



**Government  
of South Australia**

TRS19D0366

Hon Stephen Mullighan MP  
Member for Lee  
Unit 1, 62 Semaphore Road  
SEMAPHORE SA 5019

**Treasurer**

Level 8  
State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
GPO Box 2264  
Adelaide SA 5001  
DX 56203 Victoria Square  
Tel 08 8226 1866  
treasurer.dtf@sa.gov.au

[lee@parliament.sa.gov.au](mailto:lee@parliament.sa.gov.au)

  
Dear Mr Mullighan

**APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991***

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 19 February 2019.

Your application seeks access to:

*"Copies of any and all documents (including but not limited to physical, electronic, or written briefs, minutes, emails, diary entries and any other correspondence) held by the Treasurer or Treasurer's Office regarding funding for Thoroughbred Racing SA and/or the South Australian Jockey Club, between 19 March 2018 and 19 February 2019."*

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. However, I have determined to process the request as if the statutory timeframe had been met.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 19 documents were identified as answering the terms of your application.

I grant you access in part to 8 documents, copies of which are enclosed.  
I grant you access in full to 8 documents; copies of which are enclosed.  
I refuse you access in full to 3 documents.

**Documents released in part**

Documents 1, 2, 3, 9, 13, 14, 16 - 17

**Documents released in full**

Documents 7, 8, 10 - 12, 15, 18 and 19

**Documents refused in full**

Documents 4 - 6

**Documents released in part**

Document 1 is a letter from Thoroughbred Racing SA seeking my consideration to include their request as part of the 2019 State Budget process. I have deemed the attached Business Case as being out of scope.

Document 2 is correspondence received from the Member for Hammond on behalf of a constituent. The constituents name has been redacted pursuant to clause 6.

Document 3 is a briefing prepared for the Premier, ahead of his meeting with Thoroughbred Racing SA. Attachments 1 and 2 are released in part with out of scope information redacted. I release in full Attachment 3.

Document 13 is an email trail relating to a media query about support for the SA racing industry. Out of scope information has been redacted.

Documents 9, 16 and 17 are briefings which were prepared by DTF for meetings with Racing SA. Out of scope information has been redacted.

Document 14 is an email trail relating to the Murray Bridge Racing Club loan. Attachments 1 and 3 are out of date range so I deem these documents as being out of scope. Attachment 2 is also an email trail asking if there had been a drawdown from the Facility Agreement between the Treasurer and Thoroughbred Racing SA. Earlier emails are out of date range and have therefore been redacted.

**Documents refused in full**

Document 4 is an email outlining a phone call between my office and a member of the general public who expressed concern about funding for Thoroughbred Racing. Therefore, I have determined to exempt this information pursuant to clause 6(1) as these documents contain information of a personal nature which if released, would be an unreasonable disclosure of personal affairs.

Document 5 is correspondence from an organisation and Document 6 is correspondence written from a member of the general public about Thoroughbred Racing funding. Contact was made with both parties seeking their views on whether they would be happy to disclose their correspondence, and despite attempts to obtain consent, no replies have been received. Therefore, I have determined to exempt this information pursuant to clause 6(1) as these documents contain information of a personal nature which if released, would be an unreasonable disclosure of personal affairs.

## Exemptions

### Clause 6 – Documents affecting personal affairs

- (1) *A document is an exempt document if it contains matter the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), The Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <http://dpc.sa.gov.au/what-we-do/services-for-government/premier-and-cabinet-circulars>. Please visit the website for further information.

No fees and charges are payable for this application.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on (08) 8226 9769.

Yours sincerely



**Hon Rob Lucas MLC**  
*Principal Officer*

12 May 2019

Att.

## Schedule of Documents

TRS19D0366

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
1	18/02/2019	Letter from Thoroughbred Racing SA	2	Released in full		
		Attachment to letter		Refused in full		out of scope
2	13/02/2019	Correspondence from Mr Adrian Pederick MP, Member for Hammond on behalf of a constituent	3	Released in part	6(1) - Unreasonable disclosure of personal affairs	
3	16/01/2019	Briefing to Premier from Treasurer	9	Released in part		out of scope information redacted
		Attachment 1	4	Released in part		out of scope information redacted
		Attachment 2	1	Released in part		out of scope information redacted
		Attachment 3	1	Released in full		
4	15/01/2019	Email relating to a phone call from a member of the general public	4	Refused in full	6(1) - Unreasonable disclosure of personal affairs	
5	3/01/2019	Letter	2	Refused in full	6(1) - Unreasonable disclosure of personal affairs	
6	3/01/2019	Email	2	Refused in full	6(1) - Unreasonable disclosure of personal affairs	
7	31/12/2018	Email	7	Released in full		
8	24/12/2018	Email	4	Released in full		
9	13/12/2018	Briefing from DTF to Treasurer re: meeting with Racing SA	2	Released in part		Out of scope information redacted
10	30/11/2018	Letter from Thoroughbred Racing SA	4	Released in full		
11	23/11/2018	Letter from Mr Dan Cregan MP, Member for Kavel	1	Released in full		
		Attachments 1 - 4	13	Released in full		
12	1/11/2018	Briefing from DTF to Treasurer	2	Released in full		
13	1/11/2018	Email	2	Released in part		Out of scope information redacted
14	23/08/2018	Email + attachments	18	Released in part		Out of scope information redacted
		Attachments 1 & 3	10	Refused in full		Out of scope

## Schedule of Documents

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
		Attachment 2	6	Released in part		Out of scope information redacted
15	11/08/2018	Letter from Treasurer to Thoroughbred Racing SA dated 11 August 2018	1	Released in full		
		Attachment to letter - two emails from Thoroughbred Racing SA attaching 3 submissions	11	Released in full		
16	22/06/2018	Briefing from DTF to Treasurer	11	Released in part		Out of scope information redacted
17	18/05/2018	Briefing from DTF to Treasurer	3	Released in part		Out of scope information redacted
18	24/04/2018	Letter from Thoroughbred Racing SA	1	Released in full		
19	2/05/2018	Emails	2	Released in full		

**RELEASE IN PART**



(08) 8179 9802  
JW:AVT L021

18 February 2019

Hon Rob Lucas  
Treasurer  
Level 8, State Administration Centre  
North Terrace  
ADELAIDE SA 5000

Hon Corey Wingard  
Minister for Recreation, Sport & Racing  
GPO Box 668  
ADELAIDE SA 5001

Dear Treasurer and Minister

#### **THOROUGHBRED RACING SA BUSINESS CASE**

Further to the various meetings between Thoroughbred Racing SA (TRSA) representatives and each of you separately, I attach TRSA's Business Case by way of its 2019 State Budget Submission. TRSA and the SA Racing Industry has previously lodged various submissions with the State Government seeking its support in sustaining the SA Racing Industry, an important employer and contributor to both the State's economy and communities, which most recently was directed to the adverse impact on the SA Racing Industry, of the 15% POC tax imposed in South Australia and importantly seeking a redirection of the POC tax revenue to the Racing Industry.

The most recent advice from yourself Treasurer, was that you would be prepared to consider TRSA's request as part of the 2019 State Budget process, but that a Business Case would be required to be submitted in support of the request. Further, that Government was prepared to assist in preparing such, working with the relevant Government departments, Treasury, and the Office for Recreation, Sport and Racing.

In preparing the enclosed Business Case TRSA has consulted widely with the industry, through the Sector groups (Trainers, Owners, Jockeys and Breeders' Associations, nationally and locally), as well as the SA Jockey Club and Country Racing SA. The Business Case provided in support of TRSA's request is fully endorsed by each of those industry groups, with the South Australian Racing Industry Group (SARIG) providing a Memorandum of Endorsement to record the Industry's unity with the submission and Business Case.

While TRSA has endeavoured to provide what we understood was required by Government, please advise if there is anything further which you require to further support TRSA's request, or clarification as to what has been provided. Representatives of TRSA would be available to meet further with yourselves and/or your advisers and staff, likewise with any Government department as required.

We look forward to Government's favourable consideration as to TRSA's request that the current 15% POC tax rate be reduced to 10%, and that 75% of the POC tax revenue collected by Government be redirected back to the SA Racing Industry:

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jim Watters', with a stylized flourish at the end.

Jim Watters  
Chief Executive

*Encl.*



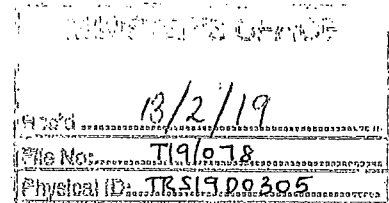
DTF:Treasurer

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**From:** AGD:Minister Wingard  
**Sent:** Wednesday, 13 February 2019 2:44 PM  
**To:** DTF:Treasurer  
**Subject:** Referral - Mr Adrian Pederick MP  
**Attachments:** PEDERICK MP, Adrian obo [REDACTED] FW: Possible Referral - Adrian Pederick MP; Ministerial Acknowledgment.pdf

MINUTES forming ENCLOSURE to

**TO: OFFICE MANAGER to the  
TREASURER**



**RE: CORRESPONDENCE FROM MR ADRIAN PEDERICK MP**

I refer to the attached correspondence from Mr Adrian Pederick MP on behalf of Mr [REDACTED] regarding cuts to thoroughbred racing in SA.

As agreed between Cassandra Marando and Naveena, some matters raised fall under the portfolio responsibility of the Treasurer. Accordingly, I am forwarding this correspondence to your office for consideration.

Mr Pederick has been advised this matter has been referred to your office.

Please find attached a copy of the referral acceptance and our acknowledgement.

Kind Regards

Cassandra Marando | Administration Correspondence Officer/Receptionist  
Office of the Hon Corey Wingard MP  
Minister for Police, Emergency Services and Correctional Services  
Minister for Recreation, Sport and Racing

p: 8463 6641 | f: 8463 6642  
GPO Box 668 | ADELAIDE SA 5001 | DX450  
Level 2 | 45 Pirie Street | ADELAIDE SA 5000

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Office of the Hon Corey Wingard MP



Government  
of South Australia

Minister for Police,  
Emergency Services and  
Correctional Services

Minister for Recreation,  
Sport and Racing

GPO Box 688  
ADELAIDE SA 5001  
DX 460

T: (08) 8463 9641  
F: (08) 8463 9942

E: [MinisterWingard@sa.gov.au](mailto:MinisterWingard@sa.gov.au)

Your Ref: 13154511GO

Mr Adrian Pedrick MP  
Member for Hammond  
20 Mannum Road  
MURRAY BRIDGE SA 5253

Dear Mr Pedrick:

Thank you for your letter dated 31 January 2019 to the Hon Corey Wingard MP, Minister for Recreation, Sport and Racing, on behalf of your constituent, Mr [REDACTED] regarding funding cuts to thoroughbred racing in South Australia.

While the Minister appreciates receiving your correspondence, I advise this matter falls within the portfolio responsibility of the Treasurer, the Hon Rob Lucas MLC.

Accordingly, I have forwarded your correspondence to the Treasurer for consideration.

Yours sincerely

A handwritten signature in black ink, appearing to be "Michelle".

by Michelle  
Office Manager  
OFFICE OF THE HON COREY WINGARD MP

12 / 2 / 2019

Cc: Hon Rob Lucas MLC, Treasurer



**ADRIAN PEDERICK MP**

Member for Hammond



RECEIVED

REF: 13154511GO  
Please quote REF No

11 FEB 2019

Hon Corey Wingard MP  
Minister for Recreation, Sport and Racing  
Government of South Australia  
G.P.O. Box 668  
ADELAIDE SA 5001

*Copy*  
Dear Minister,

I write to you on behalf of Mr [REDACTED] of Murray Bridge who has raised his concerns with the funding of thoroughbred racing in South Australia.

Mr [REDACTED] is very disappointed to hear about the recent cut in funding to the racing industry in South Australia and is enquiring if any revenue from the point of consumption tax will be returned to the industry. Mr [REDACTED] is aware of the value of the racing industry to the economy of South Australia and more particularly its importance to Murray Bridge.

Your assistance in responding to this matter would be greatly appreciated.

Yours sincerely,

*Adrian Pederick*

ADRIAN PEDERICK MP JP  
Member for Hammond  
Government Whip in the House of Assembly  
Presiding Member, Environment, Resources & Development Committee  
Chair, Regional Affairs Committee

31 11 19

Address 20 Mannum Road, Murray Bridge SA 5253

Phone (08) 8531 1676

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Email [hammond@parliament.sa.gov.au](mailto:hammond@parliament.sa.gov.au)

Web [www.adrianpederick.com](http://www.adrianpederick.com)

**Building a positive future for Hammond**



Government  
of South Australia

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Adelaide SA 5000  
GPO Box 2264  
Adelaide SA 5001  
DX 56203 Victoria Square  
Tel 08 8226 1866  
treasurer.dtf@sa.gov.au

MINUTES *forming* ENCLOSURE to: Physical ID: TRS19D0064

TO: HON STEVEN MARSHALL MP  
PREMIER

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RE: MEETING WITH THOROUGHBRED RACING SA

I understand that you are meeting with Thoroughbred Racing SA (TRSA) on Friday 11 January 2019 to discuss the impact of the betting operations tax (point of consumption tax) on the racing industry.

I previously met with Ms Frances Nelson QC, Chair of TRSA and Racing SA on 25 June 2018 and 17 December 2018 on this issue. Please find attached (Attachment 1) a copy of the briefing notes prepared for me by the Department of Treasury and Finance for the December 2018 meeting as background information.

The racing industry have made a number of submissions to the Government for funding. Following representations from the industry in June 2018 the Government provided a one-off grant of \$4.85 million to Racing SA in late June 2018.

The industry is currently seeking the following

- All revenue received from the BOT on racing to be provided to the racing industry
- A reduction in the rate of the BOT
- Additional funding of \$1 million per annum relating to revenue received by the Government as part of exclusivity arrangements with UBet SA.

An analysis of the requests from the racing industry are included in Attachment 1.

Racing SA has advised that if it does not receive additional funding, it will need to cut expenditure, including on infrastructure, maintenance and prize money across the state.

Attachment 3 shows the total revenue generated by Thoroughbred Racing SA (the largest of three codes) since 2011-12 (as published in their annual reports). It shows that including government grants, total revenue has grown by 49 per cent over that

period. If time limited Government grants are excluded, total revenue has grown by 34 per cent over that period.

Revenue to Thoroughbred SA in 2011-12 was \$46.119 million, and \$45.999 million excluding time limited Government assistance. Revenue in 2017-18 was \$68.493 million, \$61.439 million excluding time limited Government assistance.

Following the introduction of BOT, the then government committed to providing grant payments to the racing industry. This along with the contributions from UBet SA (under the Racing Distribution Agreement between Racing SA and UBet SA) ensures the level of funding provided to the industry is equivalent to what was received directly from UBet SA prior to the introduction.

The following table shows the current estimate of collections from the BOT on a net and gross basis.

Betting Operations Tax		2017-18 Estimate \$m	2018-19 Estimate \$m	2019-20 Estimate \$m
2018-19	Gross tax - as shown in Budget	32.4	37.3	39.1
MYBR	Contribution to Racing SA	17.7*	18.1	18.6
	Net revenue	14.7	19.2	20.5

\*Excludes once-off grant of \$4.85 million provided to Racing SA in June 2018

#### Interstate arrangements

The industry have stated that other state governments are providing support to their state racing industry.

**Queensland** BOT commenced in October 2018 with a rate of 15% and a threshold of \$300,000 which is double the SA threshold of \$150,000. Additional one-off funding has been provided to the racing industry - prize money of \$27 million, infrastructure funding of \$20 million and written off debt of \$18 million. There is no commitment to provide further funding to the Queensland industry. The annual BOT collection is estimated to be \$95 million which is significantly higher than the \$39 million gross estimated for South Australia.

**NSW** BOT commenced in January 2019 with a rate of 10% and a threshold of \$1 million. The NSW industry will receive 2% of the taxable net state wagering revenue. The annual BOT collection is estimated to be \$85 million (after deductions for other taxes paid), based on media reports the NSW racing industry will receive additional funding of \$40 million per annum.

The **Vic** BOT is 8% and commenced in January 2019 with a \$1 million threshold. The Vic industry will receive 1.5% of net wagering revenue which equates to additional funding of \$20 million per annum of \$105 million estimated collections.

**WA** and **ACT** are also charging a rate of 15% on their BOT which commenced in January 2019. The estimated contribution to the WA industry is \$25 million of an

estimated \$80 million collections. ACT have not committed any additional funding the local industry.

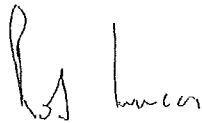
Attachment 2 provides a table that summarises the different point of consumption wagering tax arrangements in other jurisdictions and any relevant additional funding provided to the racing industry in other jurisdictions as part of the introduction of the new taxation arrangements.

In conclusion, while NSW, Vic and Qld are providing support to the racing industry as described, the return is significantly less than the full BOT collections.

In 2017-18, in SA the gross BOT collections (from racing and other sports) was \$32.4 million, of which \$17.7 million was returned to the industry. In addition a one-off grant of \$4.85 million was provided to the industry (of which \$4.08 million was provided to TRSA), in addition to the \$3 million under the former Government's arrangement for prize money and \$2.5 million as a loan for facilities at Murray Bridge.

Minister Wingard and I have both indicated to the industry that their request for additional funding will be considered by the government together with all other funding submissions as part of the 2019/20 budget process.

The industry have also been advised their funding submission should outline how additional funding to their industry will help the industry grow and create jobs in South Australia.



**Hon Rob Lucas MLC**  
*Treasurer*

10 January 2019

Att: 1 Briefing material for the Treasurer's meeting with Racing SA on 17 December 2018  
2 Interstate BOT arrangements  
3 TRSA revenue

## Analysis of requests from the racing industry

1. An ongoing guarantee that the industry will not be worse off due to the introduction of the point of consumption wagering tax in South Australia.
  - Wagering providers are required to make payments to the industry when they take a bet on a South Australian race. The revenue received by Racing SA on races held in South Australia from wagering providers relates to bets placed by customers from all around Australia, not just revenue from SA customers.
  - The former Government gave a guarantee that the racing industry would not be worse off as a result of the introduction of the BOT.
  - As the BOT applies to SA customers, not SA races, wagering operators taking direct action against SA Racing in response to the tax (including different tax rates) does not reduce the level of tax they are required to pay. For example, a wagering provider does not pay any BOT if a NSW resident bets on a SA race - instead they are liable to pay the point of consumption tax applicable in NSW.
  - The only reason for wagering operators to target SA Racing in response to the introduction of the betting operations tax would be to try and damage the industry as a way of pressuring the Government to remove or reduce the tax.
  - Following the introduction of the BOT, Racing SA raised concerns about various measures taken against SA Racing by various corporate bookmakers in response to the introduction of the BOT. This has included:
    - Placing SA races at the bottom of the list of races being held on their respective websites;
    - Not displaying SA races on the "next to jump" list on their websites; and
    - Not allowing bet boosts and similar products on SA races and/or bets placed by South Australian customers.
  - Based on information submitted by the racing industry to Government on the potential impact of the direct action by wagering providers on their own source revenue, a one-off grant of \$4.85 million was provided to Racing SA in 2017-18.
  - Now that other jurisdictions are implementing similar point of consumption taxes this should reduce any direct action taken against SA Racing. In the long term the attractiveness of the SA Racing product offer should drive the offering of the product by wagering providers as they seek to maximise their profits.
  - In their submission, the racing industry argues that the difference in tax rates between SA and NSW and Vic will mean they are at an ongoing competitive disadvantage to other jurisdictions. This argument ignores that the BOT applies to SA customers, not SA racing.
  - Racing SA, in conjunction with their counterparts in other jurisdictions, should be responding to any ongoing targeted impact against the industry by betting providers which does not relate to how the tax is implemented. This should already be

occurring to minimise any potential impact on the industry, rather than just seeking government funding.

- DTF does not have any information available to estimate the cost of providing a guarantee that the industry will not be worse off as a result of the introduction of the BOT in 2018-19 or future years. Any calculations would be subjective as the level of revenue received by the industry is impacted by a range of factors (eg attractiveness of their product offering).
- Whilst DTF considers that the targeted action that occurred in 2017-18 by wagering operators trying to reverse the implementation of the tax is unlikely to continue going forward, the Government could agree to review this at year's end and subject to any clear evidence Racing SA is able to provide of the detrimental impact directly attributed to the BOT.

2. All revenue received from the point of consumption wagering tax on racing (not other forms of wagering) to be provided to the racing industry, effective from 1 July 2018.

- Racing SA already receive a grant equivalent to the revenue received on racing from UBet SA. The industry is seeking the remaining net tax collections from the component of the BOT related to wagering on racing. They are seeking this to be paid on a monthly basis.
- The BOT applies to all forms of wagering including racing, sports and contingency bets (eg the outcome of the academy awards). Wagering operators are not required to provide data which splits their net state wagering revenue between different forms of wagering as part of their tax returns. As such, DTF does not have data available to accurately determine the split of BOT received to date between wagering on racing and other activities.
- Based on separate data provided by wagering operators to the Independent Gambling Authority it is estimated that around 70-75% of net state wagering revenue (excluding UBet SA) relates to racing and the remaining 25-30% relates to wagering on non-racing activities.
- These estimated percentages imply that Racing SA would receive a payment of around \$13 million per annum under this proposal. The net tax collections to Government from the BOT would only be in the order of \$6 million per annum.

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3. Reduction in the rate of the point of consumption wagering tax from 15% currently to 8 - 10% to be in line with the rate in Victoria and New South Wales.

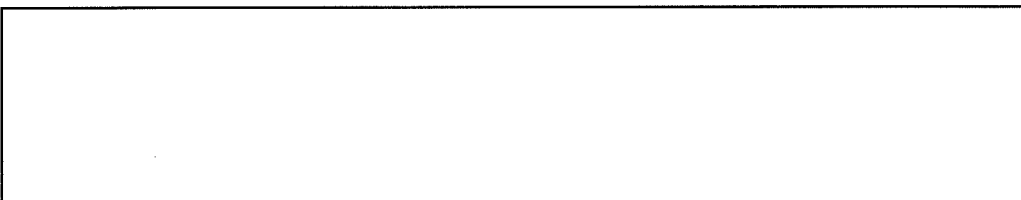
- As outlined in the interstate comparison section, NSW and Vic have introduced tax rates of 10% and 8% of net state wagering revenue (respectively), which is below the tax rate that have been adopted in SA, Qld and proposed in WA and ACT.
- SA racing argues that the higher tax rate in SA reduces its competitiveness with NSW and Vic which are also the biggest players in racing. SA racing has also argued that the higher tax rate in SA will lead to wagering providers taking ongoing direct action



against SA racing. They have stated that they think wagering providers will stop taking action against the industry if the tax rate is lowered.

- As mentioned earlier this argument ignores the fact that the BOT does not apply to SA racing, it applies to SA customers. The BOT does not directly impact on the attractiveness of the racing product offered by SA or the cost of the product offered by SA racing. The BOT impacts on the return providers receive from SA customers who bet on races and other sports all around Australia, not just SA races.

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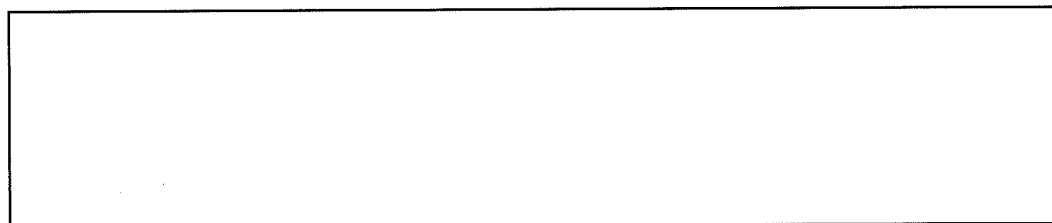
- Lowering the BOT tax rate from 15% to 10% would reduce net BOT collections by around \$6.5 million per annum, while lowering the tax rate to 8% would reduce net BOT collections by around \$9 million per annum.
- It is noted that if the tax rate was lowered, the industry would receive less funding under their proposal to receive all revenue raised from the BOT related to racing (item 3 above).
- DTF does not consider that there is any strong rationale for reducing the BOT tax rate.

4. An additional payment of \$1 million per annum to the racing industry. This request relates to funding received by UBet SA for the granting of exclusivity over retail wagering

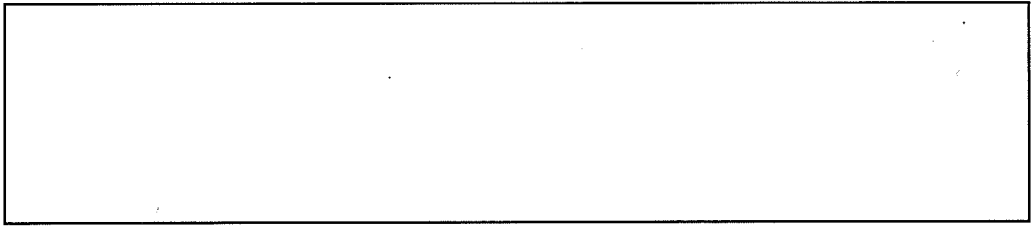
- The Authorised Betting Operations Act allows for a single major betting operations licence in South Australia. The licence is held by UBet SA and the Approved Licensing Agreement (ALA) entered into as part of the sale of SA TAB in 2001 provided them with a 100-year contract to provide off-course retail wagering services in South Australia. In addition, the ALA entered into as part of the sale provided that UBet SA would be the exclusive provider of retail (eg pubs and clubs, UBet venues) wagering in South Australia until January 2017.
- Following the expiry of the initial exclusivity period, a negotiation process was conducted to determine options for future off-course wagering services in South Australia. The racing industry, through Racing SA, participated in the negotiations.
- In early 2018 the former Minister for Consumer and Business Services signed a Variation Agreement to the ALA with UBet SA. The Variation Agreement provided for a 15-year extension (7½ plus 7½ years) for exclusivity over off course retail wagering services in South Australia for UBet SA.

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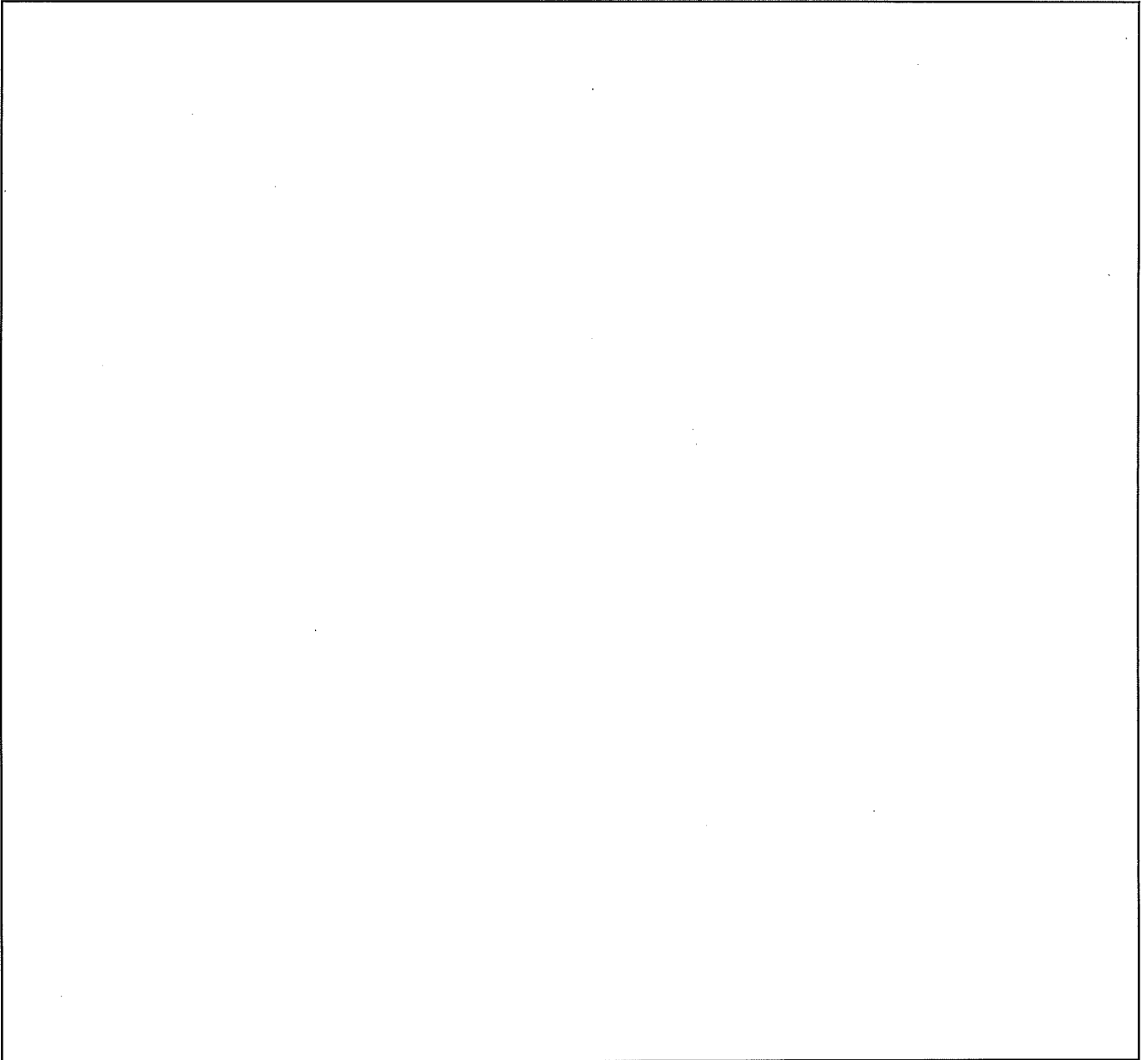
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- There was no agreement that the annual funding received by Government from exclusivity would be returned to the industry.

## Attachment 2

Summary of the different point of consumption wagering tax arrangements in other jurisdictions and any relevant additional funding provided to the racing industry in other jurisdictions as part of the introduction of the new taxation arrangements.



# Attachment 3

Thoroughbred Racing SA (TRSA)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18**
TAB Product Fees	30,501,112	27,683,675	27,697,491	28,089,605	27,359,360	28,708,998	30,202,289
Wagering Tax Relief	5,019,896	5,615,888	5,559,222	5,534,112	5,366,273	5,225,939	3,125,883
Net Betting Operations (BOC)	5,434,758	9,970,118	10,273,412	16,352,710	19,417,699	22,945,127	21,473,906
Interest	485,892	354,845	357,236	434,631	429,200	363,631	321,727
Other	2,156,885	2,415,516	2,223,192	2,333,195	2,374,420	2,887,860	6,314,701
ONGOING revenue to TRSA	43,598,543	46,040,042	46,110,553	52,744,253	54,946,952	60,131,555	61,438,506
SABC contribution to prize money	2,400,000	2,500,000	2,750,000				
SA Government additional assistance							
- prize money, advertising*						3,000,000	3,000,000
- compensation for BOT impact*							4,054,344
- advertising and promotions	120,000						
Time limited payments to TRSA	2,520,000	2,500,000	2,750,000			3,000,000	7,054,344
Total reported TRSA Revenue	46,118,543	48,540,042	48,860,553	52,744,253	54,946,952	63,131,555	68,492,850
Annual growth		5.3%	0.7%	8.0%	4.2%	14.9%	8.5%
Total revenue excl time limited govt assistance	45,998,543	48,540,042	48,860,553	52,744,253	54,946,952	60,131,555	61,438,506
Annual growth		5.5%	0.7%	8.0%	4.2%	9.4%	2.2%

Source: Thoroughbred Racing SA Annual Reports. South Australian Jockey Club (SAJC) contribution to prize money is an internal transaction funded by Cheltenham land proceeds.

\* Finishes 2017-18

\*\* TRSA also received a government loan of \$2.5 million for the Gillford Hill facility in Murray Bridge. This is not recorded as revenue for TRSA, but is a form of government assistance.

## MINUTE



Government  
of South Australia  
Department of Treasury  
and Finance

### MINUTES forming ENCLOSURE

Doc No A981356

To The Treasurer

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### MEETING WITH RACING SA

Timing: ROUTINE — For your meeting on 17/12/2018

**Recommendations/Issues:** It is recommended that you:

- Note the attached information for your meeting with Racing SA on 17 December 2018.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

### Key Points:

- It is understood that you are meeting with Ms Frances Nelson QC, Chair of Racing SA on 17 December 2018.
- Correspondence received from Racing SA indicates that it is seeking to discuss the impact of the betting operations tax (BOT) on the racing industry and to seek additional ongoing government funding. In particular, it is seeking:
  - All revenue received from the BOT on racing to be provided to the racing industry.
  - A reduction in the rate of the BOT.
  - Additional funding of \$1 million per annum relating to revenue received by the Government as part of exclusivity arrangements with UBet SA.
- These are not new requests and DTF's advice on these items was provided following the receipt of earlier correspondence (TRS12D2192). A copy of this advice is attached.

- Racing SA has advised that if it does not receive additional funding, it will need to cut expenditure, including on infrastructure, maintenance and prize money across the state.
- For background information, the table below shows the total revenue generated by Thoroughbred Racing SA (the largest of three codes) over the last five years (as published in their annual reports). It shows that including government grants, total revenue has grown by an average of 10.4 per cent per annum over that period. If Government grants are excluded, total revenue has grown by an average of 7.4 per cent per annum over that period.

Thoroughbred Racing SA	2013-14	2014-15	2015-16	2016-17	2017-18
TAB Product Fees	27,697,491	28,089,605	27,359,360	28,708,998	30,202,289
Wagering Tax Relief	5,559,222	5,534,112	5,366,273	5,225,939	3,125,883
Net Betting Operations	10,273,412	16,352,710	19,417,699	22,945,127	21,473,906
Interest	357,236	434,631	429,200	363,631	321,727
SA Government Grants					
- prize money				3,000,000	3,000,000
- compensation for BOT impact					4,054,344
Other	2,223,192	2,333,195	2,374,420	2,887,860	6,314,701
<b>TOTAL Revenue</b>	<b>46,110,553</b>	<b>52,744,253</b>	<b>54,946,952</b>	<b>63,131,555</b>	<b>68,492,850</b>
		14.4%	4.2%	14.9%	8.5%
<b>TOTAL excluding govt grants</b>	<b>46,110,553</b>	<b>52,744,253</b>	<b>54,946,952</b>	<b>60,131,555</b>	<b>61,438,506</b>
		14.4%	4.2%	9.4%	2.2%

Source: Thoroughbred Racing SA annual reports



Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

13 December 2018

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## MINUTE



Government  
of South Australia  
Department of Treasury  
and Finance

MINUTES forming ENCLOSURE

File TRS18D2192

Doc No A961098

To The Treasurer

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### SA RACING REQUESTS FOR GOVERNMENT FUNDING

Timing: ROUTINE

**Recommendations/Issues:** It is recommended that you:

- Note the attached information on requests for Government funding received from the South Australian racing industry.
- Note that DTF does not consider there is a requirement to provide funding to the racing industry as a result of the introduction of the betting operations tax. Any requests should be treated the same as other industry funding requests. It has not been demonstrated that providing additional funding to racing would deliver bigger economic returns or employment outcomes compared to providing funding for other sectors of the economy.
- Note that should the government be inclined to provide funding to the racing industry, it is recommended that it be a once-off grant for a specific purpose designed to increase economic outcomes or enable the racing industry to pursue strategies that position the industry for the future (prize money, infrastructure etc), and is subject to measurement against performance indicators.
- Note no response has been prepared to the racing industry requests pending your consideration of the issues.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

## Key Points:

- The South Australian Racing Industry have submitted a range of requests for funding from the South Australian Government. The requests that Treasury and Finance have been provided include:
  1. *Racing SA submission to Government for adoption of a Racing Industry policy to sustain the SA Racing Industry* – July 2018 (Attachment 1)
  2. *Racing SA submission to Government, requesting that the “Product Fee” component of the agreement between Government and UBET to extend UBET’S retail exclusivity, be directed to the South Australian Racing Industry* – July 2018 (Attachment 2)
  3. *SA Racing Industry’s submission seeking ongoing funding to reimburse the industry for its revenue loss due to the point of consumption [POC] tax now in place in South Australia* – July 2018 (Attachment 3)
  4. *Comparative position in each state in Australia following the introduction of a point of consumption (POC) tax* (sent via email on 25 October 2018) (Attachment 4)
- In summary, the submissions seek the following commitments and funding from Government:
  1. An ongoing guarantee that the industry will not be worse off due to the introduction of the point of consumption wagering tax in South Australia.
  2. All revenue received from the point of consumption wagering tax on racing (not other forms of wagering) to be provided to the racing industry, effective from 1 July 2018.
  3. Reduction in the rate of the point of consumption wagering tax from 15% currently to 8% - 10% to be in line with the rate in Victoria and New South Wales.
  4. An additional payment of \$1 million per annum to the racing industry. This request relates to funding received by UBET SA for the granting of exclusivity over retail wagering.
- The most recent correspondence (25 October 2018) notes that if the racing industry receives all of the funding from the point of consumption tax on racing (item 2 above) this “would satisfy the funding submissions tabled with the government by the racing industry, with the exception of the Industry’s submission in relation to the \$1 million per annum product fee payment made by UBET in relation to the extension of its retail exclusivity in South Australia”. It is assumed that this relates to the *Racing SA submission to Government for adoption of a Racing Industry policy to sustain the SA Racing Industry*. As such the claims for funding under that proposal (\$53 million over four years) are not included in the list above or analysed as part of this minute.

