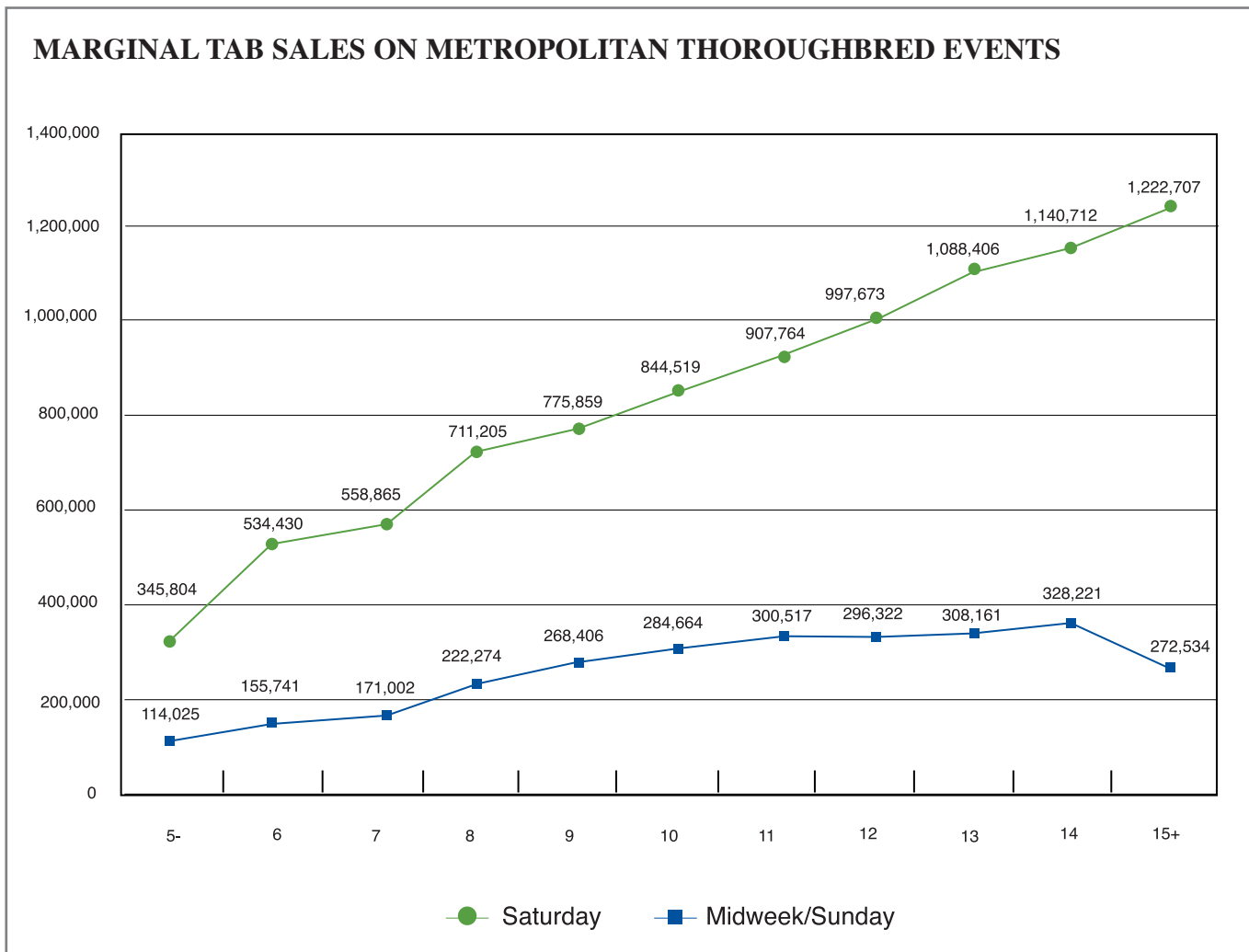




THE EFFECT OF THE DECLINE IN FIELD SIZES

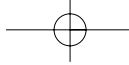
On average a 12 horse field at a Metropolitan Saturday meeting generates \$1 million of TAB sales. A 10 horse field generates \$850,000, 8 horse field \$720,000. GRAPH A, shows the turnover generated on Metropolitan meetings, on the number of Starters. The Graph shows higher turnovers for races with more than 12 starters. This is due to the higher turnover generated on Group 1 races which in themselves hold significant turnover. Without the Group and Listed races, 12 is the optimum field size.

GRAPH A



RACING NSW – STRATEGIC PLAN

The decline in TAB turnover has also been caused by the emergence of Corporate Bookmakers and Betting Exchanges. In particular, the high profile Metropolitan meetings have been the most affected.



THE EFFECT AND THREAT OF CORPORATE BOOKMAKERS/ BETTING EXCHANGES

Corporate Bookmakers

Based on the figures in the Cross-Border Betting Task Force Report, a reasonable estimate of the aggregate current turnover on Australian Racing events by the six Racing Corporate Bookmakers in the Northern Territory and ACT is around \$1 billion per annum.

It is understood that the vast bulk of this is sourced from Australian customers.

On the basis of the population breakdown across Australia, it is reasonable to assume that around 40% (\$400 million) of this turnover is from NSW punters.

It is difficult to apportion this \$400 million leakage between what might be being transferred from the NSW totalisator (TAB Limited) system and bookmaker system. However, in this respect, two points are relevant:

1. Virtually all the Corporate Bookmakers promote heavily TAB-odds betting products – hence they are overtly targeting the TAB customer.
2. In NSW, TAB race wagering turnover is around \$4.4 billion per annum, while Bookmaker turnover on Racing is around \$600 million, ie a split of 88:12 between the two forms.

The estimated loss of revenue to the three codes of Racing in NSW based on the above is approximately \$15-20 million.

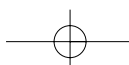
Betting Exchanges

The most prominent Betting Exchange operator is Betfair which accounts for 90% of the global market. Last year Betfair generated \$A8 billion in matched bets. This year Betfair will generate \$A40 billion in matched bets, an increase of 500%. Betfair processes 1.5 million individual bets per day, with its on-line transactions exceeding that of the London Stock Exchange. Betfair commenced full time coverage of Australian Racing in February 2003. It is now estimated that Betfair will take \$A600 million in matched bets for Australian Racing. Using the assumption that 90% is from Australian punters and accordingly 40% from NSW, and that the betting transactions are not new money, the NSW Racing Industry could currently be losing \$10 million per annum in revenues to Betfair.

There has been an argument put forward that the NSW Thoroughbred Racing Industry should embrace Betting Exchanges, by either negotiating with current operators or establish its own Betting Exchange. Unfortunately neither option is financially viable to the NSW Thoroughbred Racing Industry and the reasons why are outlined on pages 12 to 15.

Combined Revenue Lost

Racing NSW estimates combination of Corporate Bookmakers and Betfair is currently costing Thoroughbred Racing in NSW \$21 million per annum.





What have betting exchanges offered?

Betting Exchanges have reputedly offered to pay the Racing Industry the same percentage as TAB on gross revenue. Betting Exchanges say that such a model will generate the same financial returns for the NSW Racing Industry as TAB.

This is wrong.

Betting Exchanges have significantly lower gross revenue than totalisators. The following table highlights the comparative gross revenues and in turn the substantial difference in return to the Racing Industry.

\$100 Bet – Comparison of Return to the Racing Industry	TAB	Betting Exchange
Bet	\$100.00	\$100.00
Effective Gross Commission Rate	16.8%	1.0%
Gross Revenue	\$16.80	\$1.00
Racing Industry Share of Gross Revenue	27.0%	27.0%
Racing Industry Share	\$4.54	\$0.27

Betting Exchanges have relied on lower wagering taxation structures, lower structure of payments to the Racing Industry in jurisdictions which they reside and lower distribution costs of on-line services to drive price competitiveness to attract Australian punters.

Turnover on Racing would have to increase at least 16.8 times on existing levels to generate the same financial return to Racing. In the 2003 Financial year, approximately \$4.4 billion was invested with TAB. To generate the same revenue as TAB, \$73.9 billion would have to be invested on Betting Exchanges.

For this to occur, for example, the punter that bets \$20 on each Sydney race on a Saturday afternoon would have to either:

- Increase his bets to \$340 per each Sydney race, or
- Bet \$20 on each of another 136 races that afternoon



The Betting Exchange model presumes that such an event is feasible. Such a proposition is ludicrous because:

- A \$20 punter is not prepared to lose \$340 per race just because the take out rate is lower
- Only 64 races occur on a Saturday afternoon.

Betting Exchange Operators have also indicated that new money will be attracted. This is contrary to the Betting Exchange Task Force where in its report to the Australian Racing Minister's Conference in 2002, made the following observations.

