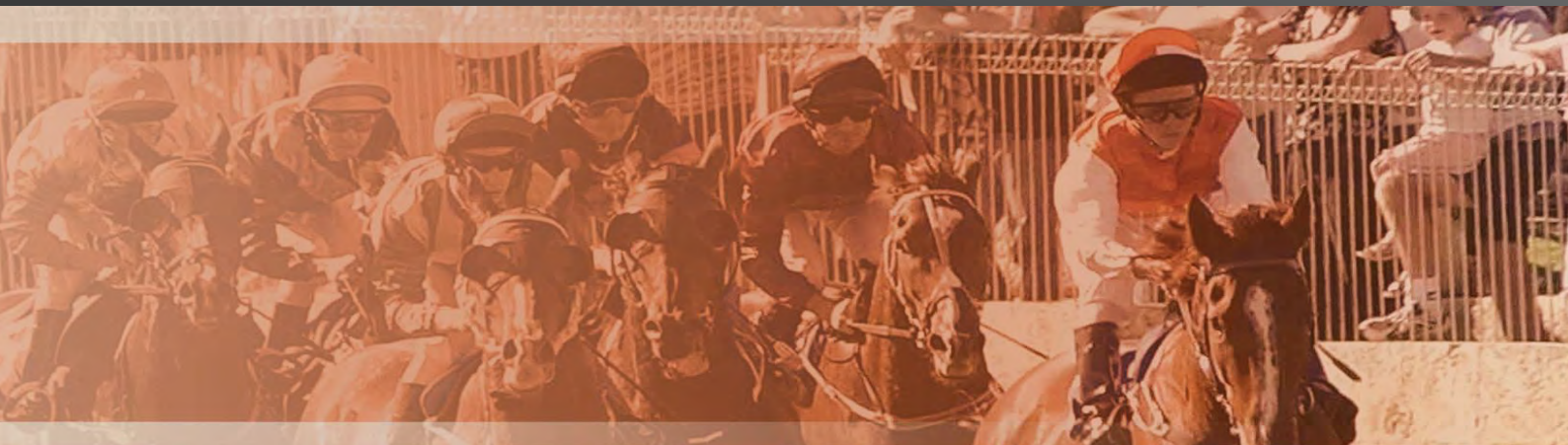


# RACING AND WAGERING WESTERN AUSTRALIA



## Statement of Corporate Intent 2014-15

# TWO PASSIONS ONE VISION

*our clear line of sight*

## Our Strategic Challenges

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

## Our Response

We all make a valuable contribution to our Management Priorities and future strategies. By living our values every day and building the capability of our leaders we can rise to these challenges, create an even more successful organisation and deliver on our purpose.

## Our Purpose

*To provide a positive sustainable future for the WA Racing Industry*

## Our Vision

*Making our racing great*

## Our Management Priorities

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

## Our Teams

*Our team goals are clear and we strive to achieve the best team and corporate outcomes*

## Our Roles

*Our individual contribution is important and aligned to the team goals and management priorities to deliver our purpose*

## OUR VALUES

### ENTHUSIASM & PRIDE

*"They love the sport, we love the challenge"*

### ACHIEVEMENT

*"Service that makes a difference"*

### 'REAL'ATIONSHIPS

*"They are authentic & open"*

### TEAM PLAY

*"Success is a team sport"*

### HONESTY

*"I own my 50%"*

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# INTRODUCTION

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

The *Racing and Wagering Western Australia Act 2003* requires RWVA to produce a Statement of Corporate Intent (SCI) which in this instance reflects the 2014-15 financial year and in particular sets out RWVA's objectives, main undertakings for the year, the nature and scope of the functions proposed to be performed, performance targets and accounting policies.

# RWWA'S OBJECTIVES

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

The strategic challenges and management priorities are as follows;

## **Our Strategic Challenges**

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## **Our Management Priorities**

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# SUMMARY OF STRATEGIC INITIATIVES AND ACTIVITIES

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

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

## **WAGERING**

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

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

### **Improve the Capacity to Deliver Customer Loyalty**

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

The system architecture to support these initiatives is currently under consideration.

