

SECURING THE FUTURE

A Vision of Sustainability for the WA Thoroughbred Industry



‘Whilst there are many challenges confronting the wider racing industry, the two key challenges are financial sustainability and infrastructure funding’



RACING AND WAGERING WESTERN AUSTRALIA

SECURING THE FUTURE

A Vision of Sustainability for the WA Thoroughbred Industry

Contents

Introduction	1
Background - Racing	1
Background - Wagering	4
Statistics Snapshot	6
Key Challenges	8
Financial	8
Infrastructure	9
Key Strategic Objectives	10
Maximise vision exposure	11
Grow competitive and quality fields	12
Drive target segments	13
Ensure training sustainability	14
Transition club funding model	15
Maintain participant base	16
Market and promote product	17
Operational Outcomes	18
Timeframe	20
Feedback	21

Introduction

'Securing The Future' is a summary of the objectives contained in the Western Australian Thoroughbred Strategic Plan. It is written in the context of a rapidly changing landscape affecting racing codes across Australia. Most importantly, this Vision Paper aims to articulate the challenges facing thoroughbred racing and the resulting strategies to provide thoroughbred racing participants with a sustainable direction for the future.

The traditional stronghold that racing has held in the eyes of loyal patrons is today challenged, requiring fresh outlooks and innovative approaches to maintaining a long-term customer base. Racing offers a unique on-course experience, an unrivalled atmosphere and an exclusive level of involvement as an owner. It is these strengths we wish to build upon in order to enhance our position as a mainstream sport and entertainment experience of choice.

As the national racing industry enters a new era, it is opportune to review WA's current racing model with a view to providing certainty for the future. It is important that we recognise the decisions we make now are designed to protect, sustain and promote our industry into the future.

Background – Racing

Thoroughbred racing in Western Australia presents a positive benchmark nationally; stakes are competitive and the Westspeed scheme is providing considerable dividends to both owners and breeders. WA upholds a truly national reputation on the thoroughbred racing landscape.

As the industry moves into an era of 'payment for product' with the national application of product fees, there is a need to reassess distributions based on quality of product for wagering income at a state, national and international level. All principal racing authorities (PRAs) are now unofficially competing for maximum income generation respective to their state/territory in a national market. WA has a unique time zone relative to its interstate counterparts. It is this time zone which has complemented Asian market wagering interest and must continue to do so with ongoing support of WA thoroughbred racing as an export product of choice.

The WA thoroughbred industry maintains a strong reputation. Total distributions to the industry have grown by 68% from \$38m in 2004/05 to \$64m in 2008/09, of which, base and feature stakes have increased from \$27m to \$46m. Thoroughbred owner and breeder incentives have increased by 144% over the corresponding five year period from \$1.75m to \$4.25m. Subscriptions to Westspeed in the same period have increased by 51%.

WA upholds a truly national reputation on the thoroughbred racing landscape



A key distribution measure is the percentage of total distributions paid to participants, including owners, trainers, breeders and riders. This ratio improved from 90% in 2004/05 to 95% in 2008/09, resulting in a further \$27m being paid directly to participants over the 5 year period.

As is evident throughout Australia and in neighbouring New Zealand, racing is at a crossroad. Western Australia is not immune to the changing wagering and racing landscape. Our national reputation is in good company and it is important to recognise in this context the domestic and international successes of WA-bred and raced champions such as Northerly, Miss Andretti, Scenic Blast and Scenic Shot.

Just over a year ago, Racing Victoria Limited (RVL) released its *'Racing to 2020 Vision for the Victorian Thoroughbred Racing Industry'* citing the need to make tough decisions about the future of racing and training venues in order to sustain the best possible environment for the industry in challenging and competitive times.

Chairman of Queensland Racing, Mr Bob Bentley, stated in QRL's 2009 Annual Report, *'the industry will face many challenges in the future, with one of the key ones being the future funding model. Developing technology and the rapid adoption and worldwide reach of the internet has led to a significant change in the wagering landscape and the traditional funding model is under stress and challenge.'*

Following an Ernst & Young Report regarding analysis of a potential Sydney Turf Club/Australian Jockey Club merger, Racing New South Wales stated in a 23 June 2009 media release that *'...the racing industry in the Sydney metropolitan region is facing significant and imminent challenges, including large maintenance and capital requirements, declining admissions and overall revenues, escalating costs, mounting debts with large losses predicted and underutilised venues. (Their) predicament is underpinned by an unsustainable and outdated club governance structure.'*

Just recently, Chairman of New Zealand Thoroughbred Racing, Guy Sargent, declared that *'Racing codes around the world are recognising that yesterday's solutions are not suitable for today's challenges.'* (1)

In an effort to achieve sustainable stake levels, profitability and reward for investment, the WA thoroughbred industry must now lay the foundations for a framework which will deliver a strong and viable industry which promotes participation, integrity, greater returns to stakeholders, growth in wagering revenue and overall racing excellence.



(1) Guy Sargent, Chairman, New Zealand Thoroughbred Racing, Foreword - *'One Racing: Industry Taskforce Report'*, November 2009

WA's local thoroughbred racing industry has been subject to increased distributions, stakes and considerable infrastructure upgrades over the past five years, delivering a competitive racing brand.

Statistically, WA rates highly in the company of interstate jurisdictions and the table below provides an indication of the competitive ratios upheld:

Figure 1:

General Statistics 2008/09					
	WA	NSW	VIC	QLD	SA
Total Trainers	705	1171	1167	1104	332
Total Riders	115	264	217	300	56
Total Number of Individual Horses Raced	3806	10037	9224	8160	3033
Ratio Individual Horses Raced: Trainers	5:1	9:1	8:1	7:1	9:1
Ratio Starters: Riders	199:1	208:1	203:1	154:1	253:1
Total Starters	22903	54800	44066	46060	14189
Ratio Starters: Horses	6:1	5:1	5:1	6:1	5:1
Venues	36	118	67	108	25
Ratio Individual Horses Raced: Venues	106:1	85:1	138:1	76:1	121:1
Meetings	299	755	553	720	181
Ratio Starters: Meetings	77:1	73:1	80:1	64:1	78:1
Ratio Starters: Races	10:1	10:1	10:1	10:1	10:1
Flat Races	2258	5414	4343	4728	1400
Stakes	\$51M	\$118M	\$135M	\$75M	\$22M
Ratio Stakes: Starter	\$2227	\$2153	\$3064	\$1628	\$1550
Total Returns to Owners	\$59M	\$136M	\$141M	\$90M	\$23M
Ratio Total RTO: Starter	\$2576	\$2481	\$3200	\$1954	\$1621

