

RACING AND WAGERING WESTERN AUSTRALIA



RACING AND WAGERING
WESTERN AUSTRALIA



Statement of Corporate Intent
2015 - 2016

Racing and Wagering Western Australia

14 Hasler Road
OSBORNE PARK WA 6017

T: (08) 9445 5333

F: (08) 9244 5914

www.rwwa.com.au

TABLE OF CONTENTS

INTRODUCTION	3
RWWA'S OBJECTIVES	4
SUMMARY OF STRATEGIC INITIATIVES AND ACTIVITIES	5
DISTRIBUTION OF FUNDS	11
KEY PERFORMANCE INDICATORS	12
ACCOUNTING POLICIES	12
REPORTING REQUIREMENTS.....	12

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 2015-16 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 April 2015.

RWWA'S OBJECTIVES

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

The strategic challenges and management priorities are as follows;

Our Strategic Challenges

RWWA faces considerable challenges in the form of the efficiency of the racing model, intense competition from corporate bookmakers, the profitability of our product mix, the quality of our core racing product, participation in the industry, securing increased levels of support from the government and public perception around animal welfare issues, responsible wagering and integrity.

Our Management Priorities

- Working with the industry to increase the effectiveness and utilisation of racing assets;
- Increase our share of the competitive wagering market by enhancing our products and services in both the retail and digital channels and cross channel;
- Strengthen the level of government support for infrastructure and new product licences by demonstrating the financial benefits of the current model and the economic and social benefits of the racing industry;
- Implement strategies to demonstrate best practice in animal welfare, as well as the promotion & delivery of responsible wagering;
- Improve quality of the core racing product and track attendance through increasing stakes distribution, improved quality of fields, race programming and product fees; and
- Strengthen integrity standards across WA racing to ensure public confidence and support.

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 racing industry is to ensure its funding is maintained at appropriate levels, 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:

Improve the Capacity to Deliver Customer Loyalty

RWWA has worked hard to improve its customer service and price competitiveness as part of its 'Customer First' values approach. Nevertheless, the ability to retain customers in the face of intensifying competition requires RWWA not only match the offerings of its competitors but also to offer something unique in the market.

The system architecture to support these initiatives is only partially complete with more development to occur.

Adapt the Retail Business to the Digital Age

Like many other retail businesses, this channel faces increasing challenges, especially the full time agencies, as customers migrate to the digital channel and mobile devices in particular. It is extremely important to ensure that the best possible experience exists in the retail stores as a compelling alternative to wagering online. RWWA's retail channel requires important changes and prudent investment in order to optimise the retail offering in the digital age.

The rapid growth of mobile wagering and the use of mobile apps to provide additional experiences, information and value are allowing the business to reposition the retail and electronic businesses as cross channel complimentary services. A new "Bricks and Clicks" operating model is now emerging.

One of the most significant innovations in retail revolves around the deployment of the race and sports walls technology. The development of the Racewall technology has given RWWA the opportunity to fundamentally change and improve the retail customer experience. The Racewall's 'next race to jump' nature not only assists our customers in their management of a busy race day but also allows them to be better informed with more wagering detail. Essentially it allows vision, form and both tote and fixed odds prices to be displayed in a simple and easy to read digital visual format.

Product Innovation

Product innovation within its existing wagering licence is one of the areas in which RWWA can seek to sustainably grow its revenue base and share of the overall wagering market. Over the past couple of years RWWA has trialled and developed a number of wagering initiatives.

RACING

RWWA distributes funds to the racing industry using a structured framework called the Distribution Model. The model meets all statutory requirements.

During the period 2009 through 2011, in conjunction with the racing industry stakeholders, RWWA developed strategic plans for all three racing codes. Reviews of the Distribution Model funding framework are conducted in light of those strategic directions for the industry, with all three code plans focussing on driving improved performance, greater sustainability and ensuring the long-term positive future for Western Australian racing.

The Strategic Plans and ongoing revision of the Distribution Model take into account the independent nature of the individual codes, each having quite different needs and requirements. These include unique participant and punter attractions, upon which their future viability is dependent and therefore determination of the funding model requires relevant strategies specific to the needs of each code.