## Background

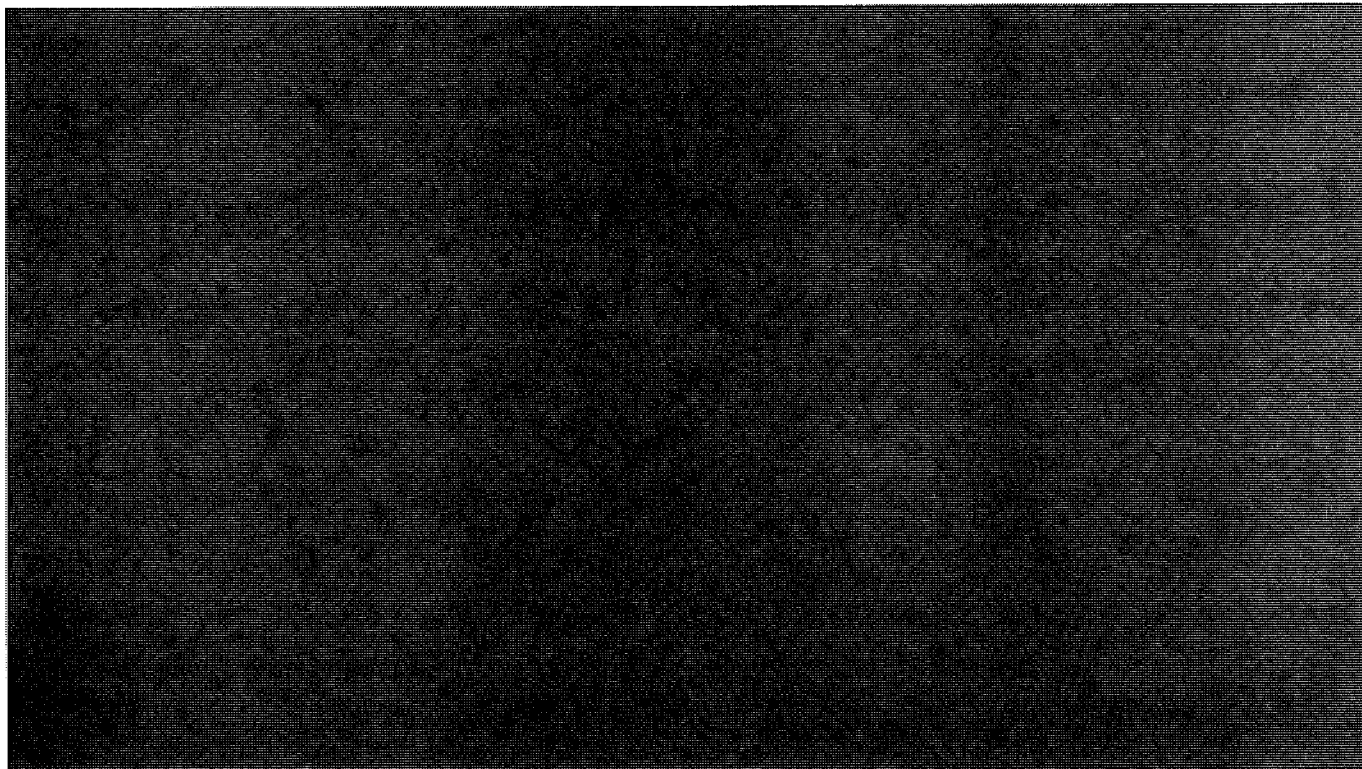
- Detailed information on the introduction of the Betting Operations Tax (BOT), referred to as the point of consumption wagering tax in the industry submissions, and the extension of retail wagering exclusivity for UBET SA was provided to you in June 2018 for a meeting with the racing industry (Attachment 5).
- The table below shows the current estimate of collections from the BOT on a net and gross basis.



Betting Operations Tax		2017-18 Estimate \$m	2018-19 Estimate \$m
2018-19 Budget	Gross tax - as shown in Budget	32.4	37.3
	Contribution to Racing SA	17.7*	18.1
	<b>Net tax</b>	<b>14.7</b>	<b>19.2</b>

\*Excludes once-off grant of \$4.85 million provided to Racing SA in 2017-18

- As a result of the introduction of the BOT, Racing SA and UBet SA agreed to a reduction in contributions under their Racing Distribution Agreement – a funding arrangement between the two parties. A grant equivalent to the receipts from UBet SA's racing activities is paid by the government to the racing industry to maintain their previous level of revenue. There is no overall increase in revenue for the racing industry as a result of these arrangements. The effective level of government grants and contributions from UBet SA are equivalent to the level of funding previously received directly from UBet SA.
- Estimates of revenue expected to be raised under the BOT were revised in the 2017-18 Budget to reflect this arrangement. They are now reflected on a gross basis to include amounts to be collected from UBet SA's wagering revenue related to racing.



#### **Analysis of requests from the racing industry**

1. An ongoing guarantee that the industry will not be worse off due to the introduction of the point of consumption wagering tax in South Australia.
  - Wagering providers are required to make payments to the industry when they take a bet on a South Australian race. The revenue received by Racing SA on races held in South Australia from wagering providers relates to bets placed by customers from all around Australia, not just revenue from SA customers.
  - The former Government gave a guarantee that the racing industry would not be worse off as a result of the introduction of the BOT.
  - As the BOT applies to SA customers, not SA races, wagering operators taking direct action against SA Racing in response to the tax (including different tax rates) does not reduce the level of tax they are required to pay. For example, a wagering provider does not pay any BOT if a NSW resident bets on a SA race - instead they are liable to pay the point of consumption tax applicable in NSW.
  - The only reason for wagering operators to target SA Racing in response to the introduction of the betting operations tax would be to try and damage the industry as a way of pressuring the Government to remove or reduce the tax.
  - Following the introduction of the BOT, Racing SA raised concerns about various measures taken against SA Racing by various corporate bookmakers in response to the introduction of the BOT. This has included:
    - Placing SA races at the bottom of the list of races being held on their respective websites;
    - Not displaying SA races on the "next to jump" list on their websites; and

- Not allowing bet boosts and similar products on SA races and/or bets placed by South Australian customers.
  - Based on information submitted by the racing industry to Government on the potential impact of the direct action by wagering providers on their own source revenue, a one-off grant of \$4.85 million was provided to Racing SA in 2017-18.
  - Now that other jurisdictions are implementing similar point of consumption taxes this should reduce any direct action taken against SA Racing. In the long term the attractiveness of the SA Racing product offer should drive the offering of the product by wagering providers as they seek to maximise their profits.
  - In their submission, the racing industry argues that the difference in tax rates between SA and NSW and Vic will mean they are at an ongoing competitive disadvantage to other jurisdictions. This argument ignores that the BOT applies to SA customers, not SA racing.
  - Racing SA, in conjunction with their counterparts in other jurisdictions, should be responding to any ongoing targeted impact against the industry by betting providers which does not relate to how the tax is implemented. This should already be occurring to minimise any potential impact on the industry, rather than just seeking government funding.
  - DTF does not have any information available to estimate the cost of providing a guarantee that the industry will not be worse off as a result of the introduction of the BOT in 2018-19 or future years. Any calculations would be subjective as the level of revenue received by the industry is impacted by a range of factors (eg attractiveness of their product offering).
  - Whilst DTF considers that the targeted action that occurred in 2017-18 by wagering operators trying to reverse the implementation of the tax is unlikely to continue going forward, the Government could agree to review this at year's end and subject to any clear evidence Racing SA is able to provide of the detrimental impact directly attributed to the BOT.
2. All revenue received from the point of consumption wagering tax on racing (not other forms of wagering) to be provided to the racing industry, effective from 1 July 2018.
- Racing SA already receive a grant equivalent to the revenue received on racing from UBet SA. The industry is seeking the remaining net tax collections from the component of the BOT related to wagering on racing. They are seeking this to be paid on a monthly basis.
  - The BOT applies to all forms of wagering including racing, sports and contingency bets (eg the outcome of the academy awards). Wagering operators are not required to provide data which splits their net state wagering revenue between different forms of wagering as part of their tax returns. As such, DTF does not have data available to accurately determine the split of BOT received to date between wagering on racing and other activities.
  - Based on separate data provided by wagering operators to the Independent Gambling Authority it is estimated that around 70-75% of net state wagering revenue (excluding UBet SA) relates to racing and the remaining 25-30% relates to wagering on non-racing activities.



- If such an arrangement is approved, it is likely that the other sporting codes would seek a similar arrangement. In effect, the Government may have introduced a tax where it receives no net revenue.

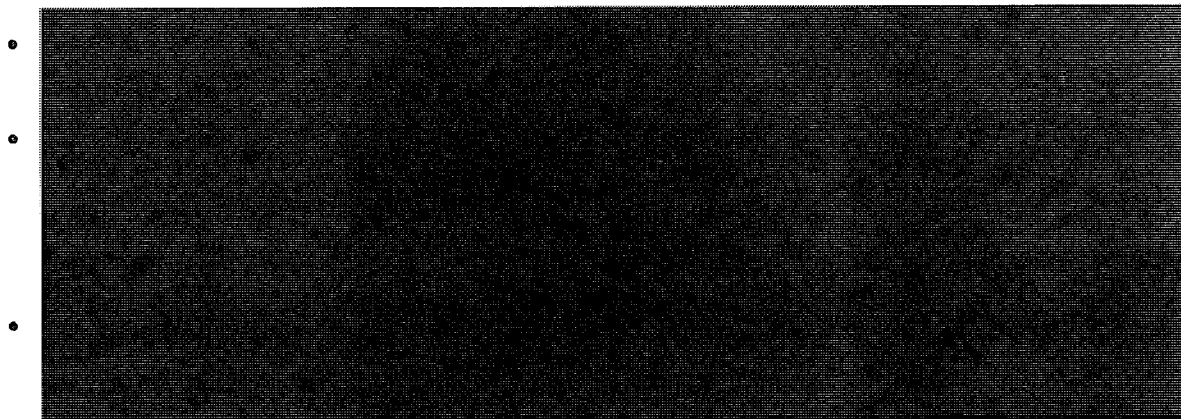
3. Reduction in the rate of the point of consumption wagering tax from 15% currently to 8 - 10% to be in line with the rate in in Victoria and New South Wales.

- As outlined in the interstate comparison section, NSW and Vic have introduced tax rates of 10% and 8% of net state wagering revenue (respectively), which is below the tax rate that have been adopted in SA, Qld and proposed in WA and ACT.
- SA racing argues that the higher tax rate in SA reduces its competitiveness with NSW and Vic which are also the biggest players in racing. SA racing has also argued that the higher tax rate in SA will lead to wagering providers taking ongoing direct action against SA racing. They have stated that they think wagering providers will stop taking action against the industry if the tax rate is lowered.
- As mentioned earlier this argument ignores the fact that the BOT does not apply to SA racing, it applies to SA customers. The BOT does not directly impact on the attractiveness of the racing product offered by SA or the cost of the product offered by SA racing. The BOT impacts on the return providers receive from SA customers who bet on races and other sports all around Australia, not just SA races.



- Lowering the BOT tax rate from 15% to 10% would reduce net BOT collections by around \$6.5 million per annum, while lowering the tax rate to 8% would reduce net BOT collections by around \$9 million per annum.
  - It is noted that if the tax rate was lowered, the industry would receive less funding under their proposal to receive all revenue raised from the BOT related to racing (item 3 above).
  - DTF does not consider that there is any strong rationale for reducing the BOT tax rate.
4. *An additional payment of \$1 million per annum to the racing industry. This request relates to funding received by UBet SA for the granting of exclusivity over retail wagering*
- The *Authorised Betting Operations Act* allows for a single major betting operations licence in South Australia. The licence is held by UBet SA and the Approved Licensing Agreement (ALA) entered into as part of the sale of SA TAB in 2001 provided them with a 100-year contract to provide off-course retail wagering services in South Australia. In addition, the ALA entered into as part of the sale provided that UBet SA would be the exclusive provider of retail (eg pubs and clubs, UBet venues) wagering in South Australia until January 2017.

- Following the expiry of the initial exclusivity period, a negotiation process was conducted to determine options for future off-course wagering services in South Australia. The racing industry, through Racing SA, participated in the negotiations.
- In early 2018 the former Minister for Consumer and Business Services signed a Variation Agreement to the ALA with UBet SA. The Variation Agreement provided for a 15-year extension (7½ plus 7½ years) for exclusivity over off course retail wagering services in South Australia for UBet SA.

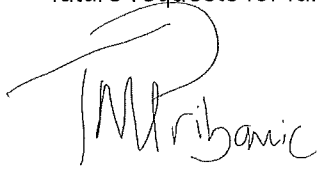


- There was no agreement that the annual funding received by Government from exclusivity would be returned to the industry.

#### Summary

- The value of funding requests submitted by the racing industry seek to extract all revenue raised from the BOT on racing by Government. The majority of all forms of gambling are taxed by government and some forms (eg gaming machines) are taxed at a comparatively high level.
- Gambling causes harm for some people in the community and the government is required to fund the costs associated with these harms. In addition to being a general revenue source, taxing wagering provides a funding source to contribute towards the costs of the harm caused by gambling.
- DTF does not consider that there is a requirement to provide funding to the racing industry due to the introduction BOT.
- Any requests for funding from SA racing should be considered the same as requests from other industries. It has not been demonstrated that providing additional funding to racing would deliver a bigger economic return or employment outcomes compared to providing funding for other sectors of the economy. Relative to other industry assistance proposals the funding request is large and ongoing and does not demonstrate how the industry changes sustainably compete with the racing industry interstate
- Should the government be inclined to provide additional support to the racing industry it is recommended that it is provided as a one-off grant linked to a specific initiative which enables the racing industry to pursue strategies that position the industry for the future. This could be an increase in prize money for marque events or specific infrastructure investment.

- The funding should also be subject to reporting against key indicators such as overall economic return or employment outcomes. This will allow for greater scrutiny of any future requests for funding against other general industry assistance requests.



Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

12 November 2018

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# **Racing SA submission to Government for the adoption of a Racing Industry policy to sustain the SA Racing Industry**

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**July 2018**



## Submission

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1. Prior to the 2018 State election, the SA Racing Industry tabled a submission with each of the main political parties, seeking their support in adopting a racing policy within their manifestos.
2. The submission tabled, "Sustaining the South Australian Racing Industry", detailed the major challenges facing the SA Racing Industry, and the support the Industry was seeking from Government as it endeavoured to meet these challenges.

3. The South Australian Racing Industry struggles increasingly to compete with the growing interstate competition and offerings, in both prize money and infrastructure/facilities, where other State Governments have underpinned the growth of their local racing industry through priority funding support.

In the face of this ever-expanding interstate competition, boosted by their respective State Government support, the South Australian Racing Industry will become less competitive and sustainable without similar State Government support in South Australia, with the loss of employment, participation and investment an inevitable consequence.

4. While the Racing Industry has made significant improvement in recent years, the South Australian Racing Industry continually faces numerous challenges, and is under severe pressure to sustain a viable and vibrant industry in South Australia, and thus maintain the employment generated by the Racing Industry in SA. The industry must ensure that sufficient and appropriate opportunities are available in South Australia to; retain and sustain those employed within the Racing Industry, maintain investment in the industry and counter the lure of greater opportunities interstate.
5. Not only is the Racing Industry responsible for sustaining the employment of over 3,600 South Australians (full time equivalent), across South Australia one in every 80 adults are employed in or participate in some way in the South Australian Racing Industry.
6. The SA Racing Industry is an important contributor to the South Australian economy, including;
  - Generating over **\$400M pa** in economic benefits for SA
  - Providing over **\$220M pa** in household income
  - Generating over **\$19M pa** in GST
  - Generating over **\$300M pa** in direct expenditure of which over 40% occurs in regional areas.
7. However the Racing Industry's contribution is more than that of a significant economic contributor to the SA economy. The Racing Industry brings communities closer together, supporting businesses, growing careers, fostering relationships – and delivers a social return far greater than the mere economic numbers themselves.
8. The major challenges facing the Racing Industry in South Australia now, and moving forward are:
  - Growing base prize money levels to grow participation and employment, stem the growing drift interstate (of trainers and jockeys/drivers) and to increase race field sizes;
  - Improving training facilities at the State's major training venues;
  - Renovating and developing industry facilities to meet the current expectations of the public as to what is required at major sports venues;
  - Maintaining (and enhancing) the highest levels of integrity control and compliance;



## Submission cont...

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- Rebuilding the breeding industry as a source of horses and greyhounds locally;
- Meeting the rising compliance costs associated with aging facilities;
- Increasing on-course attendances; and
- Competing with the growth in wagering on sports to maintain racing's market share of overall wagering revenue which ultimately underpins the industry itself.

9. In facing and endeavouring to counter the above challenges, there are 5 key areas where the South Australian Racing Industry, representing Thoroughbreds, Harness and Greyhounds, seeks Government support in order to sustain this important industry in our State, and to maintain and grow the employment it creates:

- i. Prize money growth to retain investment, participation and employment
- ii. Infrastructure

- Improving SA racetracks, facilities and amenities
- Improving and maintaining training facilities

Racing and training tracks are located right across the State; Regional cities, Metropolitan, West Coast, Far North and South East.

- iii. Breeding and sales
- iv. Integrity compliance and enhancement
- v. Unclaimed dividends

## 10. Prize Money Levels to Sustain the South Australian Racing Industry

While the Racing Industry has endeavoured to maximise the prize money provided across South Australia, the current framework simply cannot compete with that which is on offer across the board interstate, where the racing industries all have relatively higher levels of Government funding.

The local Industry does not realistically expect prize money in South Australia to match that of Victoria and New South Wales, however, a truly sustainable model would endeavour to match prize money levels on offer in Queensland and Western Australia. Attached is a comparative prize money schedule re prize money offered across the States.

Recent prize money increase announcements have been:

### NSW

Racing NSW, supported by the NSW Government, have announced a further \$24M pa in increased prize money, effective from 1 September 2018.

### Victoria

On 1 June Racing Victoria announced a \$12.4M injection in prize money across the State, effective from 1 August 2018, with prize money in Victoria having risen by 32% since 2015.

### Queensland

The Queensland Government, having recently provided \$70M in general support for its local racing industry, has just announced that an additional \$12M in prize money will be injected annually into their industry to help drive participation and confidence.

**A similar injection is necessary in South Australia to maintain some parity.**

## Submission cont...

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### 11. Infrastructure

#### a) Improving South Australian Race Tracks and Patron Facilities

Many of South Australia's racing Clubs are operating from outdated facilities which do not meet the demands and expectations of today's attendees at sport and entertainment venues. While it is important that the venues remain relevant and appealing to local and interstate visitors, the challenge is even more difficult with the burden of the Industry's costs in the areas of WHS, integrity oversight, and animal welfare-related projects.

#### b) Training Facilities

In excess of 2,000 participants are employed in the preparation and training of the over 5,000 racehorses and greyhounds trained in South Australia.

Over **\$90M** is spent annually in South Australia on the preparation and training of racehorses and greyhounds.

The provision of an appropriate level of training facilities is the backbone of the State's Racing Industry and the employment it generates. Energy, water and labour costs associated with providing and maintaining these facilities has escalated in recent years creating a growing burden and drain on the Racing Industry's limited revenue streams. More funding is required to assist those Clubs that provide these facilities, which in turn promotes the opportunities to participate. Increasing WHS compliance costs and the pressure to provide modern training facilities such as synthetic training tracks, which have become common at training facilities interstate, require additional funding and investment.

### 12. Breeding and Sales

The economic and employment benefits to South Australia in having sustainable breeding activity across all three Codes are inherently valuable.

In excess of 1,000 people are employed or participate in the breeding of racehorses and greyhounds in South Australia. In excess of 1,300 foals and pups are bred in the State each year. Over **\$27M** is spent annually by participants and owners on expenses relating to producing those racehorses and greyhounds.

There are breeding incentive schemes in place aimed at boosting the local breeding industry and retaining horses and greyhounds for racing in SA, and these must continue to be nurtured. However sadly these have fallen well behind the similar schemes in place interstate, which are bolstered by Government support.

### 13. Integrity Functions

Maintaining the highest levels of integrity in racing is an absolute cornerstone of the success of the Racing Industry. It is a major challenge for the industry to implement best practice and procedures, to maintain the highest levels of integrity for participant and public confidence. The Industry cannot afford to be complacent in this area. All other Principal Racing Authorities receive Government funding to enhance each Code's integrity levels in their respective States.

## Submission cont...

Out of competition testing for jockeys, drivers, racehorses and greyhounds, as well as regular stable and kennel inspections, have been and must continue to be, increased to maintain confidence in racing. The rising costs of integrity oversight have placed an additional financial burden on the Racing Industry, and its ability to adequately invest in other areas of the Industry, such as capital expenditure and prize money.

### 14. Unclaimed Dividends

It has been an ongoing request for several years by the SA Racing Industry, that the unclaimed dividends arising from the on-course totalisator operations be paid to the Industry. When the SA TAB was sold in 2001, Tatts (now UBET) was given the right to retain the unclaimed dividends for all off-course wagering, however, all unclaimed dividends from wagers placed on-course are paid to the Government. The on-course totalisator unclaimed dividends amount to an average \$300K per annum. This is wholly driven by wagering activity, and on that basis it is only reasonable that this money be re-invested for the industry's benefit.

### South Australian Racing Industry Funding Request

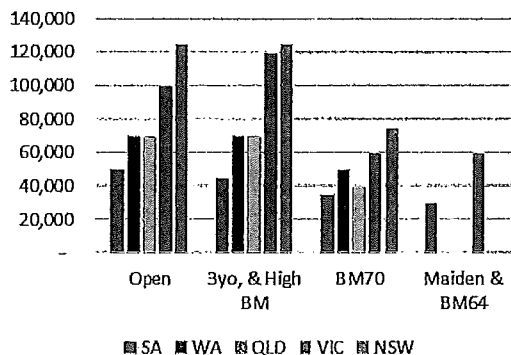
In considering each of the six items detailed above, the SA Racing Industry requests that the Government implements a Racing Policy, effective from FY19, to provide the following funding support to the SA Racing Industry.

	Per Annum	Over 4 Years
Prize Money levels to sustain the SA Racing Industry	\$7M	\$28M
Infrastructure - Race tracks & patron facilities	\$2M	\$8M
Infrastructure - Training facilities	\$2M	\$8M
Breeding & Sales	\$1M	\$4M
Integrity	\$1M	\$4M
Unclaimed Dividends	\$300K	\$1.2M
	<b>\$13.3M</b>	<b>\$53.2M</b>

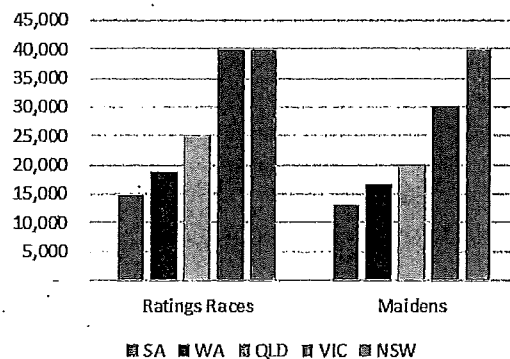
## Comparative Prize Money Schedules

THOROUGHBREDS					
	SA	WA	QLD	VIC	NSW
<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
3yo, & High BM	45,000	70,000	70,000	120,000	125,000
BM70	35,000	50,000	40,000	60,000	75,000
Maiden & BM64	30,000			60,000	
<b>Midweek Metro</b>					
Ratings Races	15,000	19,000	25,000	40,000	40,000
Maidens	13,000	16,500	20,000	30,000	40,000
<b>Provincial/Premium Meetings</b>					
Ratings Races	15,000	18,000	16,000	25,000	35,000
Maidens	13,000	16,500	15,000	26,000	35,000
<b>Country</b>					
Ratings Races	12,000		14,000	20,000	22,000
Maidens	10,000		14,000	23,000	22,000

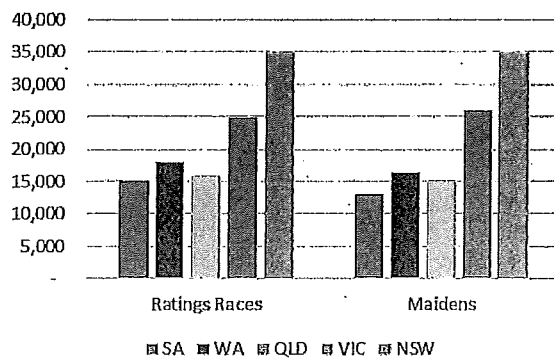
Metropolitan



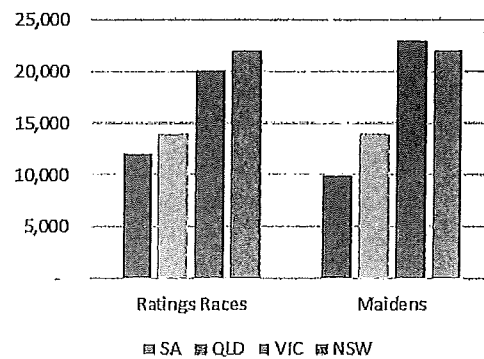
Midweek Metropolitan



Provincial/Premium Meetings



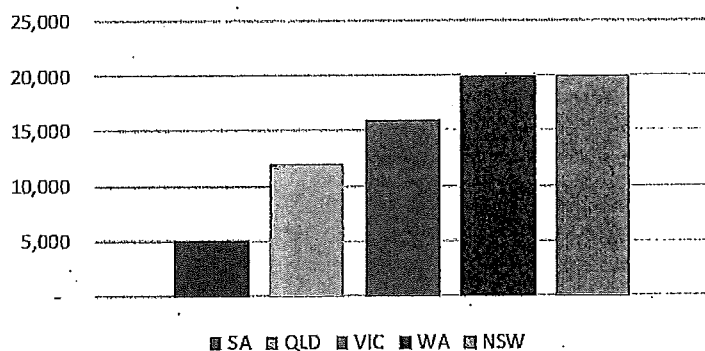
Country



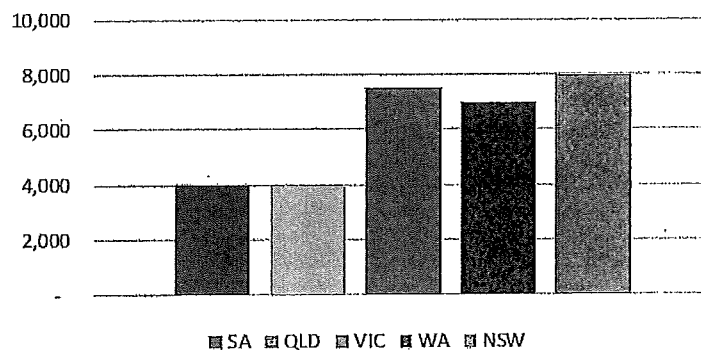
## Comparative Prize Money Schedules

HARNESS					
	SA	QLD	VIC	WA	NSW
Metro	5,000	12,000	16,000	20,000	20,000
Provincial	4,000	4,000	7,500	7,000	8,000
Country	3,000	2,000	4,000	4,000	5,000

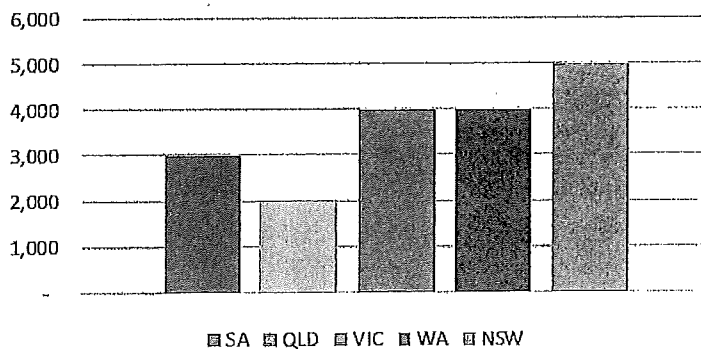
Metro



Provincial



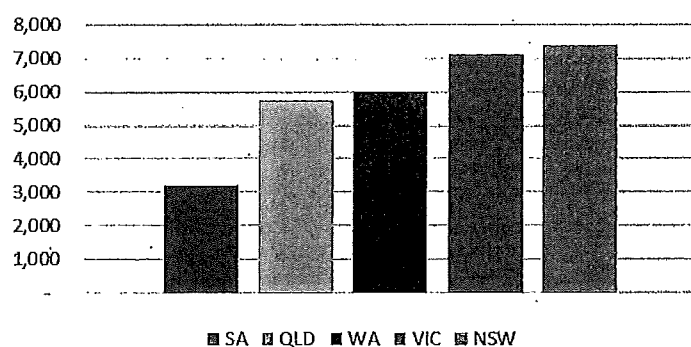
Country



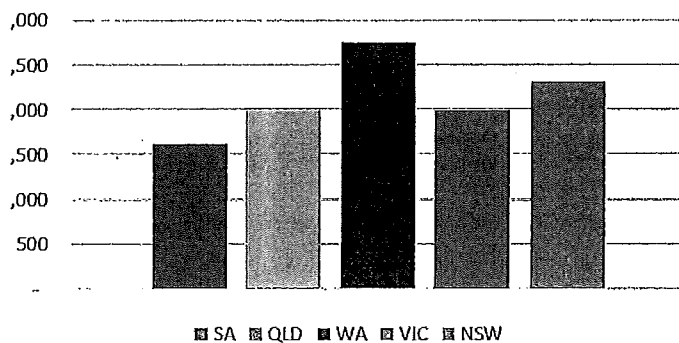
## Comparative Prize Money Schedules

GREYHOUNDS					
	SA	QLD	WA	VIC	NSW
City	3,190	5,750	6,005	7,150	7,380
Provincial	1,615	2,000	2,755	2,005	2,310
Low Grade	945	1,250	1,375	1,180	1,230

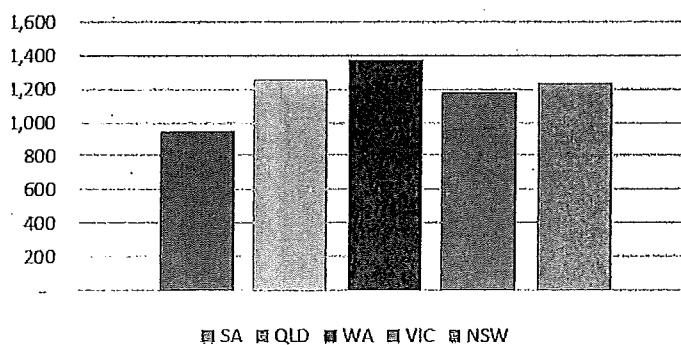
City



Provincial



Low Grade



**Racing SA submission to Government, requesting that  
the “Product Fee” component of the agreement between  
Government and UBET to extend UBET’S retail exclusivity,  
be directed to the South Australian Racing Industry**

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**July 2018**



## Definitions

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- Product Fee:** With regards the Racing Industry, the term Product Fee relates to the amount or fee the SA TAB is required to pay to the SA Racing Industry, by way of consideration for the supply of “racing product” by the Industry. When UBET tabled its various offers during their negotiations with SA Treasury for the extension of its retail exclusivity, they included a component referred to as “Annual Fixed Product Fee”, which they similarly saw as a fee recognising the supply of racing product by the Industry.
- POC:** Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced.
- SA Racing Industry:** This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. UBET operates as a wagering provider in SA in accordance with the Approved Licensing Agreement (ALA), granted to it upon its purchase of SA TAB from the SA Government in 2000. Under the ALA, UBET were granted retail exclusivity in SA, for a period of 16 years, which expired in 2016.
2. At the expiry of UBET’s initial retail exclusivity period, the Government extended their exclusivity rights while they engaged with UBET in negotiations as to a renewal of its retail exclusivity.
3. Early in those negotiations, the then Treasurer determined that TRSA would participate in the negotiations, representing the three racing Codes (Greyhound Racing, Harness Racing and Thoroughbred Racing).
4. There was lengthy and robust discussion around various matters which UBET considered would impact on the value to it of retail exclusivity, in particular re;
  - i) the period of retail exclusivity to be provided, and
  - ii) the impact on UBET of the then newly announced POC tax in SA.
5. As part of the negotiations UBET also sought to have variations made to some aspects of their ALA. They also sought approval for the introduction of four new products namely; note readers on the approved self service terminals, virtual racing, in play betting modules in venues and video lottery terminals.
6. Throughout the negotiations UBET, in tabling its various offers for the extension of its retail exclusivity, consistently referred to an Annual Fixed Product Fee of \$1M pa, which it considered should be paid direct to the Racing Industry.

Their position on this recognised the fact that it was the SA Racing Industry which was, to a large part, providing the vehicle upon which UBET were able to operate, which is also consistent with the position under the Racing Distribution Agreement, whereby UBET pay a product fee for the supply of racing by the Industry.



## Submission cont...

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7. While not disputing the rationale behind UBET's contention on this matter, Treasury advised they would need to seek an opinion from the Crown Solicitor's Office.

The advice ultimately received was to the effect that it was Government granting the licence for retail exclusivity, and thus any payment by way of a Product Fee, should be directed in the first instance to Government, with Cabinet then to make the determination to direct such on to the SA Racing Industry.

8. Unfortunately the negotiations between UBET and Government took considerably longer than anticipated, as UBET was seeking to achieve a more desirable outcome for itself. When final agreement was reached between Treasury and UBET, as to the renewal of UBET's retail exclusivity, it was virtually on the eve of the State Election, and Government going into caretaker mode.
9. Throughout the retail exclusivity negotiations, the Racing Industry believed there was a strong view that the \$1M pa Product Fee component of UBET's offer would be directed on to the Racing Industry, especially as the Industry's racing was a significant component in UBET's ability to operate in SA. While the Industry considered the negotiations had taken place in good faith with this belief in mind, regrettably Cabinet did not (have time to) give effect to such prior to going into caretaker mode in February.
10. With Cabinet not having the opportunity to make a determination as to the \$1M pa Annual Fixed Product Fee being directed on to the SA Racing Industry, it was simply amalgamated within the ALA Variation Agreement, as an "Annual Fee for Initial Period", along with UBET's proposed Annual Exclusivity Licence Fee of \$150K pa, which it had also identified in its offer.
11. While negotiating the extension of its retail exclusivity, UBET agreed to provide the SA Racing Industry with infrastructure funding support, an industry marketing support package, and a small share (guaranteed \$120K pa) of their "bricks & mortar" sports betting revenue. UBET agreed to support industry infrastructure with two \$500K payments in years one and six of the initial period of their retail exclusivity agreement, with a further \$500K if the Agreement extended beyond the initial period.

