

**Minister for Local Government, Minister for Racing and
Minister for Multicultural Affairs
BRIEF FOR DECISION**

Date: 11 January 2018

SUBJECT: Eagle Farm – Application to the Racing Infrastructure Fund (RIF)

RECOMMENDATIONS:

It is recommended that you:

- **note** the information contained in this brief
- **approve** Racing Queensland's (RQ's) application and seek approval from the Treasurer to draw down up to \$3.7 million from the RIF to cover the costs associated with the remediation of the Eagle Farm track
- **sign** the letter (**Attachment 1**) to the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships seeking approval to release the funds from the RIF
- **note** your decision is required as soon as possible, as RQ has made significant commitments with contractors, suppliers and specialist consultants on remediating the track to date. A delay in approving this application will materially impact RQ's cash-flow and ability to pay suppliers.

BACKGROUND:

In 2014, the then State Government announced a \$22 million redevelopment of Eagle Farm to include reconstruction of the turf racing surface including associated works as well as tunnels to enable the development of the infield.

The race track closed in August 2014. RQ was responsible for the design and procurement of the Eagle Farm track project, with the Brisbane Racing Club (BRC) making representations and recommendations during the design and delivery stages.

BRC was responsible for maintenance of the track at Eagle Farm after completion of works by Evergreen under a contract of works entered into by RQ. The Eagle Farm track maintenance by the BRC formally commenced in August 2015.

Racing recommenced at Eagle Farm in June 2016. Between June 2016 and March 2017 more than 30 race meetings were conducted at Eagle Farm.

In light of track performance and in discussion with the BRC, RQ moved five race meetings between late March 2017 and late April 2017. RQ was advised that the BRC had engaged Evergreen to rectify the track over a 12-week period prior to the 2017 Winter Racing Carnival.

Race meetings were conducted at Eagle Farm on 29 April and 3 May 2017. The Kingsford-Smith Cup was held on 27 May 2017. Following the performance of the track, RQ sought feedback from trainers, jockeys, and breeders associations. In light of the feedback, RQ acted swiftly and directed the transfer of the balance of the Winter Racing Carnival from Eagle Farm to Doomben racecourse.

KEY ISSUES:

Following the race meeting at Eagle Farm on 27 May 2017, RQ determined in consultation with stakeholders that the track had performed below standard for Group racing.

On 5 June 2017, the then Minister for Racing issued a Ministerial Direction to RQ to take all necessary steps to ensure the Eagle Farm Track is rectified and made fit for purpose as an immediate priority.

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Date completed: 11 January 2018

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Date approved: 11 January 2018

In line with the Ministerial Direction, RQ appointed respected industry administrator, Mr Dale Monteith, to conduct a review of the Eagle Farm course proper. On the recommendation of Mr Monteith, RQ also appointed Sports Turf Consultants (Aust.) Pty Ltd (STC) to undertake laboratory testing and analysis of the surface.

The scope of the review included assessing the design of the track, the construction of the track, the maintenance of the track and any other relevant factors in order to identify the cause for the poor performance of the track. Based on the findings and laboratory testing, Mr Monteith was asked to provide recommendations to remediate the track.

Mr Monteith and STC provided their final reports to RQ on 28 July 2017, which identified multiple factors contributed to the condition of the track, including maintenance, weather events, the racing programme and construction elements. Notwithstanding these factors, Mr Monteith noted that, with appropriate maintenance, the track should have performed better. A summary of the findings of the report are provided in **Attachment 2**.

Mr Monteith recommended the removal of the existing grass and thatch layer and re-blending the existing sand base profile to improve stability.

Project Costs

RQ operates under a Ministerial Direction that requires it to seek Ministerial approval prior to, amongst other things, entering into contracts or making payments in excess of \$1 million. On 10 October 2017, the then Minister for Racing approved RQ's request to enter into an agreement with a principal contractor (FK Gardner & Sons Pty Ltd) and noted that the forecast project costs could increase to \$2.85 million to reflect additional costs of blending the sand off-track.