Participation in the Western Australia Racing Industry

RWWA encourages participation in the racing industry via attractive base and feature race stake money levels, rewarding industry participants across three codes with local breeding schemes and a sustainable return on investment through prize money (stakes), rider and driver fees. Continual revision of the Plans ensure new strategies are implemented which promote the primary areas of participation – ownership retention and growth, breeding, animal and human training, welfare, general assistance and support of the racing industry where need is required. RWWA is providing training and sustaining employment across a wide variety of occupations, and actively creates career paths in administration, judges and racing administrators, stewards and other official roles as well as apprentice jockey development.

Over recent years RWWA has broadened its communication to industry through consultation with industry eligible bodies, clubs and individuals, Outreach Information session across the State and racing industry forums and symposiums.

RWWA has set key objectives for the industry over the next 3-5 years in relation to linking licensing of industry participants to accredited training competencies, reviewing the size and scope of the industry participant base – registered persons, breeders, owners, trainers, jockeys and drivers to enable a sustainable and viable racing industry into the future. We are particularly focused on those areas of declining participation, to arrest any negative trends and provide strategies for retention of existing numbers and growth.

Quality of the Racing Product in Western Australia

RWWA's funding of the industry is highly motivated by the quality of product emanating from the racing industry breeding schemes; our reputation in terms of integrity, having a strong ownership base and 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 programmes for participants further enhances racing in Western Australia from an industry employment perspective, whilst initiatives across all three codes for breeding schemes encourages sustainable investment and interest in the breeding and animal rearing sectors. RWWA maintains a strong focus on those declining areas of the racing product and supports strategies that will improve the WA racing product, assisting in promoting breeding of quality progeny for West Australian stakeholders across all codes.

Efficiency of RWWA Racing Model

As the principal racing authority for the three codes in WA, the *Racing and Wagering Western Australia Act 2003* prohibits RWWA from conducting the affairs and supervision of a registered racing club and limits our ability to direct clubs in respect to safety compliance and to produce records.

Whilst RWWA consults widely with industry stakeholders and in particular, with club administration on a regular basis, it is becoming increasingly evident that many of the racing clubs heavily rely on RWWA for support and assistance on administrative requirements, Occupational Health and Safety (OSH) and in some cases financial management.

The role of the racing clubs are to 'Event Manage' their race meetings. That is to:

- Advertise, promote and provide race meetings which attract on-course attendees;
- Conduct betting activity on 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 this general downturn at the club level, the RWWA Board and Management are focusing on this as one of its key strategic issues and are in the process of defining what RWWA needs to do now and in future years to assist and sustain the viability of clubs operating in WA. Many of the clubs are being supported through marketing assistance, with future plans to rollout race wall technology at the metropolitan race clubs, the first floor public facility at Ascot being already completed. This will enhance the on-course experience for punters and assist in arresting the declining trend of on-course wagering.

RWWA remains committed to advancing this strategic direction across the wider racing industry sector, through the industry associations and with the club sector. Regular communication to regional and metropolitan stakeholders, incorporating discussion over key funding initiatives, RWWA's trading trends, race programming, wagering activity, etc. and through its official publication distributed to the industry, will ensure the key issues affecting clubs and participant sustainability are being addressed.

Delivering on our Purpose

RWWA's Purpose is to "Provide a positive sustainable future for the Western Australian Racing Industry".

Arising from the 2012 Industry Economic Review (IER) of the Western Australian Racing Industry, there have been a number of strengths identified within the racing industry's employment, club and participant sectors. RWWA remains committed to the continued sustainability of the industry and longer-term viability of those who participate. RWWA has had a focus over recent years of minimising costs in its operations and by maximising returns from its Parimutuel and Fixed Odds wagering, it has been able to deliver strong growth to meet its goals and objectives. Distribution funding to the Racing industry in 2015-16 is forecasting an increase of \$7.7M over the amount provided in the 2014-15 SDP.

Both the Strategic Plans and Distribution Model going forward, equip the industry with proactive and targeted strategies to defend against threats and unforeseen conditions confronting the Racing and Wagering industry.