Source: ARB 'Australian Racing Fact Book 2008/09' (Ratios deduced from data)

NB: Reference to 'Horses' excludes Jumps horses raced in South Australia and Victoria

As the above extract show, Western Australia maintains a healthy ratio of starters to riders (199:1), along with an equitable starter-per-race ratio of 10:1 with Victoria, NSW, Queensland and South Australia. The ratio of Stakes to Starters (\$2226) is second only to Victoria, so too is the ratio of Total Returns to Owners to Starters (\$2576). It is interesting to note that the ratio of individual horses raced to number of trainers is particularly low in WA and commercially unsustainable long-term.

Thoroughbred racing in WA is categorised into four segments: Metropolitan, Provincial, Country and Community. WA's population of thoroughbreds comprises more Provincial raced horses than other segments, predominantly due to racing opportunities offered at six Provincial tracks as against those limited to Ascot and Belmont.

ELITE METROPOLITAN racing typically provides the greatest promotion and profile for the sport, attracting media interest around Group and Listed Races and Carnivals, together with the highest wagering levels from state, national and international markets. Metropolitan racing comprised 32% of total thoroughbred meetings in 2008/09 and received \$32m in prize money.

PROVINCIAL venues offer competitive thoroughbred racing, attracting both local seasonal supporters (Albany, Geraldton, Kalgoorlie) and metropolitan raced horses, in relative proximity to tracks (Bunbury, Northam, Pinjarra). These fixtures attract strong SKY coverage and receive \$10.6m in prize money.

COUNTRY venues offer both professional and hobbyist racing opportunities, which are primarily supported by participants located within reasonable proximity to these tracks and those who travel extensively for seasonal opportunities. These country-classified venues are generally Non-SKY venues and provide the local and surrounding region with social and wagering opportunities on a seasonal basis. Generally Country venues are allocated a minimum of 4 meetings and a maximum of 12 meetings. These meetings play a valuable role in both providing an entry point for non-elite/non-commercial participants and new generation supporters

COMMUNITY venues provide a 'picnic' style opportunity for industry participants and the general community, conducting between 1 and 3 meetings annually. These Clubs rely on strong local community support and on-course attendance and hobbyist trainers.

Thoroughbred racing is currently undertaken by 37 Clubs at 36 tracks (2 Metropolitan, 6 Provincial, 7 Country and 22 Community Clubs).

Background – Wagering

RWWA faces an increasingly difficult operating environment for its wagering business due to aggressive competition from other wagering operators, the rapid breakdown in state gambling regulations and the adoption of new technology platforms.

The historically growth-oriented wagering business now has limited capacity to generate profits and subsequent funding to the racing industry due to:

Increasing competitive pressure on product mix and wagering margin (profit) from low cost operators

Widespread adoption of new forms of wagering technologies such as internet and mobile betting platforms

Reduced taxation levels from selected states and territories which aim to attract new wagering entrants

Requirement for increased investment in wagering assets to maintain competitive services to customers

Less favourable consumer confidence and economic conditions

The Australian wagering market in recent years has changed from the traditional state based totalisator to a national market with competitive price oriented operators competing for market share. Whilst the process of change informally commenced with the privatisation of the larger eastern state TAB's during the 1990's, the process gained momentum

from 2006 following the entry of betting exchanges and consolidation of corporate bookmakers. Most recently the breakdown in state regulations affecting advertising has meant that the wagering market is now national.

Resulting from these external market changes, RWWA's pooling partner Tabcorp took the unprecedented step mid 2009 to increase RWWA's tri-code pooling fees by 700% or \$12m per annum.

In response to a number of changing market forces threatening racing industry funding, state and territory governments around Australia have progressively introduced legislation enabling their respective racing authorities to levy a charge to wagering operators for the use of their racing product. In Western Australia, legislation was introduced in 2010 with retrospective effect from September 2008. The Western Australian racing industry is expected to receive approximately \$19m from Australian wagering operators betting on WA product each financial year. Over the same 12 month period, RWWA has been paying Australian and international racing authorities \$24m in product fees. It is clear that the introduction of product fees results in the Western Australian racing industry being worse off by \$5m per annum. A key strategy to mitigate this new cost is to position more WA racing product on SKY, making the product visible to interstate wagering customers and reducing the product fee imbalance.

The racing industry in Western Australia is all but exclusively funded by revenues generated from on and off-course wagering. Of the total wagering revenue generated in 2008/09 thoroughbred racing comprised 52.5%. Of that 52.5%, wagering on WA product contributed \$38.6m or 15.5% while interstate and international product contributed \$102.3m or 37%.

The WA thoroughbred product has achieved revenue growth of 23% over the five year period 2004 to 2008, increasing from \$31.5m to \$38.6m. This represents an annual average growth rate of 4.5%.

WA race meetings comprise 9% of the overall number of thoroughbred meetings covered by RWWA. This generates 27% of the total \$140.9m in total off- course thoroughbred revenue. This is a similar trend across harness and greyhound codes where wagering investment is proportionally biased towards WA product on a margin-to-race basis. However, overall wagering interest remains skewed towards interstate and international product due to a higher volume of racing with 76% of wagering revenue derived from these races.

