

THE HONOURABLE MICHAEL AIRD, TREASURER, WAS CALLED AND EXAMINED.

CHAIR (Mr Hall) - Thank you for appearing before the committee, Michael. Obviously being a minister of the Crown, you do not have to be sworn in. At this stage I will invite you, Treasurer, to make a brief statement to the committee and then I will open it up for questions.

Mr AIRD - I think there are a number of issues in play at the one time and my view is that we have, on one hand, a racing industry and, on the other hand, a wagering industry and I have always had a view that I did not think it was a government function to run a wagering industry but it was a government function to support the racing industry. So from very early on in my time as Treasurer I had a view that I thought TOTE should be in a position where it could be divested at some stage. Obviously that takes in a lot of judgment and a lot of information in terms of understanding the markets and where we can go from there.

I think it is fair to say that over a period of time, initially, I did not think TOTE had enough value in it to be an asset which was suitable for divestment. I now believe the time is right and that is why we announced that we are prepared to divest TOTE.

Obviously there has been some concern about the racing industry and the funding model for that, and I think that is a legitimate concern for them and I am working with the Tasmanian Racing Board to put in place a funding model which should be in place for the duration of 20 years. There are two components for that funding model.

One would be in terms of capital expenditure and the other would be on the operational expenditure, and I have said that the racing industry will be no worse off than it is now in terms of its funding. We have not concluded our discussions about that but I believe we will be able to get to an agreed position. It is my intention to sign a deed with the Tasmanian Racing Board which will give allocations over a time frame. With the model that I am looking at the deed would endure for 20 years. There would be initial allocations for four or five years on a rolling basis and we would negotiate the sixth year within the second year, if you can understand the methodology. That would allow us plenty of time to understand how we would make those allocations and obviously that would have to be transferred by virtue of the Consolidated Fund.

With the wagering issue, the principle is whether TOTE is part of core government business. If you say it is, obviously there is a difference of opinion about that. The other question is whether this is the right time? I have satisfied myself over a period that now is the right time and -

Mr BOOTH - How did you satisfy yourself of that?

Mr AIRD - A number of different things. Basically after observing what is occurring with wagering industries generally around Australia and what is happening in Victoria, I think we can extract optimum value out of TOTE now, considering that it has had a 30 per cent

growth in turnover. In any divestment you have to in a data room show the data that will encourage someone to offer the optimum price. If you compare TOTE's revenue performance with that of similar wagering operations you will see that they are out-performing them in terms of turnover and that -

Mr BOOTH - Have you advice as to that? Did you actually get formal advice or -

Mr AIRD - There is a range of areas of advice and one is my knowledge of those potential organisations that might be interested in this type of asset.

Mr BOOTH - Personal knowledge?

Mr AIRD - Yes, personal knowledge. In the end, this is a judgment call. We took some advice from Deloitte about the appetite of the market, the potential bidders and whether they had enough capital to actually buy it.

Mr BOOTH - So you actually sought advice from Deloitte as to whether you should sell or not?

Mr AIRD - I know there has been some discussion generally about it. Deloitte were engaged for two parts really. They were engaged in terms of the separation of the wagering from Racing Services and I also sought preliminary advice from them in terms of the market at the time, if you like, if I wanted to support the divestment. So Deloitte were engaged at that level and by the time that I had signed off on a cabinet submission on 19 December I had had advice in terms of that information from Deloitte.

Mr BOOTH - For the market appetite?

Mr AIRD - Yes.

Mr WILKINSON - When was that?

Mr AIRD - That was part of the cabinet submission.

Mr WILKINSON - What was the date?

Mr AIRD - In terms of?

Mr WILKINSON - One, when you asked for that advice from Deloitte and, two, when you got it?

Mr AIRD - I need to go back and check the actual dates, but I do know that I wanted commentary from Deloitte in preparing the cabinet submission, so it would be probably around the 19th - I actually know that on 19th I had that information.

Mr WILKINSON - The 19th of?

Mr AIRD - December.

Mr BOOTH - Can you table any advice for us?

Mr AIRD - It is a cabinet submission.

Mr BOOTH - You can table that.

Mr AIRD - No, I cannot.

Mr BOOTH - We might have a different view on that.

CHAIR - Can you give the committee any indication on when the legislation might be tabled?

