



RACING AND WAGERING
WESTERN AUSTRALIA

PRE-BUDGET

STATEMENT OF CORPORATE INTENT

FY21



Racing and Wagering Western Australia

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INTRODUCTION

Racing and Wagering Western Australia (RWVA) was established on August 1, 2003. RWVA's charter under the *Racing and Wagering Western Australia Act 2003* is to foster development, promote the welfare and ensure the integrity of metropolitan and country thoroughbred, harness and greyhound racing in the interests of the long-term viability of the racing industry in Western Australia.

Section S77(1) of the *Racing and Wagering Western Australia Act 2003* requires RWVA to produce a Statement of Corporate Intent (SCI) that is consistent with Strategic Development Plan which in this instance reflects the 2021-22 financial year and in particular sets out RWVA's objectives, main undertakings for the year, the nature and scope of the functions proposed to be performed, performance targets and accounting policies. The Strategic Development Plan was submitted to the Minister in March 2021.

RWWA'S OBJECTIVES

RWWA's objectives are set out in our "Clear line of sight". The Clear line of sight aligns the strategic issues to address our strategic challenges with our cultural enablers that together will ensure we continue to achieve our vision and purpose.

The strategic priorities are as follows;

GOALS

- Maximising wagering revenue
- Grow returns to Western Australian racing industry
- Increase the relevance of racing in Western Australia
- Uphold the highest standard of animal welfare
- Strengthen the integrity of racing in Western Australia
- Enhance employee experience

FOCUS AREAS

RWWA maintains a strong emphasis on the following strategic focus areas in the context of achievement of the organisation's stated purpose, vision and values:

Customer Experience

Create and lead the best customer experience for wagering and racing customers.

Employee Experience

Continue to improve staff engagement and build a high performing workforce.

Ways of Working

Develop new ways of working to be more competitive and efficient in the marketplace.

SUMMARY OF STRATEGIC INITIATIVES AND ACTIVITIES

RWWA will continue to focus strongly on customer strategies to deliver wagering growth and has a coordinated set of initiatives to achieve them.

A key part of RWWA's purpose in providing a sustainable future for the WA racing industry is to ensure sustainable growth in funding, recognising that the racing industry nationally is becoming increasingly competitive, as racing bodies chase the income and sponsorship that accrues to quality and competitive racing products.

WAGERING

Critical to RWWA's success in delivering on its purpose is how successfully it chooses initiatives to invest in, and how quickly and cost effectively it is able to implement those initiatives that will deliver the best returns for the industry. In addition to maximising its revenue from wagering, RWWA is constantly looking for innovative ways to reduce costs without impacting its revenue objectives.

The key challenges that RWWA faces and the strategies that are being implemented are described below:

Customer Acquisition

The implementation of RWWA's strategy is underpinned by customer led teams who put our stakeholders at the heart of our decision making. In addition, measurement of our performance and alignment of KPIs supports the business to achieve its growth aspirations i.e. acquisition, retention, turnover and profit, and enables RWWA to maintain focus on areas that have a positive impact on the customer. TABtouch is competitive in the online market offering a strong racing experience and full range of sports.

Customer Experience

The number of RWWA customers wagering by mobile device is forecast to grow by approximately 23% in FY21 due to a significant shift from traditional retail channels driven by the pandemic and targeted investment in digital platforms. The increase in digital betting enables TABtouch to deliver more services to customers directly, enhancing the customer experience and lowering capital spend in retail.

The TABtouch mobile channel has a considerable growth opportunity, hence, a product management approach has been adopted to ensure the customer experience evolves.

The retail TAB channel is forecast to contribute a greater percentage of RWWA's core wagering turnover (excluding VIP turnover) in FY21.

Considering the relatively low return on investment from retail TAB initiatives, RWWA's primary focus is on the digital environment. The continued establishment of new service level 2 (SL2) and service level 3 (SL3) PubTAB agencies requires a nominal level of capital over the term with very positive return on investment.

RWWA is investing in new customer facing NEO betting terminals that are required to replace an aging fleet of Amtote terminals. This will improve the retail customer experience whilst supporting the establishment of new SL2 and SL3 agencies.