### **Adapt the Retail Business to the Digital Age**

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

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

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

### **Product Innovation**

Product innovation within its existing wagering licence is one of the areas in which RWWA can seek to sustainably grow its revenue base and share of the overall wagering market. Over the past couple of years RWWA has been working on a number of wagering initiatives which are in various stages of development.

## **RACING**

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

Towards the completion of financial year 2009-10, RWWA developed strategic plans for all three racing codes. Annual reviews of its Distribution Model funding framework are conducted in light of those strategic directions for the industry. All three code strategic plans focus on driving improved performance, greater sustainability and ensuring long-term viability of Western Australian racing into the future.

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

### **Participation in the Western Australia Racing Industry**

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

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

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

### **Quality of the Racing Product in Western Australia**

RWWA's funding of the industry is highly motivated by the quality of product emanating from the racing industry breeding schemes; our reputation in terms of integrity, having a strong ownership base and that the WA racing industry has a sound foundation for driving increased performance across all breeding, training, animal welfare, club and punter segments.

Ongoing support of structured industry training and accreditation programmes for participants has further enhanced Western Australia's racing reputation, whilst initiatives across all three codes for breeding schemes encourages sustainable investment and interest in breeding. RWWA is focussed on the declining areas of the racing product and strategies supporting the improvement of the WA racing product are assisting in promoting breeding of quality progeny for WA racing across the three codes.

### **Efficiency of RWWA Racing Model**

As the principal racing authority for the three codes in WA, the *RWWA Act* defines the functions and responsibility for regulating and funding the industry, however it precludes RWWA from conducting the affairs of clubs.

Whilst RWWA consults widely with industry stakeholders and in particular, with club administration on a regular basis, it is becoming increasingly evident that many of the racing clubs heavily rely on RWWA for support and assistance on administrative requirements, OSH and in some cases financial management. The clubs are the 'Event Managers' and their role is to advertise, promote and provide race meetings which attract on-course attendees, provide betting activity on their own meetings and others that coincide as well as generate on-course revenue from food, beverage, other hospitality and sponsorship. With increasing competition from other wagering operators and entertainment options attaining optimum profitable results in these areas of income is becoming more difficult.

In light of this general downturn at the club level, the RWWA Board and Management are focusing on this as one of its key strategic issues and are in the process of defining what RWWA needs to do now and in future years to assist and sustain the viability of clubs operating in WA. RWWA are currently implementing with the Metro clubs TAB strategies that can be aligned with the on-course experience through additional Marketing support to create a seamless experience of the brand for customers enabling RWWA to drive on-course activation and brand development. In addition to this RWWA are planning to introduce Racewall technology, initially at the metro race clubs, beginning in 2014-15, so as to enhance the on-course experience for patrons and reverse the declining trend of on-course attendance.

RWWA remains committed to advancing this strategic direction across the wider racing industry sector, through the industry associations and with the club sector. Regular communication to regional and metropolitan stakeholders, incorporating discussion over key funding initiatives, RWWA's trading trends, race programming, wagering activity, etc. and through its official publication distributed to the industry, will ensure RWWA identifies those matters affecting clubs and participants sustainability and enable RWWA to effectively deal with the many issues that may affect racing industry constituents.

### **Delivering on our Purpose**

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

Distribution funding provided to the industry in 2013-14 shows a forecast increase of \$6.1M over the 2012-13 actuals. Since 2010-11, increased funding has grown in excess of 16%. Solid growth in stake money provided to the participants has contributed to the success of the industry in this State. The collection of beneficial economic data as a result of investing in an Economic Review of the Western Australian Racing Industry in 2012 identified many strengths within the racing industry's employment, club and participant sectors. RWWA is committed to the continued sustainability of the industry and longer-term viability of those who participate. RWWA has had a focus over recent years of minimising costs in its operations and by maximising returns from its pari-mutuel and Fixed Odds Racing and Sports wagering, it has been able to deliver strong growth returns in meeting its goals and objectives.