“Some advocates of Betting Exchanges suggest the Exchange operations on Australian racing will “create a purely additive revenue stream for the racing industry”; that is, the turnover through Betting Exchanges will be entirely “new money”.

The Task Force is not convinced. Rather, it concludes that Betting Exchanges on Australian racing would pose a serious threat to current betting turnover levels of the three categories of licensed wagering operator in Australia – TAB's, traditional bookmakers and corporate bookmaker.”

As the Table on Page 12 highlights, the NSW Racing Industry receives approximately 4.54 cents in every one dollar bet on the TAB totalisator system. In FY03, TAB Limited had turnover of approximately \$4.4 billion which resulted in \$198.5 million of industry revenues to the three codes.

In comparison to the 4.5 cents received from TAB from every \$1 bet, Racing NSW has allowed for the high end of monies to be paid by Betting Exchanges at approximately .27 of one cent for every \$1 bet. The Betting Exchange Task Force however believes the figure is .17 of one cent for every \$1 bet given that commissions are levied on net winnings on a race despite the number of horses backed or laid, commission discounts to preferential customers and the potential lowering of customer spend should punter preference shift from backer to layer. In simple terms Racing NSW has equated Betting Exchanges commission rate to approximately 1% of a \$1 bet.

On turnover of \$4.4 billion, Racing NSW calculates that the NSW Racing Industry would receive approximately \$11.9 million as compared to \$198.5 million from TAB, which equates to a reduction of revenue of \$186.6 million (or 95%).

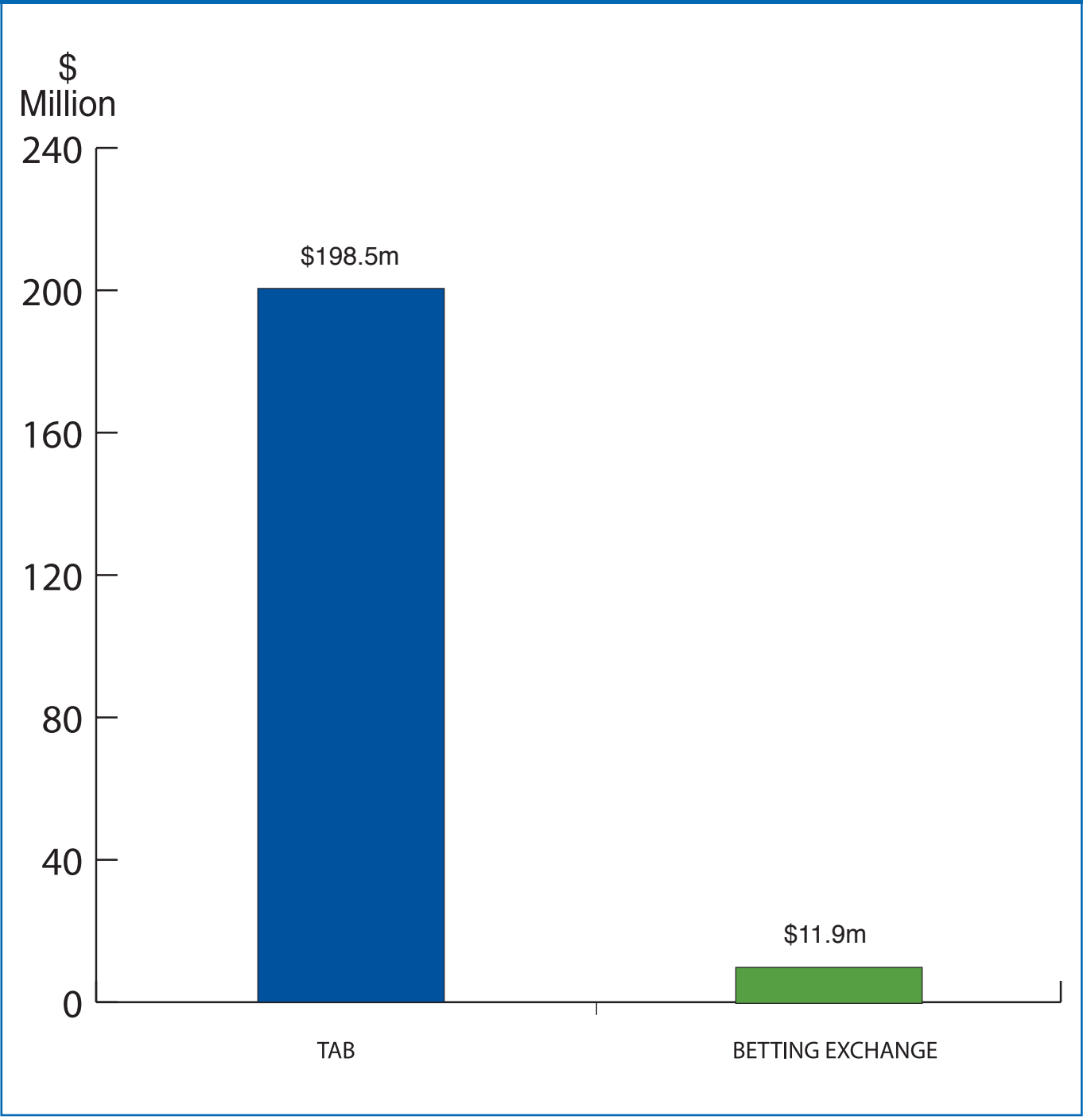
Should not the punter be able to choose?

Whilst the licensing of Betting Exchanges in Australian jurisdictions are likely to result in lower wagering margins for internet punters, an inevitable consequence will be that their will be no Australian Racing Industry to bet on.



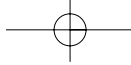


CONTRIBUTION TO NSW RACING ON \$4.4 BILLION TURNOVER (\$M)

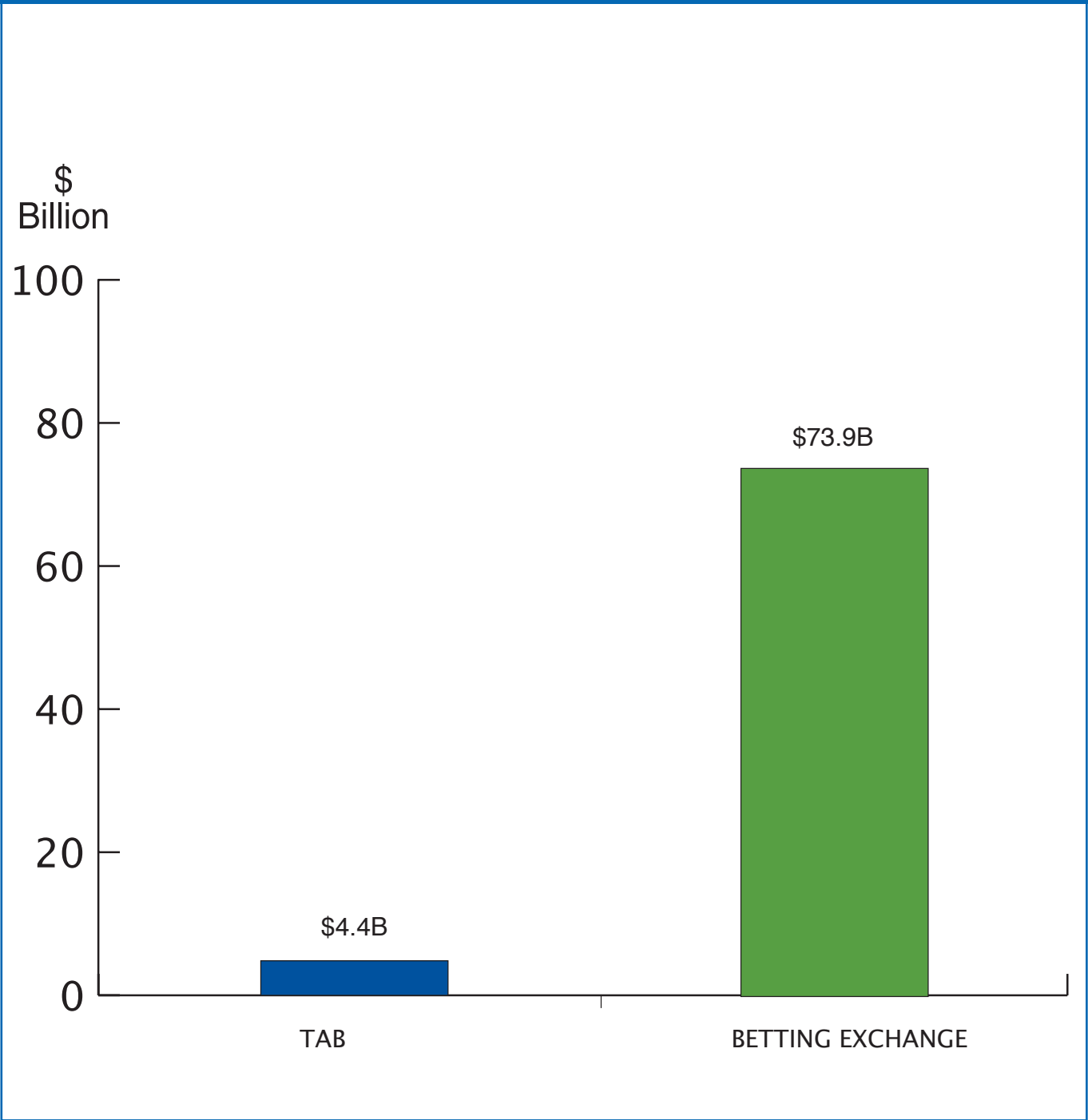


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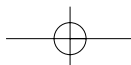




**TURNOVER (\$ BILLION) REQUIRED TO GENERATE \$200 MILLION
RETURN TO NSW RACING INDUSTRY**



RACING NSW – STRATEGIC PLAN





COST STRUCTURE

The following Table shows the costs excluding prizemoney of Clubs and Racing NSW.