RWWA adheres to best practice initiatives in relation to integrity and welfare and continues to maintain this high standard on the race track and off as animals retire from racing. RWWA introduced *Off The Track WA*, an initiative that will provide a retirement and re-homing programme for equine racing animals as they complete their racing careers. It also assists the greyhound code by providing funding to the Greyhound as Pets (GAP) program.

RWWA continues to acknowledge a key threat to the racing industry is increased animal activism. Whilst our strategic direction 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 Western Australian racing is able to defend itself against such threats.

Racing Industry Grants and Development

RWWA's strategic position for race clubs is for racecourses to be developed with modern 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 (mostly relevant to metropolitan and regional zones);
- Meeting the expectations of the on-course patron, in the entertainment market, particularly encouraging the high-value off-course punter to come 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.

With both Racecourse Infrastructure Grants Programme (RIGP) and Royalties for Regions (RfR) funding to be fully committed by the end of 2014-15 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 has undertaken to provide additional marketing support for the Race Clubs, as indicated within this report, in order to assist the clubs in driving on-course participation.

Whilst RWWA has made a sizeable capital works contribution in the year just past, particularly the Cannington redevelopment project for greyhound racing (\$13M) and the installation of the Pro-Ride synthetic thoroughbred training track at Ascot (\$4M), it is important to note that RWWA cannot fund the full extent of racing industry infrastructure requirements in the future and further support from the Government must be sought to address important funding for WA race clubs. Compliance with Occupational Health and Safety is essential for both racing and training facilities and a key platform for maintaining the highest level of integrity.

The clubs currently have the following funding mechanisms available to them to undertake capital infrastructure projects:

- Racecourse Infrastructure Grants Programme;
- Royalties for Regions; and
- RWWA Funded Grants.

The following sub-sections detail the different Grant programmes.

Racecourse Infrastructure Grants Programme (RIGP)

The Minister for Racing and Gaming announced a State Government funding commitment of \$13M over five-years (2010-15), on a partnership basis for racecourse infrastructure in July 2010. The aim of the RIGP is to support the establishment or improvement of infrastructure that is critical to the conduct of racing and/or training activities in both metropolitan and regional Western Australia.

Race clubs, official training centres and allied bodies across the State are entitled to make application for funding under the new Racecourse Infrastructure Grants Programme (RIGP). In past years the Government's Grant Fund was available only for country and regional racecourse rehabilitation; however RIGP funding will apply to all venues, including the metropolitan region.

Since its introduction 166 projects throughout the State have been completed as a result of this funding support. Major initiatives include the construction of the Bunbury Trotting Club's trackside restaurant, refurbishment of the Mandurah Greyhound Track public facilities, Pinjarra Park Race Club's kitchen/cafe improvements, grandstand roof replacement, requisite hydraulic works, replacement of the Gloucester Park semaphore board, Bunbury Turf Club's patron facilities improvements and construction of raceday stalls, major renovation of the Broome Turf Club's racetrack, upgrade of the Kalgoorlie Race Club electrical system, Geraldton Turf Club' kitchen and ablutions renovations, roll out of steward tower replacements at Bunbury Turf Club, Narrogin, Northam Race Club, Albany Race Club, Esperance Bay Turf Club, Mt Barker Turf Club as well as minor works across all codes and regions addressing OHS and animal welfare requirements.

As of March 2015, 211 grant proposals with a total cost of \$21.2M have been approved or committed to in principle, of which \$10.8M is funded through RIGP. Out of the full \$13M of RIGP funding, \$2.2M remains to be committed or approved in principle by the end of June 2015 with all projects to be completed and acquitted during the 2015-16 financial period. While no funding beyond 2014-15 is included in the SDP financials, RWWA is confident that the program will continue beyond 2014-15 with the amount to be confirmed before the start of 2015-16.

Royalties for Regions (RfR)

A Royalties for Regions (RfR) funding boost of \$6.6M over three years, to supplement the Racecourse Infrastructure Grants Program, was announced in December 2012.