In finalising the program of works, RQ has worked with stakeholders, and given the importance of the Eagle Farm racecourse to the entire Queensland racing industry, has prioritised quality over other factors including budget and timing. The increase in costs is attributable to the following key factors:

- The tender proposals submitted by contractors were significantly higher than RQ's initial estimates and budgets.
- The tender process did not identify a source of Wintergreen couch from a single site. RQ secured a more expensive and superior variety of couch, Grand Prix. This has increased costs by more than \$360,000.
- Double shift washing will be used to ensure the maximum grow-in time and reduce the time taken to lay the turf. Double shift washing the turf adds up to \$200,000 to the costs.

The RQ Board reviewed project costs on 29 November 2017, and due to the importance and priority of Eagle Farm approved that the costs be recovered from the RIF.

RQ has reviewed the liabilities and warranties associated with the original track redevelopment project, and has concluded that it will not be possible to recover these remediation costs from suppliers and contractors involved in the original project.

The current governance arrangements for the RIF require approval by both the Minister for Racing and the Treasurer. A draft letter requesting the Treasurer's approval is provided at **Attachment 1**. The Department of Local Government, Racing and Multicultural Affairs, in consultation with RQ, prepare a funding deed to administer the funds.

Project responsibilities, management and risk analysis

The initial structure and scope of the remediation project focussed on tackling the immediate issues with input from specialist contractors and also from the Club - which at times has been contradictory to RQ's views.

RQ where appropriate, has brought the project in line with its standard approach to managing infrastructure projects (**Attachment 3**). The approach can be tailored to meet the scale and complexity of the project. In summary:

- The project is overseen by the RQ Infrastructure Steering Group, which sits outside the project management team and is responsible for commissioning the project including identifying the executive and defining project-level tolerances in respect of timelines, costs and quality.
- The Project Control Group (PCG) has the authority and responsibility for the delivery of the project within the project tolerances. The representatives from the following organisations are present at the PCG meetings: RQ (Executive and Project Manager), Daltons (Consultants), and Brisbane Race Club (BRC/Club). Due to the technical nature of the project, independent advice is provided by Labosport and Sportsturf who also attend meetings.
- The strategic risk analysis is provided in **Attachment 4**. RQ also maintains an operational risk register to control and manage risks associated with the blending of the sand, laying of the turf and maintenance.

On-going maintenance

The maintenance of the track is ultimately a matter for the club, with RQ providing guidance.

Given the constantly changing variables affecting the track it is inappropriate to mandate a set maintenance regime at this time. RQ has developed a customised maintenance program for the ongoing treatment of the Eagle Farm course proper. The approach will enable the BRC to develop a customised maintenance program to address any variable that may affect the track. The approach has been developed jointly by RQ, its two turf consultants and the BRC. It will be refined to take into account the conditions during the first few months of grow-in.

RQ will continue to engage the Club on a regular basis to ensure proper maintenance practices are followed and to source and provide expert direction where necessary. This partnership is expected to follow the following three-year framework:

- An agreed schedule of testing, analysis and comprehensive reporting by BRC.
- Test results will be regularly reviewed by third-party experts.
- Weekly site inspections and consultative meetings for the first 12 months between RQ's Racing Surface Manager (Turf Specialist), its consultants as necessary and the BRC Eagle Farm Track Manager.
- The frequency of these consultative meetings will be reduced over the successive 24 months.
- The fundamentals of the ongoing treatment will be specified and agreed between the BRC and RQ.
- RQ will ensure training and the provision of specialist equipment required to maintain the track.

Current Status

The turf at the track has been removed and the top layer of the sand is currently being blended with new sand off-track and then re-applied to the track in readiness for the new turf to be laid. Laying of the turf started week commencing 18 December 2017.

RQ and BRC are committed to ensuring the track at Eagle Farm is in optimal condition for racing and will closely monitor its performance during the grow-in period prior to final race dates being set. RQ and the BRC will engage with participants in the coming months to formulate a staged trialling program.

Financial Implications

There are no financial implications for the Department or Queensland Government, as the funds sought are from the RIF.

Approving the funding, will remove the current financial obligation to cover associated costs from RQ's funds/revenue.

ELECTION COMMITMENT:

This matter does not relate to an election commitment.

RESULTS OF CONSULTATION:

RQ has consulted with the Department in relation to the contents of this briefing note.

