

Tasracing  
corporate plan

2011|16



developing a globally competitive  
and sustainable racing industry



tasracing

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## 1. EXECUTIVE SUMMARY

Reflecting on its charter which has been mandated by an Act of Parliament, Tasracing has established a Corporate Plan to develop a globally competitive and sustainable racing industry.

In the drive to become more competitive and economically sustainable, the implementation of the Corporate Plan will enable Tasracing to position for opportunity by:

### **1. Developing a racing product that is commercially viable utilising contemporary, cost-effective infrastructure**

Given the limited population base of Tasmania and the highly competitive wagering environment, the only way to make the Tasmanian racing product commercially viable is to attract more off-course wagering customers to generate additional revenue. These off-course wagering customers are located beyond Tasmania, in other Australian states and international markets. To compete in these wagering markets, Tasmania's racing product and the race tracks themselves need to be developed and managed differently to best service the customers via the transmission of product data and vision.

Tasmania's racing industry needs to align its product and tracks to the requirements of the off-course wagering customers. The race meetings need to reward stakeholders who provide a product that is aligned to the off-course wagering customer. Those events or tracks that do not generate revenue need to be reformed.

### **2. Focusing on wagering customers to expand existing and emerging markets**

The racing industry has developed beyond the original on-track customers, to customers who receive the product via broadcast. There is no sustainable industry future unless the supplied product data and vision meet the off-course wagering customer.

Provided the product data and vision broadcast from Tasmania meets the wagering market requirements, the local industry can grow by successfully expanding into national and international markets.

### **3. Secure the confidence of industry participants as change is implemented**

Industry participants need to understand and support the strategy to reduce dependence on Government funding, as the industry becomes aligned with commercial drivers as outlined by Tasracing's Customer Focus Model.

Two-way communication between Tasracing and the participant's needs to function effectively as required change is implemented. Special attention is required to lift the industry's profile on environmental and animal welfare issues to maintain community support.

### **4. Installing innovative and leading technology throughout**

To operate efficiently, the industry needs improved management control systems that incorporate innovative concepts and leading technology. To become commercially focused, the industry needs tightly controlled policies and procedures that guarantee the production of competitive product data and vision for broadcast. The policies and procedures administered by Tasracing across all three codes, including the racing infrastructure, need to be innovative and underpinned by leading technology.

## 1. EXECUTIVE SUMMARY (CONT)

### 5. Generating additional revenue by 2015

The industry is dependent upon Government funding to continue its operations that employ the industry participants. The industry needs to take urgent steps to earn more revenue from its racing product in order to become less reliant on Government funding. The only way to do this is by attracting more off-course wagering customers whose wagering activities will generate additional revenue from the racing product.

In order to successfully implement this Corporate Plan, Tasracing will:

- Endeavour to attract and retain organisational and management talent with the commercial skills and experience to deliver the Corporate Goals
- Require broad-based industry understanding and support of key drivers underpinning the plan
- Continue to foster a professional and commercial culture throughout the staff and industry participants that is accountable for commercial results.

These three priorities are necessary to effectively support the Corporate Plan and drive significant change.

Tasracing has, in the last year, achieved milestones that contribute towards the successful delivery of the Corporate Plan. Outcomes achieved are:

- Implementation of a comprehensive industry training programme linked to licensing requirements
- Delivery of revised Code and Club Funding Models that is equitable, and that also provides incentives for improved performance
- The successful transfer of race field fees management and collection from Racing Services Tasmania, following Parliament's ratification of revised legislation in March 2011
- Implementing a Customer Focus Model and methodology ensuring a commercial outlook aligned to generating additional revenue
- Restructuring the organisation to realise efficiencies and one that is designed to deliver on the Corporate Goals
- Executing a revised funding deed with Government to facilitate access to \$40M of funding for major capital infrastructure and industry development projects.

Each achievement provides Tasracing with a platform with which to position the organisation for opportunity, and to maximise the potential of the Tasmanian racing industry.

## 2. INTRODUCTION

### 2.1 Background

Tasracing was established by a special Act of Parliament in November 2008. The organisation's Board was given an initial and quite specific brief to develop a vision and plan to sell Tasmanian racing to new and emerging markets.

The rationale behind this was simple - if the industry is to become financially viable and economically sustainable, it will need to increase off-course wagering revenue in what was already a highly competitive national and international environment.

Since Tasracing was established, competition in the wagering market has multiplied and intensified; as racing competes for the same wagering customers, and new forms of non-racing wagering become more attractive to younger customers.

In a competitive landscape, Tasmania needs to carefully stake out its value proposition in target markets. Whilst the Tasmanian racing industry cannot compete on a volume basis, the attributes of quality and skill are valued universally and will become hallmarks of the Tasmanian racing product offering. The Tasmanian racing industry's future lies in skilled personnel providing consistent racing suited to contemporary wagering audiences.

This Corporate Plan outlines Tasracing's direction for 2011 to 2016, providing an overview of priorities and strategies on which all activities will be based. Figure 1 below outlines the strategic process undertaken for the development and implementation of this Corporate Plan.



*Figure 1 – Strategic process of Corporate Plan development and implementation*

## 2. INTRODUCTION (CONT)

It also carefully addresses the core requirements of Tasmania's racing product, infrastructure, organisational systems and industry training to generate off-course wagering customer revenue.

In support of these requirements, Tasracing has:

- Amended its organisational structure to better position the company to deliver on its Corporate Goals in an efficient and effective manner
- Developed a three-year Racing Industry Skills Plan in consultation with Skills Tasmania
- Introduced new Code and Club Funding Models after extensive consultation with industry and significant research and analysis
- Developed a new Customer Focus Model that is placing a renewed emphasis on wagering providers, wagering customers and sponsors.

In preparing this Corporate Plan, Tasracing's senior management and Directors participated in workshops in the months of February and March 2011. Discussions were also held with consultative groups from each code and other industry organisations, to ensure a variety of views across the industry were taken into account.

While Tasracing and the racing industry continue to work collaboratively to build industry competitiveness and increase off-course wagering, the Tasmanian Government is providing base funding and capital works funding to assist with the industry's operational requirements.

In March 2011, the Government introduced amended race fields legislation into the Tasmanian Parliament that will provide up to 15% of Tasracing's funding for allocation directly to the industry.