	FY03
AJC	\$31m
STC	\$27m
Provincial Clubs	\$16m
Country Clubs	\$19m
Total Clubs	\$93m
Racing NSW	*\$11m
Country Racing Council	\$ 3m
Total Cost	\$107m

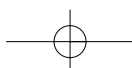
* Racing NSW total expenditure was \$23.8 million of which \$12.8 million was recharged to clubs and included in their expenditure.

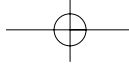
Other Commercial Industries normally reduce their costs when there is a decline in their operations. In contrast, even though the NSW Thoroughbred Racing Industry has had a substantial decline in participation, it has seen costs significantly increase.

In FY03 the NSW Thoroughbred Racing Industry cost \$107 million to administer, operate and provide infrastructure, and paid \$100 million in prizemoney. Accordingly, it is now necessary to reduce costs to take into account the reduced participation level. Recommendations to address this issue are made later in the plan.

INDUSTRY COSTS PER THOROUGHBRED RACE MEETING CONDUCTED IN NSW 2003				
	Number of Meetings	Direct Cost Per Meeting	* Share of Racing NSW Cost	Total
AJC	59	525,424	50,081	575,505
STC	64	421,875	50,081	471,956
Provincial	125	128,000	14,960	142,960
Country	574	33,101	5,174	38,275
TAB	280			
Non-TAB	268			
Picnic	26			

* Based on % Share of TAB Sales





PROGRAMMING

During the consultation process, the second major issue after the unviability of the sport was programming. Trainers and Owners expressed dismay at not being able to start their horses, due to what they regarded as poor programming and an ineffective Handicapping System. Owners were frustrated by paying to have their horse trained and not being provided the opportunity to compete in a race; this only added to their loss. Recommendations are made later in the Plan.

WORKERS COMPENSATION COSTS/TRAINERS CASH FLOW PROBLEMS

The increased Workers Compensation and Public Liability Insurance costs were a major financial burden to Trainers. Increased horse feed costs due to the drought, slowness of payment by some Owners and incurring bad debts, contributed to Trainers experiencing severe cash flow problems.

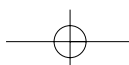
TRAINERS AND THE SYNDICATION OF HORSES

On 11 March 2004 the Australian Securities and Investments Commission placed tighter controls on the selling of shares in racehorses. This threatens to have a dramatically negative effect on Trainer's business practices, and in turn cause a reduction in horse ownership.

Many Trainers have for years syndicated horses they purchase at yearling sales among existing clients or new Owners on a regular basis. This practice has been a cornerstone of both the Trainer's business, and as a method of sourcing and encouraging Owners into the Industry. It is a very popular method of people buying their way into the excitement of Racing ownership, and the flow on effect of race day privileges that are available to Owners.

The ASIC has now imposed stricter regulations on the selling of shares in horses, requiring Trainers to be licensed as Financial Service Advisors to act in that capacity. In effect, this bundles Trainers into the same regime under ASIC's control as Financial Planners and Stockbrokers, a qualification which demands financial and business qualifications far beyond the scope of the average Trainers activities.

Current figures show over 500 active Syndicates in NSW, with over 100 new ones being registered each year. Approximately 2,500 horses are recorded against those Syndicates as Owners or Part Owners. In addition, around 60% of the current Racing stock in NSW have 2 or more Individual Owners as 'partnerships' – these multiple ownerships must be encouraged. A proposal to address this problem is described later in the document.





The Number of Individual Owners in Each Horse that was Registered in NSW

	One owner	Two owners	Three owners	Four owners	Five owners	Six owners	Seven owners	Eight owners	Nine owners	Ten owners	Totals
FY93	1924	1492	409	403	174	254	0	0	0	0	4656
FY98	1997	1295	361	379	164	280	32	36	15	28	4587
FY04	1936	1170	331	334	163	177	95	91	68	154	4519

WHY IS COUNTRY AND PROVINCIAL RACING SO VITAL TO THE NSW THOROUGHBRED RACING INDUSTRY?

The Tables below indicate that one of the reasons for smaller race fields in Metropolitan races is due to less horses that are trained in Provincial and Country areas coming to race in the Metropolitan area.

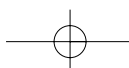
In 1999, there were 4,122 horses trained in the Provincial and Country that raced in the Metropolitan area as compared to 3,488 in 2003, a reduction of 634 or 15%.

1999

Area Trained	Number of Starters	Percentage of Starters Provided for Metropolitan Meetings
Trained at Metropolitan	6,698	60.8
Trained at Provincial	2,291	20.8
Trained at Country	1,831	16.6
Other	199	1.8
Total Starters	11,019	100%

2003

Area Trained	Number of Starters	Percentage of Starters Provided for Metropolitan Meetings
Trained at Metropolitan	6,603	63.4
Trained at Provincial	2,103	20.2
Trained at Country	1,385	13.3
Other	323	3.1
Total Starters	10,414	100%





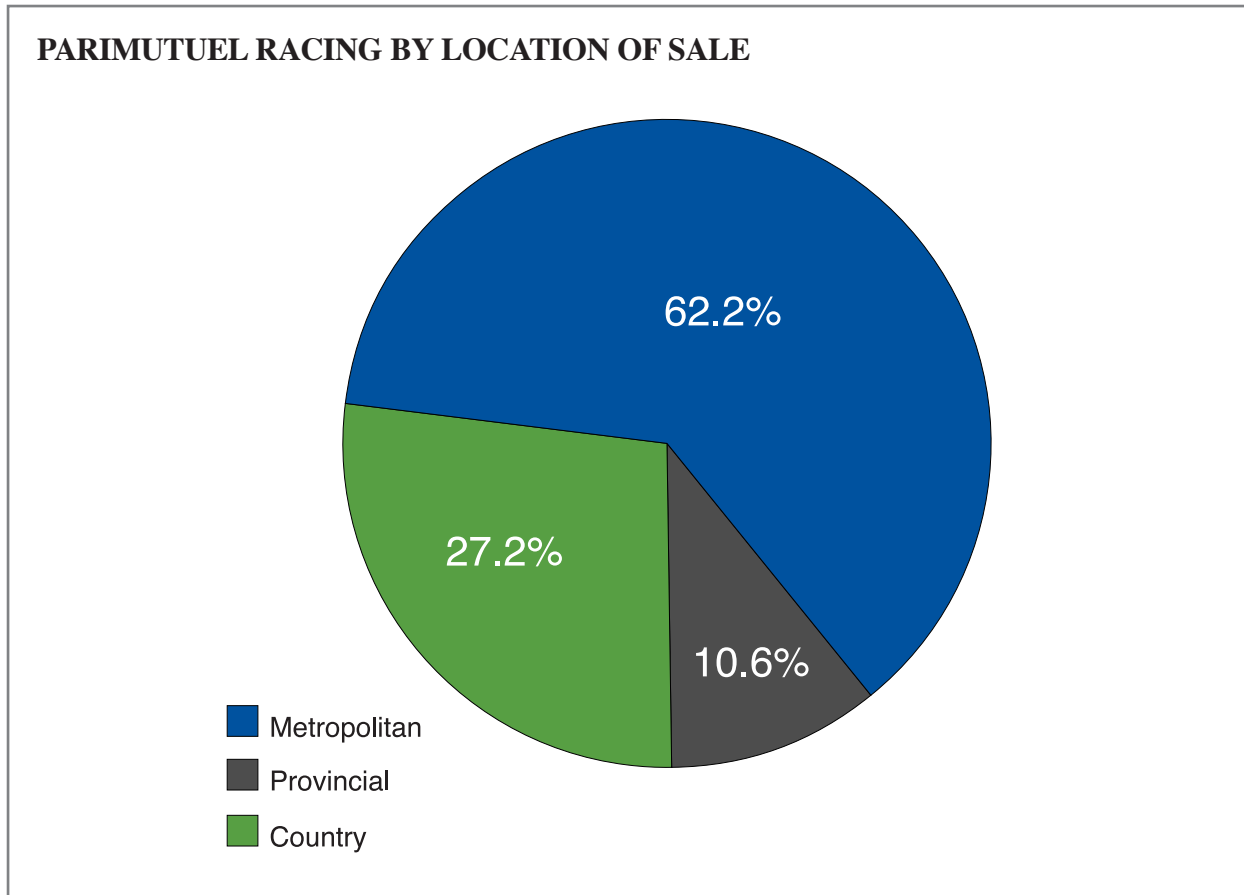
One of the reasons Thoroughbred Racing has formed a prominent part of the fabric of Australian culture is that it had a presence throughout Country areas. Rationalisation would destroy this vital element of the Racing pyramid.

