



TRSA STATEMENT

CHANGING THE WAY WE DO BUSINESS

The TRSA Board has spent the first six months of its term in carrying out a comprehensive review of the way that business has been conducted and assessing the best ways to move forward. Improving the position of the thoroughbred code will not occur overnight. It will be a gradual process and a series of changes will be implemented. Today will be concerned with the funding of Clubs by the Industry and the prizemoney changes that will commence from the start of the next racing season. In making these changes the Board has been mindful of the importance of continuing to increase prizemoney; maintaining Club viability, particularly amongst the larger Clubs; allocating scarce resources in a prudent manner; and removing subsidies that do not directly contribute to the business of conducting racing in an efficient and effective manner.

The TRSA board is in the process of negotiating with Betfair to provide them with our consent to use our product. It is in the process of negotiating with Sky Channel for renewal of our Sky access rights. It is in the process of discussions with SATAB on the possible renewal of the service agreement with respect to on-course wagering. TRSA is also exploring other options that may be available to diversify our revenue streams. It will be important that the Industry speaks with one voice on each of these matters and TRSA will be asking each Club to provide TRSA with an exclusive and unrestricted licence to the Club's intellectual property in respect of race meetings to augment the intellectual property of TRSA that arises from its creation of the race fields that enable racing to take place. This pooling of all the intellectual property associated with racing in South Australia will enhance the capacity of TRSA to maximise revenue on behalf of the Industry and thereby increase capacity to improve prizemoney and club viability.

As we move forward it is understood that some of the changes will be more enthusiastically supported than others. There may be some changes that will not be welcomed by all concerned. It is anticipated that some dissent may be expressed. However it needs to be said that the changes being announced today are the product of considering a range of views and opinions about priorities for the Industry. In framing these changes the Board has not sought popularity, but has chosen to move down a path which it believes will be in the best interests of the Industry. The TRSA Board regards itself as a Board of reform. This is the first major instalment of reform as the Industry moves forward. No doubt issues will arise in the next 12 months which will cause us to announce further changes next year. The changes announced today are being done in an open and transparent fashion and all Clubs will know where each other stand.

CLUB FUNDING FOR RACE DAY PAYMENTS

We have been cognizant of the fact that many Clubs have had difficulty in generating surpluses or sufficient surpluses on race days to fund administrative overhead costs and thereby break even over the course of a year. To this end TRSA has altered race day payments from \$1,500 per meeting to \$5,000 per meeting in the case of metropolitan meetings; from \$1,000 per meeting to \$2,000 per meeting in the case of provincial and country TAB meetings; and from \$500 per meeting to \$1,000 per meeting in the case of Country/picnic meetings (non-TAB). These changes will come into effect from 1 August 2008. The relative position of each club is set out in Table 1.

TABLE 1: CLUB RACE DAY PAYMENTS 2007-08 & 2008-09					
CLUB	MEETINGS		RACE DAY PAYMENTS		
METROPOLITAN	2007-08	2008-09	2007-08	2008-09	Budget Change
SAJC	67	62	1500	5000	217000
Oakbank	2	3	1500	5000	10500
Total Metropolitan	69	65			227500
PROVINCIAL					
Murray Bridge	14	16	1000	2000	16000
Strathalbyn	12	12	1000	2000	12000
Gawler	12	13	1000	2000	13000
Balaklava	12	13	1000	2000	13000
Port Lincoln	14	14	1000	2000	14000
Mount Gambier	10	10	1000	2000	10000
Total Provincial	74	78			78000
COUNTRY TAB					
Bordertown	3	3	1000	2000	3000
Naracoorte	6	6	1000	2000	6000
Penola	4	4	1000	2000	4000
Millicent	1	1	1000	2000	1000
Mindarie Halidon	1	1	1000	2000	1000
Port Augusta	6	6	1000	2000	6000
Clare	4	4	1000	2000	4000
Kimba	1	1	1000	2000	1000
Total Country TAB	26	26			26000
COUNTRY PICNIC					
Penong	1	1	500	1000	500
Ceduna	3	3	500	1000	1500
Streaky Bay	1	1	500	1000	500
Lock	1	1	500	1000	500
Quorn	1	1	500	1000	500
Hawker	1	1	500	1000	500
Jamestown	1	1	500	1000	500
Roxby Downs	1	1	500	1000	500
Kangaroo Island	3	3	500	1000	1500
Total Picnic Meetings	13	13			6500
Total Change	182	182			338000