## 2. INTRODUCTION (CONT)

### 2.2 Operating Environment

Tasracing operates in an environment that carries the following issues:

- An uncertain economic environment that directly affects the disposable income of customers of the racing industry
- Tasracing has the statutory responsibility to manage the racing industry, whilst at the same time maximising the industry's revenue to reduce its dependence on Government funding
- Tasracing carries a variety of non-commercial community responsibilities, based on tradition, to provide race days for the community. These 'community' race meetings cannot provide competitive product for off-course wagering customers and the continuation of the community benefits will need to be continually assessed in relation to costs
- Tasracing also carries environmental and animal welfare responsibilities that are directly connected to the community perceptions of racing product
- Whilst the racing industry provides significant employment, it is not sustainable without extensive Government funding. Through Tasracing, the Government has taken on the responsibility of subsidising the cost of racing for participants and clubs. Whilst mindful of these responsibilities, an increasing commercial discipline will need to be adopted in order to ensure industry sustainability
- One of Government's expectations in relation to returns is reflected in the funding deed by provision of an efficiency dividend. As a result Tasracing must be able to supplement Government funding with industry generated revenue
- A changing societal and cultural landscape with generational shifts resulting in changing customer demands. Generation X and Y have 'instant' entertainment requirements that the traditional racing industry is not well positioned to offer
- Technological trends present both opportunities in product distribution but also significant risks, by providing more entertainment options (broadcast, wagering or otherwise) to the increasingly mobile customer
- The national racing market is a mature, saturated and highly competitive landscape. Whereas the Tasmanian racing product has a small market share, and is not currently differentiated from other mainland product offerings.

## 2. INTRODUCTION (CONT)

Within this challenging environment Tasracing must continue operations and achieve its goals, at the same time as balancing Government and industry expectations (as demonstrated in Figure 2 below).

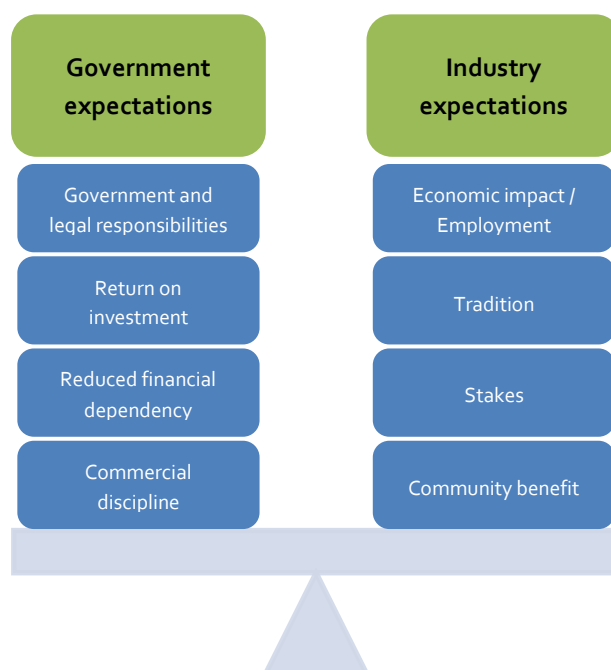


Figure 2 – Balancing responsibilities

### 2.3 Key Risks

The key risks for implementing this Corporate Plan include:

- Dependencies, contractual and otherwise, in relation to the penetration and distribution of racing product into national and international markets
- Barriers to entry to international markets (mature and emerging) including regulatory, time zone, contractual and foreign exchange challenges
- Industry funding constraints and legislative obligations in relation to stakes
- Continued availability of infrastructure that is appropriate, to ensure that Tasmania is capable of broadcasting regular racing events suited to customer requirements
- Ongoing uncertainty related to ongoing interstate legal challenges in relation to race field fees
- Competitiveness in accessing off-course wagering customers in Australia and international markets
- Stakeholder resistance to change
- Political interference from industry participants and/or Government responding to their special interests in determining product development, asset rationalisation and improvement, and industry management.



### 3. VISION, MISSION AND VALUES

The Board has reaffirmed the organisation's vision and mission to better align Tasracing to its principal role of growing a competitive and sustainable racing industry for Tasmania, and positioning the industry for opportunity.

The corporate values that will underpin Tasracing's implementation of this Corporate Plan are critical in its successful delivery.

The revised Vision, Mission and Values for Tasracing are as follows:

#### VISION

To become a globally competitive and sustainable racing industry

#### MISSION

To develop and manage:

1. Outstanding racing infrastructure
2. Professional racing product attractive to wagering customers
3. Training programs that produce professional industry participants
4. Investment opportunities for owners and breeders
5. Expansion of our wagering customers in emerging markets

#### VALUES

Our Vision will be achieved through consistently applying the following values:

1. PROFESSIONALISM
  - To develop commercial disciplines
  - To deliver competitive products and services
  - To deliver on our promises
2. INTEGRITY
  - To build and nurture trust with all our stakeholders
  - To provide appropriate and effective communication to all our stakeholders
  - To ensure consistency of probity across the 3 codes of racing
3. COMMITMENT
  - To ensure customer focus to grow revenue
  - To build teamwork and support throughout the industry
  - To strengthen career opportunities for staff and industry participants
4. EXCELLENCE
  - To implement professional management and operating systems
  - To apply leading technology and innovation
  - To assure the long term growth and sustainability of the racing industry

## 4. CORPORATE GOALS

To grow a competitive and sustainable racing industry, Tasracing has defined five Corporate Goals:

- **PARTICIPANT GOAL**  
To secure the confidence and support of industry participants as change is implemented for long term industry growth and sustainability
- **PRODUCT GOAL**  
To develop racing product that is commercially viable utilising outstanding and cost effective infrastructure
- **CUSTOMER GOAL**  
To focus on wagering customers to expand existing and emerging markets
- **ORGANISATION GOAL**  
To install innovative and leading technology throughout Tasracing’s business operations and assets
- **REVENUE GOAL**  
To generate additional annual revenue by 2015

By working towards the participant, product, customer, and organisation goals, Tasracing will position the Tasmanian racing industry for opportunity – opportunity being the key driver for the revenue goal.

The five Corporate Goals aligned in the organisation’s value chain focuses attention and emphasise the sequential nature and linear dependencies of the Corporate Goals (as demonstrated in Figure 3 below).