For the minimal expenditure the administration of these tracks incurs the advantage of having a presence far outweighs the cost.

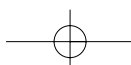
This is highlighted by the origin of Customers of TAB betting. Of the total TAB betting turnover, 27.2% was placed by punters living in Country areas. Having a presence in these Country areas is the best marketing tool as highlighted by TAB sales, for the population which is in the Country makes up 27.2% of bets placed.

Especially when you consider that of the 6.7 million population in NSW, 4 million is in Sydney.

GRAPH B shows Sales by Location of the Punter



Note: Classification based on postcode data. Metropolitan: 1043-2249, Provincial: 2250 - 2310 and 2500 - 2530, Country: 2311 - 2499 and 2531 - 2880





STRATEGY TO ADDRESS MAJOR ISSUES

RETAINING EXISTING BASE OF OWNERS

Making It More Economically Attractive To Owners

(a) Defray Costs To Owners

In order to make it more viable for Owners firstly to remain in the Industry, and secondly to have their horses compete in races, it's necessary to defray their costs of competition. As mentioned earlier, most Owners are realists and don't expect to make a profit out of owning a horse. Owners, however, strive to minimize their expenses. If their costs are too excessive, it is a disincentive to remain in the Industry, or reinvest in another horse. Every competitor must be paid an Appearance Fee of \$200. This will ensure that Owners with horses which can compete in races at least recoup their race day costs.

At present many horses are not entered, as if they don't run a place it is financially unviable to have them in the race. As highlighted above to maximize betting turnover and revenue it's necessary to have 12 starters per race. The payment of Appearance money should increase field sizes.

The Appearance Fee would be deposited into the Trainers Account, and it is mandatory for the Trainer to credit the Owners Account. Accordingly, if the Owners Bill for the month was \$2,000, and the horse competed in two races, the Owners Account would be \$1,600.

Appearance Fees

The aggregate cost of this initiative is set out in the Table below

Metropolitan	1,200,000
Provincial	1,284,000
Country	4,637,000
Total Cost	7,121,000

The monies for the above initiative to defray Owners costs is to be financed by a reduction in Racing NSW and Country Racing Council costs and from the natural increase in TAB Distribution. The payment would be an expense in Racing NSW accounts in the form of an Owners Promotion, and will commence from 1 August 2004.





(b) Increase Prizemoney for Non-Feature Races

As emphasized above, of the total prizemoney available 37.2% is paid to Group and Listed races, which are only 2.8% of the races conducted.

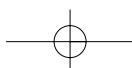
In order to correct the current anomaly, compulsory minimum prizemoney levels must be set for non-feature races.

With the natural increase in TAB distribution and the additional monies to be received from TABCorp, the following increases to “bread and butter” prizemoney must be achieved, and should be set as a compulsory minimum.

RACING NSW – STRATEGIC PLAN

		Currently	2004/2005	2005/2006	2006/2007
		\$	\$	\$	\$
Metropolitan	Saturday	45,000	55,000	65,000	75,000
	Midweek	20,000	22,000	25,000	30,000
Provincial	Midweek	11,000	12,000	14,000	15,000
	Saturday	9,000	10,000	12,000	13,000
Country	TAB	5,000	6,000	7,500	9,000
	NON-TAB	3,000	3,500	4,000	4,500

Annexure (A) provides the financial model for the above appearance money and “bread and butter” prizemoney increases.



Scratching Fees

Certain Scratching Fees will be eliminated. There will not be a charge if a horse is scratched which has a Veterinarian Certificate. Owners should not be penalized if their horse sustains an injury. Further no Scratching Fee will be applicable if a Trainer can show the Stewards that the horse's performance will be affected by the state of the track. For example if a horse has a poor record on a heavy surface and the Stewards are satisfied the horse can be scratched with no financial penalty.

The above will not only save Owners \$400,000 per annum but it will also provide protection to punters, as there should be no disincentive to scratch if a horse is injured or non-competitive on a particular Racing surface.

Clubs will be reimbursed by Racing NSW for the 2005 Financial year for loss of revenue from the elimination of Scratching Fees for the above. There will be no reimbursement from the 2006 Financial year.

(c) Defrayment of Cost to Owners Provided by NSW Race Clubs.

Placed Rider Payment

The Provincial and Metropolitan clubs have recently agreed to cease charging Owners the riding fee for placed riders. As from 1 January 2005, this charge will also be eliminated by Country.

The total benefit to Owners of the elimination of the Placed Rider Payment will be \$1.1 million.

Rebates and Subsidies

It is intended that clubs will retain all other existing subsidies and rebates including riding fees, farrier rebates, float subsidies and unplaced starters rebates. Presently Clubs are paying \$8.3 million in rebates, to defray Owners costs.

(d) Super Sunday – Country Racing

One of the major reasons participation levels have declined in the Country was the requirement to shift Racing from the traditional Saturday afternoon to during the week. Although this enabled the NSW Thoroughbred Racing Industry to increase TAB turnover it decreased attendance at race meetings and forced Part-time Trainers and Jockeys out of the Industry.

Owners also left the Industry as they could no longer watch their horses race during working hours.

A solution which will assist the problem is for the Country sector to embrace Sunday afternoon TAB racing. At least two TAB meetings should be conducted each Sunday, in different regions in the State. This may be increased in the future. While generating TAB turnover, Clubs could market Sunday as the new day for Racing in the Country, which will increase attendance and participation.

Further, there should be a feature meeting conducted on a Sunday which should be heavily promoted in the area, and prizemoney for all races must be higher than a normal meeting.

A strategy is currently being developed and will be released shortly.



INCREASING OWNERSHIP BASE

Promotion of Ownership

Owners Department

With the decline in horse numbers the promotion of ownership must be a paramount objective. An Owners Department must be established within Racing NSW to attend to all matters relating to Owners, including promotions to attract new Owners and to maintain the current base of Owners.

There must be a presence at all major meetings, with the aim to specifically target the 21–35 age demographic to participate in Syndicates. Racing NSW would establish criteria for accrediting Syndicate Promoters. These accredited promoters would be heavily marketed.

ENCOURAGE REINVESTMENT IN THE INDUSTRY USING THE BOBS SCHEME

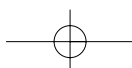
Currently, if a BOBS eligible horse wins a 2YO or 3YO race in the city, a \$20,000 bonus via BOBS is paid. After deductions the Owners of the winner receive \$16,000. This money may be lost to the Racing economy as the Owners may spend the \$16,000 on areas outside Racing. In order to encourage reinvestment into Racing, an option should be provided where, rather than taking the \$16,000, the Owner(s) can receive a voucher for \$25,000 which must be used at thoroughbred sale or for a stallion service. A recent informal survey carried out by the Bloodstock Agents indicated that 50% would take the voucher.

This means that rather than the money from BOBS leaving the Racing economy, the money is reinvested which will provide an economic multiplier for all participants of the NSW Thoroughbred Racing Industry.

PROVISION OF A BROODMARE FORUM

In 1993, 13,876 horses had a race start in NSW, this compares to 10,823 in 2003. Horses from NSW have also been exported internationally and in particular Asia. The shortage of horses has caused race field sizes to decrease even though less race meetings are conducted which as emphasized previously, reduced betting turnover and ultimately revenue.

At present not all broodmares are being used for breeding purposes. Broodmare Owners may only have their mares served by stallions every second or third year.





The drought in NSW has provided a further deterrent for Broodmare Owners to utilize their stock. Of the 11,546 broodmares in NSW, approximately 2,660 were not used for breeding purposes in 2003.

In order to promote all Broodmares being deployed a Register should be created which lists the Broodmares that will not be served in that season. The Register would be displayed on the Racing NSW website and in the Racing NSW Magazine. Persons wishing to use the Broodmares could contact the Owner and negotiate a price or agreement to use the mare. For example a fee may be paid, or the Broodmare Owner retains a share of the foal.