Mr AIRD - We are preparing basically three pieces of legislation. I had hoped today to give you a draft of the TOTE sale bill. It is still in draft form. I will give it to the committee when I am satisfied that it is a closer final draft than it is at the moment. There are bits that I am not satisfied actually give a true indication about what we intend to do and how we intend to divest that.

Mr GUTWEIN - I was wondering what part, if any, the Commonwealth's mid-year financial report might have played. It would have been released, I think from memory, in early November or thereabouts, and it showed that we would lose around \$300 million over this year in the forward Estimates with GST funding.

Mr AIRD - No. Let me be very clear about this. The time frame for making a decision was not affected by our fiscal position. It is true that through a successful sale we will gather some capital and that would be put to good use but that would be a transparent process in any event, it will not be part of this budget. It will not be factored in.

Mr GUTWEIN - Mind you, the problems that we face are going to be more far reaching than this budget as you well know.

Mr AIRD - I think it is a legitimate question. I am not saying that it had a capacity to affect; it is not going to affect our operational balance in that sense. The allocation will be in terms of investing in asset and therefore it will not be affecting our current expenditure to that degree.

The methodology will be that it will probably come in into the operating balance and affect the income of that and it will go to the Consolidated Fund to the operating balance and then it would be allocated in a way that would be identified in the various accounts it would be put to and that would affect most probably the fiscal balance but not the operating balance per se.

In other words, it is a bit similar that in the budget sense some of the allocations to nation building and so on it can throw artificial surpluses that do not represent your underlying business and how we are actually operating and what the ongoing operating costs are. Those

types of events, in terms of transfers, will come in and affect your operating surpluses. To be quite frank, I would not sell the airport now in the current atmosphere.

Mr BOOTH - The superannuants would probably sell it back to you.

Mr AIRD - I did not say that as a provocative statement, I am just using it as an example.

Mr BOOTH - They would be pretty happy to get their cash back because what you are saying is it is not worth what you got for it now.

Mr AIRD - No, well -

Mr BOOTH - That's the corollary of what you are saying.

Members interjecting.

CHAIR - Order.

Mr AIRD - In fairness, let me finish what I was intending to put forward to you. We sold that at the peak market, no doubt about that. That was a timing issue. I believe that now is the time to sell TOTE. I know there is a strong appetite. There may be some local appetite to be a bidder and I know there will be some national and there could be some international as well and that is what I want to ensure occurs because I want a good competitive process to ensure we extract the optimal value from it.

Mr GUTWEIN - We heard this morning from the greyhound industry.

Mr AIRD - I heard they were very complimentary.

Mr GUTWEIN - I think it would be worth watching television tonight. I don't think I need to explain - you'll catch up in about an hour-and-a-half about what they had to say.

Obviously, one of the key issues that we have is the racing industry and their concerns about being supported. You've mentioned that there'll be a mechanism and a deed. I don't think that was something that we discussed in camera; I think that is something we can talk about. We know from the annual report that somewhere between \$20 million and \$30 million was paid to the racing industry last year. In fact, I think the chairman says in his annual report that last year it was \$23.5 million or something, in funding, that went to the racing industry. Will the deed reflect that type of amount?

Mr AIRD - Yes.

Mr GUTWEIN - The other question I have in regards to what you said about the rolling five years; I'm presuming that you get to year two, you renegotiate another five years which takes you through to six years so you're actually going to have 14 or 15 renegotiations of the deeds throughout the 20-year period?

Mr AIRD - That's the thing; you can have any variation of that if you like. If you go into four-year time frames, basically, we would be in the forward estimates, we think, in four-year terms but it could be five years. There's a bit of a mythology about the funding relationship now because everyone says that TOTE's a cash cow for the racing industry, but there's no guarantee of that. What we're saying is that we're prepared for a 20-year deed to wear any risk and we guarantee for the first time ever a 20-year funding model. I can give you an indication; I think that there should be an allocation of around \$40 million capex. The Tasmanian Racing Board would then deal with the allocations from that; they would work out the priority.

Mr GUTWEIN - So, \$40 million over the 20 years?