CLUB TRAINING SUBSIDIES

TRSA has recognised that it is not financially prudent to continue to make training subsidies to 18 racing venues. It is important that Industry scarce resources be allocated to the most used training venues by trainers. The Board has also been cognizant of the way in which the current funding model does not recognise South Australian starters in Victorian races. This has particularly disadvantaged Mount Gambier who has had just over 500 starters in Victorian races per annum. As a first step in reforming these payments the Board has treated Victorian starters as if they were South Australian starters. This adjustment was made for the Clubs producing the most Victorian starters and these were Mount Gambier; Morphettville; Naracoorte; Bordertown; Murray Bridge; Strathalbyn; and Millicent. In addition to this change the Board has determined that it will restrict the payment of training subsidies to the 10 most used facilities. For each of these 10 facilities the payment per starter has been increased by 2.5%. These changes are set out in Table 2.

TABLE 2: TRAINING SUBSIDY CHANGES			
CLUB	TRAINING SUBSIDY		
	2007-08	2008-09	Budget Change
METROPOLITAN			
SAJC	395246	400000	4754
Oakbank	31160	33000	1840
Total Metropolitan	426406	433000	6594
PROVINCIAL			
Murray Bridge	189390	202000	12610
Strathalbyn	193763	200000	6237
Gawler	99829	104000	4171
Balaklava	1172	0	-1172
Port Lincoln	84821	85000	179
Mount Gambier	104732	116000	11268
Total Provincial	673707	707000	33293
COUNTRY TAB			
Bordertown	27153	26000	-1153
Naracoorte	14138	20000	5862
Penola	2544	0	-2544
Millicent	12757	14000	1243
Mindarie Halidon	0	0	0
Port Augusta	5608	0	-5608
Clare	2502	0	-2502
Kimba	0	0	0
Total Country TAB	64702	60000	-4702
COUNTRY PICNIC			
Penong	0	0	0
Ceduna	4126	0	-4126
Streaky Bay	858	0	-858
Lock	0	0	0
Quorn	601	0	-601
Hawker	0	0	0
Jamestown	0	0	0
Roxby Downs	0	0	0
Kangaroo Island	1729	0	-1729
Total Picnic Meetings	7314	0	-7314
Total Change			27871

NON-TAB RACE PRIZEMONEY FUNDING

The TRSA Board has considered the representations made from Non-TAB Clubs about the relative changes to prizemoney announced in February of this year. It has also considered the important role that these meetings provide in making riding opportunities available to apprentice riders and creating a broad basis of support for thoroughbred racing in more isolated parts of the State. The Board has agreed to increase prizemoney on all races during the coming racing season by \$400 per race and for the Cup race the Board will provide an additional \$500. These changes represent more than Non-TAB clubs sought and represent a reform which should enable them to move forward over the next couple of years. However the Board wishes to stress that Non-TAB Clubs should not assume that the relative position between funding for Non-TAB races and Country TAB races will be maintained. The Board will be increasing the funding for Country racing during the next 12 months, and it is unlikely that this change will flow on to Non-TAB Clubs. The impact of the changes announced today on Non-TAB Clubs is shown in Table 3 and the total impact of all changes announced to date is shown in Table 4.

	MEETINGS		Cup Race	Other Races	Budget Change
	2007-08	2008-09	2008-09	2008-09	2008-09
Penong	1	1	500	2000	2500
Ceduna	3	3	500	8000	8500
Streaky Bay	1	1	500	2000	2500
Lock	1	1	500	2000	2500
Quorn	1	1	500	2000	2500
Hawker	1	1	500	2000	2500
Jamestown	1	1	500	2000	2500
Roxby Downs	1	1	500	2000	2500
Kangaroo Island	3	3	500	6800	7300
Total Picnic Meetings	13	13	4500	28800	33300

	Prizemoney	Race Day	Training	Total Change
Penong	2500	500	0	3000
Ceduna	8500	1500	-4126	5874
Streaky Bay	2500	500	-858	2142
Lock	2500	500	0	3000
Quorn	2500	500	-601	2399
Hawker	2500	500	0	3000
Jamestown	2500	500	0	3000
Roxby Downs	2500	500	0	3000
Kangaroo Island	7300	1500	-1729	7071
Total Picnic Meetings	33300	6500	-7314	32486

PRIZEMONEY AT METROPOLITAN, PROVINCIAL & COUNTRY MEETINGS

TRSA believes that Clubs should focus upon at least breaking even within the framework of prizemoney set by TRSA. Commencing next racing season prizemoney at each metropolitan and provincial venue will be set by TRSA and the only races where TRSA will approve above benchmark prizemoney will be in special circumstances. An example of such extra funding would be the sponsorship deal the SAJC has with Allan Scott. All Group and Listed race prizemoney has been set by TRSA at benchmark except in the case of 3 races: the Adelaide Cup; the Gerard Corporation Stakes; and the Yalambee Stakes. Each of these races has been purposely set above the benchmark.