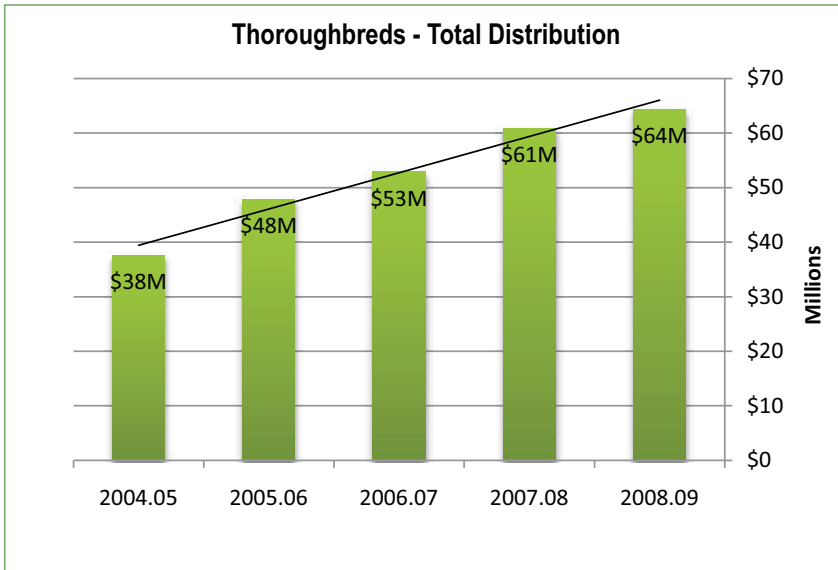
RWWA relies on the opportunity to grow wagering revenue in order to provide appropriate distributions to industry. WA tri-code racing comprises 24% of total wagering revenue and is constrained in its ability to grow exponentially. Additional SKY coverage has, in the past, improved those opportunities at a time when WA distributions were shaping an industry of growth and expansion. Now that the industry is reaching a cycle of maturation and the nationwide wagering landscape has fragmented with increased competition, the opportunity for domestic revenue growth is all the more competitive and subsequently threatened.

The racing industry in Western Australia is all but exclusively funded by revenues generated from on and off-course wagering



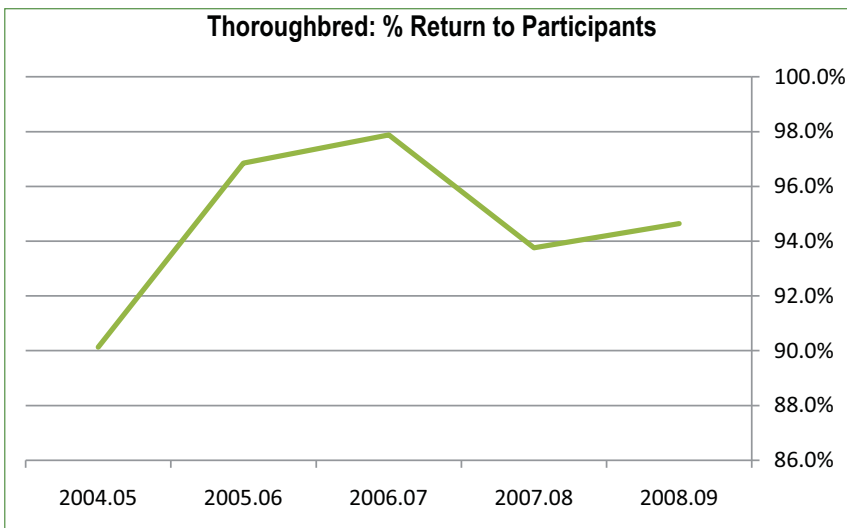
* WAGERING REVENUE = Turnover less dividends to customers

Statistics Snapshot



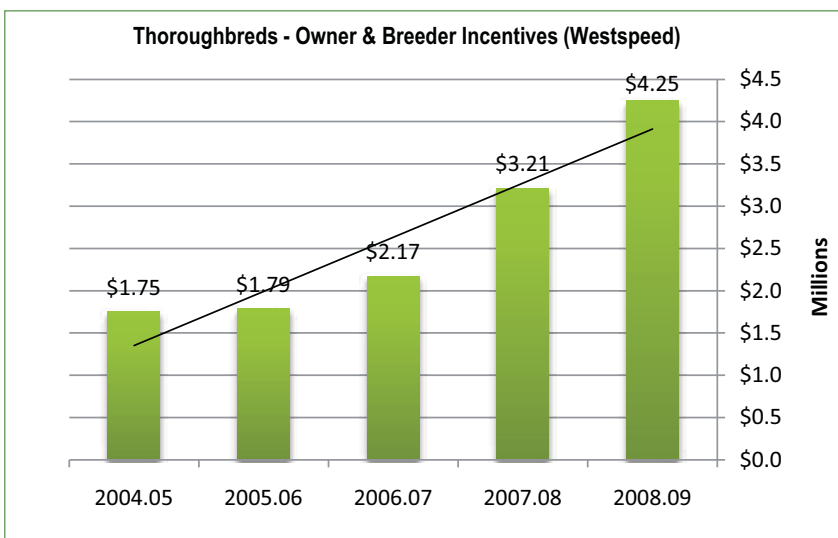
Source: RWWA

Total Distributions for Thoroughbreds have increased by 68% over the last five years from \$38m in 2004/05 to \$64m in 2008/09.



Source: RWWA

The percentage of Returns to Participants from Total Thoroughbred Distributions in 2008/09 was 94.6%, up from 90.1% in 2004/05.

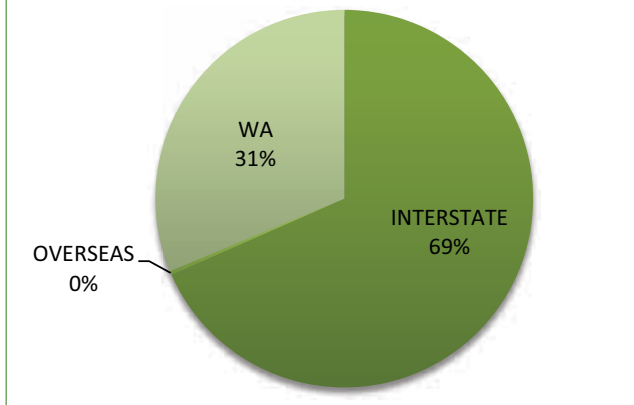


Source: RWWA

Thoroughbred owner and breeder incentives (Westspeed) have increased by 144% over the last five years from \$1.75m in 2004/05 to \$4.25m in 2008/09.

Subscriptions to the Westspeed Scheme over the same period have increased 51% from \$842k in 04/05 to \$1.27m in 08/09.