The industry marketing support package is \$1M pa, and is subject to all three Codes providing UBET with extensive marketing, race sponsorship and branding rights, at the exclusion of all other wagering operators. To receive this revenue the SA Racing Industry was required to forego the opportunity to seek and obtain sponsorship, marketing funding, etc, from any other wagering operator.

12. Throughout the process the then Treasurer had noted on several occasions that *"there was nothing in the negotiation for the extension of UBET's retail exclusivity for Government"*.
13. **The SA Racing Industry therefore respectfully requests that Government agree to pass on to the Industry, the \$1M pa Annual Fixed Product Fee now being paid by UBET.** This would also be similar to the process which occurred when the Queensland Government similarly renewed UBET's retail exclusivity in their State, with the majority of the payment for such paid to their racing industry.

**SA Racing Industry's submission seeking ongoing  
Government funding to reimburse the industry for its  
revenue loss due to the point of consumption [POC] tax  
now in place in South Australia**

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**July 2018**



## Definitions

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- POC:** Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced. In SA the POC tax is referred to as the Betting Operations Tax. It commenced on 1 July 2017, with the tax rate imposed being 15% on the operators' Net Wagering Revenue. References to POC and BOT are interchangeable.
- BOC:** Betting Operations Contributions. All wagering service providers, excluding UBET-SA, are required by legislation to complete an Integrity and Contributions Agreement with the three Racing Codes in SA, whereby they must provide a financial contribution to the Codes for all wagering which they take on SA racing. Introduced in 2008.
- SA Racing Industry:** This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. The South Australian Racing Industry (all 3 Codes) were extremely appreciative of the funding provided by yourself as Treasurer on behalf of Government, to the SA Racing Industry of \$4.85M, by way of a one-off payment to reimburse the Industry following a significant reduction in the Industry's FY18 revenue, due to the introduction of a POC tax in SA effective from 1 July 2017.
2. Your urgent attention to providing this assistance following the Racing Industry's submission seeking Government's support, averted what would have been a potential crisis for all three racing Codes in SA.
3. In providing the funding, you noted that it was a one-off Grant for FY18, recognising the adverse impact on the SA Racing Industry's revenue, of specific actions taken by wagering service providers against the SA Racing Industry in response to SA being the first jurisdiction to introduce a point of consumption tax.
4. Had it not been for the provision of the \$4.85M in funding from Government in FY18, the SA Racing industry would have been required to make significant cuts in FY19 (and ongoing) with the Industry's reserves having been significantly reduced in maintaining previously budgeted expenditure in the face of its reduced revenue. The likely cuts in expenditure, and the investment required in sustaining the Racing Industry in SA, would have included;
  - a) Prize Money cuts: Prize money available in SA, with all three racing Codes, is already significantly less than for comparable races/classes interstate. Any reduction would result in even greater migration of participants to other States as well as a reduction in investment in SA by participants (in particular owners). All of which would lead to a reduction in employment opportunities and job losses. With the migration of participants interstate it is invariably the most successful and higher skilled participants who move interstate first.

## Submission Cont...

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Attached are comparative schedules of the prize money levels in each State, which show the already precarious position of the SA Racing Industry when competing with those other States for participation and investment in the Industry, with the potential adverse impact on employment and jobs if SA remains less competitive to the extent that it currently is.

- b) Reduction in Capital Expenditure: Faced with a significant loss in revenue without the \$4.85M reimbursement from Government, numerous capital projects would have had to be cancelled or curtailed by each Code. Many of these projects are in regional areas at various race tracks across the State, and any retrenchment of capital expenditure would have an immediate impact with job losses.

- 5. As the Industry noted in its submission formally tabled with you on 25 June 2018, there is still the potential for a significant reduction in the Industry's revenue for FY19, and beyond, as a direct consequence of the place of consumption tax in place in SA. Especially with the SA POC rate set at 15%.

- 6. Although the introduction of a place of consumption tax has been announced already in each State in Australia, the implementation of the first of these in other States does not commence until 1 October 2018 in Queensland, followed on 1 January 2019 by Victoria, NSW, WA and the ACT.

Prior to these implementation dates, it is likely that the wagering service providers will continue with some, if not all, of their punitive actions against SA Racing. Not as an action designed to dissuade other States from introducing a point of consumption tax as had been a key motivation for them in FY18, but simply because offering wagering in SA is still significantly more expensive for them until 1 October 2018 and 1 January 2019, and importantly, beyond 1 January 2019 it will continue to be so, with SA's POC rate of 15% being greater than that imposed in both Victoria and NSW. The SA Racing Industry will continue to be at a commercial disadvantage due to the cost for wagering operators to do business in SA, being greater than in those key States.

Not only will SA continue to be the only State with a point of consumption tax in place for the first 3-6 months of FY19, it will have the highest tax rate (equal with Qld and WA when they commence their POC tax on 1 October 2018 and 1 January 2019 respectively), thus prompting the continuation of the adverse actions by wagering service providers, and therefore further lost revenue for the SA Racing Industry.

- 7. The fact that Australia's two largest racing jurisdictions, Victoria (8%) and NSW (10%), will be introducing POC tax rates significantly lower than SA's POC will ensure continued punitive actions by wagering service providers, and thus continued negative impact on the SA Racing Industry's revenue, recognising the commercial disadvantage of doing business in South Australia.

## Submission Cont...

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8. Punitive actions taken against the SA Racing Industry by wagering service providers following the introduction of a POC tax in SA included:
- Racing Measures
- a) removing all SA racing from the "Next to Jump" menu on the website and apps home page
  - b) deprioritising SA racing to sit at the bottom of the racing menu
  - c) reducing the attractiveness of odds offered to customers on SA racing (increasing operator margins)
  - d) excluding SA racing (and SA residents) from promotional offers that drive wagering activity (eg "money back" and "bonus bet" offers on particular racing events).
- Customer Measures
- e) removal from Rewards Programmes and competitions
  - f) exclusion from BAU promotional/reactivation activity.

9. Without an ongoing commitment being provided by Government to support the SA Racing Industry in FY19 and beyond, as per the Industry's request under (11) below, all of the concerns highlighted under (4) above will still hold true.

Prize Money: Further to the discussions at the three Code representatives' meeting with you on 25 June 2018, attached are comparative prize money schedules comparing SA prize money with that available interstate, for all three Codes.

Prize money drives participation and investment by owners and trainers, which in turn drives employment and jobs within the industry.

While the funding provided by Government with respect to FY18 averted what would have been a disastrous outcome for the Industry, with prize money cuts and the resultant job losses being inevitable without that support, any ongoing uncertainty as to further support from Government in this regard, will necessitate cuts in the face of the unacceptable risk to the Industry's revenue and depleted reserves.

SA racing already has a significant gap between prize money available and the cost to race Thoroughbreds, Standardbreds and Greyhounds, significantly greater than if owners were to invest interstate rather than in SA.

Capital Expenditure: Not only is it necessary to maintain and improve the Industry's infrastructure, both training and racing, expenditure and investment in capital projects is a key driver with regards sustaining and growing jobs in our industry.

Once again, without a level of certainty as to its revenue, due to the impact of the place of consumption tax, the Industry would have neither the funds nor the confidence to continue investing in much needed capital projects.

## Submission Cont...

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Regional Impact: The SA Racing Industry has a substantial regional footprint and base. Local regional Cup meetings are often the “biggest event in town” each year, and provide a major focus on local communities. With pressure on, and uncertainty around the Industry’s revenue, these will be the first areas adversely impacted on if the Industry is forced to retrench.

10. Not only has each State adopted its own variations as to the structure of the POC tax being introduced (eg, definition of Net Wagering Revenue, and tax rate levied), the treatment of the local racing industry has also varied.

In NSW the racing industry is due to receive approximately 40% of the POC tax collected (\$40M from an estimated \$100M in POC tax revenue) while in Victoria, although the racing industry is due to receive a smaller amount of the POC tax, it is understood this is a reflection of the fact that a low 8% rate has been adopted, which resulted in operators providing assurances that they will not seek to take any adverse actions against the industry in Victoria as a consequence of the lower rate, with the operators agreeing to maintain all of the benefits they currently provide to the local industry (sponsorship, promotions, bonuses, etc). The Queensland Government has postponed the introduction of its POC tax, from the initially advised commencement date of 1 July 2018 to 1 October 2018, to allow negotiation and consultation with its local racing industry with regards how the industry will be treated in terms of the tax revenue generated.

In each case it is also recognising the fact that the racing provided by the racing industry is being utilised by Government as a means to levy the POC tax.

11. The implementation of a POC tax in SA, especially at the 15% tax rate, effectively removes from the SA Racing Industry, its ability to increase its BOC rate. We understand this was an important factor in the NSW Government’s decision in providing approximately 40% of the POC tax generated in that State, to the local racing industry, and is also being considered as a key factor in the Queensland Government’s consideration as to what additional funding it will provide to its racing industry from the POC it collects.
12. **The SA Racing Industry requests that the Government, in recognising the adverse impact on the SA Racing Industry’s revenue caused by the POC tax and tax rate in SA, provides or adopts the following in supporting the SA Racing Industry;**

- a) Provides some form of guarantee to the SA Racing Industry, as to once again providing funding to the Industry to reimburse it for revenue lost as a consequence of the POC tax in place in SA, due both to;
  - i) the period in FY19 when SA will be the only State with a POC tax, and
  - ii) the impact of a POC tax rate which is greater than that in other major racing jurisdictions.

The Racing Industry would once again work with Treasury to agree a model as to how this would be assessed or quantified.

## Submission Cont...

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The provision of such would give the Racing Industry more surety as to its budgeted revenue for FY19 (and beyond), and enable it to continue to embark on various projects which would grow the local racing industry and ensure the required investment to sustain and grow employment in regional areas in particular.

- b) That the Government provides to the SA Racing Industry, a set percentage of the POC generated from the taxation imposed on wagering operators through wagering on racing.

The Industry requests that Government implement a structure whereby say 40% of the POC generated from wagering on racing is paid to the Industry in FY19, with that percentage increasing incrementally each year over the next 5 years until the full POC amount received by Government attributable to wagering on racing, is returned to the SA Racing Industry. This is similar to the action taken by Government in 2008, whereby it redirected the then Wagering Tax paid by SA TAB, to the SA Racing Industry, commencing with 50% in 2008 and rising to the full tax amount in 2012.

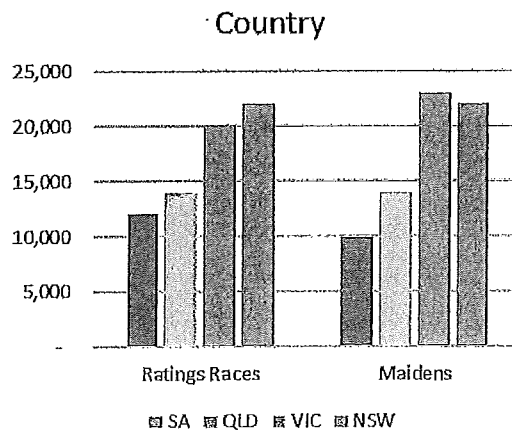
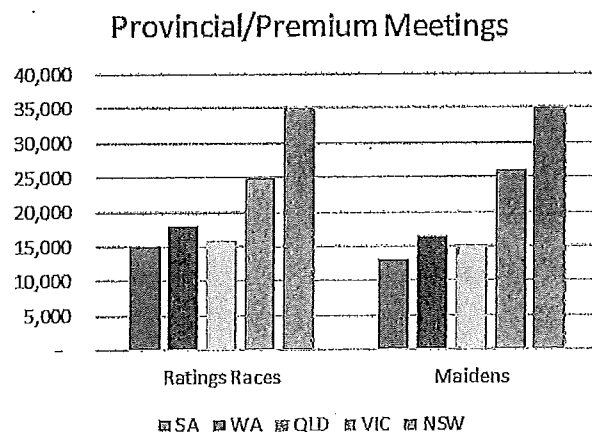
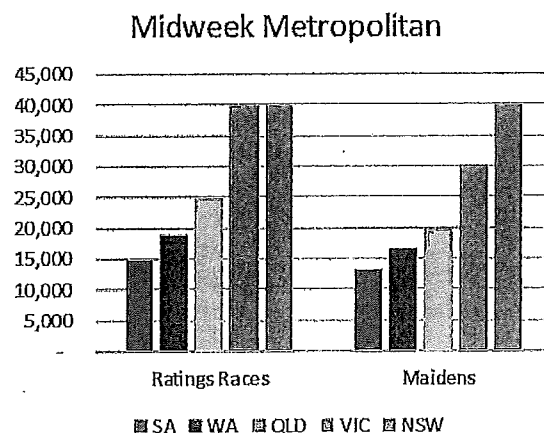
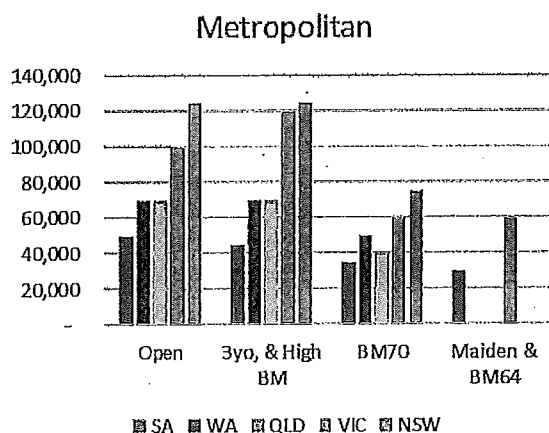
This funding support for the SA Racing Industry would reflect the potential loss in revenue, but also importantly, it would reflect the inability of the SA Racing Industry to make a commercial decision to increase the current BOC rates charged to wagering operators for operating on its racing, due to the existence of a place of consumption tax in SA.

- c) That the POC tax rate applied in SA be reduced from the current 15%, to a rate in line with the Victorian or NSW rates of 8% and 10%, with an agreed consistent definition as to Net Wagering Revenue.

The SA Racing Industry is confident that it would be able to negotiate agreements with interstate wagering operators, similar to that which occurred in Victoria, whereby they provide assurances as to ceasing current adverse actions against the SA Racing Industry, and not taking any further punitive actions against SA racing and SA customers, as a consequence of a lower POC rate being adopted.

## Comparative Prize Money Schedules

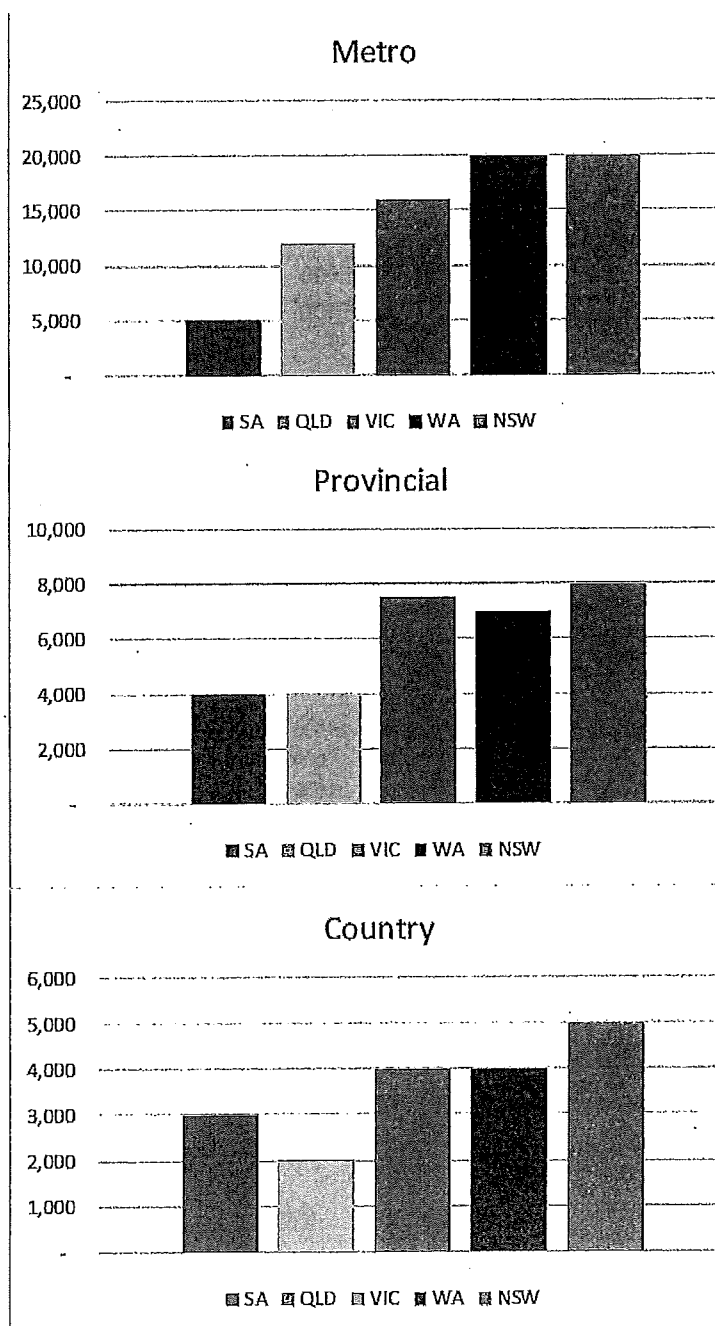
THOROUGHBREDS					
	SA	WA	QLD	VIC	NSW
<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
3yo, & High BM	45,000	70,000	70,000	120,000	125,000
BM70	35,000	50,000	40,000	60,000	75,000
Maiden & BM64	30,000			60,000	
<b>Midweek Metro</b>					
Ratings Races	15,000	19,000	25,000	40,000	40,000
Maidens	13,000	16,500	20,000	30,000	40,000
<b>Provincial/Premium Meetings</b>					
Ratings Races	15,000	18,000	16,000	25,000	35,000
Maidens	13,000	16,500	15,000	26,000	35,000
<b>Country</b>					
Ratings Races	12,000		14,000	20,000	22,000
Maidens	10,000		14,000	23,000	22,000





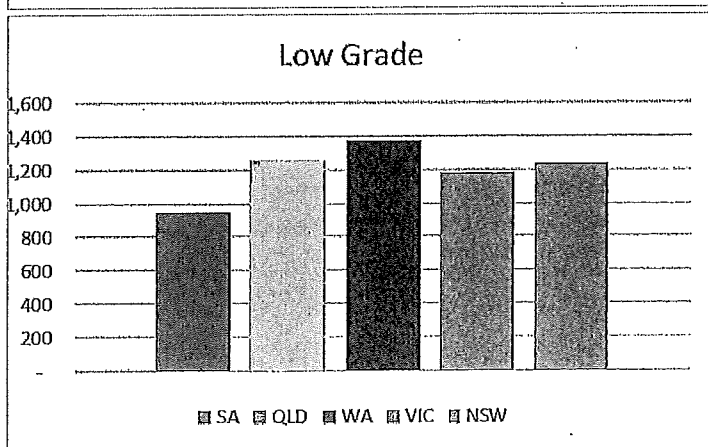
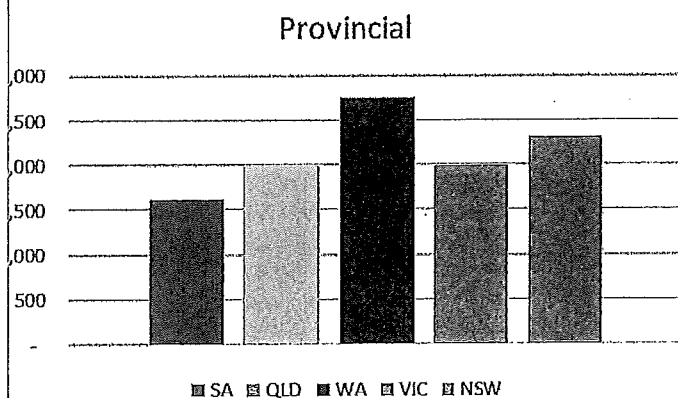
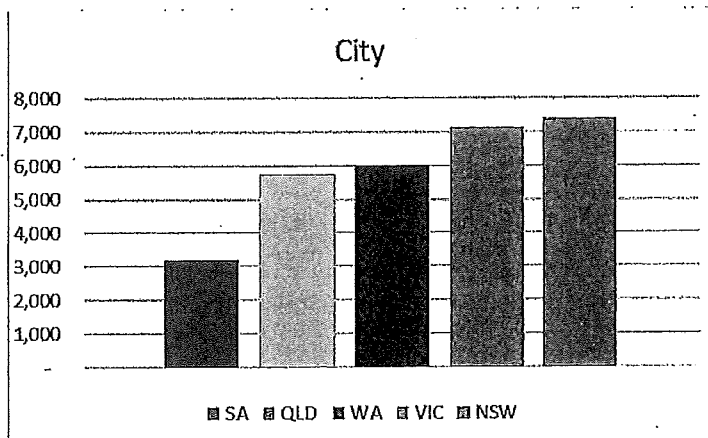
## Comparative Prize Money Schedules

HARNESS					
	SA	QLD	VIC	WA	NSW
Metro	5,000	12,000	16,000	20,000	20,000
Provincial	4,000	4,000	7,500	7,000	8,000
Country	3,000	2,000	4,000	4,000	5,000



## Comparative Prize Money Schedules

GREYHOUNDS					
	SA	QLD	WA	VIC	NSW
City	3,190	5,750	6,005	7,150	7,380
Provincial	1,615	2,000	2,755	2,005	2,310
Low Grade	945	1,250	1,375	1,180	1,230



## COMPARATIVE POSITION IN EACH STATE IN AUSTRALIA FOLLOWING THE INTRODUCTION OF A POINT OF CONSUMPTION (POC) TAX

Every Mainland State in Australia has now introduced or announced the introduction of a POC tax in their State.

South Australia was the first State with a POC tax, which commenced on 1 July 2017, with Queensland's POC tax commencing 1 October 2018, and NSW, Victoria and WA each commencing on 1 January 2019.

### The position in each State is:

#### Queensland

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - \$20M infrastructure funding
  - \$17.8M Industry debt written off
  - Undertaking by Government that the Queensland TAB will be no worse off in any financial year, due to the introduction of the POC tax

Queensland Government has recently announced \$70M funding for country/provincial racing and also provides significant additional funding annually to its local Industry.

#### NSW

- \* 10% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - \$40M per annum of the POC tax collected by Government is being directed to the Racing Industry each year.

NSW Government also provides significant additional funding annually to its local Racing Industry

#### Victoria

- \* 8% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - The Racing Industry receives 25% of the POC tax generated.
  - \$33M prize money commitment linked to the POC tax

Victorian Government also provides significant additional funding annually to its local Racing Industry.

#### Western Australia

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - 30% of all POC tax (including on sport and entertainment) received by Government is to be paid to the Racing Industry each year.
  - Undertaking that the Racing Industry would be no worse off each year.

WA Government also provides significant additional funding annually to its local Racing Industry

In South Australia the POC tax rate is 15% and commenced on 1 July 2017, well before the other States, and as such this has caused serious comparative damage to the local South Australian Racing Industry.

South Australia is the only State where the Racing Industry is effectively being punished, as it is the only State where no benefit is being provided to the Racing Industry from the POC tax now collected by the State Government.

Further, South Australia, unlike any other State, receives no State Government Support.

**The South Australian Racing Industry's urgent request to Government is to;**

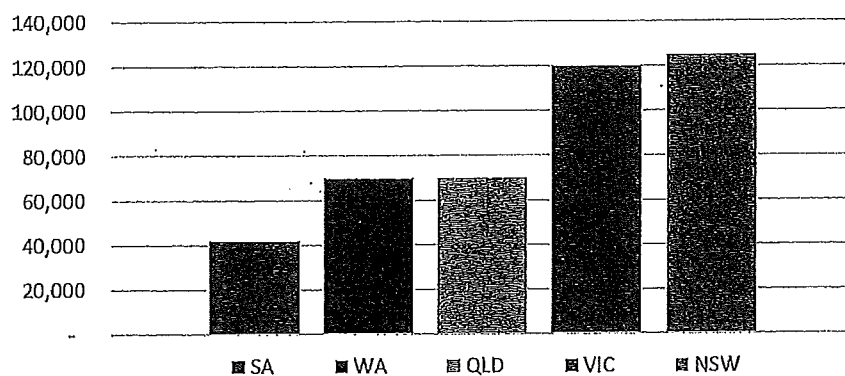
- a) Provide a guarantee that each financial year the Racing Industry will be no worse off through the imposition of the POC tax in SA, with the Government to reimburse the Industry for its lost revenue which is now being received by Government, by way of the POC tax payments from wagering operators. This is the promise and undertaking made to the Industry by the previous Government. The industry acknowledges the \$4.85M payment by Government on 29 June 2018, which reimbursed the Industry with regards the Industry's adverse outcome/position in FY18 caused by the POC tax when South Australia was the only State with a POC tax in place.
- b) Effective from 1 July 2018 and going forward, that the Government provides the POC tax revenue from racing (not from sports betting), to the Racing Industry, with payments on a monthly basis in line with the monthly POC tax payments to Government by wagering operators.

The Racing Industry accepts that the provision of the above would satisfy the funding submissions tabled with Government by the Racing Industry, with the exception of the Industry's submission in relation to the \$1M per annum "Product Fee" payment made by UBET in relation to the extension of its retail exclusivity in South Australia.

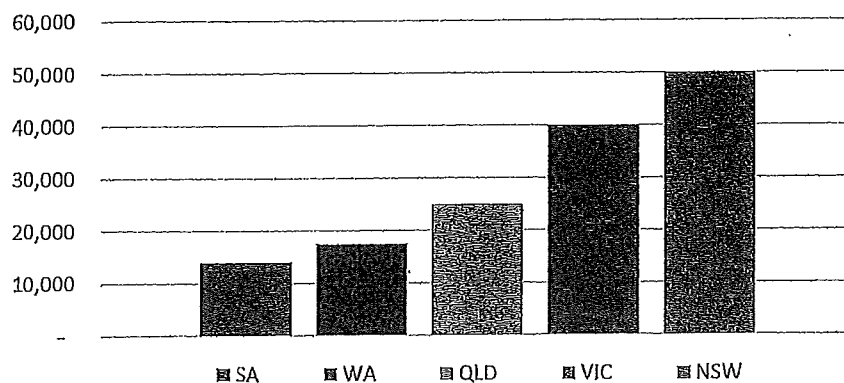
- c) Reduce the POC tax rate in South Australia to 8-10%, in line with Victoria and NSW, to enable the SA Racing Industry to be competitive nationally.

	SA	WA	QLD	VIC	NSW
Metro Average	42,000	70,000	70,000	120,000	125,000
Midweek Average	14,000	17,500	25,000	40,000	50,000
Provincial Average	14,000	17,500	16,000	25,000	35,000

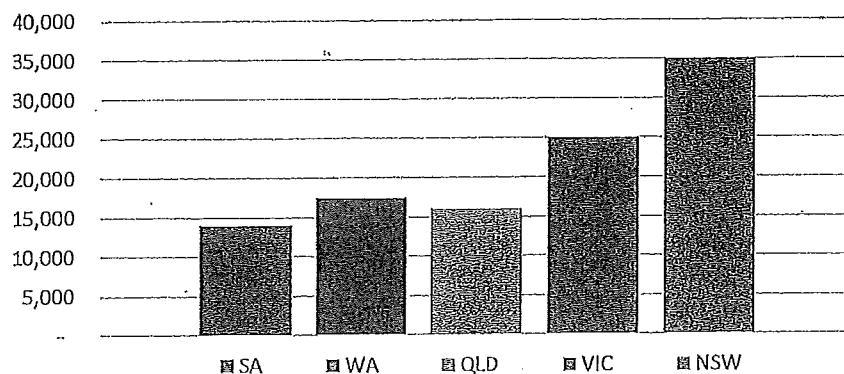
Metropolitan Average



Midweek Average



Provincial Average



## MINUTE



Government  
of South Australia  
Department of Treasury  
and Finance

**MINUTES forming ENCLOSURE**

File T&F14/0876

Doc No TF18D00416

To The Treasurer

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### MEETING WITH RACING SA

Timing: ROUTINE — For meeting on 25/06/2018

**Recommendations/Issues:** It is recommended that you:

- Note that you are meeting Racing SA on 25 June 2018. It is understood that the focus of the meeting will be on the impact of the Betting Operations Tax (BOT) on the South Australian racing industry and the amount of revenue received by the industry as part of the extension of retail exclusivity for UBet SA.
- Note it is understood Racing SA will be seeking compensation of around \$5 million for the impact of the BOT on the racing industry in 2017-18, based on commitments that the industry will not be worse off from the introduction of the tax made by the former Government.
- Note that the original intent of the 'no worse off' commitment for the BOT related to arrangements between UBet SA and Racing SA. There is no overall impact on the industry from these arrangements based on the measures that have been put in place.
- Racing SA has a broader interpretation of the 'no worse off' commitment, including any potential impact on their revenue level. Racing SA consider that this view was confirmed by the former Treasurer at meetings following the introduction of the BOT.
- Note that any impact on Racing SA is the result of direct action taken by wagering operators against the industry and is not reflective of the structure of the tax (ie the tax applies on bets by SA customers, not on bets on SA Racing). Now that other jurisdictions will be implementing similar point of consumption taxes, this should reduce any direct action taken against SA Racing.
- Note that there is no budget provision for funding to the industry for compensation as a result of the introduction of the BOT. Any decision to provide funding would have a negative budget impact.



- Note the information in this briefing on the potential issues that may be raised by Racing SA at the meeting.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

### Key Points:

- The South Australian racing industry is made up of three racing codes: Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).
- Racing SA is the representative body for the three racing codes.
- It is understood that Racing SA may raise the following issues at a meeting scheduled with you on 25 June 2018:
  - The impact of the BOT on the industry and commitments by the former Government that the industry won't be worse off due to the introduction of the tax.
  - Revenue received by the industry under the extension of retail wagering exclusivity arrangement for UBet SA finalised in early 2018.

### Betting Operations Tax (BOT) – background

- The wagering market has undergone significant change in recent years, shifting from betting operators largely operating as a monopoly in local markets, to betting operators competing in a national market. While the wagering market changed, the taxation arrangements for wagering remained unchanged for a long period of time.
- On 1 July 2017, the previous Government introduced a BOT on all wagering services offered to customers located in South Australia. The tax is charged at the rate of 15% on the net state wagering revenue from South Australian customers above a \$150,000 tax-free threshold.
- This was a major reform in the way wagering was taxed in Australia, shifting from taxing on a place of supply basis (eg based on where a business was located) to a place of consumption basis. Taxing wagering based on a place of consumption basis is suited to the national wagering market that we now have.
- Under previous arrangements the major corporate wagering providers (Sportsbet, Crownbet etc) were licensed in the Northern Territory to take account of favourable taxation arrangements, which effectively capped their state wagering tax contribution at \$575,000 per annum. South Australia received no wagering tax from these providers.

- Shifting to a point of consumption taxation arrangement allows the South Australian Government to tax the wagering activity of South Australian customers regardless of where the wagering operator is located. It recognises that there can be costs associated with gambling in terms of harm and that these costs are incurred based on where a person lives, not where a company is registered.
- While South Australia was the first jurisdiction to introduce a wagering tax on a place of consumption basis, all jurisdictions apart from Tasmania and the Northern Territory have announced they will be introducing similar wagering taxes. The table below provides an interstate comparison.

	SA	Qld	Vic	ACT	NSW	WA
Rate	15%	15%	8%	15%	10%	15%
Threshold	\$150,000	\$300,000	\$1m	Not announced	\$1m	Not announced
Commencement	1 Jul 2017	1 Oct 2018	1 Jan 2019	1 Jan 2019	1 Jan 2019	1 Jan 2019

- As part of the introduction of the BOT, the previous Government publicly committed that the South Australian racing industry would be no worse off as a result of the introduction of the BOT.
- The original intent of the 'no worse off' commitment related to arrangements between UBet SA and Racing SA. There is no overall impact on the industry from these arrangements based on the measures that have been put in place (see 'Impact on the Racing Industry' section below).
- Racing SA have a broad interpretation of the no worse off commitment, including any potential impact on their revenue level. Racing SA raised this view with the former Treasurer and consider that this broad interpretation was confirmed.
- The table below outlines the estimates of revenue from the BOT consistent with the MYBR. These estimates will be revised up as part of the 2018-19 Budget reflecting strong growth in receipts from corporate wagering providers to date.

	2017-18 \$m	2018-19 \$m
Total BOT collections	30.0	30.7
Less grant payments to industry relating to UBet SA payments	19.6	20.0
Net BOT collections	10.4	10.7

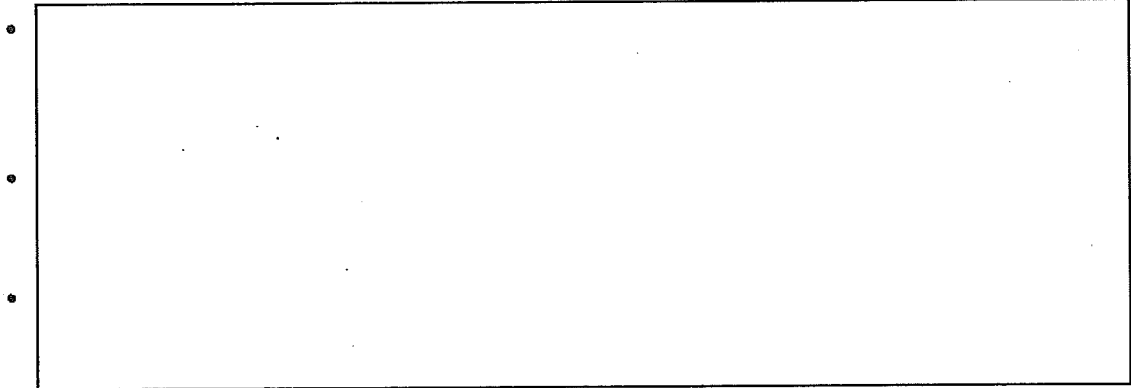
#### Impact on the Racing industry

- The *Authorised Betting Operations Act 2000* (the Act) requires betting operators to enter into a contributions agreement with a racing controlling authority before they can take a bet on a South Australian race. These are direct arrangements between industry and wagering providers and are sometimes referred to as betting operations contributions or race field fees.
- The racing industry has two main types of agreements. A Racing Distribution Agreement with the comprehensive major licence holder in South Australia, UBet SA, and other agreements with the corporate wagering providers (Sportsbet, Crownbet etc).



*Racing Distribution Agreement*

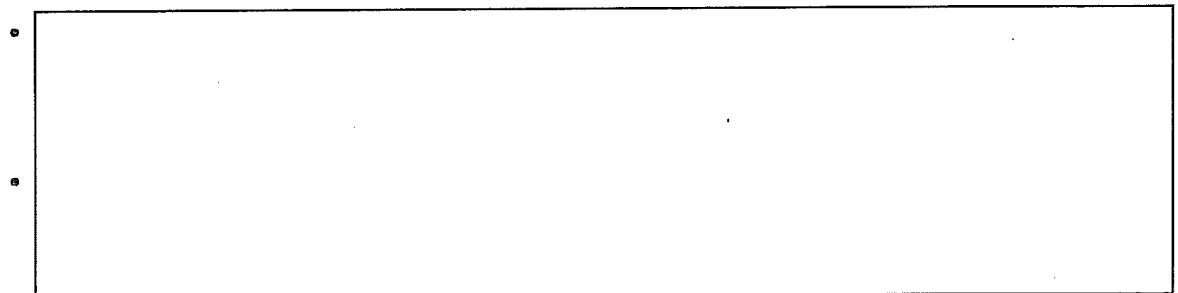
- The establishment of the Racing Distribution Agreement was a requirement of the sale of the state-owned TAB.