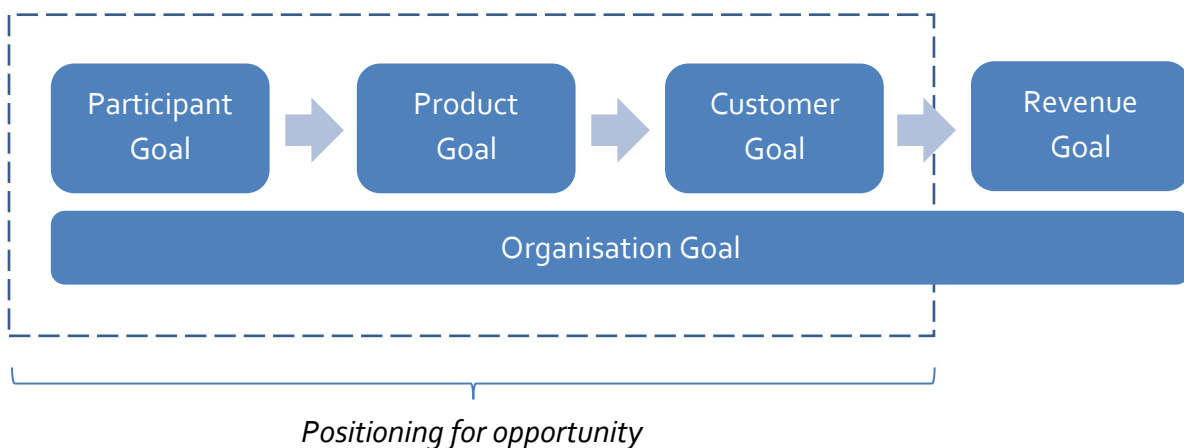


Figure 3 – Tasracing Value Chain

## 4. CORPORATE GOALS (CONT)

### 4.1 Participant Goal

*To secure the confidence and support of participants as change is implemented for long term industry growth and sustainability*

Tasracing's vision is to grow an industry that is commercially focused and sustainable, and this vision needs to be shared by all stakeholders.

A system of communication has been designed and implemented to ensure that participants and stakeholders are informed of developments, which are applicable, in a timely and efficient manner. Tasracing recognises the importance of gaining the views of stakeholders, and is committed to ensuring that where decisions are made that affect stakeholders that they are consulted in an appropriate manner.

In accordance with its responsibilities, Tasracing defines consultation as:

- The sharing of relevant information about matters affecting stakeholders
- Stakeholders being given reasonable opportunity to express their views and raise issues in relation to such matters
- The views of stakeholders being taken into account when Tasracing makes its decision(s) in relation to such matters
- Relevant stakeholders being advised of the outcome of decisions in a timely manner.

Tasracing needs to promote its vision and plan for the industry in a way so that participants clearly understand its objectives and the reasons for the introduction of change. Whilst some of the specific changes will be resisted by sections of the industry, Tasracing and its stakeholders need to be united in supporting the required changes in order to jointly take responsibility for future industry prosperity.

Change can be enacted by rewarding participants who align themselves with the contemporary commercial paradigm. This can be done by redistributing stakes, the locations of racing meetings, and maximising the contribution of participants around a range of events that are broadcast to off-course wagering customers. It will also be achieved through providing tangible benefits through industry training programs to lift the profile and skills of participants. Tasracing's new Code and Club Funding Models and the Racing Industry Skills Plan embody these principles.

The perception of customers and the general public concerning the racing product will increasingly be affected by Tasracing's environmental and animal welfare policies. It is vital that all participants actively engage in the promotion of best practice environmental and animal welfare policies.

This goal will be contributed to by Major Projects:

- Industry Training and Sustainability (#1)
- Organisational Systems and Development (#6).

## 4. CORPORATE GOALS (CONT)

### 4.2 Product Goal

*To develop racing product that is commercially viable utilising outstanding and cost effective infrastructure*

To successfully meet the demands of off-course wagering customers, the racing industry needs to align its racing events, the professionalism of its racing participants, and quality of its infrastructure with customer needs.

Tasracing needs to offer off-course wagering customers racing product on a regular and reliable basis. High profile annual racing carnivals are important community events that can attract off-course wagering customers, but regular racing events are essential to maintain customer interest and to ensure robust and ongoing revenue streams.

Traditionally, the Tasmanian racing product and infrastructure has been focused on the requirements of the industry's stakeholders and on-course patrons rather than the off-course wagering customers. This has created significant gaps in the State's product offering; between what is provided in Tasmania and what is required by off-course wagering customers.

Tasracing needs to carefully assess how participants can be encouraged and rewarded to comply with the requirements of off-course wagering customers. This includes consideration of the regularity and timing of race meetings, the supply of appropriate information and data required by wagering customers, and the locations of race meetings, to capitalise on optimal technology and equipment to broadcast the racing product.

The Government has provided the guarantee of funding for a period of 20 years, to provide the base financial support required for a racing industry. Tasracing's Corporate Plan seeks to introduce the required changes over a realistic period to enable participants to adjust to the requirements of the commercial racing world.

The alignment of our industry participant profiles with the requirements of a competitive wagering market will take time and considerable effort. Recognition of the need to change in response to the dynamic environment is critical for all stakeholders.

This goal will be contributed to by Major Projects:

- Racing Product (#2)
- Infrastructure (#3)
- Organisational Systems and Development (#6).

## 4. CORPORATE GOALS (CONT)

### 4.3 Customer Goal

*To focus on wagering customers to expand existing and emerging markets*

With the limited population of Tasmania the racing industry must position its product to suit wagering customers on the mainland and in overseas markets. The days of relying on local wagering support at race days to cover operating expenses are no longer sustainable.

The access to timeslots and broadcast coverage across Australia is controlled by Sky Channel and is very competitive. Premium slots are oversubscribed by a multitude of interstate racing events, and growth opportunities in these slots are extremely limited. There are however opportunities for Tasmania's racing industry to win new and improved timeslots by developing and expanding regular night racing across all three codes. This will not only promote Tasracing's product to additional Australian customers but it has significant timing advantages for broadcast to international markets. International opportunities are limited unless the broadcast slots are fully exploited.

Tasracing is positioning the industry to prepare for opportunities but it is critical that the industry is united behind the new focus on off-course wagering customers.

To succeed in attracting new wagering customers Tasracing will develop a racing calendar focused on the broadcast opportunities in the wagering market. The calendar will provide stakes and incentives for local participants, aligned with events suited to broadcast and wagering audiences. Over time Tasracing will ensure that all events that are branded under Tasracing are of a quality and stature suited to target markets.

Customer focus rather than participant demands will guide Tasracing initiatives and resource allocations; from the racing calendar, the collection of relevant data and vision for broadcast, the management of tracks, the training programs for the participants, to the environmental and animal welfare policies it enforces.

In the past there has been a tendency to placate vocal interest groups within the industry rather than applying true commercial leadership. To reduce the dependence on Government funding, reduce external interference, and to provide the best opportunity to grow the industry, decisions will be aligned to wagering customer needs and the potential generation of revenue.

One key activity to position the industry for opportunity is the building and maintenance of customer relationships. The challenge of acquiring and growing a customer base internationally is not to be underestimated. A determined effort, often "in person", is required to establish and secure these critical relationships, as a precursor to commercial arrangements.