The provision of this Forum may encourage new participants to breeding and increase horse numbers.

AUSTRALIAN HOTELS ASSOCIATION/REGISTERED CLUBS/ LICENSED PREMISES

A relationship must also be established with the Australian Hotels Association and Registered Clubs whereby Racing NSW could coordinate a process to have Hotels and Clubs and other Licensed Premises lease a horse for their patrons. Each Hotel or Club would have their own colours which displays the name of the Hotel or Club. There are currently 2,035 Hotels and 1,400 Registered Clubs in NSW, with at least one or two at each Country area which houses a racetrack. Even if there was only a 40% take up rate, means 1,374 horses could be leased with many thousands of Hotel and Registered Club patrons experiencing Racing and the thrill of ownership.

The Owners Department would coordinate the above initiative.

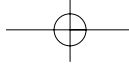
SYNDICATIONS

In recent years, Syndications or Partnerships have become an increasingly popular method of buying a racehorse. Ownership groups come together as either existing groups of friends, or new people introduced to the Industry by Syndicators or Trainers. This method of horse ownership can be described as the “nursery for new Owners”, providing a relatively simple and affordable entry stream to enjoy the thrill of Racing your own horse.

The Australian Securities & Investment Commission

Promoters

Since the early 90’s, Syndicators have been regulated by the ASIC and each State Principal Racing Authority (Lead Regulators) as Approved Promoters. There have only been a handful of successful Promoters in the ensuing decade; names like Harry Lawton, Denise Martin or Rob Slade are survivors in a challenging business.



Trainers

On the other hand, many Trainers have for years syndicated horses they purchase at yearling sales among their clients with comfortable success. This has had a twofold benefit – it keeps interest in Racing for regular Owners, and enables the Trainer to keep their horse numbers up – the cornerstone of their business.

Past Regulation

The regulation of the 2 roles has been relatively simple. People who wanted to advertise shares on websites and in publications must be an Approved Promoter. They issue Product Disclosure Statements and Financial Services Guides to clients, lodge documents with the State Principal Racing Authority, and submit annual business accounts for auditing.

However, Trainers who were syndicating horses among clients and their friends through word of mouth or open days - the 'Pat and Pay' BBQ - were not focused on.

New Regulation from the Australian Securities & Investment Commission

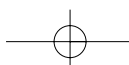
On 11 March 2004, the ASIC effectively signalled its intention to scoop up Trainers methods in the regulatory scheme by changes to the Financial Services Regime. No longer would the unwritten 'advertising rule' apply. If someone makes an offer of shares on more than one occasion, including by phoning or approaching clients, they must hold an Australian Financial Services Licence and be recorded by a Principal Racing Authority as an Approved Promoter.

The difficulty for Trainers (and therefore the Industry) is that obtaining these approvals involves a substantial process, including meeting financial qualifications, audit trails, dispute resolution processes, etc. Legal advice is usually required, and a financial bond of min. \$10,000 + costs. The total set-up package could easily reach \$20,000, + the ongoing administration and operating costs.

Possible Solution to Simplify the Process for Trainers

There is facility within the law and the ASIC regulations for Approved Promoters to appoint an Authorised Representative to make offers of shares on their behalf.

Racing NSW, or a subsidiary company, will investigate the possibility of becoming an Approved Promoter, and appointing Trainers as Authorised Representatives.





This would require further research, and agreement from the ASIC, but would be welcomed by the industry.

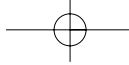
Some draft guidelines suggested:

- Form Company
- Director – CEO of Racing NSW, or Ownership Department (subject to conflict of interest issues as Lead Regulator)
- Company applies to ASIC for Australian Financial Services Licence
- Trainers who want to sell shares in horses apply to Racing NSW to become Authorised Representatives
- A short in-house training course is developed for Trainers applying must then be approved by ASIC individually
- Standard Product Disclosure Statements (including Veterinary Certificates) and Financial Services Guide prepared by Company (as per current Racing NSW examples), for issue by qualified Trainers
- Horses offered by Trainers - any mark up restricted by Company to standard amount
- Trust accounts, managed by Company, required for each horse until fully sold
- Dispute resolution process developed by Company.
- Annual accounts for each horse currently required by ASIC - Racing NSW has applied for this to be removed
- Company facilitates information service and Owners marketing to clients, including reporting of horses progress, etc
- Race Club secretaries may be Company links in each area
- Company seeks insurance cover against fraudulent practice or mishaps by Trainers

Another Option

If the above is deemed not suitable, a smaller version in each regional centre linked to a Trainer's Co-operative will be explored.





INCREASING PARTICIPATION

PROVISION OF AN EDUCATION FACILITY & TRAINING COMPLEX

Educational Facility

As highlighted earlier in this document participation levels have declined substantially in the past ten years. There is an urgent need to develop and market a career path in the Racing Industry. Establishment of a Jockeys Academy is imperative and this is dealt with in detail on page 29.

Educational courses also need to be developed to provide opportunity for young people to establish a career in the training of thoroughbred horses. Trainer numbers have declined by 41% in the past ten years. Once the course is completed, it would be necessary for the graduate to work with an established Trainer for a period of time. Specialized courses would also be offered for Stewards and for other areas of Racing administration. All educational programs would be marketed to schools as a career in the Racing Industry.

Commercial opportunity also exists to attract International students to these programs, particularly from Asia. Racing NSW is consistently requested by Asian countries to provide training to their Stewards and other areas of administration. Ideally the educational facilities could service all other States.

Training Facility

In order to provide a low cost entry to young Trainers, a Training Facility also needs to be established which is strategically well positioned to service Metropolitan and Provincial racetracks. Further both Warwick Farm and Randwick are over burdened as training centres.

The overuse has caused racetracks to suffer extensive “wear and tear”, which is only not conducive to Racing but exposes horses to injury, during training.

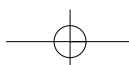
The complex should be modeled on successful specialised training facilities internationally and in particular Japan and France with all facilities that are required such as an all weather track, swimming pools, horse walking track.

The need will become more urgent if training of horses is restricted to daylight hours by WorkCover due to Occupational Health and Safety concerns. Further the majority of stables at Warwick Farm are privately owned near the racetrack. Eventually the properties due to the urban sprawl will be too valuable to retain as stables.

With the above in mind, Racing NSW will seek to acquire longterm leasehold over the Sydney International Equestrian Centre (SIEC) at Horsley Park, and possibly the adjoining Sydney Western Regional Park.

If successful Racing NSW would provide certainty for existing equestrian users of continued use of a world class facility, well into the future, and share in the new facilities established and services offered.

The complex would need to be self sustaining in cost.





The Equestrian Centre is part of the Olympic legacy and comprises:

- 96 hectares
- Racing NSW apprentice school
- 1,100m grass race/training track with inside sand track
- 280 stables
- Accommodation – 40 rooms
- 1.2 km steeplechase track
- Indoor riding arena (seating 1,000)
- Main arena (fixed seating 2,000; grassed bank seating 4,000)
- 6 hacking arenas

Sydney Western Regional Park comprises:

- 480 hectares
- 5.5 km cross country course
- 20 km of horse walking trails

It is believed that in excess of \$60 million has been invested in the complex.

Intended development would include:

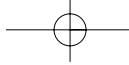
- 200-400 new stables
- Upgrade of existing racetrack to all weather racing surface

Horsley Park is located near the proposed Western Sydney Orbital which will service all the major expressways.

Warwick Farm	15km	25 minutes
Rosehill	24km	23 minutes
Randwick	46km	55 minutes
Hawkesbury	30km	40 minutes
Other Provincials	100km–200km	1–2 hours

Horsley Park would not be developed to be in competition to the current Race Clubs training establishments but rather compliment these facilities. The NSW Thoroughbred Racing Industry would acquire a major asset and develop of complex of excellence for the future.

Further details of this initiative will provide over up coming months.



JOCKEY ACADEMY

The entire State of NSW is suffering from a severe shortage of capable Track Riders and Apprentice Jockeys. It has been observed by Trainers consulted that fewer young people are familiar with horses than in decades gone by, and their attitudes have dramatically changed.

It is considered that the minimum time required getting a person capable of riding in trials or good trackwork is 12 months. In today's environment, it is simply too onerous for Trainers to spend the time and allocate the resources teaching kids how to ride.

In conjunction with TAFE, Racing NSW already has in place an Apprentice Training School. On limited resources, the school provides 2 weeks of initial training for each rider. However, the complaint is that the kids would benefit with more training prior to being placed in stables.