RACING

RWWA distributes funds to the racing industry using a structured framework called the distribution model, supported by a distribution funding policy for each racing code. This model includes the distribution of profits from the operations of the WA TAB along with racing bets levy receipts and funds from WA betting tax to clubs in accordance with the legislative requirements.

During FY20, in conjunction with the industry-nominated consultative groups, RWWA continued to refresh the strategic plans for all three racing codes. Reviews of these plans together with the distribution model funding framework are conducted annually to complement each code's strategic direction for the industry. All three code plans provide a focus on driving improved commercial performance, greater sustainability and ensuring the long-term positive future for all sectors of the Western Australian racing industry.

The strategic plans and ongoing revision of the distribution model consider the independent nature of the individual codes, each having quite different requirements. These include unique participant and wagering customer attractions, upon which their future viability is dependent.

Participation in the Western Australia Racing Industry

RWWA encourages participation in the racing industry via sustainable base stake levels and attractive feature race prizemoney that provide an aspirational level of racing within the State and relevance at a national level. Stakes funding and other payments to participants such as breeding scheme bonuses, rider/driver fees and unplaced subsidies to owners and trainers, supports industry participants across the three codes. Local breeding schemes for each code are integral to supporting the breeding industry and ensuring a supply of animals into the racing population each year while also contributing to the state domestic product.

A concerted focus on ownership acquisition and retention, particularly through syndication, forms a key focus of the strategic plans for each of the racing codes, along with promotion of participation broadly. RWWA is providing training and sustaining employment across a wide variety of occupations. This actively creates career paths in administration, judging, stewarding and other official roles as well as apprentice jockey development.

Quality of the Racing Product in Western Australia

RWWA's strategies for and funding of the local industry aims to increase the quality of product emanating from the local breeding industry. Our strong reputation in terms of integrity promotes a strong ownership base and ensures that the WA racing industry has a sound foundation for driving increased performance across all breeding, training, animal welfare, club and punter segments.

Ongoing support of structured industry training and accreditation programs for participants further enhances racing in WA from an industry employment perspective. Initiatives across all three codes for breeding schemes encourages investment, employment and interest in the breeding and animal rearing sectors.

Optimising field sizes and time slots continues to be a key area of focus within the strategic plans as traditional revenue streams (i.e. on-course wagering, which has a direct benefit to clubs) are further challenged, while growing revenue streams (i.e. racing bets levy and international rights revenue) provide opportunity. With local horse populations in both equine codes under pressure, the volume of racing in WA is subject to scrutiny. RWWA is working with industry (via the strategic plans) to determine optimal volume levels from the perspectives of wagering maximisation, opportunity to race

and capacity to populate full fields. While harness and thoroughbred race meetings are expected to remain consistent, greyhound racing has been expanded to a seventh meeting each week.

A fundamental focus on welfare and integrity dominates the strategic plan for all racing codes, with rehoming expectations considered as part of the assessment of any increase in the volume of race meetings.

Efficiency of RWWA Racing Model

RWWA consults widely with industry stakeholders, and in particular with race clubs, on a regular basis. It is evident that many of the racing clubs are becoming increasingly reliant on RWWA for financial support and assistance with administrative requirements, occupational safety and health (OSH) and in some cases, financial management.

The role of the racing clubs is to “event manage” their race meetings. That is, to:

- Advertise, promote and provide race meetings that attract on-course attendees;
- Conduct betting activity at their own meetings; and
- Generate on-course revenue from gate receipts, food and beverage, on-course totalisator operations, hospitality, functions and sponsorship.

With increasing competition from other wagering operators and entertainment options, attaining optimum profitable results in these areas of income is becoming increasingly difficult.

In light of the challenges at the club level, the RWWA Board and management are focused on sustaining the viability of clubs as a key strategic issue. Clubs are benefiting from technology to identify bets placed via the TABtouch app on mobile devices allowing a commission on these bets to be paid to the club conducting the race meetings. Many clubs are also benefiting from trailing commissions paid on wagering conducted via TABtouch accounts owned by club members and via new accounts opened on-course.