Mr AIRD - No. This would be dependent upon the sale. There are two ways to do it. You could just have a capital injection of \$40 million straightaway and they could have the benefit of that or you could have a phased approach over the term of the original four-year allocation. I haven't determined the proper model because I haven't completed my discussions with the TRB. Basically, the racing service's costs are, in totality, whatever the allocation of the different funds going in, round about \$32 million. What I'd be prepared to do is to provide a guaranteed amount in the deed for x dollars and allow some avenue for the TRB to capture the sponsorship and the race field's revenue that is going to be generated in the future. That gives them a growth path for their own revenue but this underwrites the basic requirements that they have -

Mr GUTWEIN - And you've indexed that through?

Mr AIRD - Yes, we've indexed that through and we have thought about that a bit. We think, in terms of CPI, that we would try to get a fixed percentage to try to flatten out CPI variations. We are in interesting times -

Mr GUTWEIN - We are in interesting times.

Mr AIRD - And perhaps the best way to do that would be to settle on a percentage rather than just CPI so then they can plan with some certainty rather than just have the variations of CPI. We don't know when the Reserve Bank is going to come back and say CPI is important.

Mr GUTWEIN - And then it is back out of the bottle again.

Mr WILKINSON - We are jumping all over the shop, but we started off by asking about the time frames; is it fair to say that you received advice from Treasury that TOTE should have been sold or should be sold either 19 or 20 November of last year?

Mr AIRD - That would be about right. I think there was a brief that came through from Treasury around that time.

Mr WILKINSON - At that time, had there been any information that you'd seen from Deloitte or any other body suggesting that it should or shouldn't be sold?

Mr AIRD - Not that I can recall, no. In terms of making an assessment the annual report really highlights the financial performance of TOTE.

Mr WILKINSON - I can see over the last four years, from 2005 onwards, it has increased dramatically - well, not dramatically but certainly significantly and I can see it would be a good time to sell. But one could also argue the opposite, that it is a long-term one, and I suppose that is the argument.

Mr AIRD - Okay.

Mr WILKINSON - But in relation to 19 November or 20 November, there was advice that you were aware of at about that time that TOTE should be sold?

Mr AIRD - Yes. I have a time line that says 19 November, a minute to me with EEO, a cabinet minute for approval.

Mr WILKINSON - So was it at that stage that you would have spoken to others in relation to putting a proposal to Cabinet that it should be sold? Is that the way it goes?

Mr AIRD - When you say 'others'?

Mr WILKINSON - Other members of the Government maybe, or members of TOTE.

Mr AIRD - I did not canvass this very widely and you will notice here that even as late as 19 November when I got the original minute I did not approve it. I was satisfied that by that stage it should be sold but until then, until you sign off, it is not for sale. I was prepared then, as I am now, to back my judgment with the right information. I know that TOTE is a good business, I know there is an appetite for it and I also know that there are changes afoot within the industry that I think are going to be an interesting challenge, and I do not think government should be involved in that.

Mr GUTWEIN - In the wagering industry?

Mr AIRD - Yes, the wagering industry.

Mr WILKINSON - In relation to the restructuring of the industry which, as you know, occurred with final legislation around about November of last year, was part of the reasoning behind that that certainly it made it easier to sell, as you would be aware, and it makes it cleaner to be for sale, as you would be aware or should be aware?

Mr AIRD - As I started out by explaining, there are two parts here. It is true that they may have converged or crossed over at various stages but it was always my view as Minister for Racing that I wanted three distinct parts of TOTE - that is, the radio station, the wagering

business and the racing business. In terms of being organised for divestment, that was a key decision in how we can separate those things. The other determinant was that it was always my intention to bring TOTE under the Gaming Commission and bring it under the Gaming Control Act, and we are going to do that in any event.

While the separation was never a motivation, I think you needed to have the separation in any event. To be quite frank with you, until you make a decision to divest you have not divested. I think the separation was important for good accountability and regulatory reasons. I think that indicates my belief that we needed to have the Gaming Control Act as a way of regulating the wagering business.

Mr WILKINSON - In relation to the knowledge now that you are wishing to sell, what is the difference between this year and last year? Some might well argue that with the GST down, as was stated by Peter, with stamp duties obviously going to be down, maybe payroll tax et cetera, there is going to be a hole in the budget and this is one way of filling that hole.

Mr AIRD - It does not actually, though.

Mr WILKINSON - It won't fill it completely. Does it fill it at all?