Country venues, except in especially approve circumstances, will be expected to also abide by the benchmark prizemoney set by TRSA. Any extra Club resources can be applied to any necessary capital projects at their course. The prizemoney distribution for each Club is set out in Table 5.

TABLE 5: PRIZEMONEY DISTRIBUTION CHANGES IN 2008-09							
CLUB	25% Prizemoney Top-up			Listed/Cup Races			Total Change
	2007-08	2008-09	Change	2007-08	2008-09	Change	
METROPOLITAN							
SAJC	n a	n a	0	n a	n a	0	
Oakbank	78500	0	-78500	0	80000	80000	1500
Total Metropolitan	94520	0	-78500			80000	1500
PROVINCIAL							
Murray Bridge	3000	0	-3000	50000	70000	20000	17000
Strathalbyn	3000	0	-3000	20000	30000	10000	7000
Gawler	4000	0	-4000	20000	30000	10000	6000
Balaklava	8000	0	-8000	50000	70000	20000	12000
Port Lincoln	8812	0	-8812	10000	20000	10000	1188
Mount Gambier	6050	0	-6050	18000	32500	14500	8450
Total Provincial	32862	0	-32862			84500	51638
COUNTRY TAB							
Bordertown	5625	0	-5625	10000	12500	2500	-3125
Naracoorte	6000	0	-6000	10000	12500	2500	-3500
Penola	6375	0	-6375	18000	25000	7000	625
Millicent	8375	0	-8375	10000	12500	2500	-5875
Mindarie Halidon	1250	0	-1250	10000	12500	2500	1250
Port Augusta	2625	0	-2625	10000	12500	2500	-125
Clare	1250	0	-1250	10000	12500	2500	1250
Kimba	1375	0	-1375	10000	12500	2500	1125
Total Country TAB	32875	0	-32875			24500	-8375

The prizemoney distributions are the product of four important changes:

- TRSA are discontinuing the policy of providing a 25% top-up incentive when Clubs put in extra prizemoney.
- The benchmark for all Listed Races has been increased from \$50,000 to \$70,000 and the prizemoney contributions to Oakbank, Balaklava and Murray Bridge reflects that.
- The funding for the Gawler and Strathalbyn Cups is increased from \$20,000 to \$30,000; the funding for the Port Lincoln and Mount Gambier Cups is increased from \$10,000 to \$20,000; and the funding for all other Country TAB Cups is increased from \$10,000 to \$12,500.
- TRSA also has agreed that it will encourage Country Clubs that have the desire and the capacity to develop a second feature race day to do so. In recognition of this new initiative TRSA has determined that the Mount Gambier Summer Cup and Penola's Coonawarra Cup are funded on the same basis as other Country Cups.

Table 6: TAB CLUB FUNDING OUTSIDE OF MARKETING				
CLUB	Training	Race Day	Prizemoney	Total
METROPOLITAN				
SAJC	4754	217000	*-200000	21754
Oakbank	1840	10500	1500	13840
Total Metropolitan	6594	227500	-198500	35594
PROVINCIAL				
Murray Bridge	12610	16000	17000	45610
Strathalbyn	6237	12000	7000	25237
Gawler	4171	13000	6000	23171
Balaklava	-1172	13000	12000	23828
Port Lincoln	179	14000	1188	15367
Mount Gambier	11268	10000	8450	29718
Total Provincial	33293	78000	51638	162931
COUNTRY TAB				
Bordertown	-1153	3000	-3125	-1278
Naracoorte	5862	6000	-3500	8362
Penola	-2544	4000	625	2081
Millicent	1243	1000	-5875	-3632
Mindarie Halidon	0	1000	1250	2250
Port Augusta	-5608	6000	-125	267
Clare	-2502	4000	1250	2748
Kimba	0	1000	1125	2125
Total Country TAB	-4702	26000	-8375	12923

* SAJC – reflects the removal/reduction of operational subsidy

The total changes to TAB Club funding outside of marketing are shown in Table 6.