This goal will be contributed to by Major Projects:

- Customers and Markets (#4)
- Distribution (#5)
- Organisational Systems and Development (#6).

## 4. CORPORATE GOALS (CONT)

### 4.3.1 Customer Focus Model

Customers are those who consume the product and provide a revenue stream.

Stakeholders are defined as those parties that realise material gains from their participation in the industry; including owners, trainers, jockeys, drivers, breeders and the racing clubs.

The Australian racing business model has traditionally focused on meeting the needs of stakeholders. Racing events, asset management, administration and marketing functions have served the needs of stakeholders, whilst wagering customers' needs have often been relegated to secondary concerns. The traditional model was suited to the monopoly conditions of domestic wagering markets, operating in stable environments. This model is depicted in Figure 4 below.

This stakeholder focus has lost its relevance in the contemporary competitive environment, and is no longer suitable for long-term industry sustainability in the 21st century.

Racing is now operating in a highly-competitive global market, and the internet now places our industry in competition with all other forms of entertainment. In addition the generation of revenue from race fields marks a significant change in the Australian racing business model, and shifts the focus of the principal racing authorities from purely Government to more commercial consideration.

In order to be successful, the racing industry's new funding model requires a new focus on customers – who include the wagering operators and their wagering customers. The Customer Focus Model redefines relationships between principal racing authorities and stakeholders, and calls for the development of a partnership culture in order to facilitate the delivery of a suitable product for customer consumption. This model is presented in Figure 5 below.

The Customer Focus Model provides a strategic framework that can provide guidance on activities, resource deployment and expenditure decisions. The model sets out a framework that will assist Tasracing's staff develop and apply a commercial focus that will be mandatory for Tasmanian racing to survive and prosper in a competitive and global marketplace.

With this in mind, Tasracing will place a new focus on its customers (off-course wagering customers, wagering providers and sponsors), whilst on-course patrons and local sponsors will remain the focus of the racing clubs.

Aligning business operations around customers recognises that potential revenue streams from product fees will only be realised when customer needs are satisfied. Stakeholders become partners in the delivery of racing product, and the co-dependence and shared prosperity dynamic is highlighted. The marketing function is the bridge between customer and product through promotion and distribution initiatives. Market research becomes a key activity, as products and customers are aligned to optimise commercial outcomes.

## 4. CORPORATE GOALS (CONT)

### Tasracing Traditional Stakeholder Model

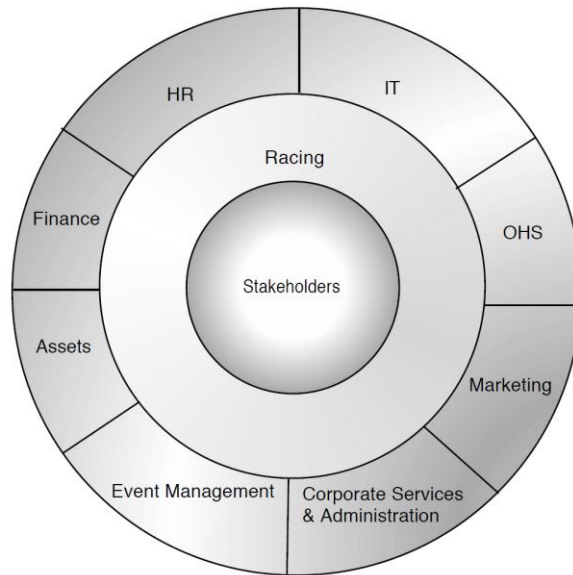


Figure 4 – Tasracing Traditional Stakeholder Model

### Tasracing Customer Focus Model

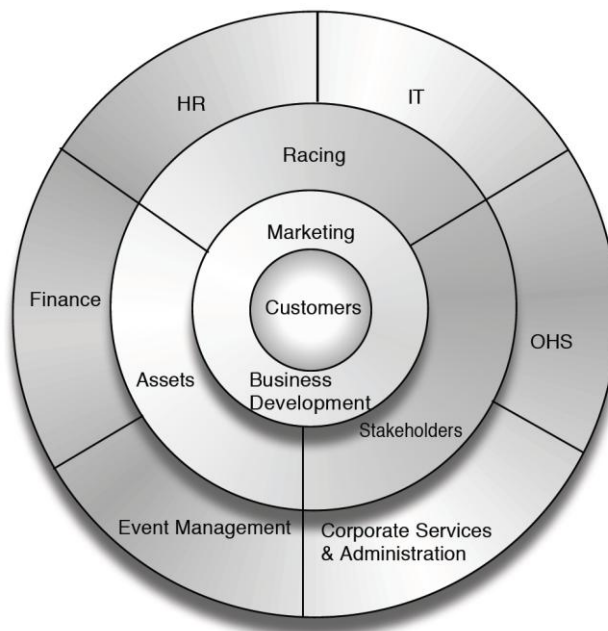


Figure 5 – Tasracing Customer Focus Model

## 4. CORPORATE GOALS (CONT)

### 4.4 Organisation Goal

*To install innovative and leading technologies and systems throughout Tasracing's business operations and assets*

To build a competitive racing industry, Tasracing needs to utilise innovative procedures and technology in all its procedures and systems.

Commercial skills and business expertise are required to execute this Corporate Plan, in addition to the dedicated existing resource base. The organisational structure will be aligned to facilitate the achievement of the Corporate Plan.

Competition for management and technical talent is intensified in national and international labour markets, yet industry recognition and acceptance of the need for the requisite skills is required in order to realise the goals of this Corporate Plan.

The industry has historically been encumbered by internal rivalry between codes, venues and participants. Issues have been easily escalated to relevant Ministers by influential industry players. This past record of political involvement has tended to maintain the status quo at the expense of real industry improvement. A unified approach is required to achieve meaningful and enduring change.

Tasracing will continue to develop and refine its internal processes and organisational systems, in order to perform to a national and international standard as required for a principal racing authority.

Compliance and governance requirements demand significant organisational resources and talent, in order for the industry to operate in the contemporary environment. Increasing complexity brought about by fast-paced technological improvements and ever-present threats to integrity, present significant challenges to all principal racing authorities in Australia. In order to succeed in these dynamic environments, Tasracing has and will continue to invest significant resources in improving data capture and analysis frameworks, in order to monitor trends and make better decisions based on empirical evidence rather than inference.

This goal will be contributed to by Major Projects:

- Industry Training and Sustainability (#1)
- Organisational Systems and Development (#6).