An opportunity exists to position NSW as an International Apprentice Jockey training centre of excellence. Racing NSW wants to establish an Apprentice Jockey Academy at Sydney International Equestrian Centre (Horsley Park). Similar academies already exist in Japan, France and South Africa. The Academy would be a joint venture with:

- Department of Sport
- TAFE
- University of Western Sydney and/or Sydney University
- Equestrian Federation of Australia

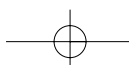
The Academy would be a full time boarding facility with a 12 month programme. About 40 students would be in training at any one time. The Academy can be expanded to also train other horse people including Farriers, Veterinarians, and Trainers.

The Academy would be, in part, funded by the training of International Apprentice Jockeys. It is anticipated that the need for well trained riders will increase as Racing expands throughout Asia.

The first half of the course would focus on developing basic horse riding and handling skills, and self development. This part would be delivered on site at the Academy. Students would have the skills to enter stables as a strapper and would be awarded a Certificate II (Stablehand).

The second half of the course would include working at stables in the morning as trainees, and theory training at the Academy in the afternoon. Students would be capable of riding in barrier trials and would be awarded a Certificate III (Track Rider) or Certificate IV (Jockey Traineeship).

The end result would be better trained and increased numbers of Apprentice Jockeys and Track Riders.





IMPROVING TRAINERS CASH FLOW

Trainers Co-operative

Many Trainers are disillusioned with the Industry, due to the poor financial return and the copious amount of bookwork and administration required.

In particular, chasing debts and the accounting work required for GST and other purposes has taken Trainers away from their core responsibility of training.

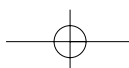
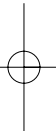
It would be more cost effective and save significant man hours for Trainers to have all their accounting functions carried out by a centralized management company. The optimum structure for the organisation would be as a Trainers Co-operative.

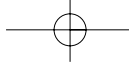
In NSW currently there are 1,400 registered Trainers. If only 10% participated in the Co-operative, it would only cost each Trainer \$4,500 to have all their accounting functions carried out, including invoicing Owners, collecting accounts, paying accounts, all GST issues, Tax Returns, etc.

A further major advantage of the Trainers Co-operative is that collectively Trainers have massive buying power. The \$4,500 they pay for the service could be easily recouped by the savings from the economies of scale. For example, the buying power could save on telecommunication costs, insurances, feed, Veterinarian services, horse transport, legal advice, etc.

The Co-operative could be established with the assistance of Racing NSW and have a Board of Directors, of member Trainers.

The Co-operative in the future could look to acquire assets such as horse transport trucks and supply the service to members at a much cheaper rate than currently being incurred.





TRAINERS WORKERS COMPENSATION

At every consultation meeting, Trainers in all sectors expressed concern at the high cost of Workers Compensation premiums. Unfortunately these prohibitive costs are due to the extraordinary amount of claims, against the Insurance Fund.

In the 2005 Financial year changes have been made to reduce the upfront Trainers base fee by at least 30%, so as to assist Trainers' cash flow. The starters' activity fee has been increased to compensate for the reduction in the base fee. It is however essential to decrease the cost of Workers Compensation and a reduction of 20-25% in total premium could be made during the year to assist Trainers.

However, Trainers will be required to carry out risk assessment of their operations to ensure exposure to injury by their workers is minimized. Racing NSW will provide the services of an Occupational Health and Safety Officer to assist Trainers in this regard. Further reduction in premiums can only be achieved with less claims, so it is paramount that Trainers implement the highest standard of Occupational Health and Safety measures.

COST EFFECTIVE DISPUTE RESOLUTION

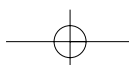
The advent of the Stakes Payment System where all prizemoney is paid into individual Owners bank accounts, has caused some Trainers to experience cash flow problems.

At times, Trainers are left with bad debts and in order to collect these monies expensive legal action is required.

Racing NSW propose a cost effective resolution is to make it compulsory that every Trainer have a Training Agreement with an Owner(s). The Agreement would be drafted by Racing NSW and list all the necessary terms and conditions.

If a dispute arose, Racing NSW would provide an arbitrator to determine the matter. Only the Trainer and Owners would be allowed at the hearing. The law of evidence would not apply and the decision is final.

The arbitrator would be selected from retired solicitors/magistrates from each region.





PROGRAMMING

Racing NSW will undertake a major review of programming and the Handicapping System. Time has not permitted to allow an extensive assessment. In particular, an analysis should be carried out to determine if races could be programmed on ABILITY rather than on ELIGIBILITY. With the advent of Ratings Based Handicapping, races could be programmed in bands at varying distances similar to Europe and Asia.

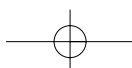
Consideration should be also given to programming on the horses that are available. At present programs are written 4 to 8 months from the race. Although the argument for this practice is so Trainers know well in advance, in order to plan their activities. The System, however, does not embrace current technology. Group and Listed races should be programmed well in advance, however, flexibility should be provided so as to take advantage of the pool of horses that are available to race. In addition to the programs that are drafted in advance, a system could be put in place where Trainers are required to lodge a Stable Return on a weekly basis on the horses that are ready to race or are Racing.

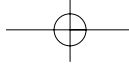
The Return should include the preferred distance, location and the last time the horse competed. Programmers could then program a race(s) on the pool of horses that is available.

An extensive consultation program should be immediately undertaken to review Programming with a separate report being generated. And as stressed earlier, other than the high cost, the second greatest disincentive is paying the bills to have a horse trained and not being able to secure a race start.

At present, horses in NSW are only averaging 5.3 starts per season. If the number of suitable races for all horses can be increased, this should result in fewer horses being left “at home in their box”.

Field sizes and starter numbers could be increased by 13%, simply by enabling horses to start 6 times per season instead of 5.3.





REDUCTION OF COSTS

Racing NSW Costs

Racing NSW will reduce its expenditure by at least \$2 million in the first Financial year and continue to use cost effective best practices to reduce expenditure in following years.

Country Racing Council and Provincial Association

The administration of Country Racing will be absorbed into the Racing NSW operations, so as to save on duplicated expenses between the two organisations. The Country Racing Council is to be replaced with a seven person Board, which will comprise a representative from each Association and meet each quarter, and will be known as Racing NSW Country. Their recommendations will require approval from the Racing NSW Board. All regional offices currently paying a market rental will be closed. All administrative functions by staff at these offices (excluding Stewards) will be undertaken at Racing NSW. Staff for the Provincial Association will also be discontinued.

AJC/STC

Currently both clubs conduct 123 race meetings for a cost of \$57 million. In their administration and operations the clubs would be duplicating expenses. Racing NSW will recommend to the AJC/STC that they remain as competitors and retain their identities, but look at establishing a service company that would facilitate their administrative functions. Not only would there be a reduction in costs, but also provide the potential for economies of scale by having greater purchasing power. Savings of up to \$10 million could be achieved.

Provincial Clubs

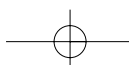
A similar service company could be established for the Provincial clubs, again in this sector there would be many tasks that are currently duplicated.

CLUB PERFORMANCE

All clubs will be required before each Financial year to lodge a detailed budget in a standardized format. Metropolitan, Provincial, regional and major Country race clubs will also be required to lodge a quarterly Profit and Loss Statement and Statement of Financial position, in a standardized format.

Performance benchmarks in key areas will be measured including prizemoney, administration costs, non wagering revenue, admissions and sponsorship.

Ratio analysis will be used including prizemoney paid as percentage of TAB Distribution received. Promotional costs as a percentage of admissions revenue sponsorship as % of total net revenue, administration costs % of total net revenue, track maintenance as a % of total costs.





NEED FOR ADDITIONAL MONIES TO CORRECT DISPARITY OF WHAT OWNERS ARE PAYING AS COMPARED TO RETURN

IMPERATIVE FOR NSW GOVERNMENT TO PROVIDE TAXATION RELIEF

In NSW for every \$1 that is bet with TAB, the Racing Industry receives approximately 4.54 cents towards the payment of prizemoney and for all other costs relating to conducting race meetings including Racing NSW costs.

In 2003 this equated to \$200 million for the three codes on \$4.4 billion of TAB sales. In Victoria, not including the \$100 million the Racing Industry receives for its share of Poker Machine Profits, the Racing Industry receives 5.2 cents for every dollar bet on TABCorp. The three codes in Victoria, in 2003 received \$251 million, \$51 million more than NSW.

In Queensland and South Australia the Racing Industry receives 6.25 cents for every \$1 bet. Further, the tax taken out by the Queensland and South Australian Governments is only 3.2 cents from every \$1 bet as compared to 4.5 cents in NSW.

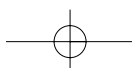
If NSW had the same tax rate as Queensland and South Australia, the NSW Thoroughbred Racing Industry would have received an additional \$42 million per annum.

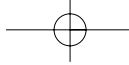
As stressed above, it is costing Owners \$200–\$250 million in costs yet they are only receiving \$100 million in prizemoney. In other words, Owners are subsidizing the Industry between \$100-\$150 million per annum for the NSW Government to receive \$200 million in taxation.