OPERATIONAL SUBSIDIES

The practice of the previous Board was to provide an operational subsidy to the two shareholders: the SAJC and SARCC. During this current year the SAJC has been provided with \$220,000 and SARCC has been provided with \$110,000. There was also a small subsidy to the Clubs in the south-east, which last year amounted to \$11,233. TRSA has determined that, commencing in the coming year, all operational subsidies to Clubs will cease; and TRSA will make a \$20,000 subsidy to each of the two shareholders to carry out their shareholder duties as shareholders. In the case of the south-east Clubs we have addressed their needs in the other changes announced today. In the case of shareholders the TRSA decision reflects the view that where shareholders believe that they cannot cope with their available resources they can levy their members to sort any revenue deficiency needs.

CAPITAL GRANTS TO CLUBS

Earlier this year TRSA announced that in order for it be fully accountable for the progress of the Industry it was important that it assess and determine the capital grants that are made to Clubs. In the past a capital grant was made to the SAJC and SARCC was allocated funds to distribute to provincial and country clubs. Following this decision each Club was invited to make submissions to TRSA for capital funding for this year. The submissions varied in nature and in detail. In determining the allocations for the coming financial year TRSA has not only taken account of the submissions, but also of opinions expressed by stakeholders and the Stewards Department of TRSA. In the coming year TRSA has also been mindful of the financial capital resources of the SAJC, achieved through the successful sale of Cheltenham and the receipt of the capital grant of \$5 million from the State Government for the construction of its inner track.

With the closure of the Cheltenham Racecourse immediate provision needs to be made for the relocation of the TAFE Training Centre to Morphettville. The cost of carrying this out is estimated to be \$1.3 million and TRSA has made provision for this amount in this year's budget. This is an essential one-off cost that cannot be avoided. Unfortunately it slows down by one year the pace at which we can increase prizemoney. The Club capital projects that the TRSA Board has agreed to fund are as follows:

- New starting stalls and a vehicle to transport them around to each of the Clubs in the south-east: Mount Gambier; Penola; Naracoorte; and Bordertown. \$60,000 will be provided in each of the next 3 years to fund this cost.
- The public address system and sound amplification at Port Lincoln is well below the standard required for a prominent South Australian racecourse. TRSA has agreed to provide \$20,000 towards the cost of rectifying this problem and it is understood that these funds will be supplemented by the Port Lincoln and Kimba Racing Clubs.
- The starting stalls at Victoria Park will be transferred to Gawler. However these stalls need altering, particularly reducing the 20 gate barrier to 14 gates. TRSA funding of \$15,000 will be provided to meet this task.
- Murray Bridge has been granted \$10,000 for an extension and improvement to the female jockey's room in order to cater for the changing gender balance among riders.
- The female jockey's facilities at Naracoorte are below an acceptable standard and \$15,000 has been provided to enlarge and improve the current facilities.
- The Steward's towers at Penola need modifying in order to meet appropriate OH&S standards and provision of \$5,000 has been made for this purpose.
- Strathalbyn has a drainage problem on the outer part of the front straight and TRSA has agreed to provide \$20,000 to assist the Club in attending to the drainage issue.
- Kangaroo Island has been allocated the Steward's towers at Victoria Park if or when they become available. The Club has indicated that it will attend to the majority of costs and TRSA will provide them with \$5,000 of assistance.
- TRSA will upgrade and add to the marquee portability programme. The TRSA Board has approved increased investment in marquee and associated facilities such as tables and chairs.

The Board sees this as having a direct benefit to clubs in reducing their overall hire costs and the programme can be controlled centrally and maintained through the Festival Hire arrangements. The overall cost of this package of assistance to clubs is approximately \$53,000.

MARKETING ARRANGEMENTS WITHIN THE INDUSTRY

The marketing arrangements within the thoroughbred industry in the past have comprised a hybrid of TRSA grants to the two shareholders along with some direct involvement from TRSA. The Board does not believe that these arrangements have worked satisfactorily. The Board believes that scarce marketing resources should not be distributed across the whole gamut of the racing industry but should be focussed upon achieving a higher profile for the Industry in general whilst at the same time promoting the 24 major race days on our racing calendar. The major race days have been determined by comparing the performance of racing days in terms of off-course turnover; on-course attendance; gate revenue; on-course turnover; and the quality of the race programme and its propensity to attract extra publicity.