## 4. CORPORATE GOALS (CONT)

### 4.5 Revenue Goal

#### *To generate additional annual revenue by 2015*

For Tasracing to fulfil its vision to become a globally competitive and sustainable racing industry, it must generate sufficient revenue to ensure financial viability. The Government has established Tasracing and appointed the Board with commercial skills with a clear mandate; to focus on off-course wagering revenue as the means to increase revenue earned from Tasmanian racing product. This financial viability is at the core of everything Tasracing will implement under this Corporate Plan.

If the industry is to reduce dependence on Government funding, discipline and commitment to the Corporate Goal of generating additional revenue is required from Tasracing and all stakeholders. Without financial viability the Tasmanian racing industry will not survive, and the potential growth in employment and investment within the industry will be lost.

The Government currently provides \$27 million in base funding for the industry which is supplemented by funding from race fields fees. In addition, the Government has agreed to provide funding of up to \$40 million for capital works required for infrastructure.

Historically the racing industry has been driven by the needs of the industry participants to compete for prize money, without due regard to the commercial viability of the race meetings themselves. This has established some expensive burdens for the Government to continue funding the racing calendar, irrespective of the income that is actually generated by the events. Allowing for the collection of race field fees, the racing industry itself, at present, only contributes approximately 15% of the industry's operating budget.

In order to generate additional revenue the industry needs to focus on attracting off-course wagering customers to bet on the Tasmanian racing product. The alternatives of striving to increase on-track income or the levels of corporate sponsorship have proved deficient and unrealistic. The new Customer Focus Model allows Tasracing to align its resources and activities towards addressing customer needs, in order to facilitate the realisation of these potential revenue streams.

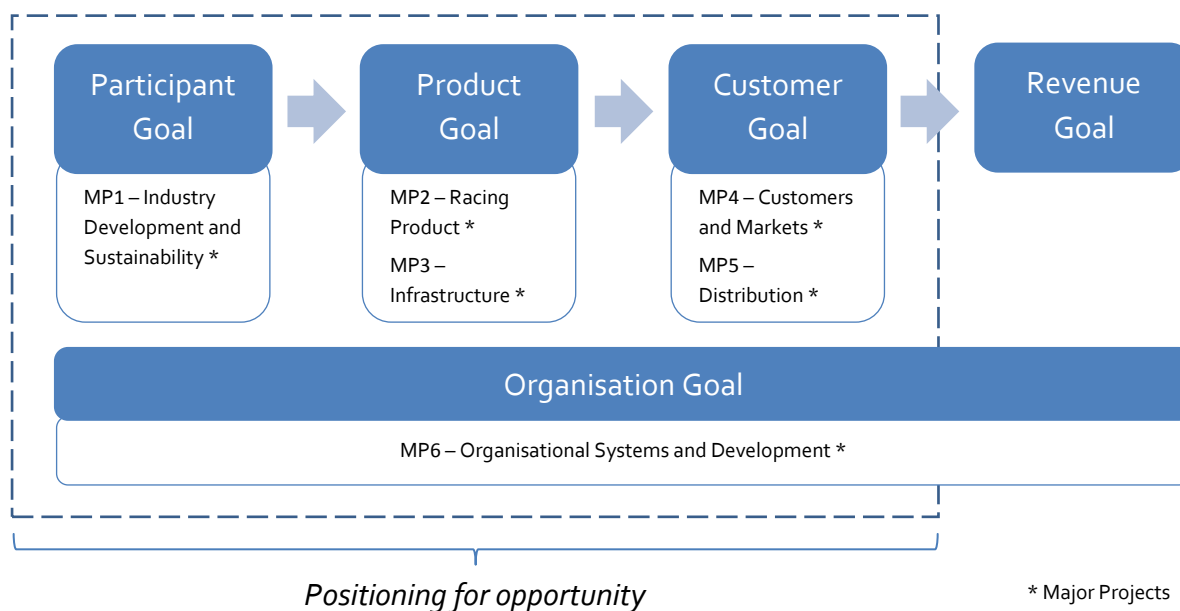
Tasracing's stretch revenue goal target is to generate \$5.25 million in additional revenue by 2015. The feasibility of this stretch goal is demonstrated in the sensitivity analysis provided later in this plan.

This goal will be contributed to by Major Projects:

- Industry Training and Sustainability (#1)
- Racing Product (#2)
- Infrastructure (#3)
- Customers and Markets (#4)
- Distribution (#5)
- Organisational Systems and Development (#6).

## 5. MAJOR PROJECTS

In order to achieve its Corporate Goals, Tasracing has developed six Major Projects, aligned with the Corporate Goals, which are presented in Figure 6 below.



**Figure 6 – Tasracing Value Chain Corporate Goals & Major Projects**

Tasracing management are accountable on a weekly, monthly and quarterly basis for making tangible and effective progress towards each Major Project and Corporate Goal. In order to guarantee project deliverables, constant monitoring, appraisal, and review is undertaken by senior management and the Tasracing Board.

All Tasracing Board agendas will include the progress reports on the implementation of the Major Projects and the Corporate Goals. Whilst Tasracing will continue to consult with industry, the ultimate accountability for decisions must rest with the Tasracing Board.

## 5. MAJOR PROJECTS (CONT)

The alignment of the Corporate Goals and the Major Projects is demonstrated in Figure 7 below.

| # | Major Projects                          | Participant Goal | Product Goal | Customer Goal | Organisation Goal | Revenue Goal |
|---|---|------------------|--------------|---------------|-------------------|--------------|
| 1 | Industry Development and Sustainability | ●                |              |               | ●                 | ●            |
| 2 | Racing Product                          |                  | ●            |               |                   | ●            |
| 3 | Infrastructure                          |                  | ●            |               |                   | ●            |
| 4 | Customers and Markets                   |                  |              | ●             |                   | ●            |
| 5 | Distribution                            |                  |              | ●             |                   | ●            |
| 6 | Organisational Systems & Development    | ●                | ●            | ●             | ●                 | ●            |

*Figure 7 – Major Project's overview*

## 5. MAJOR PROJECTS (CONT)

### 5.1 Major Project 1: Industry Training and Sustainability

More than just a casual tag line, sustainability is the key driver of the Tasracing Corporate Plan. This Major Project looks to critically examine industry inputs, and plot a robust plan in order to realise this goal.

Industry requires talent, both human and equine, in order to compete and prosper in the contemporary racing environment.

Acknowledging existing industry skills and providing a nationally and internationally recognised career path for existing and new participants, is at the heart of the Tasracing industry development program. In accordance with national norms across a broad cross section of industry, Commonwealth drive and support for industry up-skilling is significant and the racing industry cannot afford to be a laggard.

Linking training requirements to licensing requirements drives compliance and ensures that Tasmanian racing participants are recognised for their competencies, providing them with an equitable platform if they wish to transport their skills.