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



## **Racing Industry Grants and Development**

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

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

In order for racing to meet these requirements, \$109.8M is required to be invested within the industry over the next five years on desired capital infrastructure projects for metropolitan, country and regional clubs.

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

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

The following sub-sections detail the different Grant programmes.

### **Racecourse Infrastructure Grants Programme (RIGP)**

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

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

91 projects throughout the State have been completed as a result of this funding support. Major initiatives include the construction of the Bunbury Trotting Club's trackside restaurant, refurbishment of the Mandurah Greyhound Track public facilities, Pinjarra Park Race Club's kitchen/cafe improvements, grandstand roof replacement, requisite hydraulic works, Bunbury Turf Club's patron facilities improvements, major renovation of the Broome Turf Club's racetrack, Geraldton Turf Club's kitchen and ablutions renovations as well as minor works across all codes and regions addressing OHS and animal welfare requirements.

As of March 2014, 114 grants have been approved or committed to in principle to a value of \$9.14M out of a total project cost of \$18.2M.

### **Royalties for Regions (RfR)**

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

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

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

As of March 2014, 63 Royalties for Regions supplementary grants have been approved or committed to 'in principle' to a value of \$2.3M from a total project cost of \$5.9M.

Each Regional Development Commission area has benefitted from the grant funding allocation, the major recipients being the Wheatbelt, Goldfields Esperance and Peel regions.

### **RWWA Funded Grants**

RWWA has allocated \$12.5M towards the redevelopment of the Cannington Greyhounds track in 2014-15. \$0.5M was incurred in the 2013-14 financial year contributing to a total contribution by RWWA of \$13M. The remaining infrastructure funding in 2014-15 will be from clubs in partnership with RIGP/Royalties for Regions.

# DISTRIBUTIONS OF FUNDS

**Table 1: Racing Industry Distributions for 2014-15**

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

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

Track Class	Thoroughbreds		Harness		Greyhounds	
	(\$000's)	% of Code	(\$000's)	% of Code	(\$000's)	% of Code
Metropolitan	45,045	58.3%	17,681	55.0%	7,479	44.7%
Country	31,503	40.8%	13,898	43.2%	9,254	55.3%
Training	0	0.0%	233	0.7%	0	0.0%
RWWA *	675	0.9%	341	1.1%	0	0.0%
<b>Grand Total</b>	<b>77,223</b>	<b>100.0%</b>	<b>32,152</b>	<b>100.0%</b>	<b>16,732</b>	<b>100.0%</b>

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

**Table 2: Sports Distributions for 2014-15**

<b>Sports Distribution (\$000's)</b>	<b>3,619</b>
as a percentage of Sports MAT	20.50%

**Table 3: Racing Distribution Funding for 2014-15**

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

Distribution Funding Source (\$000's)	Thoroughbreds	Harness	Greyhounds	Total
Racefields Grants Income	20,563	8,794	4,624	33,980
Wagering Revenue	56,660	23,359	12,109	92,127
<b>Total Racing Distributions</b>	<b>77,223</b>	<b>32,152</b>	<b>16,732</b>	<b>126,107</b>
Racefields revenue code allocation %	60.51%	25.88%	13.61%	100.00%

# KEY PERFORMANCE INDICATORS

Key Performance Indicators	2014-15
Number of bets processed (% Change from prior year)	3.25%
Distribution to Racing and Sports (\$000)	129,726
Distribution to Racing and Sports (% Change from prior year)	5.18%
Racing and Stewards Expenses per WA meeting (\$000)	18
Racing and Stewards Expenses per WA meeting (% Change from prior year)	2.96%
Number of staff (FTE)	377
Return on Assets (%)	85.63%
Return on Assets (% Change from prior year)	4.97%
Primary Betting System availability (%)	99.96%
Primary Betting System availability (% Change from prior year)	0.00%

## ACCOUNTING POLICIES

Policies adopted in the preparation of the accounts for the period of this Statement of Corporate Intent are consistent with the Accounting policies outlined in RWWA's Annual Report.

## REPORTING REQUIREMENTS

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

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

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

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

- End -