RIGHT TO INFORMATION: Contents/attachments suitable for publication? Yes No

MEDIA OPPORTUNITY: Is there a media opportunity for the Minister's Office? Yes No

Minister's Comments: <i>Noting further advice in MBN 18/158</i>	
NOTED or APPROVED/NOT APPROVED <i>[Signature]</i>	ENDORSED <i>[Signature]</i>
Hon. Stirling Hinchliffe MP Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs Date: <i>13 February 2018</i>	Louise Foley Chief of Staff Date: <i>5/2/18</i>

RTI RELEASED

SUMMARY OF DALE MONTEITH REVIEW

The following are the key points/findings from Mr Monteith's report:

- Poor practices have resulted in the presence of an unhealthy layer of organic matter, which prevents moisture and fertiliser penetrating through to the profile, retarding root growth. The organic matter results from thatch accumulation due to grass clippings being left on the surface and organic fertilisers applied by the club (in consultation with or direction of Evergreen).
- Chemical treatments (containing the chemical fenamiphos) were applied to the track on 26 February and 16 March 2017, to eradicate nematodes (parasites that impact turf health). After the treatments, the grass suffered stress and after this time the track's performance deteriorated significantly.
- The Australian Pesticides and Veterinary Medicines Authority banned fenamiphos-based treatments for use on turf in July 2016. It is not clear why BRC used this product in 2017.
- There are no issues with the sub-surface drainage system.
- Despite the expectation to race 50 times a year, sand profile tracks ideally conduct 35 race meetings.
- The track was built with rounded sands and its profile met USGA principles (a number of tracks throughout Australia have used similar rounded sands). Whilst acceptable and as per specification, he believes that using a mix of rounded and angular sands will provide increased stability without affecting drainage.
- The sand was tested at the supplier's quarry to ensure it met design specifications.
- With kikuyu grass, there remains a divergence of views regarding its ability to establish in sand-based profiles. STC's experience with kikuyu grass is that it has not been successful in providing a 12-month racing program in sand profiles in the majority of tracks in Victoria. Nevertheless seven major racecourses in Queensland do have kikuyu. The choice of grass was based on a BRC recommendation and approved by RQ.
- Budgetary cutbacks reduced the Evergreen maintenance period from 12 months to 3 months at which time the BRC accepted responsibility for maintenance.
- The decision to "sprig" the turf rather than lay washed sods, also due to budgetary cutbacks, impacted the track's maturity at the time of racing.
- The incorporation of reinforced elements in the profile do not appear to be causing any issues but they are largely ineffective at present without a dense root system.
- The turf was impacted by high temperatures and humidity during February and March 2017.
- The track had a heavy racing load (36) in its first year of operation, when it ideally should have only had 20-25 race meetings.

**Minister for Local Government, Minister for Racing and
Minister for Multicultural Affairs
BRIEF FOR NOTING**

Date: 30 January 2018

SUBJECT: Racing Queensland's (RQ) application for \$3.7 million from the Racing Infrastructure Fund (RIF) for Eagle Farm track remediation

RECOMMENDATION:

That you **note** the contents of this briefing note to further inform your decision on RQ's application for \$3.7 million from the RIF for Eagle Farm track remediation (**refer to MBN18/157**).

BACKGROUND:

On 11 January 2018, the Department of Local Government, Racing and Multicultural Affairs received an application from RQ for approval of \$3.7 million in funding from the RIF, for remediation of the Eagle Farm race track. The application is in the form of a Ministerial brief, draft letter to the Treasurer and attachments (**Refer to MBN18/157**).

Section 10(3)(c) of the *Racing Act 2002* provides that one of the functions of RQ's Board is to identify priorities for major capital expenditure for each code and all the board codes of racing.

Section 11 of the *Racing Act* provides that, as a control body, the RQ Board has the powers mentioned in section 82. Section 82(2)(h) provides that a control body may investigate, make decisions about and, on conditions the control body considers appropriate, allocate funding for venue development and other infrastructure relevant to the code of racing.

KEY ISSUES:

Remediation of the Eagle Farm track was funded under a \$10 million grant from the then Racing Industry Capital Development Scheme (RICDS) in 2014. This was part of the \$22 million redevelopment referred to in RQ's application. The other \$12 million was provided under a separate funding deed and covered works in the racecourse's infield. The funding enabled a new track to be constructed and racing recommenced in June 2016 and continued until 27 May 2017.