RWWA remains committed to pursuing efficiency and improvements to the racing model across the racing industry through industry associations and discussions with the clubs. This is being addressed by:

- Regular communication to regional and metropolitan stakeholders;
- Discussing key funding initiatives;
- Utilising RWWA’s trading trends, race programming and wagering activity; and
- Communication through its official publications distributed to the industry.

Delivering on our Purpose

RWWA’s purpose is to “Provide a sustainable future for the Western Australian racing industry”.

RWWA remains committed to the continued sustainability of the racing industry and longer-term viability of those who participate. RWWA has focused on minimising costs of its operations and maximising returns from its parimutuel and fixed odds wagering to deliver growth to meet its goals and objectives. Distribution and subsidies funding to the racing industry in FY22 are forecast to increase by \$6.7M.

Going forward, both the strategic plans and distribution model equip the industry with proactive and targeted strategies to defend against threats and unforeseen conditions confronting the racing industry.

Overseen by the Stewards, RWWA adheres to best practice initiatives in relation to integrity and continues to maintain this high standard on and off the race track.

In FY21, RWWA further invested in welfare initiatives (WA Race Horse Welfare Plan), building on its current Equine Welfare Strategy, to further safeguard the wellbeing of its thoroughbreds and standardbreds, and addressing the key issues of traceability, rehoming and responsible end-of-life management. Additionally, RWWA continues to invest further into Off the Track WA, a program to promote a life after racing for retired race horses.

RWWA also manages and funds the Greyhound as Pets (GAP) program. Since directly taking over the GAP program in FY14, RWWA has increased its animal funding specific to this area to more than \$1M annually.

RWWA acknowledges that increased animal activism is an ongoing key threat to the racing industry. While our strategy includes programmed initiatives to mitigate against this and other threats, the controls in place regarding the use of whips in thoroughbred and harness racing, the issuing of licenses for the exportation of greyhounds and the introduction of responsible animal breeding in racing all assist in ensuring that WA racing is resilient in the face of such threats.

Further enhancements are continually made in relation to breeding and retirement reporting across all three codes at a local and national level. In particular, both equine codes will see the provision of breeders to be licensed to regulate breeding activity in the racing industry in the State. The broader racing industry is improving its data collation and knowledge of all racing animals from birth to retirement; this will be achieved through compliance and enforcement of reporting requirements combined with expanded efforts to attain visibility over race horses in their retirement.

Industry Funding

While a key long term objective within the distribution model has been to grow the amount of funding to racing industry participants over time, clubs in recent years have been significantly affected by the downturn in on-course totalisator revenues. The industry's continued sustainability cannot be reliant solely on animal quality and population size but must also be anchored by the clubs remaining viable in an extremely competitive sporting and entertainment environment. Many race clubs have tired facilities that do not meet contemporary public expectations.

RWWA's distribution model needs to supplement this downturn in on-course revenues and therefore future needs of the clubs need to be balanced against the steady growth RWWA has attained for the industry through stakes, subsidies and breeding incentive schemes.

It is key to this State that the available funds for the racing industry continue to grow year-on-year to meet industry needs and to ensure Western Australia's relativity with the rest of Australia is benchmarked accordingly. Prizemoney levels in Victoria and New South Wales continue to increase rapidly, which in turn encourages Western Australian based owners to invest in animals racing in these jurisdictions. It is imperative Western Australia maintains competitive prizemoney levels to drive investment in the local industry and maintain employment.

Participation in all three racing codes is in decline and RWWA must implement strategies to improve confidence levels and stabilise the industry with the medium term objective of returning the industry to growth. Industry funding in FY22 will continue to have a strong focus on animal welfare through the continued implementation of the WA Race Horse Welfare Plan, which incorporates all stages of a racehorse's life through a program of investment, education, monitoring and regulation, with immediate focus on traceability, rehoming and responsible end-of-life management.