Mr AIRD - I will be quite frank with you. In relation to the operating costs, the ongoing recurrent, it does not fill the hole in terms of the pressure on the operating balance. It can assist in the allocations of capital works and infrastructure and so on - that is true - but it is not a direct fiscal mechanism, and that is why I was drawing the example. That, really, nearly is a coincidence. In my view, if I did not think there were a strong appetite and a strong competitive position relating to the sale, I would not be proceeding with it.

Mr WILKINSON - So you are saying the major difference now between January 2009 as opposed to January 2008 is the fact that you believe now is the right time as opposed to 2008, because there was still an increase in 2008, as you know? You could still argue the same questions that your view, and other people's views perhaps in government, was that the Government should not be involved with a TOTE. It would just appear to be thoroughly coincidental that here we are, hard times, let's sell.

Mr AIRD - That is very simplistic assessment.

Mr WILKINSON - Yes, it is. It is one that can be made though, is it not?

Mr AIRD - There are people around who will make these assessments, including politicians, and I understand they can make that judgment. If you look at the value in TOTE, you will see that the growth is there and the potential is there, and there are other aspects of the industry you have to put in international and national context.

Mr GUTWEIN - And the fact that we have a hole in the budget is just convenient timing.

CHAIR - Order.

Mr AIRD - But it is not going to go to the budget.

Mr GUTWEIN - But at the end of the day it is going to be able to be spent. It will become taxpayers' funds. Let us not muck about with it.

Mr AIRD - I agree with that.

Mr GUTWEIN - And I understand it will not hold up the operational problems that we have.

Mr AIRD - Of course. We believe that the results of the sale will be put to good use. In a political sense we will make judgments about that, the same way as you will or Mr Booth will say that it's a waste, or that we could do better with that, or whatever. I think that is a legitimate argument. I am quite happy to have that argument and we will have it.

Mr GUTWEIN - It is a reasonable debate.

CHAIR - Mr Wilkinson has the floor.

Mr WILKINSON - You can see the growth in TOTE over the last four years, and the last year especially. One could argue that in hard times betting increases - there is evidence to suggest that wagering increases - therefore the value could increase by January 2010, and if that is the case one could well argue why sell now. Why sell now when people wanting to purchase the TOTE may not have the same amount of money available now as they might have next year, or vice versa.

Mr AIRD - No, it could be worse.

Mr WILKINSON - You are saying it could be worse?

Mr AIRD - It could be worse. In assessing those types of opportunities and risks, my firm belief is that we will extract maximum value out of TOTE now.

Mr BOOTH - But you do not have any advice to that effect. It is a gut feeling.

Mr AIRD - No, we have advice, as I indicated, from Deloitte to say that the market is right for this.

Mr WILKINSON - That was going to be my last question. In relation to that, the only way you could make that decision, I want to suggest, is if you had independent professional advice to suggest yes, now is the time to sell, and are you saying that is what you got?

Mr AIRD - No, what I am saying is this: it is same judgment I made with the selling of the airport.

Mr BOOTH - So that was a gut feeling as well?

Mr AIRD - No. You know, you talk to people, you understand what's going on in the market. There are people involved in the industry, there are people involved in banks, there are people involved and -

Mr BOOTH - With respect, as the Treasurer, surely you'd actually seek broader counsel than the old mate at the pub, surely.

Mr AIRD - I did seek advice from Deloitte who gave preliminary advice to say the market was there.

Mr BOOTH - When was that?

Mr GUTWEIN - What date was that?

Mr AIRD - I've mentioned it before. That advice was incorporated in the cabinet submission that I signed on the 19th.

Mr BOOTH - But the advice was sought prior to that, obviously?

Mr AIRD - Yes.

Mr GREEN - With respect to some of the questions that were asked about the industry itself and the racing board, a lot of the discussion you've briefly answered a moment ago but the various codes, of course, are concerned about the proportion that they get from those funds. Is it then entirely up to the racing board and their ability to lobby through the racing board to achieve the best outcome for their particular code or is there some other mechanism that is being considered?