- To ensure that the racing industry was no worse off as a result of the introduction of the BOT, the Government approved an ongoing funding agreement with Racing SA to offset any loss in revenue from a reduction in contributions under the Racing Distribution Agreement.
- Effectively the combined rate of funding paid to Racing SA under the revised Racing Distribution Agreement with UBet SA and the grant agreement with government is equivalent to the amount of funding Racing SA would have received under the arrangements in place prior to the introduction of the BOT. That is no net impact on the industry under these arrangements.

*Distribution Agreement with other wagering operators*

- The contributions payable by other corporate wagering providers to Racing SA under their distribution agreements vary based on a range of factors including the type of race and the turnover or net wagering revenue of bets placed on a race. On average the contribution is around 17% of net wagering revenue.
- Racing SA receives around \$40 million per annum through these payments from wagering providers. Around half of this revenue is from Tabcorp and UBet in other states, and the other half is from corporate bookmakers such as Sportsbet, Ladbrokes etc.
- The revenue received by Racing SA from wagering providers relates to bets placed by customers from all around Australia on races held in South Australia (not just revenue from South Australian customers).
- The introduction of the BOT tax did not directly impact the ability of the racing industry to charge or collect race field fees.



	- See Attachment 1.

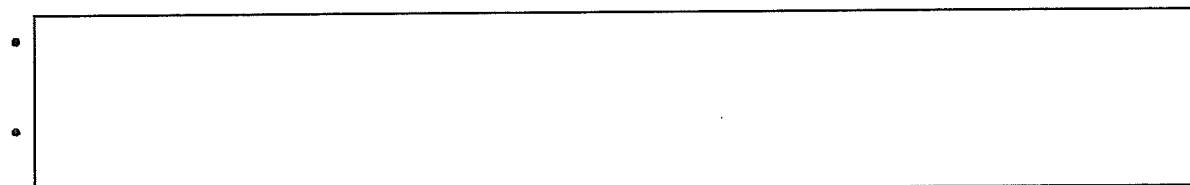
- It is understood that Racing SA will be seeking a contribution from Government of around \$4 million for lost revenue from the introduction of the BOT. The calculation of revenue lost is based on the difference between actual revenue growth from race field fees of around 1% in 2017-18 compared to their projected level of revenue growth of 10% in 2017-18.
- Their forecast of 10% revenue growth in the absence of the BOT is based on an extrapolation of results from previous years.
- DTF would note that there are a large number of other factors that impact revenue growth and it is not clear that the introduction of BOT impacted Racing SA's revenue to this extent.
- Without comparative information, for example growth in other jurisdictions, it is very difficult to assess what impact the introduction of the BOT may have had. DTF have asked for comparative information from Racing SA, but it is understood that this is unlikely to be provided by their interstate counterparts.
- Now that other jurisdictions will be implementing similar point of consumption taxes, this should reduce any direct impact against SA Racing in the future.

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- It is not possible for DTF to verify the accuracy of these claims.
- It is understood that TRSA will be seeking additional compensation of \$920,000, equivalent to the lost media rights revenue calculated by Racing.com.

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- The Act allows for a single major betting operations licence in South Australia. The licence is currently held by UBet SA and the Approved Licensing Agreement (ALA) entered into as part of the sale of SA TAB in 2001 provided them with a 100-year contract to provide off-course retail wagering services in South Australia. In addition, the ALA entered into as part of the sale provided that UBet SA would be the exclusive provider of retail (eg pubs and clubs, UBet venues) wagering in South Australia until January 2017.
- Following the expiry of the initial exclusivity period, a negotiation process was conducted to determine options for future off-course wagering services in South Australia. The racing industry, through Racing SA, participated in the negotiations.
- In early 2018 the former Minister for Consumer and Business Services signed a Variation Agreement to the ALA with UBet SA. The Variation Agreement provided for a 15-year extension (7½ plus 7½ years) for exclusivity over off course retail wagering services in South Australia for UBet SA.
- As part of the Variation Agreement, UBet SA is required to pay to the government an indexed annual fee of \$1.15 million for the duration of the exclusivity period.
- Benefits of around \$1.2 million per annum for the length of the exclusivity period were also negotiated for Racing SA. These related to exclusive marketing arrangements, infrastructure funding and a share of sports betting conducted in retail outlets.
- It is noted that the industry previously received revenue from the sale of marketing rights, but the agreement locked in a premium value for these arrangements over a long term.
- Racing SA were satisfied with the overall length of the exclusivity arrangement and the total value received. However, the Racing industry were seeking to receive the full value of exclusivity, including the \$1.15 million payment to Government.



#### Other assistance to TRSA

- Thoroughbred Racing SA (not Racing SA) receives support from the Government through a variety of channels.
- On 1 May 2017 the previous Treasurer approved a grant of \$6 million to be provided to Thoroughbred Racing SA, for use on marketing and increased prize money for the Adelaide Autumn Racing Carnival. This funding was provided over 2 years, through a funding agreement with the Office for Recreation and Sport.
- On 21 December 2017 a facility agreement was signed between the previous Treasurer and Thoroughbred Racing SA Ltd and the Murray Bridge Racing Club Incorporated, providing for a loan facility of \$5 million that will be available for 12 months from the date of contract execution. This loan will be used to facilitate the new racecourse development at Gifford Hill, Murray Bridge. SAFA have advised that there has been no draw down on this facility to date.
- On 5 February 2018 the previous Treasurer approved a \$200,000 grant to Thoroughbred Racing SA to be provided over 2 years for the purposes of an advertising campaign to promote the SA horse racing industry.

- The current budgeted financial contributions to be paid to Thoroughbred Racing SA over the forward estimates is as follows

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Grant to Thoroughbred Racing SA for the Adelaide Autumn Racing Carnival	3.0	3.0	—	—	—	—
Grant to Thoroughbred Racing SA for advertising	—	0.1	0.1	—	—	—
<b>Total grants paid</b>	<b>3.0</b>	<b>3.1</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>
Loan to Murray Bridge Racing Club Inc and Thoroughbred Racing SA Ltd for the Gifford Hill racecourse development	—	2.5	2.5	—	—	—



Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

22 June 2018

Contact Officer:	Greg Raymond
Telephone:	8226 9537
Email address:	greg.raymond@sa.gov.au

Attachment 4  
Schedule

ACTUAL  
INTERSTATE TOTES

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	2,458,359	2,333,237	2,497,783	1,875,177	2,026,390	1,815,958
YOY change		-5.09%	7.05%	-24.93%	8.06%	-10.38%
GRSA	5,209,624	5,287,098	5,735,384	5,654,853	5,766,639	5,416,651
YOY change		1.49%	8.48%	-1.40%	1.98%	-6.07%
TRSA	12,993,017	13,826,402	14,834,468	14,804,987	14,357,914	13,939,871
YOY change		6.41%	7.29%	-0.20%	-3.02%	-2.91%
All Codes	20,661,000	21,446,737	23,067,635	22,335,017	22,150,943	21,172,480
YOY change		3.80%	7.56%	-3.18%	-0.82%	-4.42%

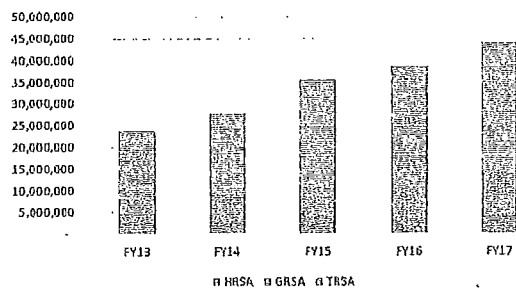
NON TOTE WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	305,572	656,311	1,269,691	1,552,559	1,982,720	2,043,093
YOY change		114.78%	93.46%	22.28%	27.71%	3.04%
GRSA	268,290	841,333	2,362,851	3,417,327	4,439,849	5,565,801
YOY change		213.59%	180.85%	44.63%	29.92%	25.36%
TRSA	2,515,373	4,788,278	8,586,905	11,275,060	15,367,178	15,619,660
YOY change		90.36%	79.33%	31.31%	36.29%	1.64%
All Codes	3,089,235	6,285,922	12,219,447	16,244,946	21,789,747	23,228,553
YOY change		103.48%	94.39%	32.94%	34.13%	6.60%

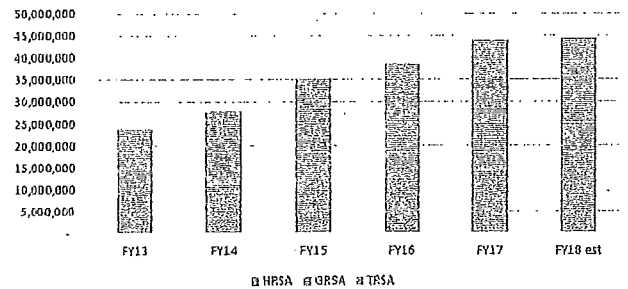
ALL WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	2,763,931	2,989,548	3,767,474	3,427,736	4,009,110	3,859,051
YOY change		8.16%	26.02%	-9.02%	16.96%	-3.74%
GRSA	5,477,914	6,128,431	8,098,235	9,072,180	10,206,488	10,982,451
YOY change		11.88%	32.14%	12.03%	12.50%	7.60%
TRSA	15,508,390	18,614,680	23,421,373	26,080,047	29,725,092	29,559,531
YOY change		20.03%	25.82%	11.35%	13.98%	-0.56%
All Codes	23,750,235	27,732,659	35,287,082	38,579,963	43,940,690	44,401,032
YOY change		16.77%	27.24%	9.33%	13.90%	1.05%

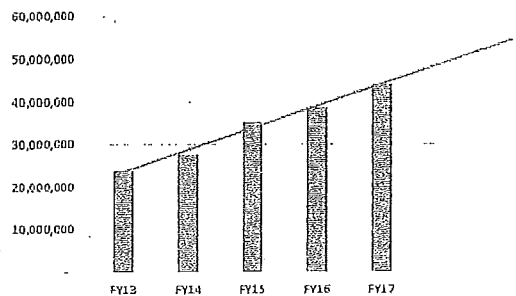
All BOC Revenue All Codes FY13 - FY17 pre BOT



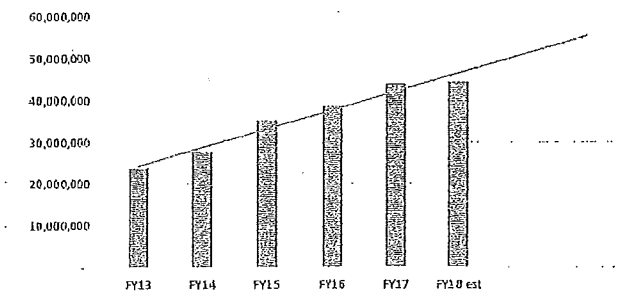
All BOC Revenue All Codes FY13-FY18 (projected)



All Codes projection pre BOT



All Codes projection post BOT



5 YEAR TREND LINE - 10%  
INTERSTATE TOTES

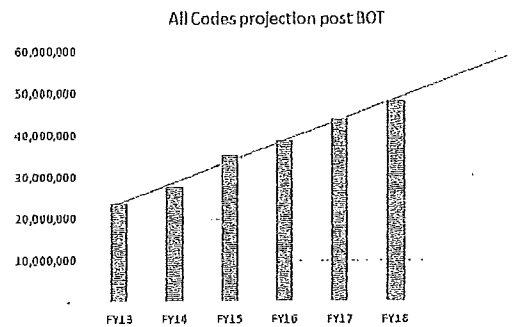
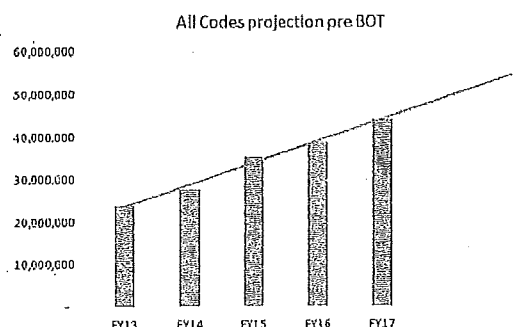
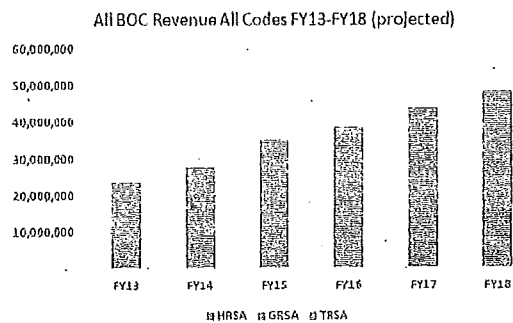
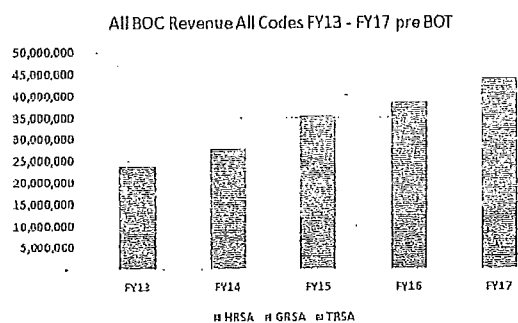
	FY13	FY14	FY15	FY16	FY17	FY18
HRSA	2,458,359	2,333,237	2,497,783	1,875,177	2,026,390	2,229,029
YOY change		-5.09%	7.05%	-24.93%	8.06%	10.00%
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YOY change		1.49%	8.48%	-1.40%	1.98%	10.00%
TRSA	12,993,017	13,826,402	14,834,468	14,804,987	14,357,914	15,793,705
YOY change		6.41%	7.29%	-0.20%	-3.02%	10.00%
All Codes	20,661,000	21,446,737	23,067,635	22,335,017	22,150,943	24,366,037
YOY change		3.80%	7.56%	-3.18%	-0.82%	10.00%

NON TOTE WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18
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YOY change		114.78%	93.46%	22.28%	27.71%	10.00%
GRSA	268,290	841,333	2,362,851	3,417,327	4,439,849	4,883,834
YOY change		213.59%	180.85%	44.63%	29.92%	10.00%
TRSA	2,515,373	4,788,278	8,586,905	11,275,060	15,367,178	16,903,896
YOY change		90.36%	79.33%	31.31%	36.29%	10.00%
All Codes	3,089,235	6,285,922	12,219,447	16,244,946	21,789,747	23,968,722
YOY change		103.48%	94.39%	32.94%	34.13%	10.00%

ALL WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18
HRSA	2,763,931	2,989,548	3,767,474	3,427,736	4,009,110	4,410,021
YOY change		8.16%	26.02%	-9.02%	16.96%	10.00%
GRSA	5,477,914	6,128,431	8,098,235	9,072,180	10,206,488	11,227,137
YOY change		11.88%	32.14%	12.03%	12.50%	10.00%
TRSA	15,508,390	18,614,680	23,421,373	26,080,047	29,725,092	32,697,602
YOY change		20.03%	25.82%	11.35%	13.98%	10.00%
All Codes	23,750,235	27,732,659	35,287,082	38,579,963	43,940,690	48,334,759
YOY change		16.77%	27.24%	9.33%	13.90%	10.00%



OUT OF SCOPE

OUT OF SCOPE



**Cathro, Vicky (DTF)**

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**From:** Jim Watters <jwatters@theracessa.com.au>  
**Sent:** Thursday, 1 November 2018 2:18 PM  
**To:** De Gennaro, Gino (DTF); Robertson, Julian (DTF)  
**Cc:** Nick Redin  
**Subject:** Breeders approach to media

Hi Gino and Julian

Once again, many thanks for your time yesterday for Nick and I to brief you on the racing industry and at the same time raise with you the current plight facing the industry with the on gong loss in our BOC (race fields) revenue due to the ongoing effect of the POC tax in SA. We are of course available to discuss further at any time, and to brief anyone else you consider it would be appropriate for us to do so with.

We look forward to the Treasurer's and Governments urgent, and favourable, consideration of our submission.

I wanted you to be aware that I have this afternoon been advised that the [REDACTED] has approached the media as to the lack of support for the SA racing industry, noting in particular that the government is collecting a POC tax which is adversely impacting on the Industry's revenue. I assure you that we have not encouraged them to take such action, and quite the opposite, we have tried to dissuade them from doing or saying anything while we work though our submissions/request with Government.

Below are the details of an email which I have just received from the Advertiser, and I intend responding to Lincoln asking that he not look to run any story at the moment.

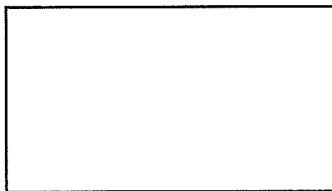
Regards

Jim

**From:** [REDACTED]  
**Sent:** Thursday, 1 November 2018 1:49 PM  
**To:** Jim Watters <jwatters@theracessa.com.au>  
**Subject:**

Hi mate,  
 [REDACTED] have sent me some stuff and keen to run this.  
 I ran it past Nick but he said to show you.  
 Let me know if there are any dramas

[REDACTED] are putting pressure on the State Government to respond to Thoroughbred Racing SA's current proposal for industry funding rebates from taxes imposed on betting operations. SA racing's three codes received a one-off payment for \$4.85m back in July with no assurances of anything going forward while it's estimated the local industry is \$5m worse off each year. SA racing industry is the only major jurisdiction in Australia without any assurance that any of the budgeted \$37m raised from the controversial "Point of Consumption" tax will be returned to the industry. SA's tax rate is 15 per cent, compared to 10 per cent in New South Wales and eight per cent in Victoria. That has resulted in corporate bookmakers offering less incentives for punters to wager on South Australian racing which had led to a downturn in industry revenue. "Our industry is at least \$5m worse off every year as a result of a tax that is raising \$37m and the current Liberal Government seem ambivalent," president of the [REDACTED] said. "As an industry we can be self-funded with proceeds from a tax that is only possible due to the product we provide. The resultant uncertainty has pushed pause on investment throughout our industry, it is costing jobs," he said. Watson said while other State Governments have openly stated that "they do not want to harm the racing industry" as a result of the Point of Consumption tax, those in SA Racing and Breeding are not being offered the same protection. "Our governing body TRSA have had a proposal with the State Liberal Government for months but it does not appear to be a priority which is incredibly disappointing," Watson added. Just last week Queensland racing took strike action before their state government announced an injection \$26m, a 25 per cent increase, back to the industry yearly with \$18m to be put into prizemoney commencing on Friday.



Jim Watters  
Chief Executive  
Thoroughbred Racing SA

GPO Box 2646, Adelaide SA 5001

T (08) 8179 9877 /  
F (08) 8179 9890  
E [jwatters@theracessa.com.au](mailto:jwatters@theracessa.com.au)  
W [www.theracessa.com.au](http://www.theracessa.com.au)



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**Borlase, Trish (DTF)**

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**From:** Williams, Paul (DTF)  
**Sent:** Thursday, 23 August 2018 11:15 AM  
**To:** Borlase, Trish (DTF)  
**Subject:** Treasurers Queries - Racing SA  
**Attachments:**

Fwd: TRS16D1287 - Murray Bridge Racing Club Loan;

Trish,

In response to the Treasurers queries on the Treasury and Finance Administered Items Account lines:

- Grants, subsidies and transfers - Contribution to Racing SA
- Advances Granted – Thoroughbred Racing South Australia

Contribution to Racing SA

In February 2018 the Minister for Racing entered into a funding deed with Racing SA. The funding deed is to offset any reductions in contributions between Racing SA and UBet as a result of the Betting Operations Tax, with the administrative arrangements (including payments) managed by DTF.

On 15 February 2018 the previous Treasurer approved the administrative arrangements including the transfer of funding previously held in contingencies at the time of the 2017-18 Budget. This is an ongoing arrangement.

I've attached a copy of the Approval.

Advances Granted – Thoroughbred Racing South Australia

On 26 October 2016 the previous Treasurer approved the offering of a loan to Thoroughbred Racing South Australia to facilitate the completion of the new Murray Bridge racecourse development. The loan has yet to be drawn with the availability period expiring in December 2018.

I've attached a copy of the Approval and an email for BAP/SAFA confirming that no draw down was requested in 2017-18.

This is the first time presentation of this loan as the loan facility agreement was only executed by the previous Treasurer in December 2017.

NB - The T&F Admin Items account also includes the line 'Grants, subsidies and transfers – Support to Racing SA', this relates to an approval by the current Treasurer on 28 June 2018 to provide once off funding to Racing SA. I've attached a copy of the Approval.

If you need any further information please do not hesitate to ask.

**Paul Williams**

A/Director, Accounting and Information Management

Accounting Services

State Administration Centre, Level 6, 200 Victoria Square ADELAIDE SA 5000

t 8226 2021 | e Paul.Williams2@sa.gov.au | w [treasury.sa.gov.au](http://treasury.sa.gov.au)



**Government of South Australia**  
Department of Treasury  
and Finance



**Committed to workplace flexibility**



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OUT OF SCOPE



OUT OF SCOPE

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OUT OF SCOPE

**Borlase, Trish (DTF)**

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**From:** Leopardi, Jamin (DTF)  
**Sent:** Friday, 29 June 2018 1:26 PM  
**To:** Williams, Ben (DTF)  
**Subject:** Fwd: TRS16D1287 - Murray Bridge Racing Club Loan

FYI

Sent from my iPhone

Begin forwarded message:

**From:** "Prosser, Lis (DTF)" <[Lis.Prosser@sa.gov.au](mailto:Lis.Prosser@sa.gov.au)>  
**Date:** 29 June 2018 at 12:45:31 ACST  
**To:** "Leopardi, Jamin (DTF)" <[Jamin.Leopardi@sa.gov.au](mailto:Jamin.Leopardi@sa.gov.au)>  
**Subject:** RE: TRS16D1287 - Murray Bridge Racing Club Loan

Hi Jamin  
 There has been no drawdown in 2017/18 from this Facility Agreement.  
 The Availability Period expires in December 2018.  
 Best regards  
 Lis

---

**From:** Leopardi, Jamin (DTF)  
**Sent:** Friday, 29 June 2018 12:34 PM  
**To:** Prosser, Lis (DTF) <[Lis.Prosser@sa.gov.au](mailto:Lis.Prosser@sa.gov.au)>  
**Cc:** Williams, Ben (DTF) <[Ben.Williams@sa.gov.au](mailto:Ben.Williams@sa.gov.au)>  
**Subject:** RE: TRS16D1287 - Murray Bridge Racing Club Loan

Hi Lis

Has there been any drawdown in 2017-18 for this loan yet?

Thanks for your help.

Regards

**Jamin Leopardi**  
 842 90722

---

**From:** Prosser, Lis (DTF)  
**Sent:** Thursday, 10 May 2018 9:21 AM  
**To:** Leopardi, Jamin (DTF) <[Jamin.Leopardi@sa.gov.au](mailto:Jamin.Leopardi@sa.gov.au)>  
**Subject:** RE: TRS16D1287 - Murray Bridge Racing Club Loan

Hi  
 There has been no draw down to date. I have not been given any indication from the borrower as to when they are likely to request an advance  
 Best regards  
 Lis

---

**From:** Leopardi, Jamin (DTF)  
**Sent:** Thursday, 10 May 2018 9:10 AM  
**To:** Prosser, Lis (DTF) <[Lis.Prosser@sa.gov.au](mailto:Lis.Prosser@sa.gov.au)>  
**Cc:** Wigglesworth, Rebecca (DTF) <[Rebecca.Wigglesworth@sa.gov.au](mailto:Rebecca.Wigglesworth@sa.gov.au)>  
**Subject:** RE: TRS16D1287 - Murray Bridge Racing Club Loan

Thanks for the update Lis.

So has any money been drawn down by Thoroughbred Racing SA Limited & the Murray Bridge Racing Club Inc yet?

Regards

**Jamin Leopardi**  
842 90722

---

**From:** Prosser, Lis (DTF)  
**Sent:** Thursday, 10 May 2018 8:55 AM  
**To:** Leopardi, Jamin (DTF) <[Jamin.Leopardi@sa.gov.au](mailto:Jamin.Leopardi@sa.gov.au)>  
**Cc:** Wigglesworth, Rebecca (DTF) <[Rebecca.Wigglesworth@sa.gov.au](mailto:Rebecca.Wigglesworth@sa.gov.au)>  
**Subject:** FW: TRS16D1287 - Murray Bridge Racing Club Loan

Good morning Jamin  
Rebecca has asked me to respond to your email of yesterday.  
I can confirm that a Facility Agreement between the Treasurer and Thoroughbred Racing SA Limited & the Murray Bridge Racing Club Inc was executed on 21 December 2017.  
The amount of the loan is \$5,000,000 and will be available to the borrower for a period of twelve months, commencing on the date of execution of the agreement.  
If you require any further information please don't hesitate to contact me  
Best regards  
Lis

---

**From:** Wigglesworth, Rebecca (DTF)  
**Sent:** Wednesday, 9 May 2018 4:13 PM  
**To:** Prosser, Lis (DTF) <[Lis.Prosser@sa.gov.au](mailto:Lis.Prosser@sa.gov.au)>  
**Subject:** FW: TRS16D1287 - Murray Bridge Racing Club Loan

Hi Lis, cld you pls advise the details to Jamin - I assume they are interested in timeframe for drawdown.

Thx

R

---

**From:** Leopardi, Jamin (DTF)  
**Sent:** Wednesday, 9 May 2018 4:12 PM  
**To:** Wigglesworth, Rebecca (DTF) <[Rebecca.Wigglesworth@sa.gov.au](mailto:Rebecca.Wigglesworth@sa.gov.au)>  
**Subject:** RE: TRS16D1287 - Murray Bridge Racing Club Loan

Hi Rebecca

Hope you are well.

Has the Murray Bridge Racing Club Loan been granted yet?

Regards

**Jamin Leopardi**

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## MINUTE



Government  
of South Australia

Department of Treasury  
and Finance

## MINUTES forming ENCLOSURE

File T&F14/0876

Doc No TF18D00416

To The Treasurer

## MEETING WITH RACING SA

Timing: ROUTINE — For meeting on 25/06/2018

**Recommendations/Issues:** It is recommended that you:

- Note that you are meeting Racing SA on 25 June 2018. It is understood that the focus of the meeting will be on the impact of the Betting Operations Tax (BOT) on the South Australian racing industry and the amount of revenue received by the industry as part of the extension of retail exclusivity for UBet SA.
- Note it is understood Racing SA will be seeking compensation of around \$5 million for the impact of the BOT on the racing industry in 2017-18, based on commitments that the industry will not be worse off from the introduction of the tax made by the former Government.
- Note that the original intent of the 'no worse off' commitment for the BOT related to arrangements between UBet SA and Racing SA. There is no overall impact on the industry from these arrangements based on the measures that have been put in place.
- Racing SA has a broader interpretation of the 'no worse off' commitment, including any potential impact on their revenue level. Racing SA consider that this view was confirmed by the former Treasurer at meetings following the introduction of the BOT.
- Note that any impact on Racing SA is the result of direct action taken by wagering operators against the industry and is not reflective of the structure of the tax (ie the tax applies on bets by SA customers, not on bets on SA Racing). Now that other jurisdictions will be implementing similar point of consumption taxes, this should reduce any direct action taken against SA Racing.
- Note that there is no budget provision for funding to the industry for compensation as a result of the introduction of the BOT. Any decision to provide funding would have a negative budget impact.

- Note the information in this briefing on the potential issues that may be raised by Racing SA at the meeting.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

#### **Key Points:**

- The South Australian racing industry is made up of three racing codes: Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).
- Racing SA is the representative body for the three racing codes.
- It is understood that Racing SA may raise the following issues at a meeting scheduled with you on 25 June 2018:
  - The impact of the BOT on the industry and commitments by the former Government that the industry won't be worse off due to the introduction of the tax.
  - Revenue received by the industry under the extension of retail wagering exclusivity arrangement for UBet SA finalised in early 2018.

#### **Betting Operations Tax (BOT) – background**

- The wagering market has undergone significant change in recent years, shifting from betting operators largely operating as a monopoly in local markets, to betting operators competing in a national market. While the wagering market changed, the taxation arrangements for wagering remained unchanged for a long period of time.
- On 1 July 2017, the previous Government introduced a BOT on all wagering services offered to customers located in South Australia. The tax is charged at the rate of 15% on the net state wagering revenue from South Australian customers above a \$150,000 tax-free threshold.
- This was a major reform in the way wagering was taxed in Australia, shifting from taxing on a place of supply basis (eg based on where a business was located) to a place of consumption basis. Taxing wagering based on a place of consumption basis is suited to the national wagering market that we now have.
- Under previous arrangements the major corporate wagering providers (Sportsbet, Crownbet etc) were licensed in the Northern Territory to take account of favourable taxation arrangements, which effectively capped their state wagering tax contribution at \$575,000 per annum. South Australia received no wagering tax from these providers.

- Shifting to a point of consumption taxation arrangement allows the South Australian Government to tax the wagering activity of South Australian customers regardless of where the wagering operator is located. It recognises that there can be costs associated with gambling in terms of harm and that these costs are incurred based on where a person lives, not where a company is registered.
- While South Australia was the first jurisdiction to introduce a wagering tax on a place of consumption basis, all jurisdictions apart from Tasmania and the Northern Territory have announced they will be introducing similar wagering taxes. The table below provides an interstate comparison.

	SA	Qld	Vic	ACT	NSW	WA
Rate	15%	15%	8%	15%	10%	15%
Threshold	\$150,000	\$300,000	\$1m	Not announced	\$1m	Not announced
Commencement	1 Jul 2017	1 Oct 2018	1 Jan 2019	1 Jan 2019	1 Jan 2019	1 Jan 2019

- As part of the introduction of the BOT, the previous Government publicly committed that the South Australian racing industry would be no worse off as a result of the introduction of the BOT.
- The original intent of the 'no worse off' commitment related to arrangements between UBet SA and Racing SA. There is no overall impact on the industry from these arrangements based on the measures that have been put in place (see 'Impact on the Racing Industry' section below).
- Racing SA have a broad interpretation of the no worse off commitment, including any potential impact on their revenue level. Racing SA raised this view with the former Treasurer and consider that this broad interpretation was confirmed.
- The table below outlines the estimates of revenue from the BOT consistent with the MYBR. These estimates will be revised up as part of the 2018-19 Budget reflecting strong growth in receipts from corporate wagering providers to date.

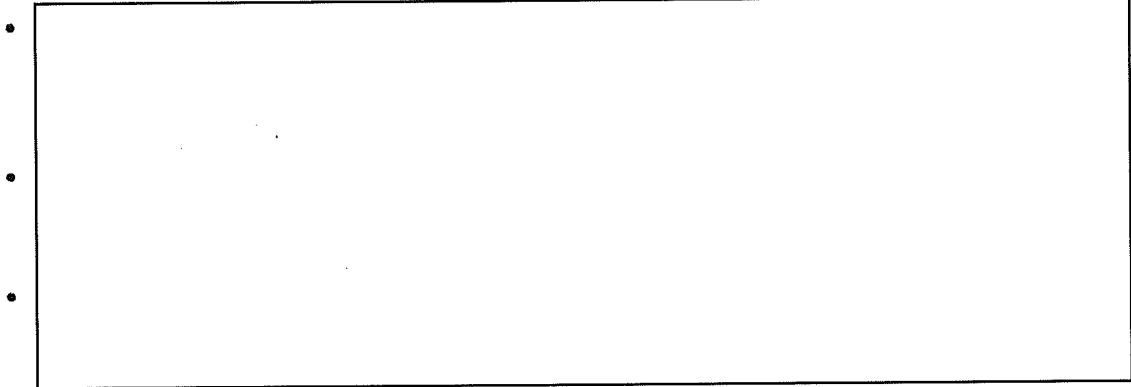
	2017-18 \$m	2018-19 \$m
Total BOT collections	30.0	30.7
Less grant payments to industry relating to UBet SA payments	19.6	20.0
Net BOT collections	10.4	10.7

#### Impact on the Racing industry

- The *Authorised Betting Operations Act 2000* (the Act) requires betting operators to enter into a contributions agreement with a racing controlling authority before they can take a bet on a South Australian race. These are direct arrangements between industry and wagering providers and are sometimes referred to as betting operations contributions or race field fees.
- The racing industry has two main types of agreements. A Racing Distribution Agreement with the comprehensive major licence holder in South Australia, UBet SA, and other agreements with the corporate wagering providers (Sportsbet, Crownbet etc).

*Racing Distribution Agreement*

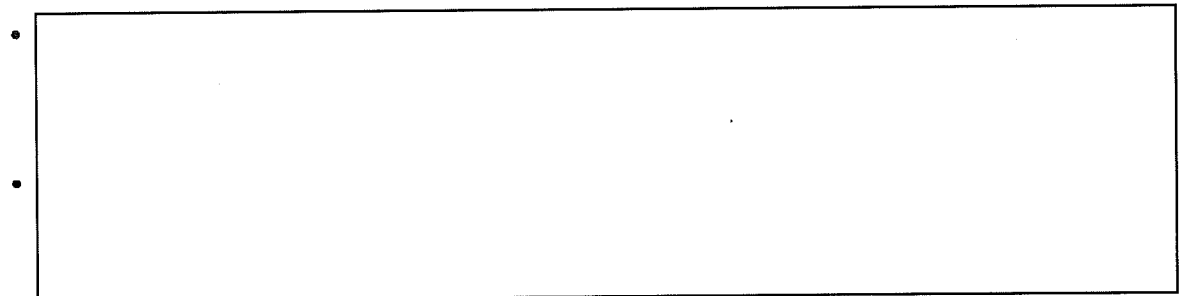
- The establishment of the Racing Distribution Agreement was a requirement of the sale of the state-owned TAB.



- To ensure that the racing industry was no worse off as a result of the introduction of the BOT, the Government approved an ongoing funding agreement with Racing SA to offset any loss in revenue from a reduction in contributions under the Racing Distribution Agreement.
- Effectively the combined rate of funding paid to Racing SA under the revised Racing Distribution Agreement with UBet SA and the grant agreement with government is equivalent to the amount of funding Racing SA would have received under the arrangements in place prior to the introduction of the BOT. That is no net impact on the industry under these arrangements.

*Distribution Agreement with other wagering operators*

- The contributions payable by other corporate wagering providers to Racing SA under their distribution agreements vary based on a range of factors including the type of race and the turnover or net wagering revenue of bets placed on a race. On average the contribution is around 17% of net wagering revenue.
- Racing SA receives around \$40 million per annum through these payments from wagering providers. Around half of this revenue is from Tabcorp and UBet in other states, and the other half is from corporate bookmakers such as Sportsbet, Ladbrokes etc.
- The revenue received by Racing SA from wagering providers relates to bets placed by customers from all around Australia on races held in South Australia (not just revenue from South Australian customers).
- The introduction of the BOT tax did not directly impact the ability of the racing industry to charge or collect race field fees.





- [Redacted]
  - [Redacted]
  - [Redacted]
- [Redacted] - See Attachment 1.