The RWWA grants program has provided for upgrades to on-course infrastructure facilities that generate income from on-course operations on both race days and non-race days. Continued success in this area will offset declining revenues from on-course wagering and generate sustainable revenue streams from other sources.

The clubs will continue to have certainty over their RWWA revenue for budgeting purposes. Off-course turnover is driven by the quality of vision, the day and time the race meeting is being conducted, as well as the type of racing program available – over all of which the clubs have limited control. The subsidisation of \$6.5M of vision production costs in FY21 continues to remove this significant cost from clubs and ensure the quality of presentation to the wagering market.

RWWA has developed an extensive content strategy to promote all three racing codes through both the traditional SKY Racing platforms together with digital channels.

Racing Industry Grants and Development

RWWA's strategic position for race clubs is for racecourses to be developed with contemporary and comfortable facilities for patrons and to provide the safest racing for the utmost integrity of the racing product. Clubs must strive to introduce a number of advancements that include:

- Presentation of a modern, visually exciting product, both in terms of quantity and quality for both on-course and off-course punters;
- A plan to protect the environmental sustainability of the industry, including minimisation of water use;
- Meeting the expectations of the on-course patron in the entertainment market, particularly encouraging the high-value off-course punter to go on-course;
- Addressing the operational needs of the racing industry participants, with a focus on the racecourse as a workplace; and
- Servicing the essential needs of horse training by providing high quality, affordable training infrastructure.

The RIGP (Racecourse Infrastructure Grants Program) and RfR (Royalties for Regions) grant funding programs are now complete. It is critical that further infrastructure funding support be forthcoming for the racing industry if it is to retain patronage, as expectations when attending recreational and sporting pursuits are on the increase. RWWA continues to provide marketing support for the race clubs via the Owners Only initiative in order to assist the clubs in driving on-course participation.

RWWA Funded Grants

RWWA continues to assist clubs with essential infrastructure projects.

In FY21, RWWA allocated \$15M in grant funding to assist clubs with essential infrastructure, including replacement of the irrigation bore at the Pinjarra Race Club, replacement of stewards towers at Belmont Park and Gloucester Park, upgrades to track lighting at Bunbury and Northam Harness Racing Clubs, new perimeter fencing at Geraldton Turf Club and commencement of the major project to re-develop the Bunbury Turf Club.

In the absence of alternative funding sources in FY22, RWWA has allocated an amount of \$18.3M to further support essential club infrastructure requirements. A substantial portion of these grant funds

will be directed to completion of the major project to rebuild the Bunbury Turf Club racing and training surfaces and re-construction of raceday stalls and pavilion.

RWWA Funded Training Facilities

RWWA provides two dedicated training facilities, being the Lark Hill thoroughbred training complex and the Byford harness training complex.

RWWA Strategic Land Acquisition

In FY20, RWWA acquired a multi-purpose racehorse welfare facility for the use of retraining by accredited re-trainers and emergency care for retired racehorses. Ownership of the land and facility will remain with RWWA.

RWWA continues to invest in transforming this facility from its previous use as a horse stud to its new purpose.

Animal Welfare

Animal welfare remains an integral component of RWWA's strategy, with initiatives continually implemented to further safeguard the welfare of all animals bred for the purpose of racing, throughout all stages of their lifecycle.

These initiatives are supported by the relevant animal welfare legislation, as well as rules and policies which racing authorities enforce to underpin the successful regulation of welfare within racing.

Vision: To set the highest standard in animal welfare for the Western Australian racing industry.

Mission: To ensure that the current and best standards of care are provided to racing animals during all stages of their lives.