The funding boost is provided to racing clubs in regional Western Australia, with access to funding that will enable them to undertake and complete infrastructure projects that are critical to the ongoing operation of those clubs in tandem with the RIGP funding.

Projects are evaluated on the basis of the strategic needs of the race clubs with particular consideration being given to OHS issues, licensing requirements and patron amenity that will promote and maintain industry sustainability.

As of March 2015, 104 Royalties for Regions supplementary grants have been approved or committed to 'in principle' to a value of \$3.6M from a total project cost of \$8.8M. The remaining \$3M will be approved or committed in principle by the end of June 2015 with all projects to be completed and acquitted during the 2015-16 financial period.

The major regional projects include the York Race Club's construction of the raceday and public amenities, steward tower replacement programme across most regions, refurbishment of the

Mandurah Greyhound Track public facilities, electrical upgrade at Kalgoorlie Boulder Race Club and further rollout of plastic running rail to York Race Club and Esperance bay Turf Club.

Each Regional Development Commission area has benefited from the grant funding allocation, the major recipients being the Wheatbelt, Goldfields Esperance, Great Southern, South West and Peel regions.

While no funding commitments from Department of Regional Development (DRD) have been included in the SDP beyond 2014-15, RWWA is confident that ongoing discussions with the DRD will result in new funding allocations from 2015-16.

RWWA Funded Grants

RWWA has continued to assist those clubs with projects valued outside of the funding guidelines of the RIGP and Royalties for Regions.

The major projects completed within 2014-15 include the reconstruction of the synthetic race training surface at Ascot Racecourse totalling \$4M, the winter racing requirements for Pinjarra Race Club including the rebuild of the Pinjarra straight course and facility works for the tote area, patron area, formalised carpark and drainage totalling \$1M. \$13M has also been allocated for the development of a new Greyhound racing circuit and ancillary facilities at Cannington.

RWWA has allocated an amount of \$5.7M in 2015-16 including a contribution towards a new irrigation system at Belmont (\$1.2M), a marquee at Cannington (\$0.9M) to complement the new race track completed in the 2014-15 financial, a contribution towards a new vision system at Perth Racing (\$0.9M), Racing Marketing Grants (\$1M), essential infrastructure grants (\$0.5M) as well as a contribution to Gloucester Park towards marketing the Inter Dominion.

In the years following 2015-16 an amount of \$1M has been included for racing marketing together with an amount of \$0.5M for essential infrastructure requirements.

DISTRIBUTION OF FUNDS

Table 1: Racing Industry Distributions for 2015-16

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 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	47,884	58.8%	19,921	57.3%	9,654	55.0%
Country	32,756	40.2%	14,482	41.7%	7,886	45.0%
RWWA *	842	1.0%	350	1.0%	0	0.0%
Grand Total	81,482	100.0%	34,752	100.0%	17,540	100.0%

* Represents distributions which by their nature cannot be separated by location

Table 2: Sports Distributions for 2015-16

Sports Distribution (\$000's)	4,194
as a percentage of Sports MAT	20.50%

Table 3: Racing Distribution Funding for 2015-16

Section 77 (2) d(a) of the Racing and Wagering Act 2003, requires RWWA to disclose the proportions in which the grant income from Racefields revenue will be distributed to the classes of racing clubs as shown in the following table.

Distribution Funding Source (\$000's)	Thoroughbreds	Harness	Greyhounds	Total
Racefields Grants Income	25,415	10,650	5,586	41,651
Wagering Revenue	56,067	24,102	11,954	92,123
Total Racing Distributions	81,482	34,752	17,540	133,774
Racefields revenue code allocation %	61.02%	25.57%	13.41%	100.00%

KEY PERFORMANCE INDICATORS

Key Performance Indicators	2015/16
Number of bets processed (% Change from prior year)	3.80%
Distribution to Racing and Sports (\$000)	137,967
Distribution to Racing and Sports (% Change from prior year)	5.39%
Number of staff (FTE)	365
Return on Assets (%)	87.04%
Return on Assets (% Change from prior year)	3.36%
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 Racing and Gaming 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 function, 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....-