- It is understood that Racing SA will be seeking a contribution from Government of around \$4 million for lost revenue from the introduction of the BOT. The calculation of revenue lost is based on the difference between actual revenue growth from race field fees of around 1% in 2017-18 compared to their projected level of revenue growth of 10% in 2017-18.
- Their forecast of 10% revenue growth in the absence of the BOT is based on an extrapolation of results from previous years.
- DTF would note that there are a large number of other factors that impact revenue growth and it is not clear that the introduction of BOT impacted Racing SA's revenue to this extent.
- Without comparative information, for example growth in other jurisdictions, it is very difficult to assess what impact the introduction of the BOT may have had. DTF have asked for comparative information from Racing SA, but it is understood that this is unlikely to be provided by their interstate counterparts.
- Now that other jurisdictions will be implementing similar point of consumption taxes, this should reduce any direct impact against SA Racing in the future.

- [Redacted]

- It is not possible for DTF to verify the accuracy of these claims.
- It is understood that TRSA will be seeking additional compensation of \$920,000, equivalent to the lost media rights revenue calculated by Racing.com.

[Redacted]

- The Act allows for a single major betting operations licence in South Australia. The licence is currently held by UBet SA and the Approved Licensing Agreement (ALA) entered into as part of the sale of SA TAB in 2001 provided them with a 100-year contract to provide off-course retail wagering services in South Australia. In addition, the ALA entered into as part of the sale provided that UBet SA would be the exclusive provider of retail (eg pubs and clubs, UBet venues) wagering in South Australia until January 2017.
- Following the expiry of the initial exclusivity period, a negotiation process was conducted to determine options for future off-course wagering services in South Australia. The racing industry, through Racing SA, participated in the negotiations.
- In early 2018 the former Minister for Consumer and Business Services signed a Variation Agreement to the ALA with UBet SA. The Variation Agreement provided for a 15-year extension (7½ plus 7½ years) for exclusivity over off course retail wagering services in South Australia for UBet SA.
- As part of the Variation Agreement, UBet SA is required to pay to the government an indexed annual fee of \$1.15 million for the duration of the exclusivity period.
- Benefits of around \$1.2 million per annum for the length of the exclusivity period were also negotiated for Racing SA. These related to exclusive marketing arrangements, infrastructure funding and a share of sports betting conducted in retail outlets.
- It is noted that the industry previously received revenue from the sale of marketing rights, but the agreement locked in a premium value for these arrangements over a long term.
- Racing SA were satisfied with the overall length of the exclusivity arrangement and the total value received. However, the Racing industry were seeking to receive the full value of exclusivity, including the \$1.15 million payment to Government.

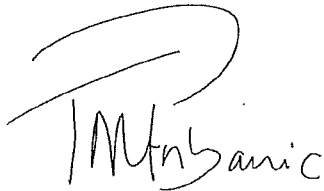
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#### Other assistance to TRSA

- Thoroughbred Racing SA (not Racing SA) receives support from the Government through a variety of channels.
- On 1 May 2017 the previous Treasurer approved a grant of \$6 million to be provided to Thoroughbred Racing SA, for use on marketing and increased prize money for the Adelaide Autumn Racing Carnival. This funding was provided over 2 years, through a funding agreement with the Office for Recreation and Sport.
- On 21 December 2017 a facility agreement was signed between the previous Treasurer and Thoroughbred Racing SA Ltd and the Murray Bridge Racing Club Incorporated, providing for a loan facility of \$5 million that will be available for 12 months from the date of contract execution. This loan will be used to facilitate the new racecourse development at Gifford Hill, Murray Bridge. SAFA have advised that there has been no draw down on this facility to date.
- On 5 February 2018 the previous Treasurer approved a \$200,000 grant to Thoroughbred Racing SA to be provided over 2 years for the purposes of an advertising campaign to promote the SA horse racing industry.

- The current budgeted financial contributions to be paid to Thoroughbred Racing SA over the forward estimates is as follows

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Grant to Thoroughbred Racing SA for the Adelaide Autumn Racing Carnival	3.0	3.0	—	—	—	—
Grant to Thoroughbred Racing SA for advertising	—	0.1	0.1	—	—	—
<b>Total grants paid</b>	<b>3.0</b>	<b>3.1</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>
Loan to Murray Bridge Racing Club Inc and Thoroughbred Racing SA Ltd for the Gifford Hill racecourse development	—	2.5	2.5	—	—	—



Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

22 June 2018

Contact Officer:	Greg Raymond
Telephone:	8226 9537
Email address:	greg.raymond@sa.gov.au

Attachment 4  
Schedule

ACTUAL  
INTERSTATE TOTES

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	2,458,359	2,333,237	2,497,783	1,875,177	2,026,390	1,815,958
YOY change		-5.09%	7.05%	-24.93%	8.06%	-10.38%
GRSA	5,209,624	5,287,098	5,735,384	5,654,853	5,766,639	5,416,651
YOY change		1.49%	8.48%	-1.40%	1.98%	-6.07%
TRSA	12,993,017	13,826,402	14,834,468	14,804,987	14,357,914	13,939,871
YOY change		6.41%	7.29%	-0.20%	-3.02%	-2.91%
All Codes	20,661,000	21,446,737	23,067,635	22,335,017	22,150,943	21,172,480
YOY change		3.80%	7.56%	-3.18%	-0.82%	-4.42%

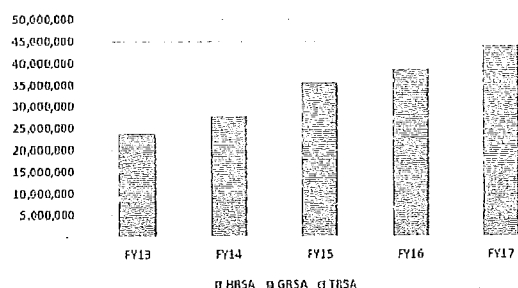
NON TOTE WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	305,572	656,311	1,269,691	1,552,559	1,982,720	2,043,093
YOY change		114.78%	93.46%	22.28%	27.71%	3.04%
GRSA	268,290	841,333	2,362,851	3,417,327	4,439,849	5,565,801
YOY change		213.59%	180.85%	44.63%	29.92%	25.36%
TRSA	2,515,373	4,788,278	8,586,905	11,275,060	15,367,178	15,619,660
YOY change		90.36%	79.33%	31.31%	36.29%	1.64%
All Codes	3,089,235	6,285,922	12,219,447	16,244,946	21,789,747	23,228,553
YOY change		103.48%	94.39%	32.94%	34.13%	6.60%

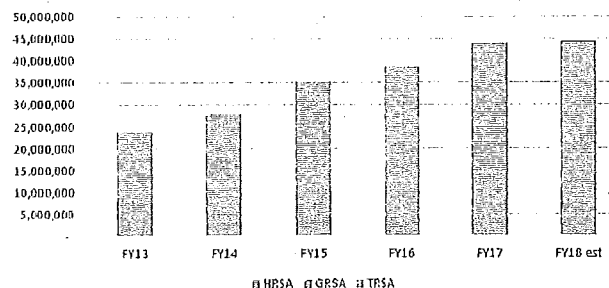
ALL WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18 est
HRSA	2,763,931	2,989,548	3,767,474	3,427,736	4,009,110	3,859,051
YOY change		8.16%	26.02%	-9.02%	16.96%	-3.74%
GRSA	5,477,914	6,128,431	8,098,235	9,072,180	10,206,488	10,982,451
YOY change		11.88%	32.14%	12.03%	12.50%	7.60%
TRSA	15,508,390	18,614,680	23,421,373	26,080,047	29,725,092	29,559,531
YOY change		20.03%	25.82%	11.35%	13.98%	-0.56%
All Codes	23,750,235	27,732,659	35,287,082	38,579,963	43,940,690	44,401,032
YOY change		16.77%	27.24%	9.33%	13.90%	1.05%

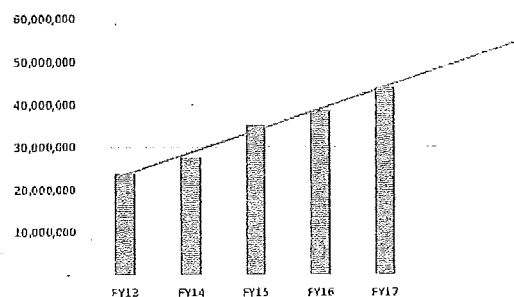
All BOC Revenue All Codes FY13 - FY17 pre BOT



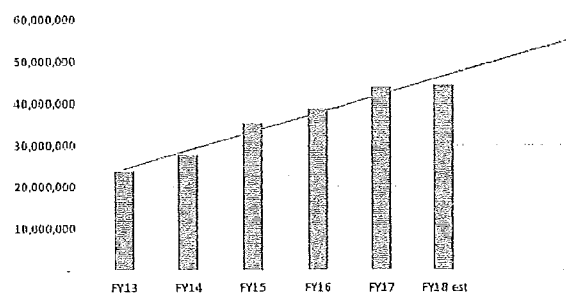
All BOC Revenue All Codes FY13-FY18 (projected)



All Codes projection pre BOT



All Codes projection post BOT



5 YEAR TREND LINE - 10%  
INTERSTATE TOTES

	FY13	FY14	FY15	FY16	FY17	FY18
HRSA	2,458,359	2,333,237	2,497,783	1,875,177	2,026,390	2,229,029
YOY change		-5.09%	7.05%	-24.93%	8.06%	10.00%
GRSA	5,209,624	5,287,098	5,735,384	5,654,853	5,766,639	6,343,303
YOY change		1.49%	8.48%	-1.40%	1.98%	10.00%
TRSA	12,993,017	13,826,402	14,834,468	14,804,987	14,357,914	15,793,705
YOY change		6.41%	7.29%	-0.20%	-3.02%	10.00%
All Codes	20,661,000	21,446,737	23,067,635	22,335,017	22,150,943	24,366,037
YOY change		3.80%	7.56%	-3.18%	-0.82%	10.00%

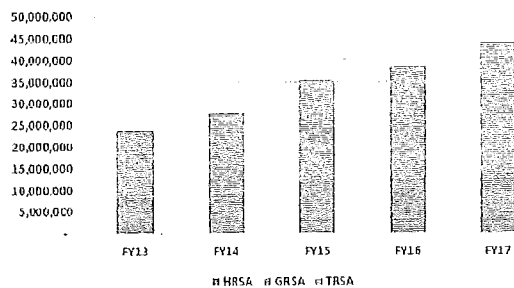
NON TOTE WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18
HRSA	305,572	656,311	1,269,691	1,552,559	1,982,720	2,180,992
YOY change		114.78%	93.46%	22.28%	27.71%	10.00%
GRSA	268,290	841,333	2,362,851	3,417,327	4,439,849	4,883,834
YOY change		213.59%	180.85%	44.63%	29.92%	10.00%
TRSA	2,515,373	4,788,278	8,586,905	11,275,060	15,367,178	16,903,896
YOY change		90.36%	79.33%	31.31%	36.29%	10.00%
All Codes	3,089,235	6,285,922	12,219,447	16,244,946	21,789,747	23,968,722
YOY change		103.48%	94.39%	32.94%	34.13%	10.00%

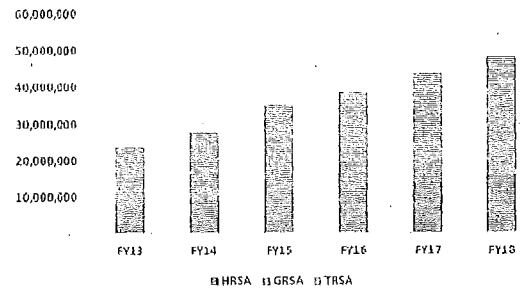
ALL WAGERING SERVICE PROVIDERS

	FY13	FY14	FY15	FY16	FY17	FY18
HRSA	2,763,931	2,989,548	3,767,474	3,427,736	4,009,110	4,410,021
YOY change		8.16%	26.02%	-9.02%	16.96%	10.00%
GRSA	5,477,914	6,128,431	8,098,235	9,072,180	10,206,488	11,227,137
YOY change		11.88%	32.14%	12.03%	12.50%	10.00%
TRSA	15,508,390	18,614,680	23,421,373	26,080,047	29,725,092	32,697,602
YOY change		20.03%	25.82%	11.35%	13.98%	10.00%
All Codes	23,750,235	27,732,659	35,287,082	38,579,963	43,940,690	48,334,759
YOY change		16.77%	27.24%	9.33%	13.90%	10.00%

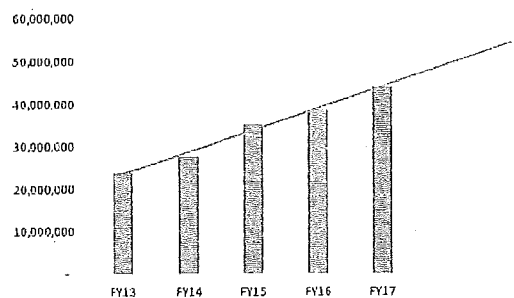
All BOC Revenue All Codes FY13 - FY17 pre BOT



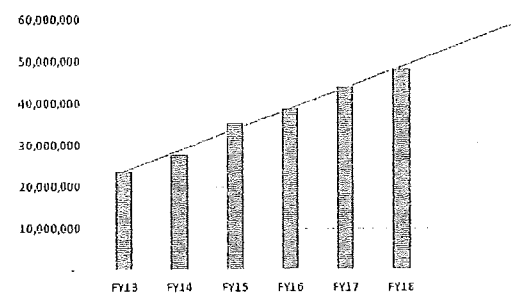
All BOC Revenue All Codes FY13-FY18 (projected)



All Codes projection pre BOT



All Codes projection post BOT



OUT OF SCOPE

OUT OF SCOPE

# MINUTE



Government  
of South Australia  
Department of Treasury  
and Finance

MINUTES forming ENCLOSURE

File T&F17/0621

Doc No A852833

To The Treasurer

## MEETING WITH THOROUGHBRED RACING SA

Timing: ROUTINE — For meeting on 21/05/2018

**Recommendations/Issues:** It is recommended that you:

- note that Mr Jim Watters, Chief Executive of Thoroughbred Racing SA (TRSA) has written requesting a meeting with you. This meeting has been scheduled for 21 May 2018, and will be attended by the Minister for Recreation, Sport and Racing, Mr Jim Watters, and Ms Frances Nelson, Chair of TRSA;
- note that the Government has provided a number of contributions to the racing industry in South Australia, including contributions made to Thoroughbred Racing SA; and
- note the information provided below in relation to the introduction of the Betting Operations Tax.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

## Key Points:

- On 24 April 2018, Mr Jim Watters, Chief Executive, Thoroughbred Racing SA, wrote to you requesting a meeting to discuss the following matters:
  - the proposed move of the Adelaide Cup and associated public holiday back to a date in May; and
  - on-going funding for the Adelaide Racing Carnival and the Festival of Racing.



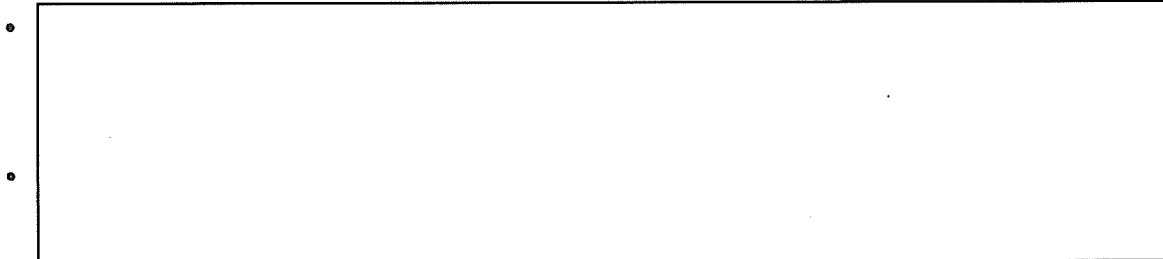
- This meeting has been scheduled for 21 May 2018, and will be attended by yourself, the Minister for Recreation, Sport and Racing, Mr Jim Watters, Chief Executive, TRSA, and Ms Frances Nelson, Chair of TRSA.
- Thoroughbred Racing SA receives support from the Government through various channels.
- On 1 May 2017, the previous Treasurer approved a grant of \$6 million to be provided to Thoroughbred Racing SA, for use on marketing and increased prize money for the Adelaide Autumn Racing Carnival. This funding was provided over two years, through a funding agreement with the Office for Recreation and Sport.
- On 21 December 2017, an agreement was signed between the previous Treasurer and Thoroughbred Racing SA Ltd and the Murray Bridge Racing Club Incorporated, providing for a loan facility of \$5 million, available for 12 months from the date of contract execution. This loan will be used to facilitate a new racecourse development at Gifford Hill, Murray Bridge. SAFA has advised that this facility has not been drawn on to date.
- On 5 February 2018, the previous Treasurer approved a \$200,000 grant to Thoroughbred Racing SA to be provided over two years for the purposes of an advertising campaign to promote the SA horse racing industry.
- The current budgeted and past financial contributions to Thoroughbred Racing SA are shown in the table below:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	\$m	\$m	\$m	\$m	\$m	\$m
Grant to Thoroughbred Racing SA for the Adelaide Autumn Racing Carnival	3.0	3.0	—	—	—	—
Grant to Thoroughbred Racing SA for advertising	—	0.1	0.1	—	—	—
<b>Total grants paid</b>	<b>3.0</b>	<b>3.1</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>
Loan to Murray Bridge Racing Club Inc and Thoroughbred Racing SA Ltd for the Gifford Hill racecourse development	—	2.5	2.5	—	—	—

- 

#### Racing SA

- Racing SA is the representative body for the three racing codes, Thoroughbred Racing SA, Greyhound Racing SA and Harness Racing SA.
- A 2016-17 Budget measure introduced the Betting Operations Tax (BOT), which is a place of consumption tax on wagering, levied at a rate of 15 per cent of the Net State Wagering Revenue of all betting operators offering services to persons located in South Australia.



- To ensure that the racing industry was no worse off as a result of the introduction of the BOT, the Government approved an ongoing funding agreement with Racing SA to offset any loss in revenue from a reduction in contributions under the UBet's Racing Distribution Agreement (RDA) between Racing SA and UBet SA.
- The estimated contribution amount paid to Racing SA over the forward estimates under this agreement is \$102.9 million.
- Racing SA has previously raised concerns with Department of Treasury and Finance officers that measures taken against the South Australian racing industry by various corporate bookmakers in response to the introduction of the BOT has caused a loss of revenue for the racing industry.
- The previous Government committed that the racing industry would be no worse off as a result of the introduction of the BOT. It is possible that TRSA may raise this issue at the meeting. It is proposed that this matter be considered separately – DTF has requested information from Racing SA to better understand if there has been any impact on the industry from the BOT. This information has not been provided at this time.

Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

18 May 2018

Contact Officer:	Allie Davis
Telephone:	042 90736
Email address:	alanda.davis@sa.gov.au

**RELEASE**

## Cathro, Vicky (DTF)

**From:** De Gennaro, Gino (DTF)  
**Sent:** Monday, 31 December 2018 4:00 PM  
**To:** Lucas, Rob (DTF)  
**Cc:** Lees, Sue (DTF)  
**Subject:** FW: Racing Industry distributions briefing note  
**Attachments:** Attachment 2 Media Release for Racing Prize Money contribution.pdf; minTR\_funding for TRSA as at 31 Dec 2018.docx; minTR\_funding for TRSA as at 31 Dec 2018\_attachment A.docx

Treasurer

Refer attached DTF briefing re Racing SA revenue sources and the \$5.25m media figure.

Gino

**From:** Pribanic, Tammie (DTF)  
**Sent:** Monday, 31 December 2018 3:12 PM  
**To:** De Gennaro, Gino (DTF) <Gino.DeGennaro@sa.gov.au>; Robertson, Julian (DTF) <Julian.Robertson@sa.gov.au>  
**Cc:** Reynolds, David (DTF) <David.Reynolds@sa.gov.au>; Hocking, Stuart (DTF) <Stuart.Hocking@sa.gov.au>; Raymond, Greg (DTF) <Greg.Raymond@sa.gov.au>; Fedele, Philip (DTF) <Philip.Fedele@sa.gov.au>  
**Subject:** RE: Racing Industry distributions briefing note

Hi Gino and Julian,

Please find attached briefing note on the racing industry distributions. The media release attached talks about \$2.9 million for prize money but our records show that the former government approved the grant of \$3 million plus an additional \$100,000 for advertising. This appears to reconcile with TRSA's accounts.

We have used TRSA's financial accounts to identify the distribution breakdown.

Thanks Philip for pulling together.

Regards  
Tammie

**Tammie Pribanic**

Executive Director | Budget and Performance

State Administration Centre, Level 7, 200 Victoria Square ADELAIDE SA 5000

t 8429 0703 | m 0418 855 815 | e [tammie.pribanic@sa.gov.au](mailto:tammie.pribanic@sa.gov.au) | w [treasury.sa.gov.au](http://treasury.sa.gov.au)



Government of South Australia  
Department of Treasury  
and Finance



Committed to workplace flexibility



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MINUTES forming ENCLOSURE

Doc No

To The Treasurer

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FUNDING FOR THOROUGHBRED RACING SA

Timing: ROUTINE — Briefing requested by your office

**Recommendations/Issues:** It is recommended that you:

- Note the attached revenue position of Thoroughbred Racing SA (TRSA) inclusive of government contributions; and
- Note the composition of the reported \$5.25 million "cut" to TRSA.

Noted

Hon Rob Lucas MLC  
Treasurer

/ /

**Key Points:**

- Your office requested further information on Government funding and contributions provided to TRSA and an explanation of the reported \$5.25 million "cut" in State Government assistance.

Analysis of TRSA's revenue since 2011-12

- The attached table provides information on the composition of TRSA's total reported revenue from 2011-12 until 2017-18, including government assistance. Estimates for 2018-19 are not provided as the revenue to be received by TRSA for product related fees is distributed directly by UniTAB and bookmakers and has not been publicly disclosed at this time.
- All distributions to the racing industry from UniTAB are now paid directly to the racing industry – they are not directed through government. This arrangement was put in place to enable the racing industry to be self-sufficient (similar to other sporting codes) and allowed them to have a direct relationship with the wagering/betting providers.

- The majority of TRSA's income can be broken down into the following components:
  - *TAB Product Fees* – paid directly by UniTAB to the racing industry and until 2017-18, reflected 39% of net wagering revenue on thoroughbred racing consistent with the 2001 Racing Distribution Agreement between UniTAB and the racing industry negotiated as part of the sale of SA TAB. In 2017-18, this amount was increased to 46% as part of the extension of the exclusivity arrangements for UniTAB and formalising the arrangement where TRSA receives all net wagering revenue distributions on thoroughbred racing in South Australia (ie. incorporating the wagering tax relief – see below).
  - *Wagering Tax Relief* – prior to 2008-09, the SA Government received 6% of net betting revenue as wagering tax. In 2008, the former Government agreed that these payments would be directed to the racing industry, effectively increasing the racing industry's income. The wagering tax was phased out over the period to 1 July 2012, with the racing industry's distribution increasing accordingly. These arrangements have now been formalised with the extension of the exclusivity arrangements from January 2018 and are now captured in the product fee components as outlined above.
  - *Net betting contributions from Bookmakers (BOC)* – 20% of gross proceeds of betting operations on South Australian racing product from corporate bookmakers if no other agreement is in place.
  - *South Australian Jockey Club (SAJC) to prize money* – we understand an internal transaction between SAJC and TRSA from sale of Cheltenham and equal to \$11.35 million over 6 years. This arrangement ceased in 2013-14.
  - *Other* – we understand that this includes TRSA's share of additional revenue associated with the recent extension of exclusivity. The annual benefit for the racing industry of which TRSA share in is provided below:

#### **Racing Industry**

Infrastructure funding	\$0.10m pa*
2.5% share of sports betting in retail outlets	\$0.12m pa (estimated)
Exclusive marketing rights	\$1.00m pa indexed
<b>Total benefit industry</b>	<b>\$1.22m pa</b>

\*paid as a \$500,000 lump sum every 5 years

#### Composition of government funding "cuts"

- The Office for Recreation, Sport and Racing has advised that the funding arrangement that provided additional prize money of \$3 million in 2016-17 and 2017-18 was a 2 year funding commitment only. The media release dated 13 January 2017 by the previous Minister for Racing (attached) refers to the funding as a "prize money boost from the government of \$2.9 million a year for two years". The Office for Recreation, Sport and Racing has advised that it does not generally fund the racing industry.
- In regard to the \$5.25 million cut referred to recently in the media, this comprises the \$3 million in prize money from the Government and a separate cut in funding being made by the industry of \$2.25 million. The industry argues that the cut in its funding is due to the introduction of the Place of Consumption (POC) tax. An extract of a media article which outlines the two components is provided below:

*"Thoroughbred Racing South Australia of Friday morning announced that the State Government had withdrawn its \$3 million sponsorship from the Adelaide*

*Festival of Racing with the industry body itself forced to cut a further \$2.25 million in infrastructure funding for its 25 clubs."*

- With the majority of jurisdictions having now committed to introducing a POC tax, it is likely that wagering providers will preference race event based on highest expected wagering return and customer interest, rather than any significant focus on POC tax rates in the various jurisdictions. As a result, future product fees to TRSA should reflect the quality and attractiveness of South Australian racing, rather than any government POC related decision.



Tammie Pribanic  
EXECUTIVE DIRECTOR  
BUDGET AND PERFORMANCE

31 December 2018

Contact Officer:	Greg Raymond
Telephone:	8429 3193
Email address:	greg.raymond@sa.gov.au

Thoroughbred Racing SA (TRSA)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
TAB Product Fees	30,501,112	27,683,675	27,697,491	28,089,605	27,359,360	28,708,998	30,202,289
Wagering Tax Relief	5,019,896	5,615,888	5,559,222	5,534,112	5,366,273	5,225,939	3,125,883
Net Betting Operations (BOC)	5,434,758	9,970,118	10,273,412	16,352,710	19,417,699	22,945,127	21,473,906
Interest	485,892	354,845	357,236	434,631	429,200	363,631	321,727
Other	2,156,885	2,415,516	2,223,192	2,333,195	2,374,420	2,887,860	6,314,701
<b>ONGOING revenue to TRSA</b>	<b>43,598,543</b>	<b>46,040,042</b>	<b>46,110,553</b>	<b>52,744,253</b>	<b>54,946,952</b>	<b>60,131,555</b>	<b>61,438,506</b>
SAJC contribution to prize money	2,400,000	2,500,000	2,750,000				
SA Government additional assistance							
- prize money*						3,000,000	3,000,000
- compensation for BOT impact*							4,054,344
- loan for Gillford Hill facility**							2,500,000
- advertising and promotions**	120,000						100,000
<b>Time limited payments to TRSA</b>	<b>2,520,000</b>	<b>2,500,000</b>	<b>2,750,000</b>			<b>3,000,000</b>	<b>9,654,344</b>
<b>Total reported TRSA Revenue</b>	<b>46,118,543</b>	<b>48,540,042</b>	<b>48,860,553</b>	<b>52,744,253</b>	<b>54,946,952</b>	<b>63,131,555</b>	<b>71,092,850</b>
<b>Annual growth</b>	<b>4.0%</b>	<b>5.3%</b>	<b>0.7%</b>	<b>8.0%</b>	<b>4.2%</b>	<b>14.9%</b>	<b>12.6%</b>
<b>Total revenue excl time limited govt assistance</b>	<b>45,998,543</b>	<b>48,540,042</b>	<b>48,860,553</b>	<b>52,744,253</b>	<b>54,946,952</b>	<b>60,131,555</b>	<b>61,438,506</b>
<b>Annual growth</b>	<b>4.0%</b>	<b>5.5%</b>	<b>0.7%</b>	<b>8.0%</b>	<b>4.2%</b>	<b>9.4%</b>	<b>2.2%</b>

Source: Thoroughbred Racing SA Annual Reports. South Australian Jockey Club (SAJC) contribution to prize money is an internal transaction funded by Cheltenham land proceeds.

\* Finishes 2017-18

\*\* Finishes 2018-19



# **News releases - Leon Bignell**

## **Multi-million dollar prize money boost for SA's Autumn Racing Carnival**

Leon Bignell

January 13, 2017

[Print](#)

South Australia is set to become one of the nation's premier horse racing states following a State Government injection of \$6 million towards additional prize money and marketing funds for the Autumn Racing Carnival.

The Darley Goodwood and UBET Classic (registered name Robert Sangster Stakes) – will each boast a \$1 million purse and the SA Derby will rise to \$600,000.

Fourteen non feature races will also receive a prize money boost during the six-week autumn period, with all races having a \$100,000 minimum purse.

South Australia is currently the only mainland State which doesn't have a \$1 million race and the changes will ensure we are elevated on the national and international stage - providing a boost for tourism and sustaining jobs.

Racing Minister Leon Bignell made the announcement on the Gold Coast at the Magic Millions Yearling Sale – attended by racing industry leaders from around Australia and New Zealand - and the news has been well received by owners and trainers.

According to Thoroughbred Racing South Australia the South Australian racing industry employs more than 3200 people and generates more than \$300 million for the State's economy – with more than 40 per cent directly pumped into the regions.

### **Quotes attributable to South Australia's Racing Minister Leon Bignell:**

Today's announcement is fantastic for not only South Australian racing fans but also for the economy and jobs. The establishment of two \$1 million races will undoubtedly provide the catalyst for a greater interstate and international focus on Adelaide.

There is a deep and rich tradition of racing in South Australia and we want to ensure we stay on top of the game.

The prize money boost from the Government of \$2.9 million a year for two years, will reinforce South Australia's profile and influence in the industry by attracting a higher calibre of horses and trainers and more racing fans.

May provides the best window of opportunity for South Australia to take centre stage on the Australian racing landscape and we also expect significant interest from the New Zealand and Asian markets.

We want Adelaide to host the nation's top trainers, best horses and, of course, even more race-goers during the Adelaide Autumn Carnival. At this time of year the international focus is on the Magic Millions sales and races on the Gold Coast which is why I am here to talk to leading trainers about the Government's financial injection into the SA racing industry and to invite them and their horses to Adelaide.

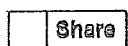
The State Government wants to ensure we continue to grow our record \$6.2 billion visitor economy and these races in May will attract more interstate and international visitors - a period of time which traditionally has the lowest hotel occupancy rates.

#### **Quotes attributable to Thoroughbred Racing SA Chair Frances Nelson QC:**

We are delighted and extremely grateful for the State Government's support, which we believe is recognition of the racing industry's importance as an employer and contributor to the State's economy, and for what the industry has achieved with the Autumn Racing Carnival. The number of starters in the Adelaide Carnival has grown for the past three years running and we are seeing a significant increase in interest from trainers and owners around Australia and beyond in bringing their horses to Adelaide for the carnival. This increase in prize money not only provides that critical impetus for attracting bigger and better fields, but it's also another important step for South Australian racing in general.

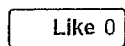
#### **Quote attributable to Thoroughbred Racing SA CEO Jim Watters:**

The increased funding from the State Government is exciting news for everyone in the South Australian racing industry. Our immediate tasks now will be to ensure owners and trainers throughout Australia and NZ are aware of the massive prize money increases and opportunities in South Australia and to work with the State Government to develop strategies using the enhanced Adelaide Carnival as a catalyst to boost tourism.



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- Minister for Racing

## Cathro, Vicky (DTF)

---

**From:** De Gennaro, Gino (DTF)  
**Sent:** Monday, 24 December 2018 9:39 AM  
**To:** Robertson, Julian (DTF)  
**Subject:** FW: Racing SA - Adelaide now  
**Attachments:** Media Release.pdf

**From:** Raymond, Greg (DTF)  
**Sent:** Friday, 21 December 2018 12:44 PM  
**To:** De Gennaro, Gino (DTF) <Gino.DeGennaro@sa.gov.au>  
**Subject:** RE: Racing SA - Adelaide now

Hi Gino

This is a copy of the media release by the former government when it was announced. I note that it is a saved version we have in our files. I could not locate a copy of the release through an internet search so it may have been taken down now.

Greg Raymond  
8429 3193

**From:** Raymond, Greg (DTF)  
**Sent:** Friday, 21 December 2018 11:57 AM  
**To:** De Gennaro, Gino (DTF) <Gino.DeGennaro@sa.gov.au>  
**Cc:** Pribanic, Tammie (DTF) <Tammie.Pribanic@sa.gov.au>  
**Subject:** RE: Racing SA - Adelaide now

Hi Gino

The \$3m State Government grant referred to in the media article relates to a grant one-off grant over two years approved by the former Government for Thoroughbred Racing SA (TRSA).

In early 2017 the Minister for Racing announced a State Government contribution of \$6 million to TRSA for increased prize money and marketing for the Adelaide Autumn Racing Carnival. The money was provided over two years, with \$3 million provided in 2016-17 and a further \$3 million provided in 2017-18.

This was a one-grant agreement. There were no provisions made for this grant to be extended beyond 2017-18.

I am trying to find a copy of the media release issued at the time of announcement of the grant. I will send this separately.

I note our previous minutes (attached) provide the background on requests re the Point of Consumption tax.

Greg Raymond  
8429 3193

**From:** Raymond, Greg (DTF)  
**Sent:** Friday, 21 December 2018 11:30 AM  
**To:** De Gennaro, Gino (DTF) <Gino.DeGennaro@sa.gov.au>

**Cc:** Pribanic, Tammie (DTF) <[Tammie.Pribanic@sa.gov.au](mailto:Tammie.Pribanic@sa.gov.au)>

**Subject:** Racing SA - Adelaide now

Hi Gino

This is just a copy of the article. Will send through the other grant detail shortly.

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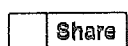
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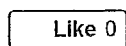
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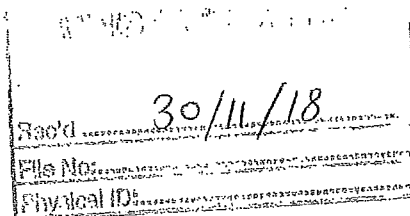
- Minister for Racing



(08) 8179 9802  
FN:AVT

30 November 2018

Hon Rob Lucas MLC  
Treasurer  
GPO Box 2264  
ADELAIDE SA 5001



Dear Treasurer

The South Australian racing industry is in crisis.

In 2017 the former Labor Government imposed a 15 per cent Point of Consumption tax (POC tax) on all wagering operators' revenue generated by South Australian customers.

As revenue for the racing industry in South Australia stems almost entirely from wagering on races, the new POC tax has meant some of the income that used to flow to the industry, and required to run its operations now goes to the Government.

Being the first state to impose the POC tax, and having a higher tax than some other states, has been a double blow for the South Australian racing industry's competitiveness.

This was in part recognised by the Marshall Government with the recent one-off grant to the three racing Codes in June 2018, making up serious revenue shortfalls that had been identified for FY18 (since the POC tax was implemented in 2017).

However, to survive the industry needs a long-term solution. At the time of its introduction the industry was given a guarantee it would not be left worse off by the POC tax.

In every other state a POC tax has now been introduced, however in every other state it has been coupled with an industry funding package from POC tax revenue, in recognition of the impact the tax has on the racing industries' revenue base (schedule attached).

Regrettably in South Australia, election timing meant this matter was not resolved when the POC tax was introduced.

The Marshall Government now has a terrific opportunity to create a long-term solution going forward.

There are three measures the Government could announce which we consider would fix the problem:

1. The Government could provide the industry with the POC tax revenue from the 2019 Financial year going forward, generated by racing only (ie not from other sports or events covered by the POC tax). This would equate to about \$12M a year and end the shortfall.
2. The Government could also publicly announce it would review the level of the POC tax rate with a view to lowering it at the next State Budget, giving the industry time to negotiate with wagering operators to maximise benefits for SA racing.
3. The Government passes on to the racing industry, the \$1M pa Annual Fixed Product Fee now being paid by UBET to Government as part of the extension of UBET's retail exclusivity in South Australia.

With these three announcements, TRSA would not need any further ad hoc funding nor additional support from Government in respect of each of the other Submissions it has tabled with Government.