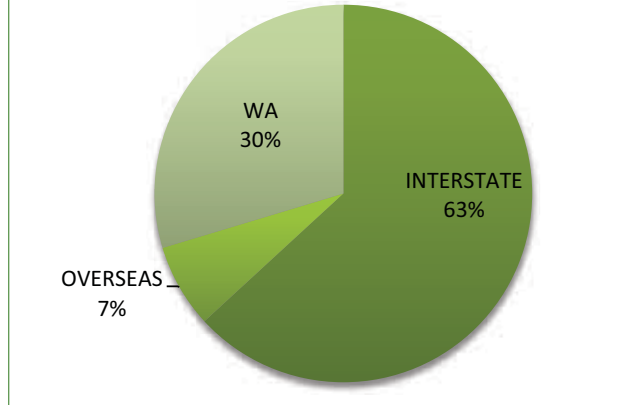
% of Total Thoroughbred Product Wagered On: 2003/04



Source: RWWA

In 2003/04, 69% of Thoroughbred racing product wagered on was imported from Interstate. This imported product was not subject to Product Fees.

% of Total Thoroughbred Product Wagered On: 2008/09



Source: RWWA

In 2008/09, 70% of Thoroughbred racing product wagered on was imported from interstate and overseas. This imported product is subject to Product Fees.



Key Challenges

Whilst there are many challenges confronting the wider racing industry, the two key challenges are financial sustainability and infrastructure funding. These issues strike to the heart of interest in the sport through participant investment in animal ownership, individuals selecting full to part time careers in thoroughbred racing, together with the general community's attendance at race meetings and customers betting on the product.

If not addressed satisfactorily, the direct impact will be reduced participation and investment in the sport which creates a negative cycle affecting wagering revenues and product fees.

Financial

Whilst racing can evidence it plays an important role in the State's leisure and entertainment industry, the key strategic issue affecting thoroughbred racing is sustainability of income and in turn volume and quality of racing.

For example, this season (2009/10) a total of \$34.5m is forecast in net revenues generated from all segments of thoroughbred racing in Western Australia. This includes on-course and off-course wagering revenue and domestic export and international export product fees. RWWA's cost to provide racing, training and stewarding services incurs approximately \$12.9m** in direct and allocated costs. The resulting net income derived from thoroughbred racing is \$21.6m. RWWA Distributions paid to the thoroughbred industry for the same period will be \$61.5m resulting in a net shortfall in funding of \$39.9m or a net income to distribution ratio of 35%.

RWWA manages to fund thoroughbreds and other codes (Harness net income to distributions ratio of 6.25% and Greyhounds 16%) through wagering on racing and sports events from interstate and international jurisdictions.

As can be seen from the aforementioned example, racing as a whole in Western Australia is significantly dependant on income from other sources. The challenge facing the industry is the need to generate a higher net income to distribution ratio in order to make racing more sustainable.

The challenge facing the industry is the need to generate a higher net income to distribution ratio in order to make racing more sustainable

The strategies and key areas outlined later in this paper aim to move towards this goal by addressing income limiting factors and cost inefficiencies within the industry.



*NET REVENUE = Margin less tax, GST and direct wagering costs

** Data from RWWA Racing Industry Profitability Study 2009

Infrastructure

RWWA in consultation with the Western Australian thoroughbred industry has developed a vision for the optimal capital investment programme that is required to bring thoroughbred racing and training facilities to a level that achieve the following objectives:

Addresses occupational health and safety standards

Provides suitable protective stalls for horses whilst on-course

Provides modern on-course public amenities (stands, food and beverage, betting facilities and toilets) to maximise on-course patronage and income

Ensures compliance with environmental standards both current and emerging

Maintains adequate access to raw material supplies such as water, turf and sand for racing and training surfaces

The overall capital expenditure programme for thoroughbred racing in Western Australia requires \$35.5m over 5 years. Whilst RWWA's current income generating capabilities do not enable funding of this capital programme, it will continue to work with key stakeholders to address the infrastructure needs of racing.

An area of significant focus will be that of training sustainability – from a capital infrastructure investment perspective, it is imperative that we adequately sustain training tracks, particularly those that service our metropolitan and provincial starter numbers: Ascot, Lark Hill and Bunbury. Track, safety and racing infrastructure are all of vital significance to WA's racing sustainability long-term and it is these areas that require greatest attention in the coming decade.

From a metropolitan perspective, it is recommended that an evaluation of long-term venue training and racing requirements is undertaken taking into account Ascot's capacity to accommodate long-term stabling along with horse population demands.

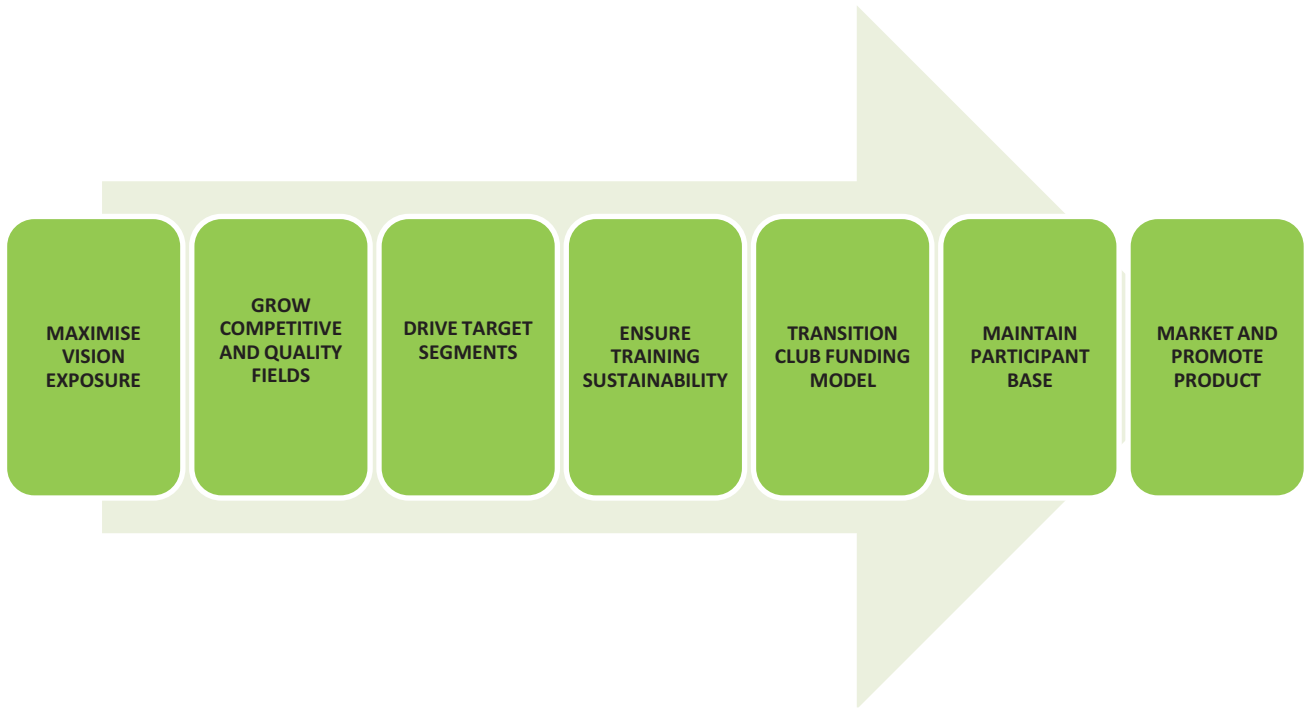
From a provincial perspective, the six key venues - Bunbury, Pinjarra, Northam, Albany, Geraldton and Kalgoorlie- will continue to be the focus of track and training investment.