Similarly industry sustainability depends upon a suitable supply of competitive racing animals, and Tasracing has legislative responsibilities to provide a level of support to the State's breeding industries. Notwithstanding the commercial independence of breeding operators, Tasracing will provide appropriate and targeted support for selective initiatives in line with maximising value-add to the local industry. For their part the breeding industry must be in tune with prevailing market conditions, produce commercially-desirable stock, and seek to not rely upon Government support but actively engage in a partnership with the rest of industry and Tasracing.

Financial sustainability is critical. In order to generate an industry-wide commercial focus, funding allocations will be aligned with financial performance. Participants will be rewarded for supporting those racing events that are in line with customer demands in relation to timing, quality and consistency.

There will be constant vigilance as to the effectiveness and efficiency of industry structure, and, where appropriate, the status quo shall be challenged in order to implement changes that will contribute to industry sustainability. A frequent hallmark of tradition is inefficiency, and the 21st century racing landscape will not tolerate economic leakage or poor quality decisions.

A critical driver of organisational competence is talent. Tasracing's enduring success is reliant upon attracting and retaining talent, in order to drive organisational initiatives and provide the level of industry leadership that it deserves. To this end employee training and development across every level of the organisation will share an equal importance as industry training, to ensure skills and experiences are matched with organisational requirements.

## 5. MAJOR PROJECTS (CONT)

### 5.2 Major Project 2: Racing Product

The product concept is central to the commercial aspirations of Tasracing's industry vision. In addition to being an overarching Corporate Goal, its importance is highlighted through the allocation of this concept to a Major Project. Identification as a Major Project requires the allocation of specific tactics (organisational initiatives), completed and assessed on a quarterly basis, in order to enhance and augment product development.

Racing events have traditionally been conducted for the benefit of participants (owners, trainers, jockeys) and on-course patrons. The contemporary paradigm, where industry funding and sustainability is linked to off-course wagering customers, requires a reinterpretation of the racing event as a product; one that is produced through the interaction of the participants, under the auspices of Tasracing. The commoditisation of the event demands the adoption of the product concept, and the development of a partnership culture between all stakeholders and Tasracing.

Tasracing's off-course wagering racing product comprises vision and form. Both elements must be tailored to suit the demands of off-course wagering customers in terms of timing, quality and format. Technology will be employed where possible to enhance the product offering. Aligning product characteristics to customer demands will require a fundamental change of mindset; foreign to an industry traditionally internally focused on only satisfying the needs of stakeholders – thoroughbred night racing is one such example.

Thoroughbred racing has focused on the Sunday afternoon product; a broadcast slot that traditionally represented a suitable platform to access mainland wagering markets. Significant intensification of competition within this timeslot affords few growth opportunities for Tasmanian product. Accordingly the night racing slot was identified as an opportunity to increase market share in existing national markets, and position Tasmanian racing for international exposure.

Customisation also presents a challenge to traditional mindsets. As market horizons expand beyond traditional national boundaries, the process of researching customer needs becomes a critical organisational initiative. Assimilating and applying new market needs with current product characteristics in relation to vision and form will constitute an important marketing activity. The continuing challenge will be to balance industry expectations with customer requirements.

Identification of further market opportunities for the mature product from the other two codes of racing will also be a challenge, as both also currently operate in saturated markets. Adopting a market-based commercial discipline is critical, in order to identify and exploit opportunities. Product augmentation strategies utilising web-based technologies and social media will be explored for suitability and effectiveness.

Product quality is paramount, and wagering customers must have confidence in relation to participants' skill, infrastructure and key racing metrics such as field size.

## 5. MAJOR PROJECTS (CONT)

Application of the product life cycle concept provides a useful framework with which to analyse thoroughbred racing product characteristics. A mature product in a saturated market, such as Sunday afternoon thoroughbred racing, will provide limited opportunities for growth, whilst a new product in a new market, such as night racing, takes time to establish its market share in order to realise its commercial potential. First mover advantage in such markets is imperative; yet investment and time is required in order to facilitate the new product's growth and acceptance (refer Figure 8 below).

### Product Life Cycle

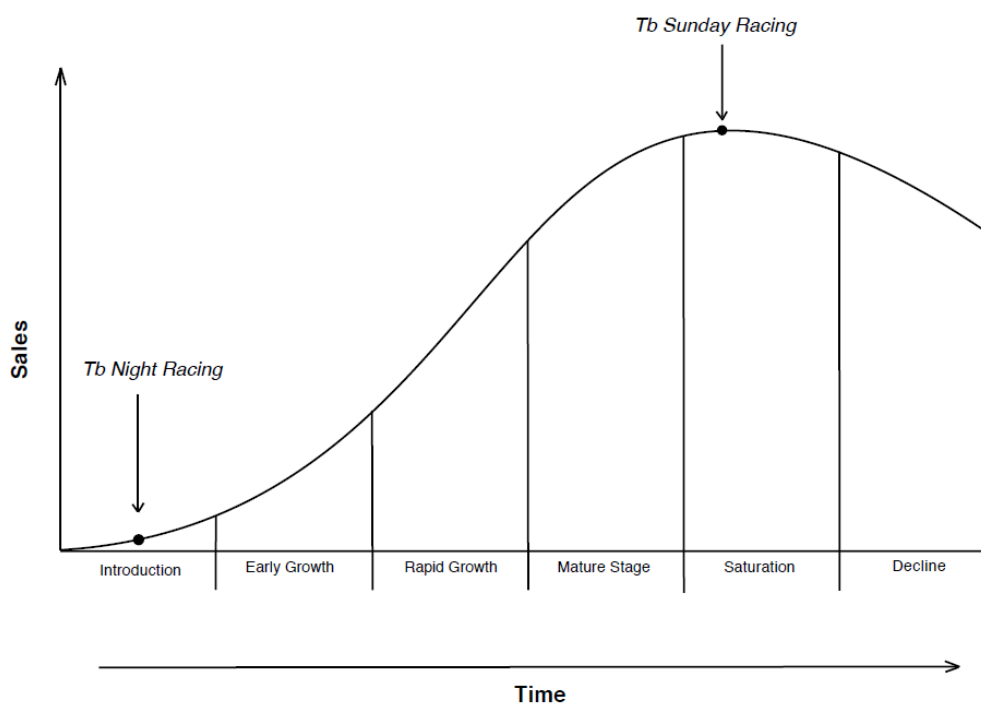


Figure 8 – Tasracing product life cycle

## 5. MAJOR PROJECTS (CONT)

### 5.3 Major Project 3: Infrastructure

The infrastructure Major Project will deliver ongoing enhancements and upgrades to Tasracing assets. Tasracing infrastructure will be acknowledged by stakeholders and wagering customers as capable of meeting the requirements of wagering markets. The infrastructure will be vastly improved in terms of reliability, consistency, integrity, and profile.

