

May 10, 2010

Dear stakeholder

The following questions and answers posed have been compiled so trainers, owners and members of the Gold Coast Turf Club (GCTC) are better informed prior to attending the meeting scheduled for Tuesday, May 11 at the GCTC.

The following questions have been asked by trainers either verbally or by email or canvassed in various news articles:

What funding does the GCTC receive from Queensland Racing Limited (QRL)?

Administration subsidy	\$ 950,000
Training track subsidy	\$ 300,000
On course tote commission	\$ 1,100,000
Raceday integrity costs	\$ 300,000
Sky broadcast fees	\$ 240,000 (approx)
Prizemoney funding	\$11,400,000

The GCTC racing programme is 100 per cent fully funded by QRL to the amount of \$11,400,000. There is no contribution to prizemoney by the GCTC.

The GCTC in addition receives the following funding streams; training fees, sponsorship revenue, gate fees, membership fees and all revenue derived from club activities.

Notwithstanding the funding received and that the GCTC is operating in the best location and enjoying the enviable position of racing in the prime Saturday racing slot every Saturday, the GCTC committee are unwilling to progress the club to the next level and embrace change for the betterment of racing and its members.

Why are the clubs un-financial, and claim that QRL is starving them of funds?

The club business model has not changed since the introduction of an accountable distribution model and to compound the situation there is falling on course attendance.

The clubs by and large, especially the Gold Coast, survived and prospered on a failed industry distribution policy whereby clubs were allowed to use prizemoney allocations to prop up club finances to operate a business model of committee largess and depriving owners and trainers of much needed prizemoney. The GCTC for years subsidised its operations by dipping into prizemoney allocations up to 25 per cent and received an on course distribution of 12 per cent where the industry was

only receiving 4.9 per cent. A continuation of this policy would have bankrupted the industry.

The QRL proposal is a new business model that will allow clubs to operate as clubs and allow QRL to operate the racing business.

Why not give clubs the funds to maintain the tracks?

The clubs have a poor record of operating the business of racing as witnessed by the subsidisation of club operations from prizemoney allocations in the past.

QRL is offering a new and sustainable model that will allow club committees to direct their resources and attention to the operation of club facilities and improving the members' interests and public facilities.

What is QRL offering with the new partnership model for the GCTC?

The QRL proposal removes the costs associated with the burden of maintenance, capital improvements and the responsibility of providing safe quality racing services.

What role does the government have?

The government has made available in excess of \$80 million in redirected tax for the upgrade of industry infrastructure across the State. Other than providing this funding and ensuring the integrity of the expenditure, the government has no role. In any equity partnerships that evolve with clubs, the equity will be held by the control body on behalf of the entire industry completely at arms length from the government.

What will the new development mean for trainers and owners at the Gold Coast?

The proposal will see an upgrade of the course proper, the construction of a synthetic track for training and racing, two tunnels to alleviate Workplace Health & Safety concerns, a sealed ambulance track and major drainage works to complement the facilities.

Swimming pool

A swimming pool will be part of the development.

In the case of swimming fees the Gold Coast trainers would pay a nominal charge to cover the ongoing costs and supervision. There would be no inbuilt fees to recoup the capital cost of the pool.

Track fees

On acceptance of the QRL proposal the control body intends to standardise training fees across like locations that accept the new partnership model. In the case of the Gold Coast training fees, these will become commensurate with those charged at Caloundra, currently \$15 week all inclusive and no charge for grass gallops.

Prizemoney

The level of prizemoney is related to the ongoing revenue received through wagering on the Queensland product from UNITAB. Wagering revenues are flat due to the

amount of wagering through corporate bookmakers who are currently paying nothing or a nominal amount for operating on the Queensland product. The revenues received have been lower, also due to the above and the migration of wagering trends to fixed odds betting that attract a lower level of totalisator return.

Unfortunately many of those, including racing administrators, who are calling for higher prizemoney to be paid, are currently active account holders with corporate bookmakers or betting exchanges. QRL cannot increase prizemoney and suffer lower returns from 'free riding' on the Queensland product.

QRL also supports country racing clubs and stakeholders with funding of \$14 million annually representing seven per cent above the legislative requirement. This support does not attract any wagering revenue and is support for country communities to hold 300 country non-TAB meetings annually.

Comparisons of prizemoney are problematic, for instance, Victoria receives a share of poker machine revenue and has no country non-TAB racing. NSW has a greater population base and has different revenue arrangements with Tabcorp as the wagering operator.

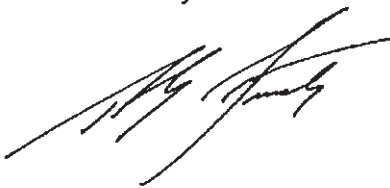
QRL can only act in a responsible manner and allocate prizemoney from recurring wagering revenue.

QRL cash reserves

QRL cash reserves are currently being quoted as standing at \$50m (Courier Mail, May 10, 2010). This is incorrect.

The correct position as at March 31, 2010 is a holding of \$2m in free cash and a holding of \$32m cash in trust, pending the outcome of the racefields legislation expected to be challenged by corporate bookmakers and betting exchanges. It would be irresponsible for a control body to allocate these funds at a time that the matter is likely to be decided in court. A holding of \$2m in cash as a buffer to changes in wagering outcomes is responsible management.

Yours sincerely



R.G. BENTLEY
Chairman