From a country and community perspective, RWWA will continue to support a safety infrastructure focus, however these venues will need to rely strongly on government and *Royalties for Regions* funding for further track and facility enhancements. The quantum of meetings provided to the industry, along with the restrictive seasonal opportunities to race, mean the level of capital infrastructure investment from RWWA will be minimal.



Key Strategic Objectives

It is recognised that change within racing is difficult and should be measured and considered. Having said this, the requirement to embark on a process of sustainability is crucial to the long-term benefit of thoroughbred racing in this state. The following key strategic objectives highlight the necessary pathway to long-term certainty and sustainability:



1. Maximise vision exposure

The recent announcement of SKY Racing's second and third channels will see greater coverage of Australian racing, expanded international racing and a superior global thoroughbred channel. The fact that the schedule for SKY Racing World will feature 12 hours of thoroughbred racing from Australia, New Zealand, Hong Kong, Singapore, United Kingdom, South Africa and Continental Europe indicates the strength of wagering demand for the thoroughbred code. This is also supported by the TVN product currently marketed to thoroughbred customers.

Currently WA thoroughbreds export product to New Zealand, Singapore, North America and Malaysia. WA's unique time zone, parallel to the Asian markets, enhances this appeal and is an important factor in maintaining high quality product for wagering demand. RWWA will continue to ensure that the local demand-product on the international and national landscape is supported via programming and vision.

It is important that WA's thoroughbred product maintains its position as a product of international demand, supported by programming and vision

RWWA is satisfied with the level of SKY coverage afforded to WA thoroughbred product, however recent negotiations with SKY have indicated a potential expansion to the WA SKY programme (Broome, Carnarvon, Esperance, Nor-West and Port Hedland). Based on commercial viability (ie. wagering revenue vs satellite vision costs), this may see 40 current meetings added to SKY coverage.

It is important that WA's thoroughbred product maintains its position as a product of international demand, supported by programming and vision.



2. *Grow Competitive and Quality Fields*

RWWA continues to work towards optimal field sizes (12-14 runners). Since 2004/05, field sizes have averaged between 10 and 11 runners in metropolitan races, 11 runners in inner provincial races and 10 runners in outer provincial races. As a general rule, optimal field sizes enhance wagering revenue, hence the desire to maintain full fields at every venue.

WA has remained competitive nationally with respective stake levels. While the need to attract interstate horses or retain local competitors from rival jurisdictions is not as apparent in Western Australia, RWWA still regards the maintenance of competitive and appropriate stake levels as a key indicator of a healthy thoroughbred industry.

In order to recognise the value of Provincial racing in the context of Metropolitan performers, RWWA proposes to progressively set inner provincial stake levels to those of mid-week Metropolitan stake levels. In turn, outer provincial stake levels will be set at 80% of mid-week Metropolitan stakes and country stake levels will be set at 50% of Metropolitan mid-week stake levels. The progress of this initiative will be dependent upon capacity to fund and it is noted that in season 2010/11, there will be minimal provision for funding to progress this stakes strategy. Nonetheless, the funding allocations will move progressively towards this end result.

It is proposed that fixed base stakes for Metropolitan prime, Metropolitan mid-week and Provincial meetings will be determined and fully funded by RWWA, at sustainable levels for industry stakeholders. Although Clubs will continue to receive a funding contribution from RWWA towards stakes for feature events, Clubs will be encouraged to direct any 'top up' funds to stakes to feature events via sponsorship and other Club means.

There will continue to be no restriction on the 'top up' of base stakes by Country and Community Race Clubs.

Western Australia currently maintains 70 black-type races, 13% of Australia's Group and Listed races and offers \$10m in prize money specific to those races. It is a priority for Western Australia to continue offering competitive black-type stakes given the significant flow-on effect black-type races have on breeding quality and reputation, media coverage, tourism benefits and interstate competition. The Railway Stakes, WATC Derby and the Kingston Town Classic are WA's premier Group 1 races, promoting the high-calibre of racing product emanating from the State.



3. Drive target segments

It is recommended to maintain the current volume of thoroughbred racing in Western Australia, albeit with the return of racing at York, bringing the total race meeting quantum to 301 in 2010/11. It is not envisaged that this volume will increase markedly over time, rather this size and scope is optimal and sustainable for the current WA horse population. Importantly, the scale of thoroughbred racing is at optimal maturation, encouraging enhancement of quality, not growth in quantity.

Based on strong seasonal dictation, provincial race meetings are unlikely to be subject to expansion without significant adaptation of track surfaces and respective horse populations.