Should Government not support the Industry's request, the Board of TRSA has resolved that in mid-December it will be forced to announce a series of measures to offset the funding shortfall for the 2019 season and beyond, as the Industry's stakeholders demand details of our position and ability to fund a number of matters.

These measures will have to include expenditure cuts to; infrastructure, maintenance and prize money across the state. This will lead to the decline in an industry that currently supports over 3600 jobs and generates \$400M in economic benefits for South Australia, and the loss of trainers (and their associated investment and employment) interstate.

I would be pleased to brief you in person on the proposal, and outline in more detail the reach of the savings measures TRSA will need to implement ahead of their release in December. Unfortunately, these savings measures must be announced ahead of the 2019 season and I expect they will be a significant media issue.

I'm also aware of the Government's intention to have a mid-year Budget update in December, and so meeting ahead of that would be ideal. I can't stress how urgently we need to resolve this matter as the funding shortfalls we're experiencing are having a growing impact on our programme and confidence in the industry, which as I advised at the outset, has reached crisis point.

Yours sincerely



Frances Nelson QC  
Chair





## COMPARATIVE POSITION IN EACH STATE IN AUSTRALIA FOLLOWING THE INTRODUCTION OF A POINT OF CONSUMPTION (POC) TAX

Every Mainland State in Australia has now introduced or announced the introduction of a POC tax in their State.

South Australia was the first State with a POC tax, which commenced on 1 July 2017, with Queensland's POC tax commencing 1 October 2018, and NSW, Victoria and WA each commencing on 1 January 2019.

### The position in each Australian mainland State is:

#### Queensland

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - \$26M for Thoroughbred prize money
  - \$20M infrastructure funding
  - \$17.8M Industry debt written off
  - Undertaking by Government that the Queensland TAB will be no worse off in any financial year, due to the introduction of the POC tax

Queensland Government has recently announced \$70M funding for country/provincial racing and also provides significant additional funding annually to its local Industry.

#### NSW

- \* 10% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - \$40M per annum of the POC tax collected by Government is being directed to the Racing Industry each year.

NSW Government also provides significant additional funding annually to its local Racing Industry

#### Victoria

- \* 8% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - The Racing Industry receives 25% of the POC tax generated.
  - \$33M prize money commitment linked to the POC tax

Victorian Government also provides significant additional funding annually to its local Racing Industry.

#### Western Australia

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - 30% of all POC tax (including on sport and entertainment) received by Government is to be paid to the Racing Industry each year.
  - Undertaking that the Racing Industry would be no worse off each year.

WA Government also provides significant additional funding annually to its local Racing Industry

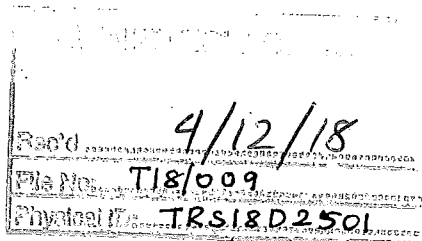


# DAN CREGAN MP

MEMBER FOR KAVEL

Hon Rob Lucas MLC  
Treasurer  
GPO Box 2264  
ADELAIDE SA 5001

Our reference: 180468



mp?

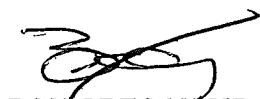
Dear Treasurer *Rob*

**RE: Thoroughbred Racing SA**

I have been contacted by the Chairperson of Thoroughbred Racing SA, Ms Frances Nelson QC, who is a constituent.

Ms Nelson QC has raised with me her concerns regarding the operation of the Point of Consumption Tax (the **Tax**), support for the Adelaide Festival of Racing, and Product Fee arrangements. I enclose with this correspondence submissions provided by Ms Nelson and would be grateful for your advice in relation to the matters raised.

Yours sincerely

  
**DAN CREGAN MP**  
Member for Kavel

23 November 2018



08 8391 5599



kavel@parliament.sa.gov.au



www.dancregan.com.au



48 Hutchinson Street, Mount Barker SA 5251

ATT. 6

**Thoroughbred Racing SA's submission requesting  
the State Government's continued funding support  
for the Adelaide Festival of Racing**

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**July 2018**

## Submission

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1. In January 2017, the then Government announced a 2 year funding commitment to the SA thoroughbred racing industry, to expand and enhance the Adelaide Racing Carnival, providing Thoroughbred Racing SA (TRSA) with \$3M in funding for each of the 2017 and 2018 Carnivals.
2. The motivation and focus in providing the support was to ensure that SA's main racing carnival would be elevated to a position on the national stage among Australia's major racing carnivals, to encourage and ensure national and potentially international participation and recognition. With the added potential to create a tourism destination event in Adelaide/SA during late April/May (a traditionally quiet time in the State).
3. Similar to the promotion of any major sporting event, the only way this could be achieved was through a substantial increase in the prize money on offer, to enable South Australia to compete with that on offer in the eastern seaboard States in particular.

In providing the \$3M funding for each of the 2017 and 2018 events, Government agreed that \$2.9M of the funding should be utilised to increase prize money across the Carnival and the preceding three Saturdays, but that \$100K, to be matched by TRSA, was to be spent on promoting the Carnival interstate, as a commitment to creating a tourism destination event to boost visitations during this period.

In working to achieve this the Adelaide Carnival was also rebranded as the 'Adelaide Festival of Racing'.

4. The cornerstone of this initiative was the boosting of prize money for SA's two long standing major races, the Sangster Classic and the Goodwood, to establish SA's first \$1M races.

At that time SA was the only State in Australia which did not have a \$1M race. To gain any traction with, or likelihood of elevating the Festival of Racing on to the national stage, required flagship events with at least this level of prize money.

5. Currently in Australia there are 47 races with \$1M or more in prize money, including SA's two events;

NSW	16
Victoria	18
Queensland	8
WA	3
SA	2

Prior to the establishment of SA's two \$1M events, the two States which had most recently introduced \$1M races were Queensland and WA, and in both of those States this had also only been possible through an injection of funding from their respective State Governments.

## Submission cont...

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6. Adelaide's Festival of Racing has been an outstanding success. Despite only having been held for the past two years, the goal of elevating the event onto the national stage has quickly been achieved. Adelaide in April/May is now high on the priorities for interstate (and New Zealand) trainers, with the resultant visitations to SA which that creates.
7. TRSA considers that the State Government's funding investment into the Adelaide Festival of Racing has resulted in:
  - Increased event attendances
  - Increased interstate/overseas participation and thus visitations
  - Increased profile for SA and the SA thoroughbred racing industry.
8. Raceday attendances grew across the 2017 Festival of Racing by 11.8% on the same race days in prior year, and by a further 6.93% in 2018.

TRSA expended over \$320K in promoting and marketing the Festival of Racing in 2017 and \$550K for the 2018 Festival. This is an investment for the future as TRSA provides its commitment to utilising the Festival of Racing to create a tourism destination/visitation event, much like the catalyst the Adelaide Cup provided in March, when the Adelaide Cup first moved to that period.

Increasing the participation of interstate (and overseas) horses at the Festival of Racing is seen as a potential immediate boost to tourism visitation, as the trainers, owners, families and friends of those horses visit Adelaide to see their horses race. To further boost this participation, in 2018 TRSA invested \$180K in charter flights to fly horses from Sydney into Adelaide, the first such flight into Adelaide.

9. **With the progress achieved to date, TRSA believes there is an outstanding opportunity to work even more closely with tourism in SA to maintain and grow the current momentum of the Adelaide Festival of Racing, to expand the tourism/visitation opportunities.**
10. The key highlights from the 2017 and 2018 Festivals of Racing have been:
  - SA's first \$1M races, placing SA alongside all other States in achieving such
  - \$9.12M total prize money across the six week period
  - Minimum prize money of \$100K per race for every race across the 6 weeks
  - \$6.375M in prize money across the 3 days of the Festival of Racing itself
  - 48% of starters during the Festival of Racing, have been from interstate
  - 11.8% increase in on-course attendance in 2017 and a further increase of 6.93% in 2018.

The SA Branch of the Australian Hotel Association advised that hotel occupancy in May 2017 was up 5.7% on May 2016 with increased revenue of \$2.15M (+11.3%). The official figures are not to hand as yet for 2018.

  - The Festival of Racing attracted runners from; Victoria, NSW, WA and NZ, to compete at the Carnival.

## Submission cont...

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11. Reinforcing the recognition and standing achieved by the Adelaide Festival of Racing already, is the fact that;
  - The winner of our \$1M Goodwood (Santa Ana Lane) went on and won the \$1.5M Stradbroke at the Brisbane Winter Carnival.
  - The winners of the \$1M Sangster Classic (Shoals) and the \$1M Goodwood (Santa Ana Lane) have been selected to run in the \$13M Everest in Sydney in October, the world's richest sprint race.
12. Having achieved the success that it has in the first two years of its establishment, **the SA racing industry, and SA, simply cannot afford to lose the Adelaide Festival of Racing.** Without Government support the Industry could not maintain the increased prize money levels implemented and it would be an extremely negative outcome for racing in SA, and indeed SA, if it became necessary to cut prize money across the Festival of Racing back to the pre 2017 Festival levels. Especially for the two \$1M events, the Sangster Classic and Goodwood.
13. TRSA always contended that it would take at least 4-5 years of support for the Adelaide Festival of Racing to become fully established, recognised, and potentially self sustaining. Likewise, although there has been good progress to date, it was always considered that it would take a similar period for the establishment of a new destination (visitation event to become fully established).
14. **TRSA requests that the State Government continues the \$3M funding support for the Adelaide Festival of Racing, with \$2.9M to be committed to maintaining the new prize money levels from that establishment in 2017 and 2018, and with TRSA continuing its efforts in advertising and marketing the Festival of Racing interstate to further grow the event from a tourism perspective.**

# **Racing SA submission to Government for the adoption of a Racing Industry policy to sustain the SA Racing Industry**

**July 2018**



## Submission

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1. Prior to the 2018 State election, the SA Racing Industry tabled a submission with each of the main political parties, seeking their support in adopting a racing policy within their manifestos.
2. The submission tabled, "Sustaining the South Australian Racing Industry", detailed the major challenges facing the SA Racing Industry, and the support the Industry was seeking from Government as it endeavoured to meet these challenges.
3. The South Australian Racing Industry struggles increasingly to compete with the growing interstate competition and offerings, in both prize money and infrastructure/facilities, where other State Governments have underpinned the growth of their local racing industry through priority funding support.

In the face of this ever-expanding interstate competition, boosted by their respective State Government support, the South Australian Racing Industry will become less competitive and sustainable without similar State Government support in South Australia, with the loss of employment, participation and investment an inevitable consequence.

4. While the Racing Industry has made significant improvement in recent years, the South Australian Racing Industry continually faces numerous challenges, and is under severe pressure to sustain a viable and vibrant industry in South Australia, and thus maintain the employment generated by the Racing Industry in SA. The industry must ensure that sufficient and appropriate opportunities are available in South Australia to; retain and sustain those employed within the Racing Industry, maintain investment in the industry and counter the lure of greater opportunities interstate.
5. Not only is the Racing Industry responsible for sustaining the employment of over 3,600 South Australians (full time equivalent), across South Australia one in every 80 adults are employed in or participate in some way in the South Australian Racing Industry.
6. The SA Racing Industry is an important contributor to the South Australian economy, including;
  - Generating over **\$400M pa** in economic benefits for SA
  - Providing over **\$220M pa** in household income
  - Generating over **\$19M pa** in GST
  - Generating over **\$300M pa** in direct expenditure of which over 40% occurs in regional areas.
7. However the Racing Industry's contribution is more than that of a significant economic contributor to the SA economy. The Racing Industry brings communities closer together, supporting businesses, growing careers, fostering relationships – and delivers a social return far greater than the mere economic numbers themselves.
8. The major challenges facing the Racing Industry in South Australia now, and moving forward are:
  - Growing base prize money levels to grow participation and employment, stem the growing drift interstate (of trainers and jockeys/drivers) and to increase race field sizes;
  - Improving training facilities at the State's major training venues;
  - Renovating and developing industry facilities to meet the current expectations of the public as to what is required at major sports venues;
  - Maintaining (and enhancing) the highest levels of integrity control and compliance;



## Submission cont...

- Rebuilding the breeding industry as a source of horses and greyhounds locally;
- Meeting the rising compliance costs associated with aging facilities;
- Increasing on-course attendances; and
- Competing with the growth in wagering on sports to maintain racing's market share of overall wagering revenue which ultimately underpins the industry itself.

9. In facing and endeavouring to counter the above challenges, there are 5 key areas where the South Australian Racing Industry, representing Thoroughbreds, Harness and Greyhounds, seeks Government support in order to sustain this important industry in our State, and to maintain and grow the employment it creates:

- i. Prize money growth to retain investment, participation and employment
- ii. Infrastructure

- Improving SA racetracks, facilities and amenities
- Improving and maintaining training facilities

Racing and training tracks are located right across the State; Regional cities, Metropolitan, West Coast, Far North and South East.

- iii. Breeding and sales
- iv. Integrity compliance and enhancement
- v. Unclaimed dividends

10. Prize Money Levels to Sustain the South Australian Racing Industry

While the Racing Industry has endeavoured to maximise the prize money provided across South Australia, the current framework simply cannot compete with that which is on offer across the board interstate, where the racing industries all have relatively higher levels of Government funding.

The local Industry does not realistically expect prize money in South Australia to match that of Victoria and New South Wales, however, a truly sustainable model would endeavour to match prize money levels on offer in Queensland and Western Australia. Attached is a comparative prize money schedule re prize money offered across the States.

Recent prize money increase announcements have been:

### NSW

Racing NSW, supported by the NSW Government, have announced a further \$24M pa in increased prize money, effective from 1 September 2018.

### Victoria

On 1 June Racing Victoria announced a \$12.4M injection in prize money across the State, effective from 1 August 2018, with prize money in Victoria having risen by 32% since 2015.

### Queensland

The Queensland Government, having recently provided \$70M in general support for its local racing industry, has just announced that an additional \$12M in prize money will be injected annually into their industry to help drive participation and confidence.

**A similar injection is necessary in South Australia to maintain some parity.**

## Submission cont...

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### 11. Infrastructure

#### a) Improving South Australian Race Tracks and Patron Facilities

Many of South Australia's racing Clubs are operating from outdated facilities which do not meet the demands and expectations of today's attendees at sport and entertainment venues. While it is important that the venues remain relevant and appealing to local and interstate visitors, the challenge is even more difficult with the burden of the Industry's costs in the areas of WHS, integrity oversight, and animal welfare-related projects.

#### b) Training Facilities

In excess of 2,000 participants are employed in the preparation and training of the over 5,000 racehorses and greyhounds trained in South Australia.

Over **\$90M** is spent annually in South Australia on the preparation and training of racehorses and greyhounds.

The provision of an appropriate level of training facilities is the backbone of the State's Racing Industry and the employment it generates. Energy, water and labour costs associated with providing and maintaining these facilities has escalated in recent years creating a growing burden and drain on the Racing Industry's limited revenue streams. More funding is required to assist those Clubs that provide these facilities, which in turn promotes the opportunities to participate. Increasing WHS compliance costs and the pressure to provide modern training facilities such as synthetic training tracks, which have become common at training facilities interstate, require additional funding and investment.

### 12. Breeding and Sales

The economic and employment benefits to South Australia in having sustainable breeding activity across all three Codes are inherently valuable.

In excess of 1,000 people are employed or participate in the breeding of racehorses and greyhounds in South Australia. In excess of 1,300 foals and pups are bred in the State each year. Over **\$27M** is spent annually by participants and owners on expenses relating to producing those racehorses and greyhounds.

There are breeding incentive schemes in place aimed at boosting the local breeding industry and retaining horses and greyhounds for racing in SA, and these must continue to be nurtured. However sadly these have fallen well behind the similar schemes in place interstate, which are bolstered by Government support.

### 13. Integrity Functions

Maintaining the highest levels of integrity in racing is an absolute cornerstone of the success of the Racing Industry. It is a major challenge for the industry to implement best practice and procedures, to maintain the highest levels of integrity for participant and public confidence. The Industry cannot afford to be complacent in this area. All other Principal Racing Authorities receive Government funding to enhance each Code's integrity levels in their respective States.

## Submission cont...

Out of competition testing for jockeys, drivers, racehorses and greyhounds, as well as regular stable and kennel inspections, have been and must continue to be, increased to maintain confidence in racing. The rising costs of integrity oversight have placed an additional financial burden on the Racing Industry, and its ability to adequately invest in other areas of the Industry, such as capital expenditure and prize money.

### 14. Unclaimed Dividends

It has been an ongoing request for several years by the SA Racing Industry, that the unclaimed dividends arising from the on-course totalisator operations be paid to the Industry. When the SA TAB was sold in 2001, Tatts (now UBET) was given the right to retain the unclaimed dividends for all off-course wagering, however, all unclaimed dividends from wagers placed on-course are paid to the Government. The on-course totalisator unclaimed dividends amount to an average \$300K per annum. This is wholly driven by wagering activity, and on that basis it is only reasonable that this money be re-invested for the industry's benefit.

### South Australian Racing Industry Funding Request

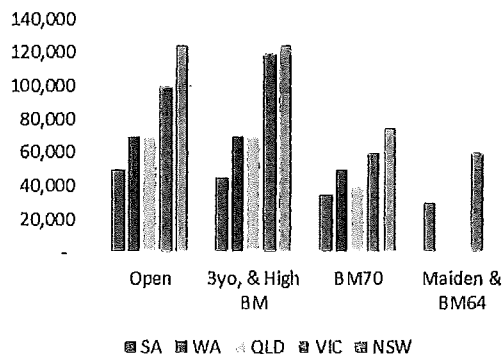
In considering each of the six items detailed above, the SA Racing Industry requests that the Government implements a Racing Policy, effective from FY19, to provide the following funding support to the SA Racing Industry.

	Per Annum	Over 4 Years
<b>Prize Money levels to sustain the SA Racing Industry</b>	\$7M	\$28M
<b>Infrastructure - Race tracks &amp; patron facilities</b>	\$2M	\$8M
<b>Infrastructure - Training facilities</b>	\$2M	\$8M
<b>Breeding &amp; Sales</b>	\$1M	\$4M
<b>Integrity</b>	\$1M	\$4M
<b>Unclaimed Dividends</b>	\$300K	\$1.2M
	<b>\$13.3M</b>	<b>\$53.2M</b>

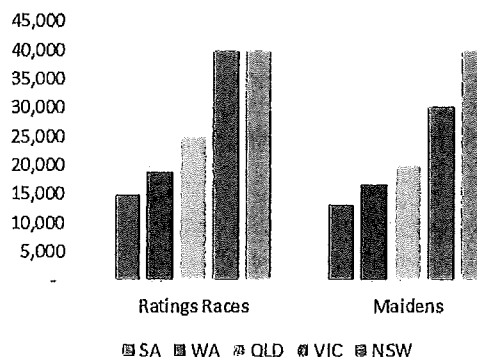
## Comparative Prize Money Schedules

THOROUGHBREDS					
	SA	WA	QLD	VIC	NSW
<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
3yo, & High BM	45,000	70,000	70,000	120,000	125,000
BM70	35,000	50,000	40,000	60,000	75,000
Maiden & BM64	30,000			60,000	
<b>Midweek Metro</b>					
Ratings Races	15,000	19,000	25,000	40,000	40,000
Maidens	13,000	16,500	20,000	30,000	40,000
<b>Provincial/Premium Meetings</b>					
Ratings Races	15,000	18,000	16,000	25,000	35,000
Maidens	13,000	16,500	15,000	26,000	35,000
<b>Country</b>					
Ratings Races	12,000		14,000	20,000	22,000
Maidens	10,000		14,000	23,000	22,000

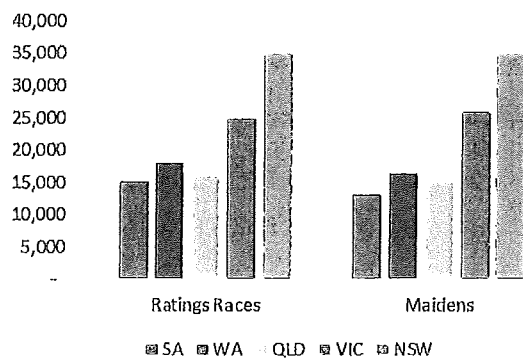
Metropolitan



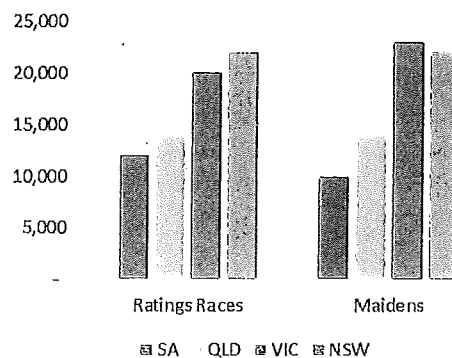
Midweek Metropolitan



Provincial/Premium Meetings



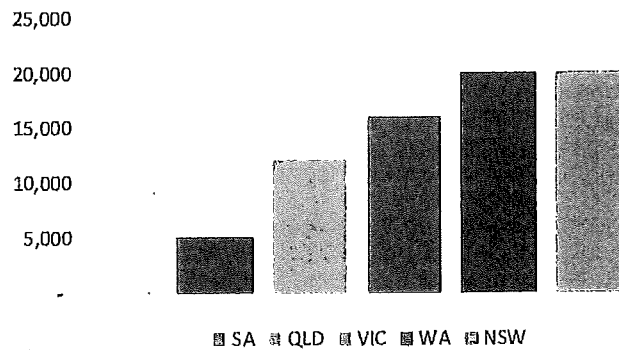
Country



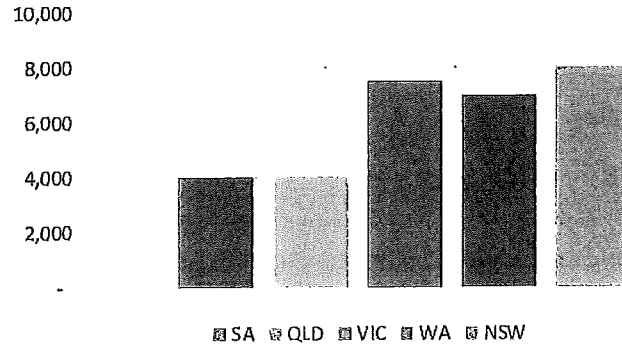
## Comparative Prize Money Schedules

HARNESS					
	SA	QLD	VIC	WA	NSW
Metro	5,000	12,000	16,000	20,000	20,000
Provincial	4,000	4,000	7,500	7,000	8,000
Country	3,000	2,000	4,000	4,000	5,000

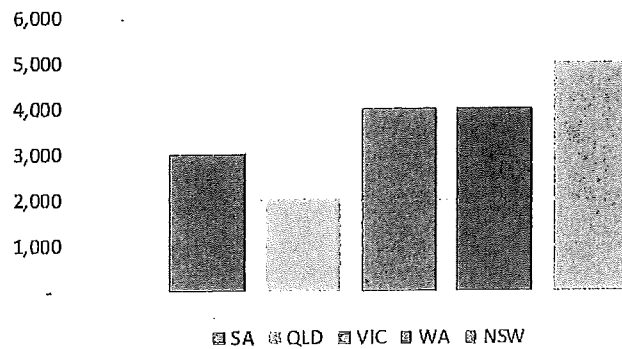
Metro



Provincial



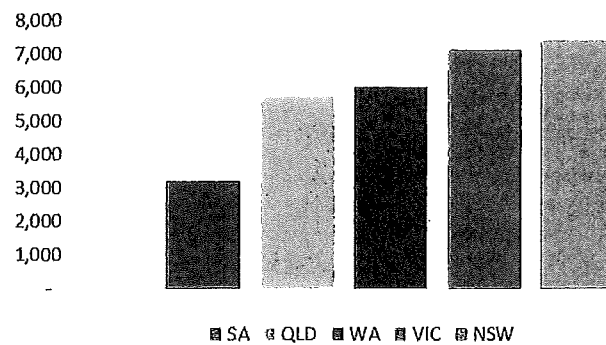
Country



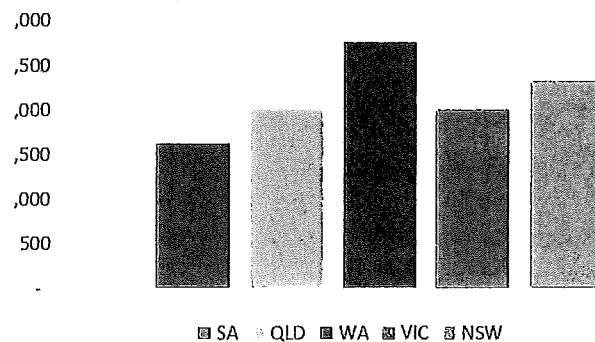
## Comparative Prize Money Schedules

GREYHOUNDS					
	SA	QLD	WA	VIC	NSW
City	3,190	5,750	6,005	7,150	7,380
Provincial	1,615	2,000	2,755	2,005	2,310
Low Grade	945	1,250	1,375	1,180	1,230

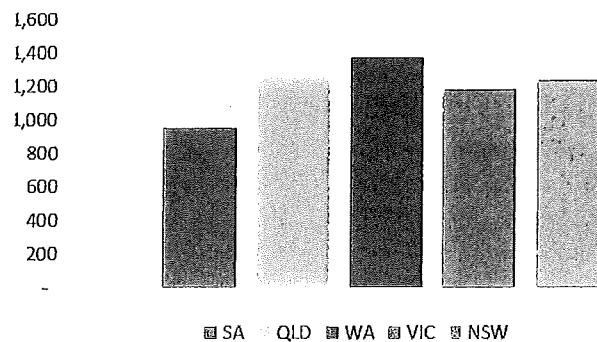
City



Provincial



Low Grade



**SA Racing Industry's submission seeking ongoing  
Government funding to reimburse the industry for its  
revenue loss due to the point of consumption [POC] tax  
now in place in South Australia**

**July 2018**



## Definitions

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<b>POC:</b>	Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced. In SA the POC tax is referred to as the Betting Operations Tax. It commenced on 1 July 2017, with the tax rate imposed being 15% on the operators' Net Wagering Revenue. References to POC and BOT are interchangeable.
<b>BOC:</b>	Betting Operations Contributions. All wagering service providers, excluding UBET-SA, are required by legislation to complete an Integrity and Contributions Agreement with the three Racing Codes in SA, whereby they must provide a financial contribution to the Codes for all wagering which they take on SA racing. Introduced in 2008.
<b>SA Racing Industry:</b>	This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. The South Australian Racing Industry (all 3 Codes) were extremely appreciative of the funding provided by yourself as Treasurer on behalf of Government, to the SA Racing Industry of \$4.85M, by way of a one-off payment to reimburse the Industry following a significant reduction in the Industry's FY18 revenue, due to the introduction of a POC tax in SA effective from 1 July 2017.
2. Your urgent attention to providing this assistance following the Racing Industry's submission seeking Government's support, averted what would have been a potential crisis for all three racing Codes in SA.
3. In providing the funding, you noted that it was a one-off Grant for FY18, recognising the adverse impact on the SA Racing Industry's revenue, of specific actions taken by wagering service providers against the SA Racing Industry in response to SA being the first jurisdiction to introduce a point of consumption tax.
4. Had it not been for the provision of the \$4.85M in funding from Government in FY18, the SA Racing industry would have been required to make significant cuts in FY19 (and ongoing) with the Industry's reserves having been significantly reduced in maintaining previously budgeted expenditure in the face of its reduced revenue. The likely cuts in expenditure, and the investment required in sustaining the Racing Industry in SA, would have included;
  - a) Prize Money cuts: Prize money available in SA, with all three racing Codes, is already significantly less than for comparable races/classes interstate. Any reduction would result in even greater migration of participants to other States as well as a reduction in investment in SA by participants (in particular owners). All of which would lead to a reduction in employment opportunities and job losses. With the migration of participants interstate it is invariably the most successful and higher skilled participants who move interstate first.



## Submission Cont...

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Attached are comparative schedules of the prize money levels in each State, which show the already precarious position of the SA Racing Industry when competing with those other States for participation and investment in the Industry, with the potential adverse impact on employment and jobs if SA remains less competitive to the extent that it currently is.

- b) Reduction in Capital Expenditure: Faced with a significant loss in revenue without the \$4.85M reimbursement from Government, numerous capital projects would have had to be cancelled or curtailed by each Code. Many of these projects are in regional areas at various race tracks across the State, and any retrenchment of capital expenditure would have an immediate impact with job losses.

- 5. As the Industry noted in its submission formally tabled with you on 25 June 2018, there is still the potential for a significant reduction in the Industry's revenue for FY19, and beyond, as a direct consequence of the place of consumption tax in place in SA. Especially with the SA POC rate set at 15%.
- 6. Although the introduction of a place of consumption tax has been announced already in each State in Australia, the implementation of the first of these in other States does not commence until 1 October 2018 in Queensland, followed on 1 January 2019 by Victoria, NSW, WA and the ACT.

Prior to these implementation dates, it is likely that the wagering service providers will continue with some, if not all, of their punitive actions against SA Racing. Not as an action designed to dissuade other States from introducing a point of consumption tax as had been a key motivation for them in FY18, but simply because offering wagering in SA is still significantly more expensive for them until 1 October 2018 and 1 January 2019, and importantly, beyond 1 January 2019 it will continue to be so, with SA's POC rate of 15% being greater than that imposed in both Victoria and NSW. The SA Racing Industry will continue to be at a commercial disadvantage due to the cost for wagering operators to do business in SA, being greater than in those key States.

Not only will SA continue to be the only State with a point of consumption tax in place for the first 3-6 months of FY19, it will have the highest tax rate (equal with Qld and WA when they commence their POC tax on 1 October 2018 and 1 January 2019 respectively), thus prompting the continuation of the adverse actions by wagering service providers, and therefore further lost revenue for the SA Racing Industry.

- 7. The fact that Australia's two largest racing jurisdictions, Victoria (8%) and NSW (10%), will be introducing POC tax rates significantly lower than SA's POC will ensure continued punitive actions by wagering service providers, and thus continued negative impact on the SA Racing Industry's revenue, recognising the commercial disadvantage of doing business in South Australia.

## Submission Cont...

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8. Punitive actions taken against the SA Racing Industry by wagering service providers following the introduction of a POC tax in SA included:

**Racing Measures**

- a) removing all SA racing from the "Next to Jump" menu on the website and apps home page
- b) deprioritising SA racing to sit at the bottom of the racing menu
- c) reducing the attractiveness of odds offered to customers on SA racing (increasing operator margins)
- d) excluding SA racing (and SA residents) from promotional offers that drive wagering activity (eg "money back" and "bonus bet" offers on particular racing events).

**Customer Measures**

- e) removal from Rewards Programmes and competitions
- f) exclusion from BAU promotional/reactivation activity.

9. Without an ongoing commitment being provided by Government to support the SA Racing Industry in FY19 and beyond, as per the Industry's request under (11) below, all of the concerns highlighted under (4) above will still hold true.

Prize Money: Further to the discussions at the three Code representatives' meeting with you on 25 June 2018, attached are comparative prize money schedules comparing SA prize money with that available interstate, for all three Codes.

Prize money drives participation and investment by owners and trainers, which in turn drives employment and jobs within the industry.

While the funding provided by Government with respect to FY18 averted what would have been a disastrous outcome for the Industry, with prize money cuts and the resultant job losses being inevitable without that support, any ongoing uncertainty as to further support from Government in this regard, will necessitate cuts in the face of the unacceptable risk to the Industry's revenue and depleted reserves.

SA racing already has a significant gap between prize money available and the cost to race Thoroughbreds, Standardbreds and Greyhounds, significantly greater than if owners were to invest interstate rather than in SA.

Capital Expenditure: Not only is it necessary to maintain and improve the Industry's infrastructure, both training and racing, expenditure and investment in capital projects is a key driver with regards sustaining and growing jobs in our industry.

Once again, without a level of certainty as to its revenue, due to the impact of the place of consumption tax, the Industry would have neither the funds nor the confidence to continue investing in much needed capital projects.

## Submission Cont...

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Regional Impact: The SA Racing Industry has a substantial regional footprint and base. Local regional Cup meetings are often the “biggest event in town” each year, and provide a major focus on local communities. With pressure on, and uncertainty around the Industry’s revenue, these will be the first areas adversely impacted on if the Industry is forced to retrench.

10. Not only has each State adopted its own variations as to the structure of the POC tax being introduced (eg, definition of Net Wagering Revenue, and tax rate levied), the treatment of the local racing industry has also varied.

In NSW the racing industry is due to receive approximately 40% of the POC tax collected (\$40M from an estimated \$100M in POC tax revenue) while in Victoria, although the racing industry is due to receive a smaller amount of the POC tax, it is understood this is a reflection of the fact that a low 8% rate has been adopted, which resulted in operators providing assurances that they will not seek to take any adverse actions against the industry in Victoria as a consequence of the lower rate, with the operators agreeing to maintain all of the benefits they currently provide to the local industry (sponsorship, promotions, bonuses, etc). The Queensland Government has postponed the introduction of its POC tax, from the initially advised commencement date of 1 July 2018 to 1 October 2018, to allow negotiation and consultation with its local racing industry with regards how the industry will be treated in terms of the tax revenue generated.

In each case it is also recognising the fact that the racing provided by the racing industry is being utilised by Government as a means to levy the POC tax.

11. The implementation of a POC tax in SA, especially at the 15% tax rate, effectively removes from the SA Racing Industry, its ability to increase its BOC rate. We understand this was an important factor in the NSW Government’s decision in providing approximately 40% of the POC tax generated in that State, to the local racing industry, and is also being considered as a key factor in the Queensland Government’s consideration as to what additional funding it will provide to its racing industry from the POC it collects.
12. **The SA Racing Industry requests that the Government, in recognising the adverse impact on the SA Racing Industry’s revenue caused by the POC tax and tax rate in SA, provides or adopts the following in supporting the SA Racing Industry;**

- a) Provides some form of guarantee to the SA Racing Industry, as to once again providing funding to the Industry to reimburse it for revenue lost as a consequence of the POC tax in place in SA, due both to;
  - i) the period in FY19 when SA will be the only State with a POC tax, and
  - ii) the impact of a POC tax rate which is greater than that in other major racing jurisdictions.

The Racing Industry would once again work with Treasury to agree a model as to how this would be assessed or quantified.

## Submission Cont...

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The provision of such would give the Racing Industry more surety as to its budgeted revenue for FY19 (and beyond), and enable it to continue to embark on various projects which would grow the local racing industry and ensure the required investment to sustain and grow employment in regional areas in particular.

- b) That the Government provides to the SA Racing Industry, a set percentage of the POC generated from the taxation imposed on wagering operators through wagering on racing.

The Industry requests that Government implement a structure whereby say 40% of the POC generated from wagering on racing is paid to the Industry in FY19, with that percentage increasing incrementally each year over the next 5 years until the full POC amount received by Government attributable to wagering on racing, is returned to the SA Racing Industry. This is similar to the action taken by Government in 2008, whereby it redirected the then Wagering Tax paid by SA TAB, to the SA Racing Industry, commencing with 50% in 2008 and rising to the full tax amount in 2012.

This funding support for the SA Racing Industry would reflect the potential loss in revenue, but also importantly, it would reflect the inability of the SA Racing Industry to make a commercial decision to increase the current BOC rates charged to wagering operators for operating on its racing, due to the existence of a place of consumption tax in SA.