Mr AIRD - No-one was really satisfied with the old model. I believe that the new model allows for the best opportunity in the fact that all the codes have to meet with the board at various stages to put their view. Yes, it is up to the TRB to make their decision about how they allocate the resources. My job is to say, 'Here's \$40 million cap ex. You make your judgments about how best to spend that'. I base that \$40 million on a reasonable understanding about what are going to be the future developments in the racing -

Mr GREEN - That's capital expenditure but I'm talking about stakes money and -

Mr AIRD - Yes, and in turn the TRB will be making decisions about that and we will be ensuring that they won't be any worse off as they are -

Mr GREEN - But if the revenue were coming from TOTE, as it does now, the same position would exist; that is, that they would still make decisions about how that allocation goes.

Mr AIRD - Under the old model -

Mr GREEN - Yes.

Mr AIRD - TOTE would make those decisions.

Mr GREEN - So if it is never sold, if we don't get the right price for it and it's not sold?

Mr AIRD - Under the model now, we are saying that we can give greater security to the funding of the racing industry than ever before by signing a deed.

Mr GREEN - If a new entity buys it, it will be regulated?

Mr AIRD - We haven't quite determined the regime that will be in place in terms of taxation or licence fee and so on. We haven't determined that. To be quite frank, we need to get through this exercise we are talking about now but I am thinking about the model and obviously Parliament will have to consider that.

Mr GREEN - But the expectation is obviously that there are funds coming back to the Government as a result of their operation.

Mr AIRD - There will be some returns back to the Government, yes.

Mr GREEN - Yes. Some of the line of questions is that it is gone forever and that you don't get anything back at all.

Mr AIRD - No, what I am saying is that under the present arrangement with TOTE there's no guarantee of any of the funding. What I am actually providing is greater long-term security than they've ever had before. If you were relying on TOTE, you are relying on a wagering industry. I just make this point: the racing industry here contributes 6.5 per cent to the total TOTE turnover. That's why there needed to be a separation. This is a very serious wagering business and you can see where the growth factor is in its wagering business and really that's what we are trying to capture now, the value in that and put it to work for the Tasmanian people. That includes a very substantial commitment to the racing industry.

Mr BOOTH - There is something I do not understand here in your theory. You have this plum tree at the moment with TOTE which is at the moment looking after the industry, providing for the industry. It is like an internalised cash or income stream that is used by the industry to keep itself going. You are proposing to get rid of that plum tree, sell it to someone else. You are going to get the cash that you get out of that sale and you will put that back into some capital expenditure to improve some of the tracks and facilities that they need now but from that point on, once you have expended the value of TOTE which may or may not exceed that amount - we do not know what it is going to bring - you may have the benefit of a bit more cash in consolidated revenue that has come back from the sale, surplus from the cap ex, Effectively, but from that point on that is no longer going to make a yield specifically that you could hypothecate across to the racing industry itself. Isn't that then going to shift the yearly cost back to consolidated revenue, which will be seen as a grab out of public cash to compete against the hospitals and schools and all of those sorts of things,

and be subject to a more politicised outcome rather than the industry being seen to be self-supporting through the current ownership of TOTE as a GBE model?

Mr AIRD - Quite frankly with regard to TOTE, only 6.5 per cent of the industry is contributing to the revenue here. It is growing in other areas of wagering. Quite obviously we have over 10 years assiduously assisted the industry, and not without some criticism.

Mr BOOTH - That is the point I am making.

Mr AIRD - We are prepared to make a long-term commitment to the industry to satisfy their interests and other legitimate interests. They are a legitimate business and they are a generous stakeholder in providing that assistance. No, they will not be subject to the bidding of the Consolidated Fund because we will have a legally binding deed that will determine the level of funding. That will be the obligation that we will have to fulfil in terms of the Consolidated Fund.

Mr BOOTH - Just moving on; I realise we are going to run out of time and I cannot follow that any further so thank you.

In answer to a question I asked in the House yesterday, I think, you got back to me and said that Claytons was contracted on 6 January to prepare sale documentation. When did you start negotiations with Claytons to give them the brief that they could accept a contract on anyway?

Mr AIRD - I do not have that detail but it would have been some time prior to that. I can try to find it.

Mr BOOTH - Can you provide that for us?

Mr AIRD - Yes.

Mr BOOTH - The other point, just fairly quickly, in terms of the advice; we had that exchange previously in regard to whether or not you just got it from the old mate down at the pub. Are you saying that, basically, generally if you are going to sell a GBE, whoever the Treasurer is at the time and I suppose you cannot talk about other treasurers, you would be content to go on your personal understanding of the industry and gut feeling in talking to various people to confirm whether or not it is a good idea to sell it or not?