Operating in a small state, Tasracing has the advantage of conducting its racing at a limited number of select venues which can be developed and maintained to exacting standards. With centralised asset management, venues can be maintained in an efficient and consistent standard. A state-wide approach allows for the development of a strategic view of the industry's assets, and may include the rationalisation of those venues that cannot meet customer requirements and/or impact the efficiency of the business's operations. A proactively managed asset register and ongoing annual capital maintenance program will ensure infrastructure will provide the reliability and consistency required for participant and customer needs.

Central to Tasracing's ambitious infrastructure plans is the Government's \$40M capital infrastructure loan facility. Two signature projects are currently in progress; a much-needed upgrade to the thoroughbred tracks at Devonport, due to be completed in September, and a feasibility study into the potential upgrade of the Hobart track.

The Devonport track upgrade will be complete in the first quarter, and will feature a state-of-the-art synthetic surface suitable for racing and training. Modern track design elements will see a vastly improved racing surface; with constant radius turns, cambered turns, minimal fall across the track and the re-opening of the previously defunct 1400m chute. The tracks' new synthetic surface, irrespective of weather conditions, will accommodate daily training, the usual scheduled race meetings and additional meetings when other tracks are not available.

The Hobart thoroughbred track is nearing the end of its asset life. Feasibility studies have been initiated and will consider improving the track's design and enhancing the drainage and irrigation systems, all of which will allow the adoption of modern turf management practices. These improvements will ensure the track can accommodate its required racing dates throughout the year.

These two signature projects, together with the state-of-the-art racing surface at The TOTE Racing Centre at Launceston, will ensure the thoroughbred code has infrastructure, equivalent to the other codes' venues throughout the State. Together with previous upgrades of harness and greyhound facilities in recent years, Tasmania's portfolio of racing assets will be a source of pride for participants and provide a suitable platform for the realisation of Tasracing's Corporate Goals.

The balance of the funds from the Government's capital infrastructure loan facility will be allocated on a "needs basis", as asset plans are prepared for each venue; utilising the customer-focus methodology as the driver for resource allocation. Originally slated as a five year plan, the capital works schedule will depend upon the operating capacity of Tasracing's Asset and Project teams, and the requirements of both wagering customers and participant's needs.

Continuing provision will be made in Tasracing's budget for ongoing capital expenditure from which all codes of racing will benefit.

## 5. MAJOR PROJECTS (CONT)

### 5.4 Major Project 4: Customers and Markets

The importance of off-course wagering customers to the Tasmanian racing industry's prosperity has been highlighted, and it remains a key Corporate Goal. Allocation of a Major Project to customers and markets allows for an operational level of detail applied to this directive.

Markets require ongoing surveillance; characterisation of key trends and segmentation of key customer groups. Desirable target segments must be identified and their needs researched and understood. The challenge of securing the attention of the generation X and Y segments remain an ongoing challenge. Compared to national wagering customers, international customer segments may have differing product demands in relation to consistency, frequency, time slots and form requirements. A dedicated discovery program will ensure Tasracing builds a useful knowledge base with which to further international aspirations.

Within international markets, Tasracing is in competitive opposition with mainland states and other export-orientated racing countries. Tasmania cannot compete on either a profile or a volume basis with such players but its competitive advantage lies in its small and nimble size; allowing it to maintain outstanding infrastructure and being able to quickly align its product offering with international customer needs. In addition, Tasracing's single pool of racing participants and racing animals represents a quantifiable wagering proposition suited to Asian markets.

Tasracing's task is in building relationships with international customers; understanding their needs, creating awareness of Tasracing's product characteristics and stimulating demand. The challenge of building a customer database is not to be underestimated and a determined effort, often "in person", will be required to secure these relationships. Promotional strategies to support and augment customer awareness will be applied in a strategic fashion for the Tasracing brand.

Attention will also be directed towards enhancing products, services and relationships relating to existing national markets. Recognition of the importance of protecting existing revenue bases, now directly facilitated through the implementation of race field fees legislation, will also be encapsulated in this Major Project. National markets may be mature, however new products such as thoroughbred night racing provide opportunities for Tasracing to increase domestic market share.

Market research, customer relationships and a systematic application of the customer focus ideology will allow Tasracing to best position itself for opportunities when they arise.



## 5. MAJOR PROJECTS (CONT)

### 5.5 Major Project 5: Distribution

Distribution relates to providing customers with the right product at the right time; whether it is vision, form or other product augmentations. This Major Project requires a dedicated effort apportioned to nurturing existing and exploring options for developing alternative distribution channels for the Tasracing product.

Distribution includes the chain of intermediaries; each passing the product down the chain to the next organisation, before it finally reaches the consumer or end-user. Market access is dependent upon the efficiency and reach of distributors; with Australian racing being heavily reliant upon the duopoly vision providers SKY and TVN.

Tasracing has inherited long-term agreements with SKY, and has significant constraints placed upon its activities, across the three codes of racing, in relation to these agreements. SKY's influence on the Australian racing and wagering landscape is well recognised, and Tasracing works closely with SKY to optimise broadcast outcomes. Tasracing's market influence is limited but its value proposition to SKY is a consistent, quality product that can be quickly adapted to prevailing market demands.

As Tasracing builds the reputation of its product and infrastructure and nurtures its customer relationships, it is envisaged that customer-demand will encourage SKY to provide Tasmanian product in desirable broadcast slots to such customers. Similarly Tasracing's export strategy is reliant upon building customer relationships to create demand for Tasmanian product from SKY's export bouquet.

Just as Tasracing's influence on vision distribution is limited by market power and existing contractual agreements, form distribution has similar challenges. Whilst larger jurisdictions have multi-million dollar agreements with major newspapers to supply form, Tasracing does not have the financial luxury of pursuing such arrangements. Dedicated efforts will be made to seek commercially viable niche markets to increase form penetration in target markets.

Web technologies provide access to mass markets; yet the acceptance of electronic form in many customer segments remains a challenge. Customer awareness and education remains critical, yet the opportunities for form customisation, particularly for international customers, are significant. Market research, enhanced distribution agreements and promotional efforts represent critical activities to realise growth opportunities.

## 5. MAJOR PROJECTS (CONT)

### 5.6 Major Project 6: Organisational Systems and Development

Tasracing is a relatively new organisation, and to date has focused on ensuring participants have a seamless transition from the previous administration structure. The task of absorbing three code councils and separating management systems from TOTE Tasmania is not to be underestimated, and there remain challenges in developing and solidifying organisational systems, policies, and procedures.