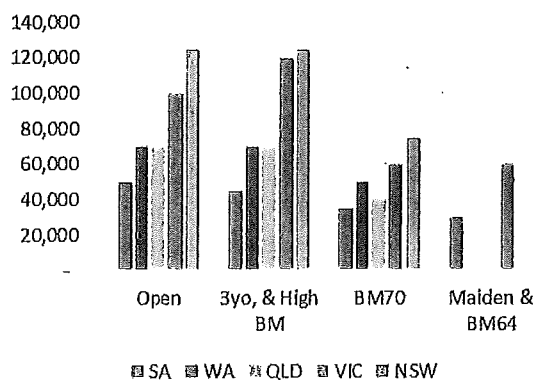
- c) That the POC tax rate applied in SA be reduced from the current 15%, to a rate in line with the Victorian or NSW rates of 8% and 10%, with an agreed consistent definition as to Net Wagering Revenue.

The SA Racing Industry is confident that it would be able to negotiate agreements with interstate wagering operators, similar to that which occurred in Victoria, whereby they provide assurances as to ceasing current adverse actions against the SA Racing Industry, and not taking any further punitive actions against SA racing and SA customers, as a consequence of a lower POC rate being adopted.

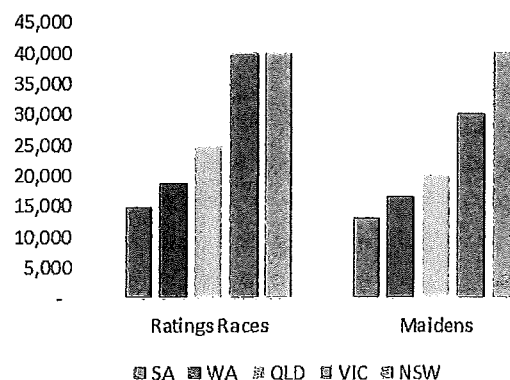
## Comparative Prize Money Schedules

THOROUGHBREDS					
	SA	WA	QLD	VIC	NSW
<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
3yo, & High BM	45,000	70,000	70,000	120,000	125,000
BM70	35,000	50,000	40,000	60,000	75,000
Maiden & BM64	30,000			60,000	
<b>Midweek Metro</b>					
Ratings Races	15,000	19,000	25,000	40,000	40,000
Maidens	13,000	16,500	20,000	30,000	40,000
<b>Provincial/Premium Meetings</b>					
Ratings Races	15,000	18,000	16,000	25,000	35,000
Maidens	13,000	16,500	15,000	26,000	35,000
<b>Country</b>					
Ratings Races	12,000		14,000	20,000	22,000
Maidens	10,000		14,000	23,000	22,000

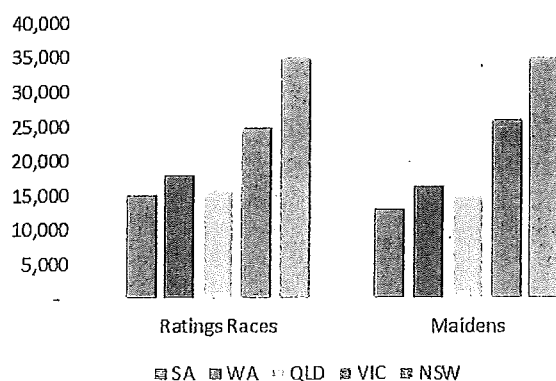
Metropolitan



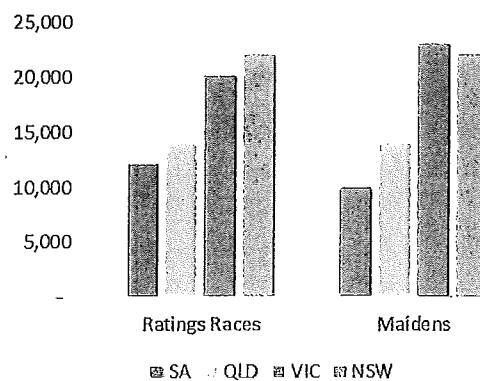
Midweek Metropolitan



Provincial/Premium Meetings



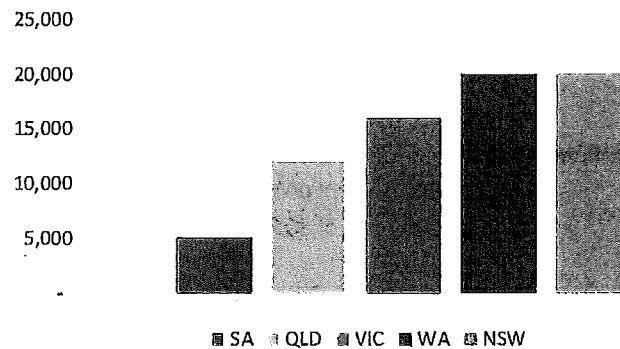
Country



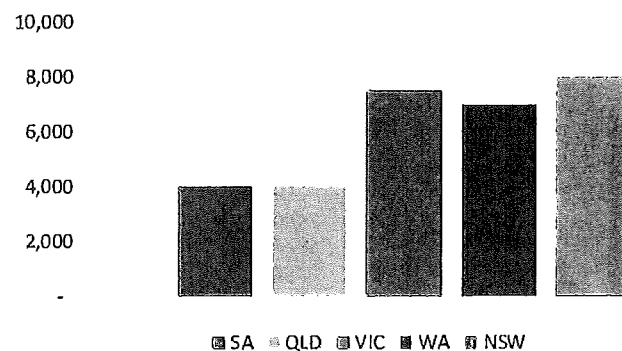
## Comparative Prize Money Schedules

HARNESS					
	SA	QLD	VIC	WA	NSW
Metro	5,000	12,000	16,000	20,000	20,000
Provincial	4,000	4,000	7,500	7,000	8,000
Country	3,000	2,000	4,000	4,000	5,000

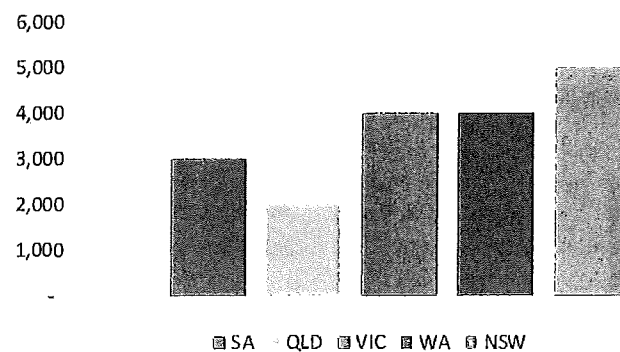
Metro



Provincial

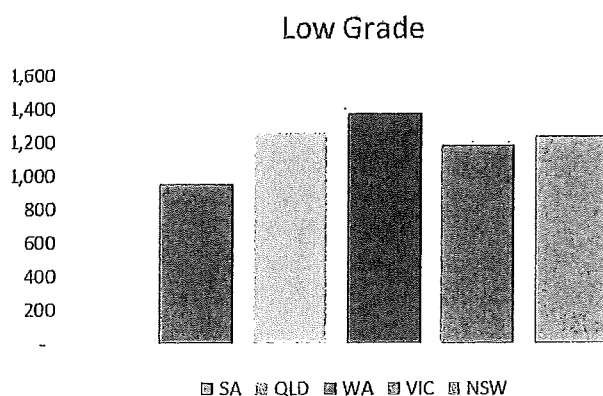
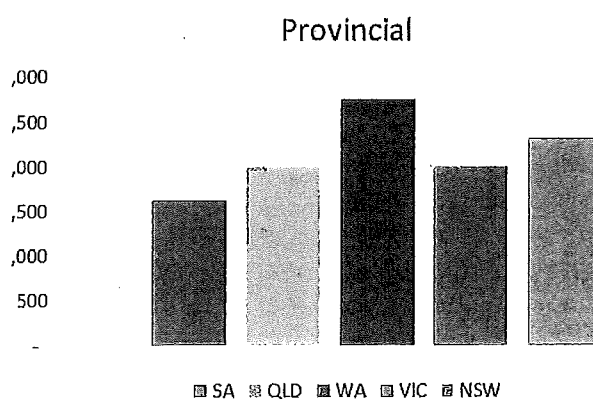
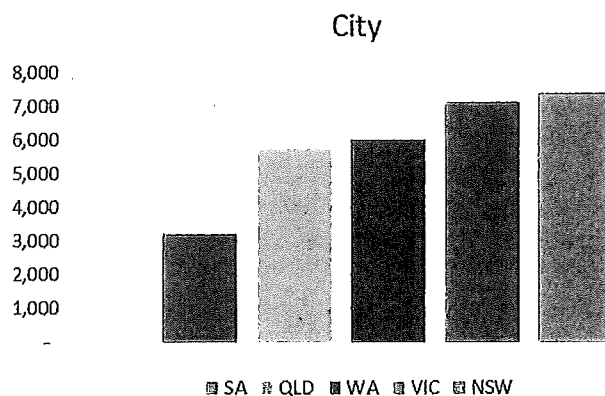


Country



## Comparative Prize Money Schedules

GREYHOUNDS					
	SA	QLD	WA	VIC	NSW
City	3,190	5,750	6,005	7,150	7,380
Provincial	1,615	2,000	2,755	2,005	2,310
Low Grade	945	1,250	1,375	1,180	1,230



**Racing SA submission to Government, requesting that the "Product Fee" component of the agreement between Government and UBET to extend UBET'S retail exclusivity, be directed to the South Australian Racing Industry**

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**July 2018**





## Definitions

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<b>Product Fee:</b>	With regards the Racing Industry, the term Product Fee relates to the amount or fee the SA TAB is required to pay to the SA Racing Industry, by way of consideration for the supply of "racing product" by the Industry. When UBET tabled its various offers during their negotiations with SA Treasury for the extension of its retail exclusivity, they included a component referred to as "Annual Fixed Product Fee", which they similarly saw as a fee recognising the supply of racing product by the Industry.
<b>POC:</b>	Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced.
<b>SA Racing Industry:</b>	This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. UBET operates as a wagering provider in SA in accordance with the Approved Licensing Agreement (ALA), granted to it upon its purchase of SA TAB from the SA Government in 2000. Under the ALA, UBET were granted retail exclusivity in SA, for a period of 16 years, which expired in 2016.
2. At the expiry of UBET's initial retail exclusivity period, the Government extended their exclusivity rights while they engaged with UBET in negotiations as to a renewal of its retail exclusivity.
3. Early in those negotiations, the then Treasurer determined that TRSA would participate in the negotiations, representing the three racing Codes (Greyhound Racing, Harness Racing and Thoroughbred Racing).
4. There was lengthy and robust discussion around various matters which UBET considered would impact on the value to it of retail exclusivity, in particular re;
  - i) the period of retail exclusivity to be provided, and
  - ii) the impact on UBET of the then newly announced POC tax in SA.
5. As part of the negotiations UBET also sought to have variations made to some aspects of their ALA. They also sought approval for the introduction of four new products namely; note readers on the approved self service terminals, virtual racing, in play betting modules in venues and video lottery terminals.
6. Throughout the negotiations UBET, in tabling its various offers for the extension of its retail exclusivity, consistently referred to an Annual Fixed Product Fee of \$1M pa, which it considered should be paid direct to the Racing Industry.

Their position on this recognised the fact that it was the SA Racing Industry which was, to a large part, providing the vehicle upon which UBET were able to operate, which is also consistent with the position under the Racing Distribution Agreement, whereby UBET pay a product fee for the supply of racing by the Industry.

## Submission cont...

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7. While not disputing the rationale behind UBET's contention on this matter, Treasury advised they would need to seek an opinion from the Crown Solicitor's Office.

The advice ultimately received was to the effect that it was Government granting the licence for retail exclusivity, and thus any payment by way of a Product Fee, should be directed in the first instance to Government, with Cabinet then to make the determination to direct such on to the SA Racing Industry.

8. Unfortunately the negotiations between UBET and Government took considerably longer than anticipated, as UBET was seeking to achieve a more desirable outcome for itself. When final agreement was reached between Treasury and UBET, as to the renewal of UBET's retail exclusivity, it was virtually on the eve of the State Election, and Government going into caretaker mode.
9. Throughout the retail exclusivity negotiations, the Racing Industry believed there was a strong view that the \$1M pa Product Fee component of UBET's offer would be directed on to the Racing Industry, especially as the Industry's racing was a significant component in UBET's ability to operate in SA. While the Industry considered the negotiations had taken place in good faith with this belief in mind, regrettably Cabinet did not (have time to) give effect to such prior to going into caretaker mode in February.
10. With Cabinet not having the opportunity to make a determination as to the \$1M pa Annual Fixed Product Fee being directed on to the SA Racing Industry, it was simply amalgamated within the ALA Variation Agreement, as an "Annual Fee for Initial Period", along with UBET's proposed Annual Exclusivity Licence Fee of \$150K pa, which it had also identified in its offer.
11. While negotiating the extension of its retail exclusivity, UBET agreed to provide the SA Racing Industry with infrastructure funding support, an industry marketing support package, and a small share (guaranteed \$120K pa) of their "bricks & mortar" sports betting revenue. UBET agreed to support industry infrastructure with two \$500K payments in years one and six of the initial period of their retail exclusivity agreement, with a further \$500K if the Agreement extended beyond the initial period.

The industry marketing support package is \$1M pa, and is subject to all three Codes providing UBET with extensive marketing, race sponsorship and branding rights, at the exclusion of all other wagering operators. To receive this revenue the SA Racing Industry was required to forego the opportunity to seek and obtain sponsorship, marketing funding, etc, from any other wagering operator.

12. Throughout the process the then Treasurer had noted on several occasions that *"there was nothing in the negotiation for the extension of UBET's retail exclusivity for Government"*.
13. **The SA Racing Industry therefore respectfully requests that Government agree to pass on to the Industry, the \$1M pa Annual Fixed Product Fee now being paid by UBET.** This would also be similar to the process which occurred when the Queensland Government similarly renewed UBET's retail exclusivity in their State, with the majority of the payment for such paid to their racing industry.

## **COMPARATIVE POSITION IN EACH STATE IN AUSTRALIA FOLLOWING THE INTRODUCTION OF A POINT OF CONSUMPTION (POC) TAX**

Every Mainland State in Australia has now introduced or announced the introduction of a POC tax in their State.

South Australia was the first State with a POC tax, which commenced on 1 July 2017, with Queensland's POC tax commencing 1 October 2018, and NSW, Victoria and WA each commencing on 1 January 2019.

### **The position in each Australian mainland State is:**

#### **Queensland**

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - **\$26M for Thoroughbred prize money**  
**[Position re Greyhound and Harness still being reviewed]**
  - \$20M infrastructure funding
  - \$17.8M Industry debt written off
  - Undertaking by Government that the Queensland TAB will be no worse off in any financial year, due to the introduction of the POC tax

**Queensland Government has recently announced \$70M funding for country/provincial racing and also provides significant additional funding annually to its local Industry.**

#### **NSW**

- \* 10% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - \$40M per annum of the POC tax collected by Government is being directed to the Racing Industry each year.

**NSW Government also provides significant additional funding annually to its local Racing Industry**

#### **Victoria**

- \* 8% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - The Racing Industry receives 25% of the POC tax generated.
  - \$33M prize money commitment linked to the POC tax

**Victorian Government also provides significant additional funding annually to its local Racing Industry.**

## Western Australia

- \* 15% POC tax rate
- \* Government support to their Racing Industry due to POC tax introduction;
  - 30% of all POC tax (including on sport and entertainment) received by Government is to be paid to the Racing Industry each year.
  - Undertaking that the Racing Industry would be no worse off each year.

**WA Government also provides significant additional funding annually to its local Racing Industry**

## **POSITION IN SOUTH AUSTRALIA:**

**In South Australia the POC tax rate is 15% and commenced on 1 July 2017, well before the other States, and as such this has caused serious comparative damage to the local South Australian Racing Industry.**

**South Australia is the only State where the Racing Industry is effectively being punished, as it is the only State where no benefit is being provided to the Racing Industry from the POC tax now collected by the State Government.**

**Further, South Australia, unlike any other State, receives no State Government Support.**

## **The South Australian Racing Industry's urgent request to Government is to;**

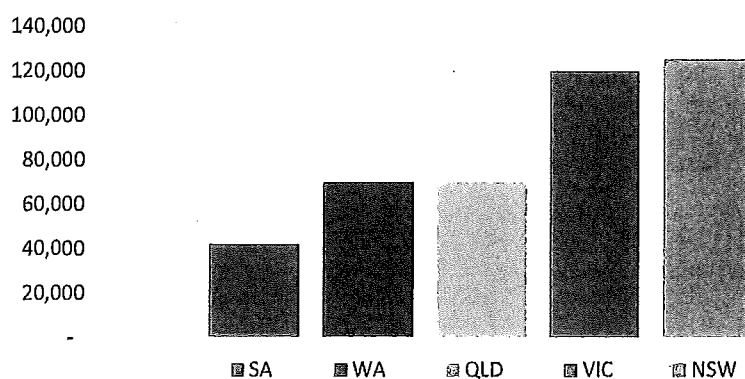
- a) Provide a guarantee that each financial year the Racing Industry will be no worse off through the imposition of the POC tax in SA, with the Government to reimburse the Industry for its lost revenue which is now being received by Government, by way of the POC tax payments from wagering operators. This is the promise and undertaking made to the Industry by the previous Government. The industry acknowledges the \$4.85M payment by Government on 29 June 2018, which reimbursed the Industry with regards the Industry's adverse outcome/position in FY18 caused by the POC tax when South Australia was the only State with a POC tax in place.
- b) Effective from 1 July 2018 and going forward, that the Government provides the POC tax revenue from racing (not from sports betting), to the Racing Industry, with payments on a monthly basis in line with the monthly POC tax payments to Government by wagering operators.

The Racing Industry accepts that the provision of the above would satisfy the funding submissions tabled with Government by the Racing Industry, with the exception of the Industry's submission in relation to the \$1M per annum "Product Fee" payment made by UBET in relation to the extension of its retail exclusivity in South Australia.

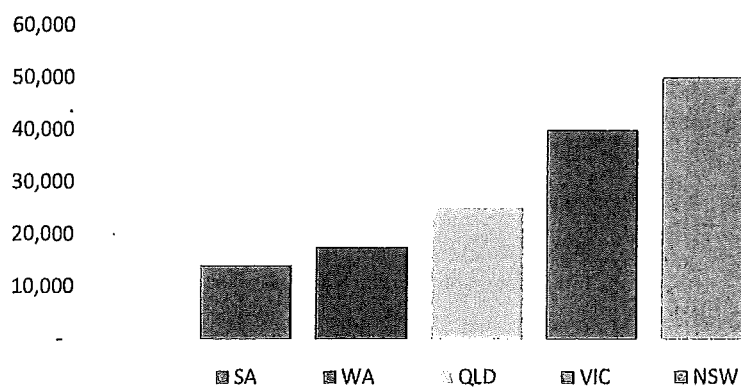
- c) Reduce the POC tax rate in South Australia to 8-10%, in line with Victoria and NSW, to enable the SA Racing Industry to be competitive nationally.

THOUSANDS					
	SA	WA	QLD	VIC	NSW
<b>Metro Average</b>	42,000	70,000	70,000	120,000	125,000
<b>Midweek Average</b>	14,000	17,500	25,000	40,000	50,000
<b>Provincial Average</b>	14,000	17,500	16,000	25,000	35,000

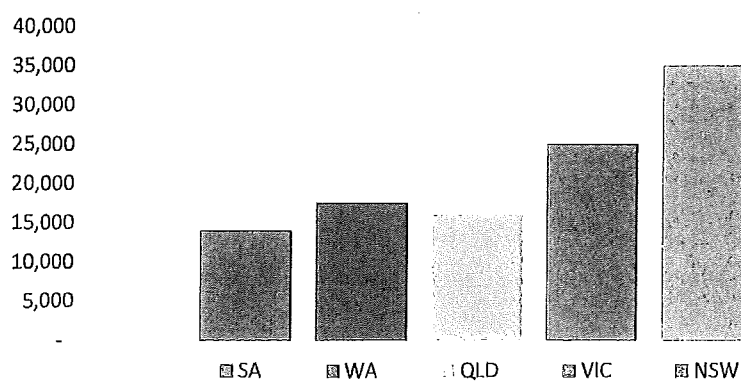
Metropolitan Average



Midweek Average



Provincial Average



2/11/18  
1049  
TRSA/8D2230



Government  
of South Australia  
Department of Treasury  
and Finance

MINUTES forming ENCLOSURE to

File SAF16/2988  
Doc No SF18D00290

To The Treasurer

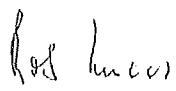
THOROUGHBRED RACING SA - PAYMENT OF LOAN

Timing: ROUTINE

**Recommendations/Issues:** It is recommended that you:

- note that the previous government approved a six year interest only loan for up to \$5 million to Thoroughbred Racing SA (TRSA) to fund the development of a new racecourse and associated facilities at Murray Bridge;
- note that a Facility Agreement (agreement) to which you are party as Treasurer was executed with TRSA on 21 December 2017;
- note that to date TRSA has been paid roundly \$1m under the agreement and it has submitted two further drawdown notices for amounts of roundly \$3.7m and \$0.3m, which together, represent the total remaining principal available;
- note that SAFA officers have reviewed TRSA's requests to drawdown the remaining balance of the loan, and have ascertained that it is entitled to be paid these funds in accordance with the agreement; and
- approve payment of TRSA's claim totalling \$3,977,312.91.

Approved/Not-Approved

  
Rob Lucas  
Treasurer

11/11/2018

Key Points:

- The former government approved a six year interest only loan for up to \$5 million to Thoroughbred Racing SA (TRSA), following a request from the Chair of Thoroughbred Racing SA, Frances Nelson QC.
- The loan is to assist finance a new racecourse and associated facilities at Murray Bridge, which is to be part of a planned development for 'Gifford Hill', which includes a residential sub-division, retail and community facilities.



- The Gifford Hill development is the subject of a joint venture agreement between five parties, including the Murray Bridge Racing Club Incorporated (MBRC) and TRSA. The Joint Venture is being led by Burke Urban Group.
- The planned equine centre includes a race track, stables, equine training facilities, a grandstand and hospitality and administration facilities, at a total estimated cost of \$35 - \$40 million.
- A Facility Agreement (agreement) to which you are party as Treasurer was executed with TRSA as the Borrower on 21 December 2017. SAFA also negotiated security over the loan obligations in the form of a mortgage over the existing racecourse land owned by the Murray Bridge Racing Club (MBRC). Consequently, MBRC is also party to the agreement as well as a deed of guarantee and mortgage.
- The agreement provides that the loan can be drawdown in tranches until 21 December 2018, subject to TRSA meeting certain conditions, including that it has expended at least \$5 million of its own funds on the project, and that it submits a consultants certificate from a qualified engineer, project manager, architect or similarly qualified professional, certifying the extent and cost of project works that are complete, and that it has sufficient funding available to it, in order to complete the project.
- To date TRSA has drawdown \$1,022,687.09 of the total loan facility available to it.
- TRSA has now issued two drawdown notices dated 8<sup>th</sup> October 2018 for an amount of \$3,708,580.40 and 22<sup>nd</sup> October 2018 for an amount of \$268,732.51 - total drawdown of \$3,977,312.91. Together these drawdowns represent the balance of the loan facility available to TRSA under the agreement.
- TRSA has provided the evidence required to substantiate the amounts claimed and that the work has been undertaken for the purposes of the Project. SAFA understands the buildings are scheduled for completion by December 2018, with race trials scheduled for the track in April 2019, and the first race meet scheduled for May 2019.
- SAFA officers have reviewed TRSA's request to drawdown and ascertained that it has met all conditions that entitle it to be paid the drawdown amounts claimed in accordance with the agreement.
- The loan is funded by appropriation from the Consolidated Account and payment is to be made from DTF Loans Admin account. A new line was created in the Treasurer's Statements against which the loan is recorded.
- It is proposed that you approve payment of \$3,977,312.91 to TRSA.

*Kevln Cantley*

Kevln Cantley  
General Manager, SAFA

1 / 11 / 2018

Supported / Not Supported

*Stuart Hocking*

DEPUTY CHIEF EXECUTIVE

Department of Treasury and Finance

Date... 2 / 11 / 18 ..

Contact Officer:	Rebecca Wigglesworth/ David Trippfree
Telephone:	8207 2281/ 8226 5809
Email address:	david.trippfree@sa.gov.au



**Government  
of South Australia**

TRS18D1429

Treasurer  
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State Administration Centre  
200 Victoria Square  
Adelaide SA 5000  
GPO Box 2264  
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DX 56203 Victoria Square  
Tel 08 8226 1866  
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Mr Jim Watters  
Chief Executive  
Thoroughbred Racing SA  
GPO Box 2646  
ADELAIDE SA 5001

*Jim*  
Dear Mr Watters

Thank you for your emails of 27 July and 1 August 2018 providing the submissions on behalf of the SA Racing Industry seeking government support.

I have reviewed the submissions and suggest that in the first instance these are discussed with the Minister for Recreation, Sport and Racing, the Hon Corey Wingard MP.

Accordingly a copy of your email of 1 August 2018 has been provided to the Minister for Recreation, Sport and Racing for his information. I note that you included the Minister on your earlier email of 27 July 2018.

Yours sincerely

A handwritten signature in dark ink, appearing to read "Rob Lucas".

**Hon Rob Lucas MLC**  
*Treasurer*

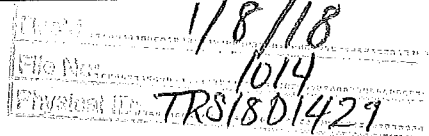
11 August 2018

cc: Minister for Recreation, Sport and Racing



## DTF:Treasurer

**From:** Robertson, Julian (DTF)  
**Sent:** Wednesday, 1 August 2018 10:57 AM  
**To:** DTF:Treasurer  
**Subject:** FW: Submissions on behalf of the SA Racing Industry  
**Attachments:** TRSA\_State Govt\_Submission Report\_POC.pdf; TRSA\_State Govt\_Submission Report\_Product fee.pdf



**From:** Jim Watters [mailto:jwatters@theracessa.com.au]  
**Sent:** Friday, 27 July 2018 5:10 PM  
**To:** Lucas, Rob (DTF) <Rob.Lucas@sa.gov.au>  
**Cc:** Wingard, Corey <Corey.Wingard@parliament.sa.gov.au>; Robertson, Julian (DTF) <Julian.Robertson@sa.gov.au>  
**Subject:** Submissions on behalf of the SA Racing Industry

Dear Treasurer

Further to the various discussions with yourself, including at the joint meeting of representatives of the 3 Racing Codes with you on 25 June, attached are two submissions on behalf of the SA Racing Industry, seeking your and the Government's support with regards;

- The ongoing adverse impact of the place of consumption tax in SA, and — Attach 1
- On payment of the "product Fee" component of UBET's offer in relation to the extension of their retail exclusivity. Attach 2

Once again we would welcome the opportunity to meet with you to discuss our submissions, and do not hesitate to contact me with regards any clarification or further information which you may require.

Kind regards

Jim

Jim Watters  
Chief Executive  
Thoroughbred Racing SA

GPO Box 2646, Adelaide SA 5001

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F (08) 8179 9890  
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W [www.theracessa.com.au](http://www.theracessa.com.au)



## DTF:Treasurer

---

**From:** Robertson, Julian (DTF)  
**Sent:** Wednesday, 1 August 2018 12:52 PM  
**To:** DTF:Treasurer  
**Cc:** De Gennaro, Gino (DTF)  
**Subject:** FW: Submission from Racing SA  
**Attachments:** RSA\_State Govt\_Submission Report\_Sustaining SA Racing.pdf

**From:** Jim Watters [mailto:jwatters@theracessa.com.au]  
**Sent:** Wednesday, 1 August 2018 12:52 PM  
**To:** Lucas, Rob (DTF) <Rob.Lucas@sa.gov.au>  
**Cc:** Robertson, Julian (DTF) <Julian.Robertson@sa.gov.au>  
**Subject:** Submission from Racing SA

Dear Treasurer

Further to my email last Friday tabling 2 submissions on behalf of Racing SA (the SA Racing Industry), and the various discussions with yourself, including at the joint meeting of representatives of the 3 Racing Codes with you on 25 June, attached is the final submission on behalf of the SA Racing Industry, seeking your and the Government's support. This final submission is in relation to a Government Policy to "Sustain the SA Racing Industry", in line with the Industry's pre-election submission to the Liberal Party. *Attach 3.*

Once again we would welcome the opportunity to meet with you to discuss our submission, and do not hesitate to contact me with regards any clarification or further information which you may require.

Kind regards

Jim

Jim Watters  
Chief Executive  
Thoroughbred Racing SA

PO Box 2646, Adelaide SA 5001

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**SA Racing Industry's submission seeking ongoing  
Government funding to reimburse the industry for its  
revenue loss due to the point of consumption [POC] tax  
now in place in South Australia**

**July 2018**



## Definitions

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<b>POC:</b>	Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced. In SA the POC tax is referred to as the Betting Operations Tax. It commenced on 1 July 2017, with the tax rate imposed being 15% on the operators' Net Wagering Revenue. References to POC and BOT are interchangeable.
<b>BOC:</b>	Betting Operations Contributions. All wagering service providers, excluding UBET-SA, are required by legislation to complete an Integrity and Contributions Agreement with the three Racing Codes in SA, whereby they must provide a financial contribution to the Codes for all wagering which they take on SA racing. Introduced in 2008.
<b>SA Racing Industry:</b>	This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. The South Australian Racing Industry (all 3 Codes) were extremely appreciative of the funding provided by yourself as Treasurer on behalf of Government, to the SA Racing Industry of \$4.85M, by way of a one-off payment to reimburse the Industry following a significant reduction in the Industry's FY18 revenue, due to the introduction of a POC tax in SA effective from 1 July 2017.
2. Your urgent attention to providing this assistance following the Racing Industry's submission seeking Government's support, averted what would have been a potential crisis for all three racing Codes in SA.
3. In providing the funding, you noted that it was a one-off Grant for FY18, recognising the adverse impact on the SA Racing Industry's revenue, of specific actions taken by wagering service providers against the SA Racing Industry in response to SA being the first jurisdiction to introduce a point of consumption tax.
4. Had it not been for the provision of the \$4.85M in funding from Government in FY18, the SA Racing industry would have been required to make significant cuts in FY19 (and ongoing) with the Industry's reserves having been significantly reduced in maintaining previously budgeted expenditure in the face of its reduced revenue. The likely cuts in expenditure, and the investment required in sustaining the Racing Industry in SA, would have included;
  - a) Prize Money cuts: Prize money available in SA, with all three racing Codes, is already significantly less than for comparable races/classes interstate. Any reduction would result in even greater migration of participants to other States as well as a reduction in investment in SA by participants (in particular owners). All of which would lead to a reduction in employment opportunities and job losses. With the migration of participants interstate it is invariably the most successful and higher skilled participants who move interstate first.

## Submission Cont...

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Attached are comparative schedules of the prize money levels in each State, which show the already precarious position of the SA Racing Industry when competing with those other States for participation and investment in the Industry, with the potential adverse impact on employment and jobs if SA remains less competitive to the extent that it currently is.

- b) Reduction in Capital Expenditure: Faced with a significant loss in revenue without the \$4.85M reimbursement from Government, numerous capital projects would have had to be cancelled or curtailed by each Code. Many of these projects are in regional areas at various race tracks across the State, and any retrenchment of capital expenditure would have an immediate impact with job losses.

5. As the Industry noted in its submission formally tabled with you on 25 June 2018, there is still the potential for a significant reduction in the Industry's revenue for FY19, and beyond, as a direct consequence of the place of consumption tax in place in SA. Especially with the SA POC rate set at 15%.

6. Although the introduction of a place of consumption tax has been announced already in each State in Australia, the implementation of the first of these in other States does not commence until 1 October 2018 in Queensland, followed on 1 January 2019 by Victoria, NSW, WA and the ACT.

Prior to these implementation dates, it is likely that the wagering service providers will continue with some, if not all, of their punitive actions against SA Racing. Not as an action designed to dissuade other States from introducing a point of consumption tax as had been a key motivation for them in FY18, but simply because offering wagering in SA is still significantly more expensive for them until 1 October 2018 and 1 January 2019, and importantly, beyond 1 January 2019 it will continue to be so, with SA's POC rate of 15% being greater than that imposed in both Victoria and NSW. The SA Racing Industry will continue to be at a commercial disadvantage due to the cost for wagering operators to do business in SA, being greater than in those key States.

Not only will SA continue to be the only State with a point of consumption tax in place for the first 3-6 months of FY19, it will have the highest tax rate (equal with Qld and WA when they commence their POC tax on 1 October 2018 and 1 January 2019 respectively), thus prompting the continuation of the adverse actions by wagering service providers, and therefore further lost revenue for the SA Racing Industry.

7. The fact that Australia's two largest racing jurisdictions, Victoria (8%) and NSW (10%), will be introducing POC tax rates significantly lower than SA's POC will ensure continued punitive actions by wagering service providers, and thus continued negative impact on the SA Racing Industry's revenue, recognising the commercial disadvantage of doing business in South Australia.

## Submission Cont...

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8. Punitive actions taken against the SA Racing Industry by wagering service providers following the introduction of a POC tax in SA included:
- Racing Measures
- a) removing all SA racing from the "Next to Jump" menu on the website and apps home page
  - b) deprioritising SA racing to sit at the bottom of the racing menu
  - c) reducing the attractiveness of odds offered to customers on SA racing (increasing operator margins)
  - d) excluding SA racing (and SA residents) from promotional offers that drive wagering activity (eg "money back" and "bonus bet" offers on particular racing events).
- Customer Measures
- e) removal from Rewards Programmes and competitions
  - f) exclusion from BAU promotional/reactivation activity.

9. Without an ongoing commitment being provided by Government to support the SA Racing Industry in FY19 and beyond, as per the Industry's request under (11) below, all of the concerns highlighted under (4) above will still hold true.

Prize Money: Further to the discussions at the three Code representatives' meeting with you on 25 June 2018, attached are comparative prize money schedules comparing SA prize money with that available interstate, for all three Codes.

Prize money drives participation and investment by owners and trainers, which in turn drives employment and jobs within the industry.

While the funding provided by Government with respect to FY18 averted what would have been a disastrous outcome for the Industry, with prize money cuts and the resultant job losses being inevitable without that support, any ongoing uncertainty as to further support from Government in this regard, will necessitate cuts in the face of the unacceptable risk to the Industry's revenue and depleted reserves.

SA racing already has a significant gap between prize money available and the cost to race Thoroughbreds, Standardbreds and Greyhounds, significantly greater than if owners were to invest interstate rather than in SA.

Capital Expenditure: Not only is it necessary to maintain and improve the Industry's Infrastructure, both training and racing, expenditure and investment in capital projects is a key driver with regards sustaining and growing jobs in our industry.

Once again, without a level of certainty as to its revenue, due to the impact of the place of consumption tax, the Industry would have neither the funds nor the confidence to continue investing in much needed capital projects.

## Submission Cont...

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Regional Impact: The SA Racing Industry has a substantial regional footprint and base. Local regional Cup meetings are often the "biggest event in town" each year, and provide a major focus on local communities. With pressure on, and uncertainty around the Industry's revenue, these will be the first areas adversely impacted on if the Industry is forced to retrench.

10. Not only has each State adopted its own variations as to the structure of the POC tax being introduced (eg, definition of Net Wagering Revenue, and tax rate levied), the treatment of the local racing industry has also varied.

In NSW the racing industry is due to receive approximately 40% of the POC tax collected (\$40M from an estimated \$100M in POC tax revenue) while in Victoria, although the racing industry is due to receive a smaller amount of the POC tax, it is understood this is a reflection of the fact that a low 8% rate has been adopted, which resulted in operators providing assurances that they will not seek to take any adverse actions against the industry in Victoria as a consequence of the lower rate, with the operators agreeing to maintain all of the benefits they currently provide to the local industry (sponsorship, promotions, bonuses, etc). The Queensland Government has postponed the introduction of its POC tax, from the initially advised commencement date of 1 July 2018 to 1 October 2018, to allow negotiation and consultation with its local racing industry with regards how the industry will be treated in terms of the tax revenue generated.