Mr AIRD - I was supported by Deloitte. They provided the advice.

Mr BOOTH - You said that was preliminary advice.

Mr AIRD - Deloitte are involved. We will continue an association with Deloitte.

Mr BOOTH - Will you provide that advice from Deloitte?

Mr AIRD - I am not going to be providing advice, and I do not mean any disrespect. This has been the subject of some discussion with people here. My responsibility, basically, is to ensure that I don't, and neither should anyone here, jeopardise any potential optimum sale; that is the obligation. I will give you the information that I can as long as we understand that I am not going to provide dollar figures or anything that could actually artificially influence the market. With regard to the first part of your question, I think my judgment in making the call has been pretty good in terms of the divestment of asset. Some people were sceptical about the value we would get from the airport. I was never ever sceptical and I am not sceptical here.

Mr BOOTH - You thought you would get \$40 million according to the *Age*.

Mr AIRD - No, that is not right.

Mr BOOTH - The headline says '\$40 million from airport expected' and you got \$350 million so your judgment could be a fair way out.

Mr AIRD - That article is not right.

Mr GREEN - Obviously some members are going to want to ask some questions in camera.

CHAIR - Yes, they are. We are down to about 15 minutes or so left so I had Mr Gutwein's one last question.

Mr AIRD - Can I just say that I really want this to be pretty thorough. If you want to go beyond 15 minutes I am happy to cooperate with the committee. I want to make it clear. I can indicate to the committee I am happy to come back.

CHAIR - At the end of the day we will be fixing another time and place so we can finish it off.

Mr AIRD - Well, perhaps you want to give me some questions on notice, Mr Gutwein.

CHAIR - Today we have a priority to finish.

Mr GUTWEIN - Just so I am clear, I will just run you through some of the dates that we have. On 19 November there was advice provided by Treasury to you that we should proceed with the sale, is that right?

Mr AIRD - Yes.

Mr GUTWEIN - On 22 December Cabinet looked at that Treasury advice plus advice that was included in the Treasury minutes from Deloitte, is that correct?

Mr AIRD - There was an initial minute to me that I did not approve. Then there was a revised cabinet minute sent to me reflecting the changes that I required and that I signed on 19 December and I took it to Cabinet on 22 December.

Mr GUTWEIN - That included the advice from Deloitte?

Mr AIRD - Yes.

Mr GUTWEIN - Due diligence is under way now, is that right?

Mr AIRD - I will be quite frank - I will put everything on hold until we have continued this. I did not want to be seen to be presumptuous.

Mr BOOTH - We would never suggest that.

Mr GUTWEIN - I will remind you of that at some other stage.

Mr AIRD - When I am.

Mr GUTWEIN - Are Clayton Utz still preparing the sales documents?

Mr AIRD - Yes.

Mr GUTWEIN - So that is not presumptuous.

Mr AIRD - I do not know what information -

Mr GUTWEIN - No, that is all right.

Mr AIRD - but in fact there is no -

Mr GUTWEIN - I am just playing with you there.

Mr AIRD - I would prefer it if you did not play with me, Mr Gutwein.

Mr GUTWEIN - The question I do have is do you have a business case that supports the sale?

Mr AIRD - No, there is no such animal, to be quite frank. A multiplier and all those types of things come into play and people will make some judgments. Until you get this information to a data room and you know that there is some contestability and some serious bidders that is of concern, it is going to be the market that determines the business case. It is not something you put in the front window of a shop and say, 'Here it is, go buy it'.

Mr GUTWEIN - I would have thought, though, that to support a sale like this you would have a figure in mind, that you would be able to say, 'If that is achieved, we know that we can achieve our aims. If that figure is achieved we can support the racing industry, we can do the other things we want to do'. I would have thought as a matter of course that you would have had some understanding as to what that was before you would proceed to go to the point where you are going to throw it to the market.

Mr AIRD - Yes.

Mr GUTWEIN - So you have that figure. I am not going to ask you, I just want to know whether you have it.

Mr AIRD - Yes, I have a figure in my head here.

Mr GUTWEIN - In your head?