The Racing Industry should be provided an equitable tax regime after taking into account Owners contributions.

State	Cents paid to Racing Industry for every dollar bet	State tax on wagering per dollar bet
NSW	4.54	4.70
Victoria	6.00	4.70
Qld	6.25	3.20
SA	6.25	3.20

Racing NSW will develop strategy to address this inequity with the NSW government.





CORPORATE BOOKMAKERS/BETTING EXCHANGES

Copyright on Racing Information

The Racing Industry must take all actions necessary to provide copyright protection on Race Fields and Results.

If any person or organisation infringes the copyright, legal action for damages must be immediately taken. The Racing Industry must vigorously enforce copyright, so as to stop the pilferage of NSW betting turnover. The enforcement of copyright could provide additional revenue to the NSW Thoroughbred Racing Industry of between \$10 million to \$20 million per annum.

Betting Exchanges

The Racing Industry must continue to lobby the Federal Government to amend the Interactive Gambling Act 2001, so as Betting Exchange Operators would be required to procure a license to operate from the State Government where the race is being conducted, and a license to operate from the Thoroughbred Controlling Authority in that State. In other words, if a Betting Exchange Operator was fielding on Randwick races, they would require a license from the NSW Government and a license from Racing NSW; otherwise they would be in breach of the Interactive Gambling Act 2001.

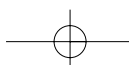
Further, in order to supplement the licensing regime, legislation should be introduced to make it an offence carrying substantial fines for any Bank or Financial Institution to carry out a financial transaction involving any off shore Bookmakers, including Betting Exchanges, which are not licensed. The eradication of Betting Exchanges as a betting medium in Australia would not only protect the integrity of Racing but also recoup lost revenue of \$10 – \$20 million per annum.

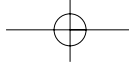
TRACKS

A document must be drafted by a relevant expert in consultation with the Industry which specifies minimum track requirements (to be known as Minimum Track Standards) for each sector of Racing. The Minimum Track Standards will have the following 3 main objectives:

1. To ensure safety for Jockey and horse
2. To ensure track is conducive to competitive Racing
3. To ensure tracks are suitable for training, and minimize exposure for injury to horses.

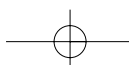
Stewards will be required to inspect track surfaces to ensure they conform to the Minimum Track Standards. Racing NSW will direct Clubs to commit expenditure to having tracks to the Standards required by the Minimum Track Standards.





ANNEXURE A

	2003-04	2004-05	2005-06	2006-07
Income	\$M	\$M	\$M	\$M
TAB natural growth (source: NSW)	149.1	157.1	167.1	176.6
RNSW savings	0	2.0	2.0	2.0
CRC savings	0	1.0	1.0	1.0
Growth in club non-wagering revenue & reduction in expenses	0	1.0	2.0	3.0
Total	149.1	161.1	172.1	182.6
Base year FY04	149.1	149.1	149.1	149.1
Growth from FY04		12.0	23.0	33.5
Expenditure				
BOBS incremental growth	0	0.5	1.0	1.5
Unplaced Starter Appearance Fee	0	7.2	7.2	7.2
Deficit from base year FY04	0	7.7	8.2	8.7
Surplus on base year available for prizemoney	0	4.3	14.8	24.7
Total prizemoney objectives				
AJC	33.0	34.6	36.5	38.9
STC	28.1	29.5	31.8	34.7
Provincial	13.5	14.3	16.0	17.0
Country TAB	16.5	17.1	19.2	22.0
Country Non-TAB	5.0	5.1	5.4	6.0
Picnic	0.4	0.4	0.4	0.4
TOTAL	96.7	101.0	109.4	119.0
Base year FY04 est.	96.7	96.7	96.7	96.7
Total amount extra placed into standard Prizemoney	0	4.3	12.7	22.3
Surplus/(Deficit)	0	0	2.1	2.5



OBJECTIVE

Area	Objective	Base year 02-03	2004-05	2005-06	2006-07
Wagering	TAB wagering sales on NSW gallops	\$1,100M	\$1,130M	\$1,170M	\$1,200M
	TAB wagering revenue	\$149.1M	\$157.1M	\$167.1M	\$176.6M
	Bookmakers turnover	\$582M	\$600M	\$630M	\$650M
Prizemoney	Advertised Prizemoney	\$96.7M	\$101M	\$109.4M	\$119M
	Amount of Appearance Fee	\$200	\$200	\$200	\$200
	BOBS bonuses paid	\$4.5M	\$4.5M	\$6.0M	\$8.0M
	Minimum Metropolitan Saturday prize	\$45-50,000	\$55,000	\$65,000	\$75,000
	Minimum Metropolitan midweek prize	\$20,000	\$22,000	\$25,000	\$30,000
	Minimum Provincial midweek prize	\$11,000	\$12,000	\$14,000	\$15,000
	Minimum Provincial Saturday prize	\$9,000	\$10,000	\$12,000	\$13,000
	Minimum Country TAB prize	\$5,000	\$6,000	\$7,500	\$9,000
	Minimum Country Community prize	\$3,000	\$3,500	\$4,000	\$4,500
	People	Individual Owners	13,100	13,500	14,000
Number of Trainers		1,400	1,450	1,500	1,550
Number of Jockeys		168	175	180	190
Number of Apprentice Jockeys		114	120	125	130
% of starters ridden by apprentices		23%	24%	25%	25%
Number of Bookmakers		223	223	223	223
Horses	Individual horses	10,823	11,000	11,500	12,000
	Individual 2yo and 3yo	4,300	4,400	4,500	4,700
	Number of starters	55,056	56,000	58,000	60,000
	Number of mares covered in NSW	10,674	10,700	10,800	11,000
Racing	Number of venues	118	118	118	118
	Number of race meetings	800	800	800	800
	Number of TAB meetings	600	600	600	600
	Number of Community meetings	200	200	200	200
	Number of races	5,600	5,600	5,600	5,600
	Average TAB field size	10.5	11.0	11.5	12.0
	Average non-TAB field size	8.2	9	9.5	10
	% of TAB races with fewer than 8 starters	14%	7%	7%	7%

ACTION PLAN

	Item	Issue	Activity	Due	Target/Benefit
PIRACY OF WAGERING PRODUCT	Corporate Bookmakers	Leakage of wagering revenue	Copyright enforcement of Racing information ensuring payment of adequate product fee	FY05	\$13M p.a.
	Betting Exchanges	Leakage of wagering revenue	Lobby Federal government re Betting Exchanges to prohibit financial transactions between Australian banks and unlicensed Betting Exchanges	FY05	\$8M p.a.
RNSW ADMINISTRATION	RNSW administration	Cost Service	Provide cost effective and user friendly administration	FY05	\$2M p.a. 100% customer satisfaction
	RNSW budget	Lack of certainty for clubs over level of first charge	Implement formula and policy so as to give clubs greater certainty	FY05	
WAGERING TAXATION	Wagering taxation reform	Inequity in wagering regime in comparison with other States	Request Government amend taxation rate from 4.5c to 3.2c to bring NSW inline with other States	FY05	\$42M p.a.
WAGERING REVENUE	Metropolitan Saturday programmes	Sub optimum field size	Increase fields by one starter	FY07	\$1.5M p.a.
		9 race programmes	Maintain	FY05-07	\$600K p.a.

	Item	Issue	Activity	Due	Target/Benefit
PRIZEMONEY	Field sizes of 7 or less	Currently 14% of fields have 7 runners or less	Reduce to 7%	FY05	\$300K p.a.
	Placement and timing of meetings	Opportunity to maximize wagering benefits	TAB to actively liaise with clubs in allotting times and placement of meetings	30 Jul 04	\$300K p.a.
	Prizemoney	Narrow prize base - 35% of prizemoney on 2% of races Out of alignment with wagering returns Bread & butter prizemoney is unsustainable	Grow base prizemoney so as to encourage reinvestment by more people. Implement prizemoney objectives	FY05 FY06 FY07	\$4M \$12M \$22M
	Appearance Fee	Defray cost to Owners	Introduce \$200 unplaced starters incentive across all races	1 Aug 04	\$7.1M
BOBS	BOBS	Ongoing review	Review all aspects of BOBS including voucher system, sponsorship, bonus structure, 4yo, entry fees, etc	30 Sep 04	
	BOBS	Increase retention of money within the Racing economy	Establish optional voucher system for redemption at yearling sales or for service fees (e.g. \$16K cash v. \$24K voucher)	30 Sep 04	50% take up of voucher by FY07