In its September 2017 quarterly report, required under the RICDS grant deed, RQ advised that the current need for further track rectification works is not due to a defect in the work done under the 2014 grant. The then Department of National Parks, Sport and Racing (DNPSR) requested clarification on this point (**Attachment 1**). RQ's reply of 17 January 2018 (**Attachment 2**) is consistent with statements in its application, that it has reviewed the liabilities and warranties associated with the previous work and concluded it would not be possible to recover these remediation costs from suppliers and contractors.

On 22 September 2017, RQ wrote to the then Minister for Racing, seeking approval to enter into an agreement valued over \$1 million for the Eagle Farm track rectification project. Ministerial approval for this purpose was required under a current Ministerial Direction relating to payments and agreements over \$1 million.

On 27 September 2017, the then Minister for Racing approved RQ to enter into the proposed agreement with Hancey's Turf Supplies, however, Hancey's withdrew its offer and, on 4 October 2017, RQ submitted a new request for approval to enter into a contract with F.K. Gardner & Sons Pty Ltd. At that time, RQ valued the work at \$2.15 million with potential for an additional \$700,000 costs. Approval was sought for up to \$2.85 million.

T. O'Shea

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On 10 October 2017, the then Minister for Racing approved RQ to engage F.K. Gardner & Sons Pty Ltd. In each of her two letters (27 September and 10 October 2017), the then Minister for Racing advised RQ that the financial obligation incurred for the work would remain RQ's sole responsibility until funding under the RIF is considered and confirmed.

DNPSR engaged BDO to conduct an independent review of the procurement process undertaken by RQ to select the principal contractor for this work. BDO's draft findings indicate that the process followed was not well structured or documented and did not meet the standards BDO would expect for a project of this size. The Department will refer BDO's findings and recommendations to RQ upon finalisation of BDO's advice.

Under the endorsed RIF governance arrangements:

- RQ prepares and submits business cases for individual projects to the Minister through the Department.
- An assessment of the business case is made by the Department against RQ's approved Infrastructure Plan.
- If approved by the Minister, the business case and its assessment are referred to the Treasurer for further approval and release of funds from the RIF to the Department.
- Once approved, the Department prepares a grant deed with RQ and funds are released to RQ in response to monthly submission of invoices from RQ for works completed.

In the present case, Queensland Treasury advised by email on 21 September 2017, that a full business case would not be needed as the context of the project is already understood. Queensland Treasury requested that the current application include:

- a summary of the issues in relation to the track
- a copy of the Monteith Report
- a plan outlining the project activities, responsibilities and timeframes
- assurances there have been adequate risk identification and management strategies implemented to ensure successful completion of the project.

The Department notes that its capacity to appropriately administer the funds under a grant deed will be limited due to the advanced state of the project. It will not be practical, for example, for a grant deed to require RQ's contracts to be consistent with the normal conditions of a grant deed as RQ has already engaged its principal contractor. There will also be aspects of the project that will not be consistent with Queensland Government policy, as indicated by BDO's preliminary advice regarding its procurement review. The deed will therefore confer a transfer of funds with limited administrative oversight of their use.

RQ's Infrastructure Plan, as approved by the then Minister for Racing on 21 April 2017, is at **Attachment 3**.

The current balance of the RIF is \$64.6 million. Two further payments into the fund are due in 2020 (\$19.48 million) and 2023 (\$24.35 million).

The Department's assessment of the application for RIF funding is at **Attachment 4**.

ELECTION COMMITMENT:

This matter does not relate to an election commitment.

RESULTS OF CONSULTATION:

No consultation was undertaken.

RIGHT TO INFORMATION: Contents/attachments suitable for publication? Yes No

RQ's endorsed Infrastructure Plan is commercial-in-confidence. An alternative version of the plan is available on RQ's website.

MEDIA OPPORTUNITY: Is there a media opportunity for the Minister's Office? Yes No

Minister's Comments:

NOTED or APPROVED/NOT APPROVED

ENDORSED


Hon. Stirling Hinchliffe MP
Minister for Local Government, Minister for Racing
and Minister for Multicultural Affairs


Louise Foley
Chief of Staff

Date: 13 February 2018

Date: 5/2/18

RTI RELEASED