A key acknowledgment in the provision of thoroughbred meetings will be the demarcation of provincial meetings as against those of supporting country clubs. In the instance of the Great Southern region, Albany is recognised as the lead Provincial club, with significant training facilities for the region, supported by Mt Barker. In total the Great Southern region will maintain a quantum allocation of 20 meetings, however this allocation will be adjusted to incorporate 70% of meetings at Albany, the Great Southern's provincial track and 30% of meetings at Mt Barker, the Great Southern's supporting country track.

The scale of thoroughbred racing is at optimal maturation, encouraging enhancement of quality, not growth in quantity

The relationship between Albany and Mt Barker will not be dissimilar to that of Northam's with York. With the return to thoroughbred racing at the York track, RWWA has granted York six meetings for the 2010/11 season. York will be the supporting country club for the Avon region's Provincial Northam club.

Narrogin, while not supporting significant training and local trainer numbers, is regarded as a supporting country club and will also be allocated six meetings for the 2010/11 season.

Provincial meetings in WA comprise approximately 40% of the total allocation of meetings and will continue to do so based on horse population capacity, seasonal constraints and track developments. RWWA regards its six Provincial tracks (Albany, Bunbury, Geraldton, Kalgoorlie, Northam and Pinjarra) as key optimiser venues for graduating starters with close to 50% of individual starters racing at these tracks to metropolitan levels. All six venues provide significant training and racing opportunities for a large proportion of WA's racing product and as such, are key tracks for long-term development and maintenance.

Metropolitan racing at Ascot and Belmont comprises 30% of the current race meeting allocations. It is this segment of racing that typically supports elite performers and accommodates the large majority of WA black-type races. RWWA will continue to promote metropolitan racing as the pinnacle source of elite performance. With a competitive offering of Group and Listed races, metropolitan racing maintains an iconic presence on the national thoroughbred racing landscape, inviting strong media and public profile.

Country racing maintains an impressive presence in WA's tourism precincts. Whether it be 'Grapes and Gallops' in Mt Barker; Pearl Coast racing in Broome or 'Where the Surf meets the Turf' in Esperance, Country racing enjoys a magnificent outreach with local and visiting racegoers.

It is important to acknowledge the role played by the 22 Community racing clubs in WA. In an age where new generations of participants are in competitive demand across all sectors of the sporting and entertainment industries, racing relies heavily on its community roots to maintain local investment in the industry. There is no scope to grow the current allocation of community meetings, however progression towards and capacity for TAB status is supported by RWWA.

4. *Ensure Training Sustainability*

RWWA undertook a Training Sustainability Review with the outcome aimed at delivering the following goals:

Optimising the State's training facilities and allowing growth in the long-term

Improving training centres to enhance WA's racing product

Increasing standards at centres to contribute to increased value for owners

Sustainability of the State's best situated and suitable tracks

Funding to be directed to specialised areas allowing RWWA and Clubs to provide a number of high-class facilities rather than many that don't meet the standards

Minimising risk of a major incident via increased standards

Encouraging a fair and reasonable 'user-pays' system for participants and relieving Clubs of cost-burden long-term

While the former training funding formula was based solely on the number of starters produced at a particular venue (ie. 2007/08 Actual Training Starters Produced were used for 2009/10 funding allocations), the new training funding formula acknowledges the number of starters produced overall and the facilities provided by each club (eg. grass track, sand track, pool, overall cost to Club for provision of services).

RWWA will focus investment in Clubs that provide a significant industry service in the provision of training facilities. There will be a requirement for Clubs to consider a 'user-pays' system into the future in order to account for the true cost of training - a vital service for the industry. RWWA will work with Clubs and stakeholders to derive an appropriate charge-rate for users over time.

The former 'TSP' model will not be completely removed for smaller Clubs, or Clubs providing a reduced quantum of service to industry overall. However, as funding capacity allows, RWWA will base funding allocations and long-term investment in key training centres and tracks around the State as a matter of priority.

RWWA will focus investment in Clubs that provide a significant industry service in the provision of training facilities



5. Transition Club Funding Model

The formula for Club funding has, since RWWA's inception, been based on a set 'meeting fee' relevant to Club classifications. Product Fees (RWWA Incentive fees) have been applied to specific Clubs based on turnover since 2005/06, with all Clubs becoming subject to three defined incentive fees since 2007/08 (TAB turnover; Export turnover and On-course Turnover).

RWWA Club funding to the thoroughbred code has grown 70%, from \$4.9m in 2004/05 to \$8.4m in 2008/09. The level of thoroughbred Club funding provided (inclusive of Training funding) has consistently been funded at approximately 14% of total thoroughbred distributions since 2007/08. This excludes capital grants and infrastructure funding.

The philosophy behind a set meeting fee for Clubs was to assist them in running race meetings; however a true allocation of Club costings has not technically provided a transparent indication of meeting fee applications.

In relation to Incentive Fees, the variable nature of these bonus payments is problematic to both RWWA budgeting capacity and Club financials, particularly as Clubs have very little impact on the ultimate turnover levels, other than on-course, which they receive 17% commission on regardless.

The Strategic Plan has stipulated that the expectations of future industry funding will be based on the following developments:

- RWWA to reduce Club operational subsidies over time
- Clubs to be less operationally dependent upon RWWA over time
- Clubs to maximise distribution ratio to participants
- Clubs to pursue 'break even' status over time

'recognition of the competitive relevance of race meeting allocations relative to wagering and revenue generation'

In acknowledging that the WA thoroughbred product is the racing product in greatest SKY and wagering demand, RWWA recommends that a new Club funding model applies recognition of the competitive relevance of race meeting allocations relative to wagering and revenue generation.

In separating the value of metropolitan racing from that of country and provincial, RWWA has determined a model which assesses the wagering performance of relative 'FIXTURE' meetings as against those of 'EVENT' meetings. The following definitions determine the allocation concept:

EVENT meeting – Meetings conducted in the context of strong customer and community participation with optimal on-course capacity

FIXTURE meetings – are the exception to above – they are conducted in the context of optimal returns to the industry and provision of wagering related revenue. Strong off-course revenue capacity.

A lower funding fee will be attributed to 'Event' meetings based on Club capacity to generate increased on-course turnover. It is proposed (following analysis of overall on-course wagering statistics) that the 'loading' attributed to a Fixture meeting is 1.75 times that of an Event meeting. This reflects the average on-course turnover benefit as defined by Event versus Fixture meetings.