TRSA propose to centralise most of the marketing expenditure in-house. The Industry marketing and the 24 major event days will be funded directly and not by way of grants to Clubs. TRSA will consult with the Clubs involved in this marketing initiative in order that alignment is achieved between Industry objectives and Club objectives. As a result of this decision it is not proposed to make any marketing grants to the 2 Metropolitan Clubs and the 6 Provincial Clubs. These Clubs conduct the overwhelming number of the 24 major event days.

The Country TAB and Non-TAB Clubs will be provided with general support and advice and will receive a grant. Non-TAB Clubs will receive \$1,500 per race meeting and TAB Clubs will receive \$2,500 per race meeting. This higher level of support is reflective of the fact that TAB Clubs perform an additional role in that they help generate Industry income through off-course TAB wagering. The grants to each of the Clubs are set out in Table 7.

TABLE 7: MARKETING GRANTS	
RACING CLUB	MARKETING GRANT
Penong	\$1,500
Streaky Bay	\$1,500
Lock	\$1,500
Quorn	\$1,500
Hawker	\$1,500
Jamestown	\$1,500
Roxby Downs	\$1,500
Kangaroo Island	\$4,500
Ceduna	\$4,500
Mindarie-Halidon	\$2,500
Millicent	\$2,500
Kimba	\$2,500
Bordertown	\$7,500
Clare Valley	\$10,000
Penola	\$10,000
Naracoorte	\$15,000
Port Augusta	\$15,000
TOTAL	\$84,500

Six of the Clubs in Table 7 have had a feature race day included in our top 24 event days and they will receive some additional support from TRSA funds. The top 24 days are likely to vary from year to year. If a Club's performance drops and there is no obvious reason such as violent thunderstorms, then it will drop out of the top 24 to be replaced by another Club's race day that has had a lift in performance. The marketing funding of TRSA will be almost \$1.24m in addition to the Club marketing grants. There will obviously be some transition issues to sort out with the 8 Clubs in question and these will be addressed in the next few weeks.

MANAGEMENT OF CLUBS

TRSA has spent a considerable amount of time considering the most appropriate way of managing the Racing Industry and managing Club Business. The Board does not believe that the current practice is the most efficient and effective way of managing racing business in the twenty-first century. The Board is cognizant that a strong desire exists among most Club Committee people to retain a separate Club identity and ownership of assets. Accordingly, TRSA does not propose to go down the path of promoting a so-called "Super Club", but rather it proposes a set management agreements between TRSA on the one hand and Clubs on the other. This proposal is being put forward to the SAJC and the 4 Provincial Clubs initially because TRSA does not believe that the current practice is the best way of managing either the Industry or the Clubs concerned.

The Board has prepared a position paper which attempts to identify the role that TRSA will play; the role that Club Committees might play; and the tasks Clubs currently undertake that TRSA could undertake at a lower cost to the Industry. It is proposed that any changes of this kind would be the subject of a fixed-term management agreement between TRSA and each of the Clubs concerned. To pursue this course of action TRSA will share its position with the Clubs. It proposes to undertake consultations with the SAJC on the one hand and Balaklava, Gawler, Murray Bridge and Strathalbyn on the other. This approach will not necessarily be confined to these Clubs, but it is indicative of how TRSA intends to commence its process of changing the way we do business in the racing industry. Because of the importance of the issues it is anticipated that these discussions will take place over the next 2 to 3 months.

PRIZEMONEY CHANGES

TRSA indicated in January that increasing prizemoney was our number one priority. That position remains true. To that end TRSA has prepared forward projections of likely revenue and expenditure streams over the next 5 years with a view to ascertaining the maximum capacity of the Industry to increase prizemoney. The detailed work of translating these global increases into levels of prizemoney by type of race is now proceeding. Also, TRSA is in the process of having discussions with the SAJC to incorporate their contributions from the tranches of money they will receive from the sale of Cheltenham. The planned package of prizemoney increases over the next 5 years will be presented and considered at the next TRSA Board meeting. This meeting is scheduled to be held on 15 July and a Board statement will be released later that day. These forward projections will serve three purposes: they will provide benchmarks by which the Government can monitor our performance in responding to their decision to phase out the betting turnover tax; they will provide cause for confidence in the Industry as we move forward; and they will make TRSA more accountable for its actions in delivering on its commitments.

Philip Bentley

Chairman TRSA