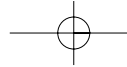
	Item	Issue	Activity	Due	Target/Benefit
RACING FEES	BOBS	Key performance indicators	Increase <ul style="list-style-type: none"> • Sponsorship • Stallion participation • Gross value of scheme • Horse numbers 	FY07	\$1M sponsorship p.a. \$2M p.a. stallion revenue \$8M distributed Increase number of 2yo and 3yo horses from 4,300 to 4700 (10%)
	Nomination and Acceptance Fees	Leakage of Owner's money to GST (approx \$140K p.a.)	Review entry fee structure for feature races with a view to making all races free entry, except futurity stakes race (e.g. Golden Slipper)	30 Nov 04	\$140K saving to Owners
	Scratching Fees	12 tiered scratching policy is confusing and perceived as inequitable and expensive	Review Scratching Fees structure and drivers with a view to standardise across all sectors	30 Sep 04	
	Country Placed Rider Payment	Significant cost to Owners Perceived as inequitable by many Owner Equivalent to 7% tax on lowest prize level	Racing NSW Country to review with a view to bringing in line with other sectors	1 Jan 05	\$400K saving to Owners

	Item	Issue	Activity	Due	Target/Benefit
OWNERSHIP	Development and retention	Development of new Owners	Create Ownership Development Department in Racing NSW	FY05 FY06	13,000 Owners 13,500 Owners
		Loss of existing Owners		FY07	14,000 Owners
	Owners	Different treatment of Owners by different clubs	Standardise and improve overall treatment of Owners Ensure Owners treated as top of the pyramid - "Royalty for a day", e.g. <ul style="list-style-type: none"> • Preferential parking • Free entry and racebook • Generous with tickets 	30 Sep 04	
	Australian Hotels Association and Clubs NSW	Increase involvement in the Racing Industry	Develop simple entry point for participation by clubs and pubs in the Racing of horses	FY07	<ul style="list-style-type: none"> • Take up rate of 40% by pubs and clubs • 1374 new horses being raced by pubs and clubs
	ASIC	Class order affecting racehorse syndicates	Lobby ASIC to amend Class Order by deleting <ul style="list-style-type: none"> • \$250K barrier • accounting requirements 	FY05	

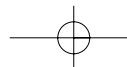
	Item	Issue	Activity	Due	Target/Benefit
TRAINERS		Approved Promoter	Investigate possibility of RNSW or subsidiary company (e.g. Trainers co-op) becoming an Approved Promoter with AFS licence	FY05	Simplify process for trainers becoming authorised representatives
	Leverage and commercialisation	Opportunity to leverage benefits for Owners and other Industry participants	Investigate loyalty programmes including: <ul style="list-style-type: none"> • banking • retail 	30 Nov 04	
	Trainers cash flow	Trainers experiencing severe cash flow problems	Introduce unplaced starters rebate (see above) Deposited into Trainers account Trainer to then net off against owners account	1 Aug 04	Trainers cash flow improved by \$7M
	Trainers Co-operative	Current non-utilization of economies of scale	Establish Trainers Co-op to service e.g. transport, feed, ASIC requirements, accounting, etc	30 Nov 04	140 Trainers participating
	Workers compensation	Cost	Reduce cost to Trainers by 20-25%	FY05	20-25% savings in cost to Trainers
	Qualifications	Requirements to gain a trainer licence	Entry requires minimum professional qualifications or experience (e.g. TAFE business course)	1 July 05	Better service of Owners
	Code of conduct	Non-existent	Introduce Trainers code of conduct	30 Sep 04	

	Item	Issue	Activity	Due	Target/Benefit
PROGRAMMING	Trainers agreement with Owner	Lack of usage	Affirm uniform training contract in conjunction with NSWROA and ATA	30 Sep 04	
	Dispute resolution	Owners not paying, or slow to pay trainers	Appoint arbitrators state-wide to resolve disputes Defaulters placed on forfeit list	30 Sep 04	
	Various programming issues	General dissatisfaction with programming including set weight maidens, distance races, fillies and mares, class structure, spread of weights	Major state-wide review of programming structure	30 Aug 04	
	Flexible programming	Races programmed too far ahead Requirements of horse pool not known at times programmes are set	Research possibility of flexible programming structure based on current requirements of available horse pool	30 Dec04	
	Nomination and acceptance time	Some G&L races closing too early resulting in fewer starters (e.g. 2004 Champagne Stakes)	Review closing times with aim of closing all races at standard times	30 Aug 04	

	Item	Issue	Activity	Due	Target/Benefit
HANDICAPPING	Ratings Based Handicapping	Horses being handicapped on eligibility rather than ability	Review eligibility based system and introduction of ability based system (e.g. Asian system)	30 Dec 04	
COUNTRY	Country Racing Council	Cost	Replace CRC with Racing NSW Country Ltd. Disband CRC Regional Offices Transfer Stewards offices to local racecourses	1 Jul 04	\$1M p.a.
	“Super Sunday”	Increase weekend racing by promoting Sunday meetings in NSW Country areas	Create a series of “Super Sunday” Country race meetings offering significant prizemoney	1 Jan 05	
	Scheme of Distribution	Perceived by many as inequitable and based on external factors beyond club control	Racing NSW Country to review appropriateness of current scheme of distribution	Jan 05	
	Country Saturday Racing	Number of meetings	For next 3 years provide certainty for Country clubs	FY04-07	No fewer than <ul style="list-style-type: none"> • 200 Country Saturday meetings • 100 Sunday meetings
	Track Maintenance Scheme	Perceived as under funded in comparison to real cost	Racing NSW Country to review suitability of existing track maintenance scheme	Jan 05	



	Item	Issue	Activity	Due	Target/Benefit
PROVINCIAL	Ownership of land	Strategic weaknesses regarding non-ownership	Identify major tracks on Crown or leased land with a view to acquiring freehold	30 Sep 04	
	Picnic Race Clubs	Lack of funding	Introduce \$5K meeting payment Total cost \$125K p.a.	1 Jul 04	
	Free to air television	Strategic partnership with free to air television	Initiate state wide partnership	30 Sep 04	
	Provincial Association	Funding of administration	Cease funding of Association executive office		\$150K
METROPOLITAN	Land ownership	Kembla Grange & Hawkesbury	Commence negotiations with Crown to acquire racecourses as free hold	30 Nov 04	Club ownership of racecourse
	Club administration	Duplication of costs	Review viability of establishing a company to service AJC and STC	30 Nov 04	\$3M
TRACKS	Land ownership	Randwick	Commence negotiations with Crown to secure Randwick as freehold	30 Nov 04	Club ownership of racecourse
	Minimum track standards	Safety	Develop minimum standards document for each sector of Racing	FY05	
	Drought and climate change	Water costs	Review drought proofing strategies for top 35 major TAB tracks	FY06	



	Item	Issue	Activity	Due	Target/Benefit
RACE CLUBS	Standardised accounting	Provincial and Metropolitan clubs different accounting practices	Expand CRC model of standardised race club accounting across all three sectors	FY05	
	Performance benchmarks	Best practice	Establish performance benchmarks in key areas including prizemoney, trained starters, non-wagering revenue, administration costs	30 Sep 04	
RACE DATES	Continuity Clash minimisation	Lack of continuity, especially in Country areas	Review existing arrangements so as to create better flow of sustainable Racing	30 Sep 04	
APPRENTICE JOCKEYS	Jockey Academy	Shortage of Apprentice Jockeys and Track Riders	Depended on business plan Establish full time international Apprentice Jockey training centre of excellence	FY05 FY05	Full time training of 40 students

	Item	Issue	Activity	Due	Target/Benefit
PUNTERS	Apprentice Jockeys	Declining number	Investigate initiatives to encourage greater participation including <ul style="list-style-type: none"> • allow 5kg claim for first 10 winners in each area • allow drop back provision for use of apprentice riders 	30 Oct 04	Increase apprentice numbers by 10%
	Track Riders	Lack of Track Riders	Investigate clubs to employ Track Riders as ground staff, Barrier Attendants, etc	30 Nov 04	
	On-course	Promotion	With TAB, investigate offering on-course punters a better dividend than off-course	30 Nov 04	
	New punters	Where will they come from?	With TAB, devise education processes for new punters	30 Nov 04	
BOOKMAKERS	Bookmakers	Participation and viability	With Bookies Co-op, investigate initiatives to increase participation and viability	30 Dec 04	
BLOODSTOCK AGENTS & SYNDICATORS	Accreditation	Increase activity as entry point for new owners	List on website Endorse Codes of Conduct	30 Oct 04	
BREEDERS	Broodmares	Declining foal rates	Introduce Broodmare Forum	30 Sep04	

	Item	Issue	Activity	Due	Target/Benefit
MARKETING	Research	Lack of customer research	With clubs, implement strategy of increasing customer research	30 Sep 04	
OHS	Training hours	Working horses in the dark	Conduct audit on lighting of training facilities	30 Sep 04	
	Compliance and education	Compliance by trainers of OHS commitments	Appoint Industry OHS officer	30 Sep 04	