In applying the new funding model, RWWA will also work with Clubs to determine performance requirements specific to Event and Fixture meetings, so as to provide a competitive and fair framework of meeting allocations relative to the overall calendar.

6. Maintain Participant Base

Employment within the Western Australian thoroughbred racing industry sustains a myriad of vital roles including training, riding, breeding, stablehands, track maintenance, racing administration and raceday operations.

The challenge of attracting people to the industry as a 'career of choice' is a significant one, particularly given the unique lifestyle afforded by the racing industry. The associated training, education and ongoing development of current and new participants is a significant focus for RWWA as it continues to invest in the high standard of professionalism required to maintain integrity and safety on-track.

In identifying the need to maintain current participants in the industry, yet remain attractive to new participants, the Plan seeks to address the employment requirements of the industry long-term. Currently RWWA supports the 'Careers in Racing' initiative via its Racing Industry Training commitments. It is upon these current initiatives that RWWA will further develop and support the retention and appeal of participants to the industry into the future.

Specific to the thoroughbred racing industry is the need to support the following areas:

Rider to programme balance – providing sufficient opportunities to race and ride, yet maintaining the appropriate supply and demand for riders relative to the number of meetings programmed

Job satisfaction and sustainable income opportunities – retaining employees in the industry and ensuring they are subject to satisfactory employment practices

Sourcing of suitable apprentices – the next generation of jockeys

Continued investment in jockey welfare – supporting improved conditions and recognition of riders as elite athletes (includes investigating capacity for jockeys as athletes to access diet/nutrition, fitness and development programmes with the WA Institute of Sport)



7. Market and Promote Product

While on-course attendances are nationally in decline, the racing industry continues to provide a unique and exciting entertainment choice. It is this unique sporting, cultural and social environment that the industry must harbour and promote in order to attract new generations of participants and supporters.

RWWA will support active promotion of its thoroughbred racing product, along with strengthening the national brand. From a Western Australian perspective, it is important to market the local product and identify key strengths necessary to encourage a stronger support base.

WA's owners and breeders, punters and participants are industry 'customers' and product 'creators' – it is important that marketing and promotion begins at home.

With respect to owners, there is a recognised need to acknowledge, reward and retain the long-term investment in industry. While stakes provide a baseline incentive to race, not all owners win stakes, not all horses successfully place in races, hence the need to support a targeted Ownership Strategy.

Through working closely with the respective code ownership associations and WA racing clubs, RWWA believes an Owners' Strategy will provide the necessary recognition to maintain and encourage ownership levels in Western Australia. An opportunity presents itself for cross-code promotion, Club membership parallels, VIP owner benefits and effective communication to this important stakeholder group.

A proposed tri-code racing marketing campaign encapsulating the essence of participation at its peak would provide a platform for promoting the raceday and ownership experience to potential customers (eg. WA racing – 'be in it to win it'; 'WA racing – share in the moment').

While individual clubs effectively market their specific race meetings or Carnival/Cup features, RWWA maintains an active responsibility in promoting and marketing the 'full package' of tri-code racing and wagering in WA. Via effective marketing campaigns, RWWA will continue to endorse and promote industry attributes.

The capacity to market WA racing with tourism synergies will be further investigated with Tourism WA with a view to partnering a promotional pitch to local audiences. Unique tourist venue locations will be identified and suitable marketing strategies specific to key races and carnivals supported. With tourist meccas such as Broome, Kalgoorlie and the South-West accommodating trademark racing events, it is important to further build on new racegoer potential.

Young Ambassadors will also be appointed, promoting the champions of tomorrow and ensuring credible spokespersons within industry.



WA's owners and breeders, punters and participants are all industry 'customers' and product 'creators' – it is important that marketing and promotion begins at home

Operational Outcomes

In order to transform the current operating model to provide sustainable benefits to stakeholders and the wider racing community, the Strategic Plan has adopted and will implement the following operational outcomes:

OPTIMISE THE RACING PROGRAMME

- Investigate opportunity to transition North-West and Esperance racing to SKY vision capacity
- Maximise provincial venue recognition
- Streamline stake and Club classifications
- Optimise field sizes
- Enhance racing opportunities for elite performers

MAINTAIN INTEGRITY

- Maintain Swab levels
- Non-raceday surveillance
- Improved wagering and compliance
- Promotion of best practice initiatives via regular communication

MAINTAIN ANIMAL WELFARE

- Media and Communications support
- Veterinary sector relationship building
- Embrace technological advancements relating to animal welfare
- Protect and maintain reputable breeding standards
- Continued support of animal welfare research

PROTECT ASSETS AND RESOURCES

- Metropolitan racing and training review - future requirements
- Environmental audit of tracks followed by introduction of WA environmental policy
- Best practice water and chemical usage reduction initiatives
- Capital Infrastructure developments
- Improved Training assistance
- *Royalties for Regions* and Local Government liaison strategy
- Track curatorship support

ENHANCE INDUSTRY COMMUNICATION

- Customer Relationship Management (CRM) programme extended to racing stakeholders
- Regional Outreach Consultation programme
- Stakeholder representation framework review

ASSIST WITH CLUB PROFITABILITY, GOVERNANCE AND ADMINISTRATION

- Club delivery benchmarks established and agreed
- Training workshops, skill-set development assistance
- Racedate Calendar cycle lock-in
- New Club funding model

PROMOTE TRAINING AND EDUCATION ADVANCEMENT

- Young Ambassador programme
- Career pathways and Recruitment Outreach campaign
- Jockey recruitment campaign
- Apprentice development (WA Institute of Sport)

PROTECT QUALITY OF PRODUCT

- Economic Review of WA equine breeding industry to ascertain true size and scope of WA sector (employment, investment in industry, value to industry)
- Breeder Recognition opportunities
- Ongoing enhancement of Westspeed scheme