In each case it is also recognising the fact that the racing provided by the racing industry is being utilised by Government as a means to levy the POC tax.

11. The implementation of a POC tax in SA, especially at the 15% tax rate, effectively removes from the SA Racing Industry, its ability to increase its BOC rate. We understand this was an important factor in the NSW Government's decision in providing approximately 40% of the POC tax generated in that State, to the local racing industry, and is also being considered as a key factor in the Queensland Government's consideration as to what additional funding it will provide to its racing industry from the POC it collects.
12. **The SA Racing Industry requests that the Government, in recognising the adverse impact on the SA Racing Industry's revenue caused by the POC tax and tax rate in SA, provides or adopts the following in supporting the SA Racing Industry;**

- a) Provides some form of guarantee to the SA Racing Industry, as to once again providing funding to the Industry to reimburse it for revenue lost as a consequence of the POC tax in place in SA, due both to;
  - i) the period in FY19 when SA will be the only State with a POC tax, and
  - ii) the impact of a POC tax rate which is greater than that in other major racing jurisdictions.

The Racing Industry would once again work with Treasury to agree a model as to how this would be assessed or quantified.

## Submission Cont...

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The provision of such would give the Racing Industry more surety as to its budgeted revenue for FY19 (and beyond), and enable it to continue to embark on various projects which would grow the local racing industry and ensure the required investment to sustain and grow employment in regional areas in particular.

- b) That the Government provides to the SA Racing Industry, a set percentage of the POC generated from the taxation imposed on wagering operators through wagering on racing.

The Industry requests that Government implement a structure whereby say 40% of the POC generated from wagering on racing is paid to the Industry in FY19, with that percentage increasing incrementally each year over the next 5 years until the full POC amount received by Government attributable to wagering on racing, is returned to the SA Racing Industry. This is similar to the action taken by Government in 2008, whereby it redirected the then Wagering Tax paid by SA TAB, to the SA Racing Industry, commencing with 50% in 2008 and rising to the full tax amount in 2012.

This funding support for the SA Racing Industry would reflect the potential loss in revenue, but also importantly, it would reflect the inability of the SA Racing Industry to make a commercial decision to increase the current BOC rates charged to wagering operators for operating on its racing, due to the existence of a place of consumption tax in SA.

- c) That the POC tax rate applied in SA be reduced from the current 15%, to a rate in line with the Victorian or NSW rates of 8% and 10%, with an agreed consistent definition as to Net Wagering Revenue.

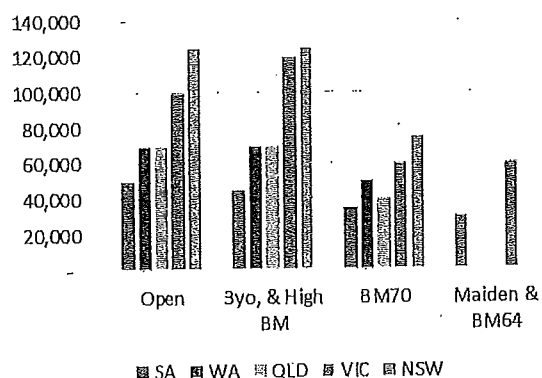
The SA Racing Industry is confident that it would be able to negotiate agreements with interstate wagering operators, similar to that which occurred in Victoria, whereby they provide assurances as to ceasing current adverse actions against the SA Racing Industry, and not taking any further punitive actions against SA racing and SA customers, as a consequence of a lower POC rate being adopted.



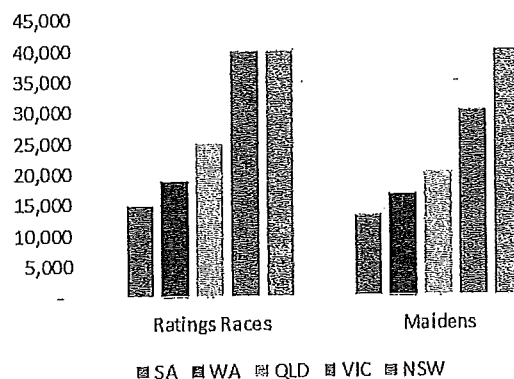
## Comparative Prize Money Schedules

THOROUGHBREDS					
	SA	WA	QLD	VIC	NSW
<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
3yo, & High BM	45,000	70,000	70,000	120,000	125,000
BM70	35,000	50,000	40,000	60,000	75,000
Maiden & BM64	30,000			60,000	
<b>Midweek Metro</b>					
Ratings Races	15,000	19,000	25,000	40,000	40,000
Maidens	13,000	16,500	20,000	30,000	40,000
<b>Provincial/Premium Meetings</b>					
Ratings Races	15,000	18,000	16,000	25,000	35,000
Maidens	13,000	16,500	15,000	26,000	35,000
<b>Country</b>					
Ratings Races	12,000		14,000	20,000	22,000
Maidens	10,000		14,000	23,000	22,000

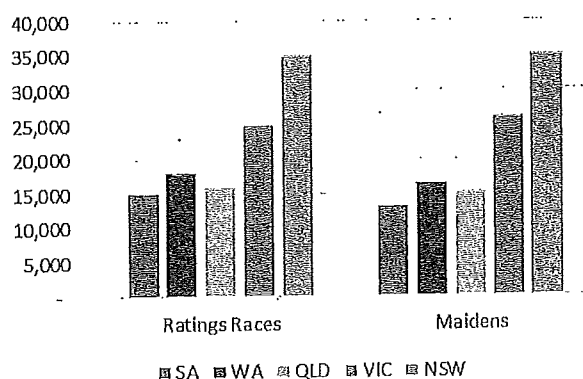
Metropolitan



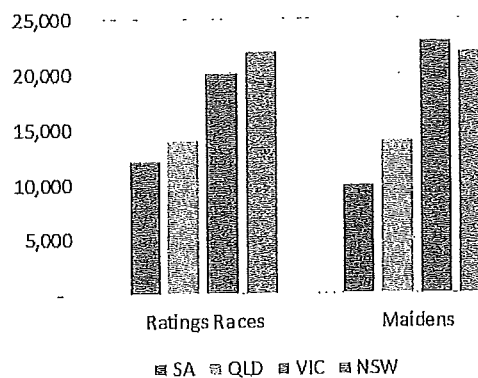
Midweek Metropolitan



Provincial/Premium Meetings

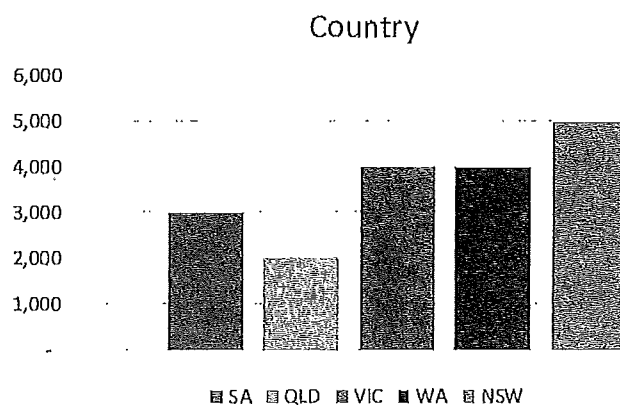
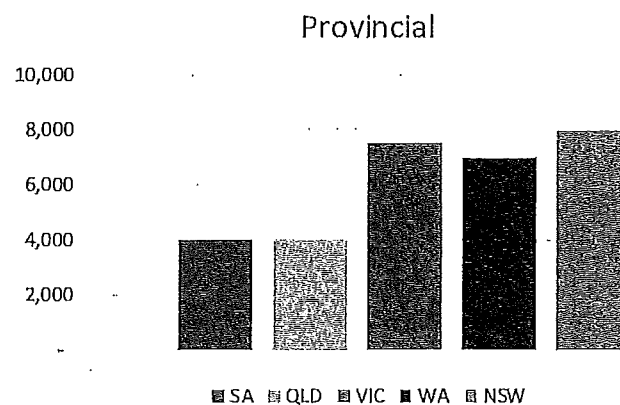
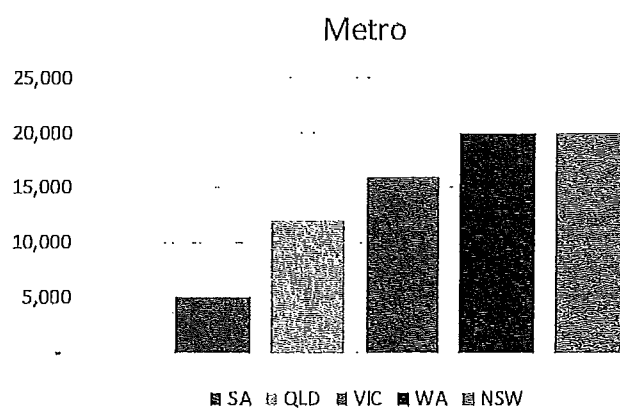


Country



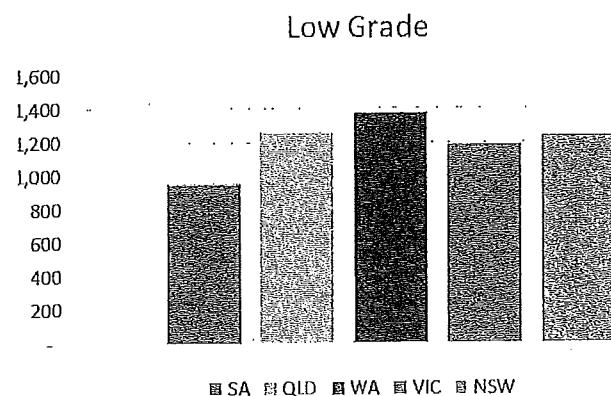
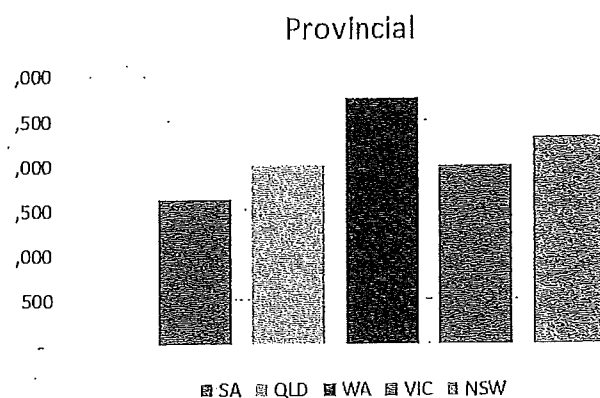
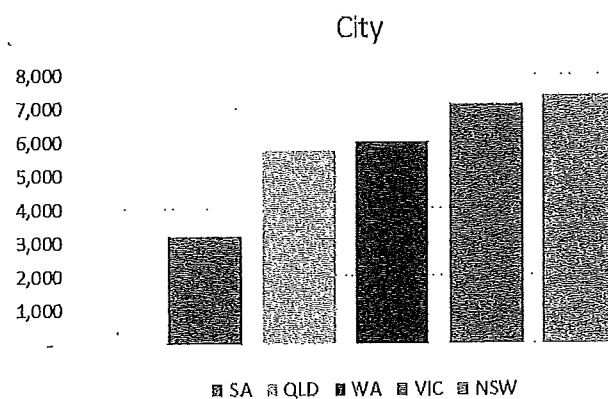
## Comparative Prize Money Schedules

HARNESS					
	SA	QLD	VIC	WA	NSW
Metro	5,000	12,000	16,000	20,000	20,000
Provincial	4,000	4,000	7,500	7,000	8,000
Country	3,000	2,000	4,000	4,000	5,000



## Comparative Prize Money Schedules

GREYHOUNDS					
	SA	QLD	WA	VIC	NSW
City	3,190	5,750	6,005	7,150	7,380
Provincial	1,615	2,000	2,755	2,005	2,310
Low Grade	945	1,250	1,375	1,180	1,230



**Racing SA submission to Government, requesting that the "Product Fee" component of the agreement between Government and UBET to extend UBET'S retail exclusivity, be directed to the South Australian Racing Industry**

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**July 2018**



## Definitions

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<b>Product Fee:</b>	With regards the Racing Industry, the term Product Fee relates to the amount or fee the SA TAB is required to pay to the SA Racing Industry, by way of consideration for the supply of "racing product" by the Industry. When UBET tabled its various offers during their negotiations with SA Treasury for the extension of its retail exclusivity, they included a component referred to as "Annual Fixed Product Fee", which they similarly saw as a fee recognising the supply of racing product by the Industry.
<b>POC:</b>	Place of Consumption Tax. This is a tax imposed on wagering service providers, for wagering by customers based in the State where the tax has been imposed/introduced.
<b>SA Racing Industry:</b>	This includes all three Racing Codes of Thoroughbred Racing SA (TRSA), Greyhound Racing SA (GRSA) and Harness Racing SA (HRSA).

## Submission

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1. UBET operates as a wagering provider in SA in accordance with the Approved Licensing Agreement (ALA), granted to it upon its purchase of SA TAB from the SA Government in 2000. Under the ALA, UBET were granted retail exclusivity in SA, for a period of 16 years, which expired in 2016.
2. At the expiry of UBET's initial retail exclusivity period, the Government extended their exclusivity rights while they engaged with UBET in negotiations as to a renewal of its retail exclusivity.
3. Early in those negotiations, the then Treasurer determined that TRSA would participate in the negotiations, representing the three racing Codes (Greyhound Racing, Harness Racing and Thoroughbred Racing).
4. There was lengthy and robust discussion around various matters which UBET considered would impact on the value to it of retail exclusivity, in particular re;
  - i) the period of retail exclusivity to be provided, and
  - ii) the impact on UBET of the then newly announced POC tax in SA.
5. As part of the negotiations UBET also sought to have variations made to some aspects of their ALA. They also sought approval for the introduction of four new products namely; note readers on the approved self service terminals, virtual racing, in play betting modules in venues and video lottery terminals.
6. Throughout the negotiations UBET, in tabling its various offers for the extension of its retail exclusivity, consistently referred to an Annual Fixed Product Fee of \$1M pa, which it considered should be paid direct to the Racing Industry.

Their position on this recognised the fact that it was the SA Racing Industry which was, to a large part, providing the vehicle upon which UBET were able to operate, which is also consistent with the position under the Racing Distribution Agreement, whereby UBET pay a product fee for the supply of racing by the Industry.

## Submission cont...

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7. While not disputing the rationale behind UBET's contention on this matter, Treasury advised they would need to seek an opinion from the Crown Solicitor's Office.

The advice ultimately received was to the effect that it was Government granting the licence for retail exclusivity, and thus any payment by way of a Product Fee, should be directed in the first instance to Government, with Cabinet then to make the determination to direct such on to the SA Racing Industry.

8. Unfortunately the negotiations between UBET and Government took considerably longer than anticipated, as UBET was seeking to achieve a more desirable outcome for itself. When final agreement was reached between Treasury and UBET, as to the renewal of UBET's retail exclusivity, it was virtually on the eve of the State Election, and Government going into caretaker mode.
9. Throughout the retail exclusivity negotiations, the Racing Industry believed there was a strong view that the \$1M pa Product Fee component of UBET's offer would be directed on to the Racing Industry, especially as the Industry's racing was a significant component in UBET's ability to operate in SA. While the Industry considered the negotiations had taken place in good faith with this belief in mind, regrettably Cabinet did not (have time to) give effect to such prior to going into caretaker mode in February.
10. With Cabinet not having the opportunity to make a determination as to the \$1M pa Annual Fixed Product Fee being directed on to the SA Racing Industry, it was simply amalgamated within the ALA Variation Agreement, as an "Annual Fee for Initial Period", along with UBET's proposed Annual Exclusivity Licence Fee of \$150K pa, which it had also identified in its offer.
11. While negotiating the extension of its retail exclusivity, UBET agreed to provide the SA Racing Industry with infrastructure funding support, an industry marketing support package, and a small share (guaranteed \$120K pa) of their "bricks & mortar" sports betting revenue. UBET agreed to support industry infrastructure with two \$500K payments in years one and six of the initial period of their retail exclusivity agreement, with a further \$500K if the Agreement extended beyond the initial period.

The industry marketing support package is \$1M pa, and is subject to all three Codes providing UBET with extensive marketing, race sponsorship and branding rights, at the exclusion of all other wagering operators. To receive this revenue the SA Racing Industry was required to forego the opportunity to seek and obtain sponsorship, marketing funding, etc, from any other wagering operator.

12. Throughout the process the then Treasurer had noted on several occasions that *"there was nothing in the negotiation for the extension of UBET's retail exclusivity for Government"*.
13. **The SA Racing Industry therefore respectfully requests that Government agree to pass on to the Industry, the \$1M pa Annual Fixed Product Fee now being paid by UBET.** This would also be similar to the process which occurred when the Queensland Government similarly renewed UBET's retail exclusivity in their State, with the majority of the payment for such paid to their racing industry.

# **Racing SA submission to Government for the adoption of a Racing Industry policy to sustain the SA Racing Industry**

**July 2018**



## Submission

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1. Prior to the 2018 State election, the SA Racing Industry tabled a submission with each of the main political parties, seeking their support in adopting a racing policy within their manifestos.
2. The submission tabled, "Sustaining the South Australian Racing Industry", detailed the major challenges facing the SA Racing Industry, and the support the Industry was seeking from Government as it endeavoured to meet these challenges.
3. The South Australian Racing Industry struggles increasingly to compete with the growing interstate competition and offerings, in both prize money and infrastructure/facilities, where other State Governments have underpinned the growth of their local racing industry through priority funding support.

In the face of this ever-expanding interstate competition, boosted by their respective State Government support, the South Australian Racing Industry will become less competitive and sustainable without similar State Government support in South Australia, with the loss of employment, participation and investment an inevitable consequence.

4. While the Racing Industry has made significant improvement in recent years, the South Australian Racing Industry continually faces numerous challenges, and is under severe pressure to sustain a viable and vibrant industry in South Australia, and thus maintain the employment generated by the Racing Industry in SA. The industry must ensure that sufficient and appropriate opportunities are available in South Australia to; retain and sustain those employed within the Racing Industry, maintain investment in the industry and counter the lure of greater opportunities interstate.
5. Not only is the Racing Industry responsible for sustaining the employment of over 3,600 South Australians (full time equivalent), across South Australia one in every 80 adults are employed in or participate in some way in the South Australian Racing Industry.
6. The SA Racing Industry is an important contributor to the South Australian economy, including;
  - Generating over **\$400M pa** in economic benefits for SA
  - Providing over **\$220M pa** in household income
  - Generating over **\$19M pa** in GST
  - Generating over **\$300M pa** in direct expenditure of which over 40% occurs in regional areas.
7. However the Racing Industry's contribution is more than that of a significant economic contributor to the SA economy. The Racing Industry brings communities closer together, supporting businesses, growing careers, fostering relationships – and delivers a social return far greater than the mere economic numbers themselves.
8. The major challenges facing the Racing Industry in South Australia now, and moving forward are:
  - Growing base prize money levels to grow participation and employment, stem the growing drift interstate (of trainers and jockeys/drivers) and to increase race field sizes;
  - Improving training facilities at the State's major training venues;
  - Renovating and developing industry facilities to meet the current expectations of the public as to what is required at major sports venues;
  - Maintaining (and enhancing) the highest levels of integrity control and compliance;



## Submission cont...

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- Rebuilding the breeding industry as a source of horses and greyhounds locally;
- Meeting the rising compliance costs associated with aging facilities;
- Increasing on-course attendances; and
- Competing with the growth in wagering on sports to maintain racing's market share of overall wagering revenue which ultimately underpins the industry itself.

9. In facing and endeavouring to counter the above challenges, there are 5 key areas where the South Australian Racing Industry, representing Thoroughbreds, Harness and Greyhounds, seeks Government support in order to sustain this important industry in our State, and to maintain and grow the employment it creates:

- i. Prize money growth to retain investment, participation and employment
- ii. Infrastructure
  - Improving SA racetracks, facilities and amenities
  - Improving and maintaining training facilities

Racing and training tracks are located right across the State; Regional cities, Metropolitan, West Coast, Far North and South East.
- iii. Breeding and sales
- iv. Integrity compliance and enhancement
- v. Unclaimed dividends

10. Prize Money Levels to Sustain the South Australian Racing Industry

While the Racing Industry has endeavoured to maximise the prize money provided across South Australia, the current framework simply cannot compete with that which is on offer across the board interstate, where the racing industries all have relatively higher levels of Government funding.

The local Industry does not realistically expect prize money in South Australia to match that of Victoria and New South Wales, however, a truly sustainable model would endeavour to match prize money levels on offer in Queensland and Western Australia. Attached is a comparative prize money schedule re prize money offered across the States.

Recent prize money increase announcements have been:

### NSW

Racing NSW, supported by the NSW Government, have announced a further \$24M pa in increased prize money, effective from 1 September 2018.

### Victoria

On 1 June Racing Victoria announced a \$12.4M injection in prize money across the State, effective from 1 August 2018, with prize money in Victoria having risen by 32% since 2015.

### Queensland

The Queensland Government, having recently provided \$70M in general support for its local racing industry, has just announced that an additional \$12M in prize money will be injected annually into their industry to help drive participation and confidence.

**A similar injection is necessary in South Australia to maintain some parity.**

## Submission cont...

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### 11. Infrastructure

#### a) Improving South Australian Race Tracks and Patron Facilities

Many of South Australia's racing Clubs are operating from outdated facilities which do not meet the demands and expectations of today's attendees at sport and entertainment venues. While it is important that the venues remain relevant and appealing to local and interstate visitors, the challenge is even more difficult with the burden of the Industry's costs in the areas of WHS, integrity oversight, and animal welfare-related projects.

#### b) Training Facilities

In excess of 2,000 participants are employed in the preparation and training of the over 5,000 racehorses and greyhounds trained in South Australia.

Over **\$90M** is spent annually in South Australia on the preparation and training of racehorses and greyhounds.

The provision of an appropriate level of training facilities is the backbone of the State's Racing Industry and the employment it generates. Energy, water and labour costs associated with providing and maintaining these facilities has escalated in recent years creating a growing burden and drain on the Racing Industry's limited revenue streams. More funding is required to assist those Clubs that provide these facilities, which in turn promotes the opportunities to participate. Increasing WHS compliance costs and the pressure to provide modern training facilities such as synthetic training tracks, which have become common at training facilities interstate, require additional funding and investment.

### 12. Breeding and Sales

The economic and employment benefits to South Australia in having sustainable breeding activity across all three Codes are inherently valuable.

In excess of 1,000 people are employed or participate in the breeding of racehorses and greyhounds in South Australia. In excess of 1,300 foals and pups are bred in the State each year. Over **\$27M** is spent annually by participants and owners on expenses relating to producing those racehorses and greyhounds.

There are breeding incentive schemes in place aimed at boosting the local breeding industry and retaining horses and greyhounds for racing in SA, and these must continue to be nurtured. However sadly these have fallen well behind the similar schemes in place interstate, which are bolstered by Government support.

### 13. Integrity Functions

Maintaining the highest levels of integrity in racing is an absolute cornerstone of the success of the Racing Industry. It is a major challenge for the industry to implement best practice and procedures, to maintain the highest levels of integrity for participant and public confidence. The Industry cannot afford to be complacent in this area. All other Principal Racing Authorities receive Government funding to enhance each Code's integrity levels in their respective States.

## Submission cont...

Out of competition testing for jockeys, drivers, racehorses and greyhounds, as well as regular stable and kennel inspections, have been and must continue to be, increased to maintain confidence in racing. The rising costs of integrity oversight have placed an additional financial burden on the Racing Industry, and its ability to adequately invest in other areas of the Industry, such as capital expenditure and prize money.

### 14. Unclaimed Dividends

It has been an ongoing request for several years by the SA Racing Industry, that the unclaimed dividends arising from the on-course totalisator operations be paid to the Industry. When the SA TAB was sold in 2001, Tatts (now UBET) was given the right to retain the unclaimed dividends for all off-course wagering, however, all unclaimed dividends from wagers placed on-course are paid to the Government. The on-course totalisator unclaimed dividends amount to an average \$300K per annum. This is wholly driven by wagering activity, and on that basis it is only reasonable that this money be re-invested for the industry's benefit.

### South Australian Racing Industry Funding Request

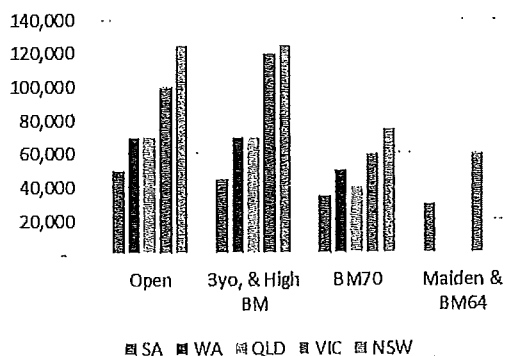
In considering each of the six items detailed above, the SA Racing Industry requests that the Government implements a Racing Policy, effective from FY19, to provide the following funding support to the SA Racing Industry.

	Per Annum	Over 4 Years
Prize Money levels to sustain the SA Racing Industry	\$7M	\$28M
Infrastructure - Race tracks & patron facilities	\$2M	\$8M
Infrastructure - Training facilities	\$2M	\$8M
Breeding & Sales	\$1M	\$4M
Integrity	\$1M	\$4M
Unclaimed Dividends	\$300K	\$1.2M
	<b>\$13.3M</b>	<b>\$53.2M</b>

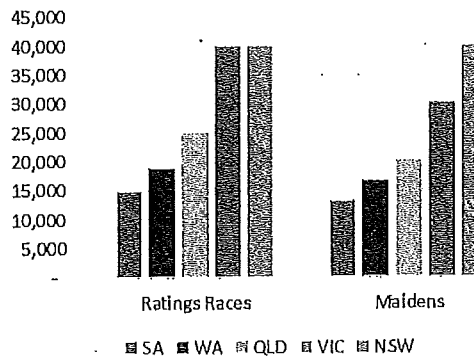
## Comparative Prize Money Schedules

THOROUGHBREDS					
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<b>Metro</b>					
Open	50,000	70,000	70,000	100,000	125,000
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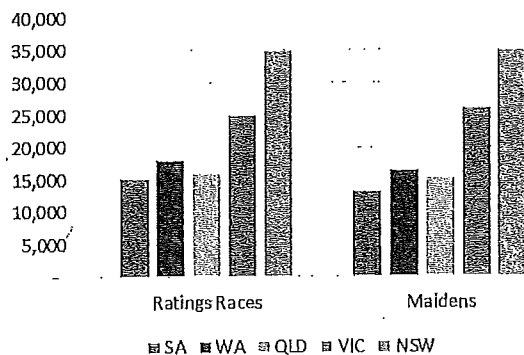
Metropolitan



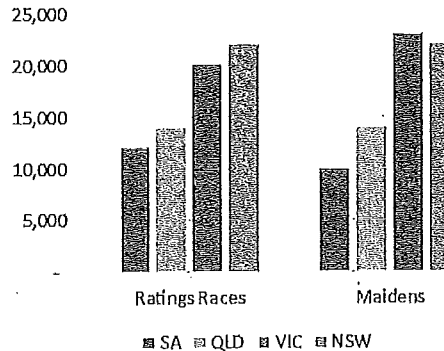
Midweek Metropolitan



Provincial/Premium Meetings



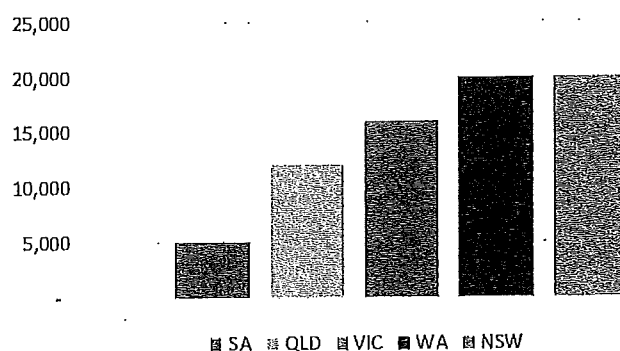
Country



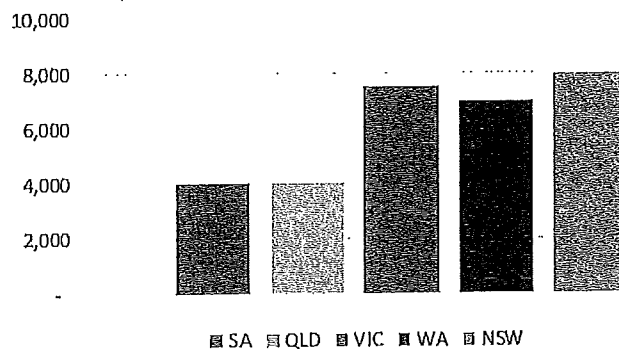
## Comparative Prize Money Schedules

HARNESS					
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Metro	5,000	12,000	16,000	20,000	20,000
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Country	3,000	2,000	4,000	4,000	5,000

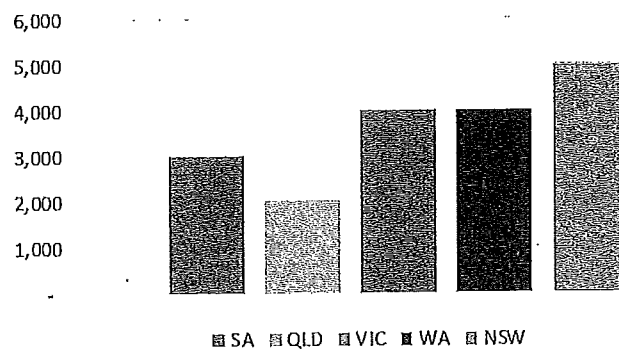
Metro



Provincial

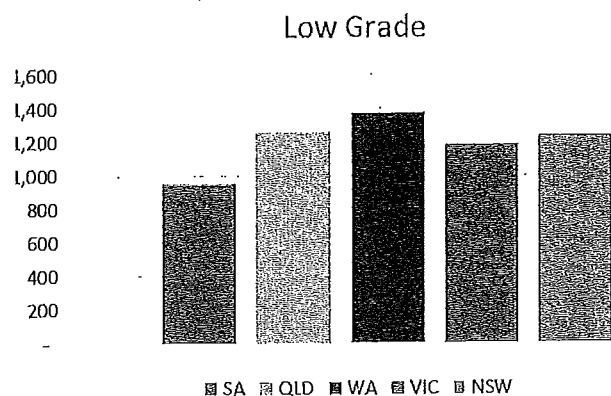
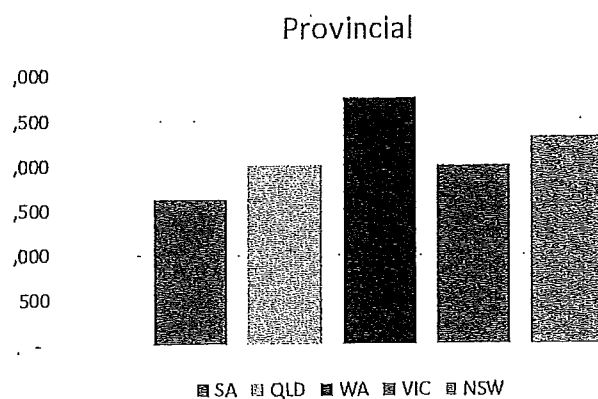
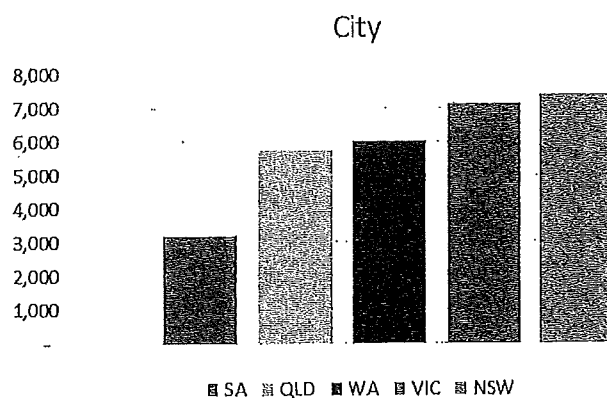


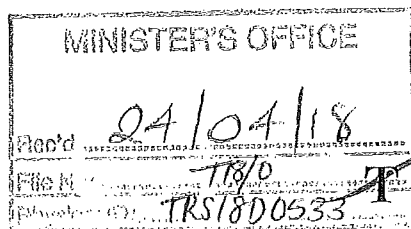
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## Comparative Prize Money Schedules

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(08) 8179 9802  
JW:AVT L026

24 April 2018

Hon Robert Lucas  
Treasurer  
[Rob.Lucas@sa.gov.au](mailto:Rob.Lucas@sa.gov.au)

Hon Corey Wingard  
Minister for Racing  
[wingardcorrespondence@sa.gov.au](mailto:wingardcorrespondence@sa.gov.au)

Dear Treasurer and Minister

While the South Australian Racing Industry will be seeking to meet with you in relation to various matters vital to the racing industry in our State, on behalf of Thoroughbred Racing SA, I seek a meeting with you, as Treasurer and Minister for Racing, at your earliest convenience to discuss two matters specific to the thoroughbred racing industry in South Australia. Namely, the proposed move of the Adelaide Cup and associated public holiday, and ongoing funding for the Adelaide Racing Carnival/Festival of Racing. Both of these items are time sensitive with regards programming by the industry, both inter- and intra state, hence the request to meet more urgently ahead of the other matters to be considered.

We would be grateful if you could please provide dates suitable for you both to meet, and I will coordinate with TRSA's Chair Frances Nelson and myself.

We look forward to your advice

Yours sincerely

Jim Watters  
Chief Executive

## Colegate, Rachael (DTF)

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**From:** Colegate, Rachael (DTF)  
**Sent:** Wednesday, 2 May 2018 5:09 PM  
**To:** Barber, Vicki (AGD)  
**Subject:** RE: Meeting request

Hi Vicki

This is a yes from the Treasurer. I will give you a call tomorrow to arrange a suitable time for both Minister's.

Kind regards  
 Rachael

---

**From:** Barber, Vicki (AGD)  
**Sent:** Tuesday, 1 May 2018 12:55 PM  
**To:** Colegate, Rachael (DTF) <Rachael.Colegate@sa.gov.au>  
**Subject:** Meeting request

Hi Rachael

We have received a letter dated 24 April 2018 from Jim Watters, Thoroughbred Racing SA requesting a meeting with Minister Wingard and the Treasurer wanting to discuss the proposed move of Adelaide Cup and funding for Adelaide Racing Carnival.

Can you please advise whether the Treasurer will be meeting with Mr Watters?

Kind regards

**Vicki Barber** | Acting Personal Assistant to the Hon Corey Wingard MP

**Office of the Hon Corey Wingard MP**  
 Minister for Police, Emergency Services and Correctional Services  
 Minister for Recreation, Sport and Racing  
 Phone (08) 8463 6618  
 GPO Box 668 | Adelaide SA 5001 | Lv 2 45 Pirie Street ADELAIDE SA 5000



## **Colegate, Rachael (DTF)**

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**From:** Colegate, Rachael (DTF)  
**Sent:** Wednesday, 2 May 2018 9:06 AM  
**To:** Barber, Vicki (AGD)  
**Subject:** RE: Meeting request

Hi Vicki

This request is yet to be discussed with the Treasurer, I will advise the outcome once it has been discussed.

Thanks  
Rachael

---

**From:** Barber, Vicki (AGD)  
**Sent:** Tuesday, 1 May 2018 12:55 PM  
**To:** Colegate, Rachael (DTF) <Rachael.Colegate@sa.gov.au>  
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**Vicki Barber** | Acting Personal Assistant to the Hon Corey Wingard MP

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