Mr AIRD - I am not going to put anywhere, any time, a figure. People can make judgments about figures and it would be a judgment call because you are trying to anticipate. Some bidders will seek greater value than others because it will have facets of the operation of TOTE that they want to get hold of.

Mr GUTWEIN - With the greatest of respect, you have provided to the committee today some figures, that is, capital expenditure of \$40 million. We know that there needs to be support to the racing industry on an annual basis and we know what's being currently provided. You don't need to be a genius to work out a present value of what lump sum you might require to be able to provide that support. So, in providing those details, you've actually probably provided sufficient information to anybody that actually wants to work through that and say, 'We can work out what the bottom-line figure is to the Tasmanian Government', with the greatest of respect.

Mr AIRD - That's okay; you don't have to say that - greatest respect. The fact is that I have to satisfy some interests here in terms of the racing industry; I have to provide some certainty and I am prepared to put those figures there to satisfy them. That means that when we put forward a deed, or whatever, of understanding, we wear the risk.

Mrs RATTRAY-WAGNER - I'd just like to get clear in my mind, Treasurer, why you couldn't have shared some of your thoughts about the sale of TOTE when you were doing the restructuring. What was so secretive that you needed not to share it with the industry and I guess also why you couldn't share it with the scrutiny committee back in early December?

Mr AIRD - Well, I hadn't determined that it was for sale.

Mrs RATTRAY-WAGNER - But if there had been some processes going on, could you not have said, 'We're doing some really light work on this'?

Mr AIRD - Well, that could have an effect upon a range of players, including the staff of TOTE. There are 300-odd employees in TOTE. When we made the announcement on the Thursday, having made the decision on the Monday, we put in a very serious communication strategy with the employees to make sure that they understood the nature of the process. Similarly, there are a whole range of things that you might consider or prepare for or get preliminary information on that you don't want to go on with. If Deloitte had come back and said, 'Hey, this is not going to work for you', I'd have to really consider that

and ask why. I would have really quizzed them. But they didn't say that. Therefore, the issue of making a decision only occurred on 22 December and whatever thoughts or considerations that I may have might have ended up being nothing. It is only after you conclude the deliberations and thoughts about what is going on that you can make a decision.

Mr WILKINSON - People have stated, and stated in these hearings we've had today, that they were receiving assurances that TOTE wouldn't be sold pretty well up until the time that there was a sudden, as they call it, backflip. What's your comment about that?

Mr AIRD - If you look at all my statements about this, I've always said that I was casting my eye over assets and I'm sure you've gone back. I've always said that, as Treasurer, I am looking at assets and I'm looking at their core function to government and -

Mr GREEN - We've bought one - the power station.

Mr AIRD - Yes, well that's true; part of one. That aside, I have always been open about that and we've had discussions in the Legislative Council about it and I've said it in answers to questions; I've said it, in fact, in answer to the honourable member for Apsley.

Mr BOOTH - But didn't you specifically say that it's not going to be sold?

Mr AIRD - No.

Mr BOOTH - But you led people to believe before -

Mr AIRD - No.

Mr BOOTH - Well, certainly our House was led to believe that TOTE would not be sold.

Mr AIRD - No, I didn't.

Mr BOOTH - Well, what -

Mr AIRD - I know you've referred to things in the past, to the second reading speech that was made in terms of the separation. If you read that speech in the context of that bill, you will see that that is entirely consistent because we were saying that the separation of the wagering organisation, the racing services, was not about the sale, and it wasn't. People can make a judgment about does it help or not but I can tell you the motivation is not that. That separation would have occurred whether we proceeded with the sale or not.

Mr BOOTH - When you gave that assurance, when people asked you the because they wanted to know whether TOTE was sold, whether that was part of it, at they felt deluded into supporting the industry restructure because they had the assurance that TOTE would not be sold. Have you not effectively misled those people, at least by omission, by not saying,

'Okay, you want to know if it is going to be sold. Today I have not made the decision but tomorrow I probably will because I have made up my mind that clearly I will.

Mr AIRD - You cannot say you probably will make a decision. You either make a decision or you don't. If you look at my statements they have always reflected that as Treasurer I was casting my eye over the assets, and I have said that quite consistently.

CHAIR - Okay, thank you. We have now cut ourselves very short of time so we will now move in camera. I would ask that everybody else vacate the room. Thank you very much for your attendance this afternoon.