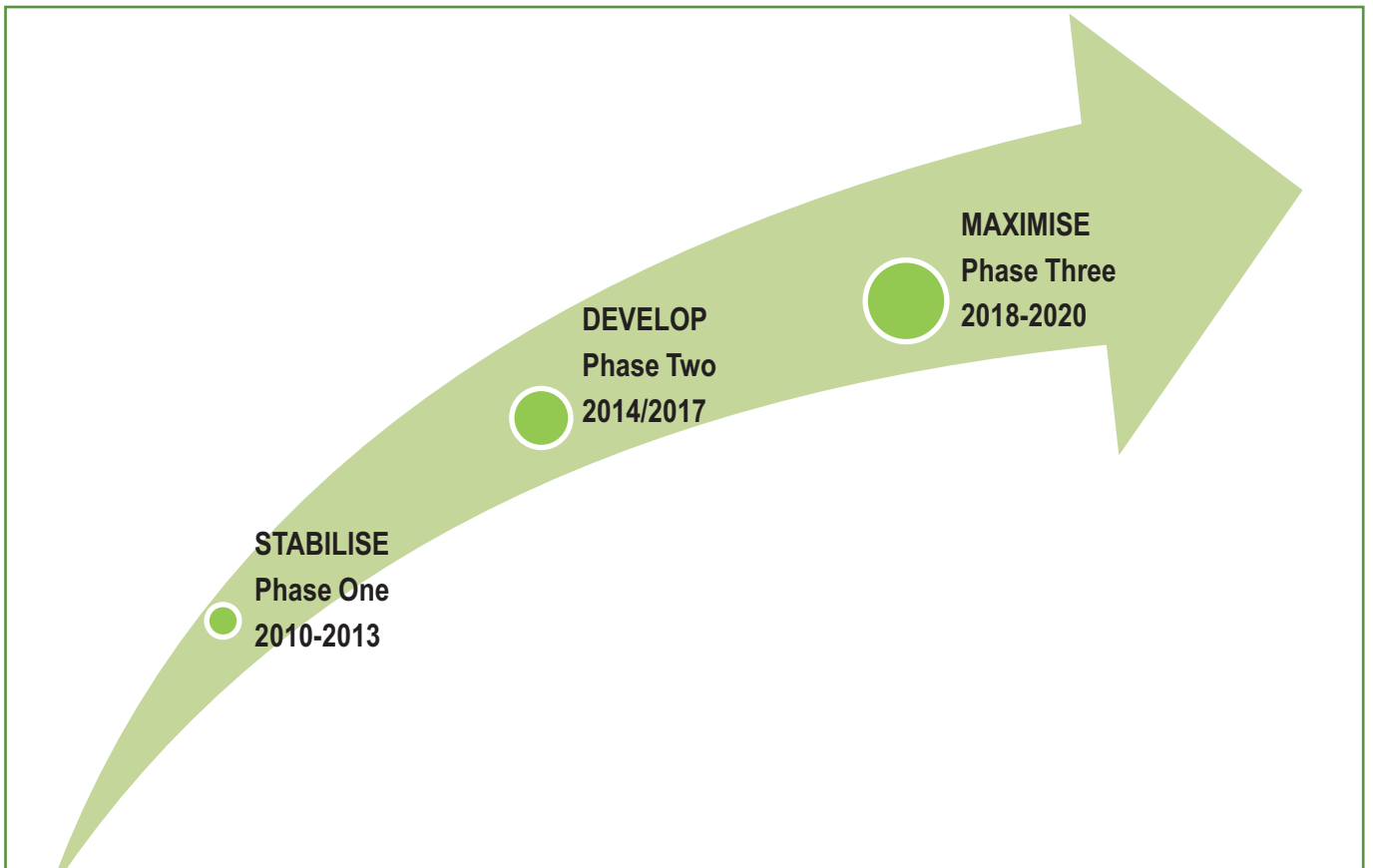
ENHANCE MARKETING AND PROMOTION

- Ownership Strategy
- Country Racing marketing campaign
- TAB new customer strategies

Timeframe

The Strategic Plan encapsulates a 10 year period. The three segments of sustainability are explained in greater detail in the Plan and will be elaborated upon at the presentations. Essentially the industry will be stabilised, ensuring quality over quantity; it will then move into a period of development and investment, by which time the final period will see the thoroughbred product maximised.

RWWA envisages a positive future for WA thoroughbred racing, not without initial challenges in achieving a fair and viable platform for ongoing investment. With some early and preventative stabilisation, thoroughbred racing in WA can maintain a healthy outlook and a sustainable future. RWWA looks forward to that journey.



Feedback

We welcome your feedback on this Vision Paper and invite you to attend one of the presentation sessions to be held on the following dates:

- **NORTHAM**
Northam Racing Club, 10.30am - 12.00pm, Thursday 8th April 2010
- **PINJARRA**
Pinjarra Racing Club, 10.30am - 12.00pm, Friday 16th April 2010
- **ASCOT**
Owners and Trainers Bar WATC, 1.30pm - 3.00pm, Monday 19th April 2010
- **ALBANY**
Motel LeGrand, 479 Albany Hwy, Albany, 12.30pm - 2.00pm, Thursday 22nd of April 2010
- **NARROGIN**
Narrogin Race & Pace Club, 1.30pm - 3.00pm Wednesday 28th April 2010
- **KALGOORLIE**
Blue Spec Room, Kalgoorlie-Boulder Racing Club, 5.30pm - 7.00pm, Thursday 29th April 2010
- **BUNBURY**
Rogan Josh Members Deck, Bunbury Turf Club, 10.30am - 12.00pm, Monday 3rd May 2010
- **GERALDTON**
Geraldton Turf Club, 12.30pm - 2.00pm, Thursday 6th May 2010

Please register to attend these sessions by calling Charlotte Mills, Manager Racing Strategy on (08) 9445 5200 or emailing Charlotte.Mills@rwwa.com.au

Submissions responding to the Vision Paper must be received by COB Wednesday 12th May 2010 and can be sent, faxed or emailed (required in writing) to the following:

Charlotte Mills
Manager Racing Strategy
Racing and Wagering Western Australia
14 Hasler Road
Osborne Park WA 6017
Fax: (08) 9244 5914
email: Charlotte.Mills@rwwa.com.au



RACING AND WAGERING WESTERN AUSTRALIA



RACING AND WAGERING WESTERN AUSTRALIA

Securing The Future