In addition, many systems and policies are in need of upgrading or review, and must be modernised to reflect current industry trends, threats, and technologies. This Major Project focuses attention at operational level initiatives to ensure resources and priorities are allocated to enable Tasracing to function at the level required to achieve its Corporate Goals.

The capabilities of any organisation are defined by its resource base, and Tasracing, in order to compete successfully in national and international markets, must attract and retain talent, in addition to augmenting the skills of the existing dedicated resource base. Racing's new regulatory, commercial, and compliance environment calls for new and highly specialised skill sets.

Securing access to expertise, technical or managerial, will determine Tasracing's organisational success, and all channels to utilise talent, as employees or consultants, will need to be employed. Similarly investment in in-house talent is just as critical, and industry development programs will include training and up-skilling opportunities for Tasracing staff. Importantly, staff must develop a heightened communication awareness in order to develop and maintain key relationships with customers and partnerships with industry stakeholders.

Investment will continue in organisational systems that capture and process key organisational data, in order to monitor trends and enhance decision-making. Technology and automation will be applied, where applicable, to streamline efficiencies and improve accuracy of data capture. Evidence not inference will be required to succeed in the contemporary commercial environment.

Efficiencies will also be sought from existing systems in order to improve organisational output. Compliance drivers for environmental and occupational health and safety requirements mandate ongoing investment and strengthening of existing systems. The principal racing authority model allows for economies of scale to ensure the industry complies with relevant legislation, and has the necessary resource base to implement and progress compliance systems.

## 6. SITUATIONAL ANALYSIS

### 6.1 Risk Management

Tasracing key organisational risks, as mentioned earlier in the plan, must be continually managed in order to continue working towards delivering desired outcomes and achieving the goals of the organisation.

As previously discussed, the key risks for achieving goals include:

- Dependencies, contractual and otherwise, in relation to the penetration and distribution of racing product into national and international markets
- Barriers to entry to international markets (mature and emerging) including regulatory, time zone, contractual and foreign exchange challenges
- Industry funding constraints and legislative obligations in relation to stakes
- Continued availability of infrastructure that is appropriate, to ensure that Tasmania is capable of broadcasting regular racing events suited to customer requirements
- Ongoing uncertainty related to ongoing interstate legal challenges in relation to race field fees
- Competitiveness in accessing off-course wagering customers in Australia and international markets
- Stakeholder resistance to change
- Political interference from industry participants and/or Government responding to their special interests in determining product development, asset rationalisation and improvement, and industry management.

#### Revenue

A large portion of Tasracing's revenue is currently provided by Government in accordance with a 20 year funding deed. The funding deed also provides for Government assistance with a \$40 million loan facility for capital infrastructure and industry development.

Whilst there are various conditions provided in the funding deed in accessing annual operational funding, these are largely within Tasracing's control. Funding provided by the deed increases by CPI less 1% each year which does provide a challenge to the business as all expense items are likely to increase by at least CPI each year, subject to market forces. The deed also provides that funding to industry (i.e. stakes) must be maintained in real terms. As a result of the indexation method provided by the deed, Tasracing must continue with strategies for increasing revenue from other sources – whether it is domestically or internationally generated.

At the time of the corporate planning process, amended legislation in Tasmania allows for the charging of a fee for the publishing of, and wagering on, Tasmanian race fields. Forecast revenue from race field fees has been calculated using historic wagering information collected from a variety of sources, however there may be gaps and inaccuracies as a result of not having true or complete information. Any negative variation in race field fee revenue would provide financial strain on the business.

Tasracing now has the ability to charge race field fees which will include receiving detailed wagering information from approved operators. This information will assist with future forecasts of race field fee revenue in addition to understanding wagering trends with a view to increasing revenue.

## 6. SITUATIONAL ANALYSIS (CONT)

### **Additional/International revenue**

The financial forecasts identify the need for Tasracing to generate additional revenue in the short to medium term as a result of current funding constraints. Without additionally generated revenue, the business is not sustainable under the current constraints provided by the funding deed.

The financial forecasts include an increase of 3% year on year for race field fee revenue generated from domestic sources. Whilst the Australian wagering market may be considered mature, in positioning for opportunity Tasracing will attempt to increase domestic market presence in order to increase domestic wagering. In addition, an opportunity may exist in coming years to increase the rate at which race field fees is charged (i.e. from 10% to 12%); however this is difficult in the current environment as a result of legal challenges and will not be considered in the coming 12 months.

Tasracing is continuing with its strategy to generate revenue from international wagering on local Tasmanian racing. Initial investigations and discussions have provided a greater level of understanding in relation to the requirements of international markets and, in the short term, the business will need to address a wide range of factors before regular export of local racing product for wagering purposes is achieved.

The key sensitivity for Tasracing as a business is the generation of additional and international revenue as demonstrated in the financial forecasts, and this represents a significant challenge for the business in the current Corporate Plan period.

In order to generate additional or international revenue, Tasracing will need to provide resources to research analyse and penetrate target markets. The business is currently working on strategies for accessing appropriate resources with which to penetrate international and emerging markets.

### **Product distribution**

As previously discussed in this plan, Tasracing's influence on vision distribution is limited by market power and existing contractual agreements. Whilst larger jurisdictions have multi-million dollar agreements with major newspapers to supply form, Tasracing does not have the financial luxury of pursuing such arrangements. Dedicated efforts will be made to seek commercially viable niche markets to increase form penetration in target markets.

### **Stakeholder resistance**

The changing landscape of racing in Australia requires a shift in the way business is conducted. Revenue is generated as a result of wagering which brings with it a need for a customer focus and commercial outlook.

Initiatives implemented in the 2010/11 year, with a customer focus in mind, identified a level of resistance from stakeholders. Stakeholder resistance takes a significant amount of time and resources to manage in order to continually improve the industry and has previously resulted in inefficiencies.

Tasracing are continuing with consultation with industry to provide all levels and groups with an understanding of the goals of the business, on behalf of the industry, and each individual or group's role in achieving the goals.

## 6. SITUATIONAL ANALYSIS (CONT)

### 6.2 Legislative requirements

Tasracing was established by the *Racing (Tasracing Pty Ltd) Act 2009* and is governed by the *Racing Regulation Amendment Act 2008*. The Principle Act is the *Racing Regulation Act 2004*. The responsible Minister is the Minister for Racing in Tasmania.

Tasracing management report to the Board on a monthly basis in relation to the requirements of each of the abovementioned Acts including adherence to each.

In addition, the *Right to Information Act 2009* has recently replaced the *Freedom of Information Act 1991*. Tasracing is well placed with procedures and document management to appropriately respond to requests under the Act and has complied with this to date.