The WA Racehorse Welfare Plan was announced in FY20, with a specific focus in the areas of traceability, rehoming and responsible end of life management for horses that are not suitable for rehoming. As the majority of initiatives from the WA Racehorse Welfare Plan that fall within RWWA's remit have been implemented or near completion, FY22 and beyond will focus on an extension of a broader equine welfare strategy, under the following pillars.

| Pillar | |
|---------------------------------------|--|
| Traceability | Continue to develop and effectively monitor full lifecycle tracking for all horses bred for racing. |
| Racing | Enhance existing practices and regulations to support the welfare and safety of all racehorses. |
| Post- Racing | Continue to support and assist horses in their transition beyond the racing industry. |
| Industry Culture and Education | Maintain a culture whereby the welfare of the horses is at the forefront of all decisions and educate the public on horse welfare within the industry. |

The holistic greyhound welfare strategy has been revised for FY22 and beyond, with a focus on the following pillars:

| Pillar | |
|---------------------------------------|---|
| Governance | Continue to be forward thinking and leaders in setting the standards that maximise welfare during all stages of a greyhound's life. |
| Racing | Enhance existing practices and regulations to support the welfare and safety of all greyhounds within the racing industry. |
| Rehoming | Further support the adoption of retired greyhounds, through advances in rehoming practices. |
| Industry Culture and Education | Maintain a culture whereby the welfare of the greyhounds is at the forefront of all decisions. Educate the general public on greyhound welfare within the industry. |

A suite of rule amendments combined with implementing more stringent controls in current welfare and tracking of greyhounds has, and will continue to be, a key focus.

RWWA continues to increase investment in the areas of treatment, rehabilitation and rehoming of greyhounds through the extension of its Greyhound Injury Surgery Rebate scheme to include 'Public Trials' and continuance of the Greyhound Injury Full Recovery Scheme.

Through partnerships with external rehoming agencies and the extension of the Sterilisation and Dental Subsidy scheme, RWWA continues to support the rehoming of greyhounds through a variety of rehoming pathways.

DISTRIBUTION OF FUNDS

Table 1: Racing Industry Distributions for FY22

Racing Industry distributions are made up of RWWA profits / retained earnings and government grants received through Western Australia Race Fields Legislation.

Section 77 (2) c of the Racing and Wagering Western Australia Act 2003 requires RWWA to disclose the proportions of industry distributions to the classes of racing clubs as shown in the following table.

| Track Class | Thoroughbreds | | Harness | | Greyhounds | |
|----------------------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | (\$000's) | % of Code | (\$000's) | % of Code | (\$000's) | % of Code |
| Metropolitan | 59,091 | 57.5% | 21,712 | 59.4% | 13,598 | 54.6% |
| Country | 43,653 | 42.5% | 14,813 | 40.6% | 11,305 | 45.4% |
| Total Distributions | 102,744 | 100.0% | 36,525 | 100.0% | 24,903 | 100.0% |
| Total Subsidies | 9,004 | | 2,266 | | 1,217 | |
| Grand Total | 111,748 | | 38,792 | | 26,120 | |

KEY PERFORMANCE INDICATORS

| Key Performance Indicators | FY22 |
|--|---------|
| Number of bets processed (% Change from prior year) | -9.56% |
| Distribution to Racing and Sports (\$000) | 176,659 |
| Distribution to Racing and Sports (% Change from prior year) | 3.94% |
| Number of staff (FTE) | 380 |
| Return on Assets (%) | 83.79% |
| Return on Assets (% Change from prior year) | -9.58% |
| Primary Betting System availability (%) | 99.96% |
| Primary Betting System availability (% Change from prior year) | 0.00% |

ACCOUNTING POLICIES

Policies adopted in the preparation of the accounts for the period of this Statement of Corporate Intent are consistent with the accounting policies outlined in RWWA's annual report.

REPORTING REQUIREMENTS

RWWA undertakes financial reporting of its business activities in accordance with the requirements of the *Financial Management Act 2006* ("the Act") and *Treasurer's Instructions*. RWWA also provides information for regulatory and monitoring purposes to the Gaming and Wagering Commission and other government agencies as required. RWWA also provides information to the Minister for Tourism; Racing and Gaming; Small Business; Defence Issues; Citizenship and Multicultural Interests and to Parliament when requested.

The Act also requires RWWA to produce an annual report comprising a report on the operations of the organisation, performance indicators and financial statements.

In addition to the above legislation, RWWA, in the performance of its functions, must and will comply with any other legislated reporting requirements.

RWWA is also required to provide information to State Treasury under the *Government Financial Responsibility Act 2000*.

-...End....-