

THE HONOURABLE MICHAEL AIRD, MINISTER FOR RACING, WAS RECALLED AND FURTHER EXAMINED.

CHAIR (Mr Hall) - We will start this last segment. It has been a long day and we have the most important player of the lot, the honourable Treasurer. Welcome, Treasurer. We will have a short session in open committee, and then we'll move into closed, if that's okay with you. Is there anything you'd like to say just to start off with?

Mr AIRD - Mr Chairman, there appear to be three threshold questions that the committee is considering, but you may correct me. The questions appear to be: do you believe there is good reason to divest TOTE from public ownership; do you believe the processes that were undertaken to achieve that decision which I took, along with the Government, were appropriate in the circumstances; and does this allow for security of funding, a sustainable funding model of some sort into the future?

Obviously, I have answered the first question; that's why I am here. In answer to the second question, I am satisfied, given all the circumstances, all the stakeholders including the employees, principally, that I've handled the process appropriately and have engaged in proper process, but the committee may make a different judgment because I understand there has been some evidence put forward in committee which has been a bit critical, surprise, surprise.

CHAIR - You got off pretty lightly today.

Mr AIRD - No-one defamed me? I am not going to defame myself, but I just hope there's some restraint amongst members here.

Then you get to the other question of how you satisfy the racing industry's funding model. I put forward a model before. I have a slight variation to that model in that I would proceed with the deed whether or not we had a sale of TOTE. The advantage of a deed is that it does give security. There is no funding model in Australia now that actually provides security to the racing industry; there are models that have provided a level of assistance to the racing industry over a period of time but there is no guarantee per se. A deed overcomes some of the concerns about the vagaries of political interference and, depending on the terms and conditions of the deed, would get to, I think, a reasonable position of security for the racing industry and allow for proper management of the racing industry that I think is essential.

That is the proposition that I would bring to the table. A deed would be signed with the Tasmanian Racing Board which would secure funding for the racing industry. I have indicated before the committee and publicly that the industry should not be worse off or disadvantaged from the present funding arrangements, therefore there would be some level of indexation. The only part of the deed which would have a condition precedent would be the capital injection into the racing industry, but that would have to be subject to the sale.

Other than that, in terms of what exists now, we could ensure that the deed could be sustained whether or not there was a sale of TOTE. That is a variation really to the proposition I put before; I remember having a discussion with the committee in terms of linking the sale to a deed. I believe under any particular situation you'd be able to have a deed which would sustain the long-term interests of the racing industry.

CHAIR - Thank you. Are there any questions of the Treasurer on those points he has made?

Mr GUTWEIN - I was wondering how far down we can drill or whether we wait until we go in camera. Just in regard to a couple of things I think you said last time and certainly clarified something that was discussed this afternoon, still on the rolling five-year basis?

Mr AIRD - That was the initial proposition, and if there was a variation of that which led to a similar outcome but didn't lead to a huge distortion. I think we have to understand that the racing industry actually contributes to a turnover of about 6.5 per cent. That is understood in terms of the wagering industry. The racing industry has some claim to the benefits of the sale of TOTE probably beyond that 6.5 per cent, but nonetheless I think we can work out a model that is a long-term sustainable guarantee model of the deed. That is not subject to any political interference once it's signed. A deed can be varied by a consent of parties, of course, and I think that would be the most secure.

To be quite frank with the committee, I have looked for a way where I could provide the greatest level of security under the provisions, and the most secure model in terms of the legal position of a deed is, I think, the most secure way and legal way of supplying security and sustainability to the racing industry.

Mr BOOTH - Minister, you said that you've engaged in proper process in regard to this. Who did you consult with in the industry before you decided to announce the sale of TOTE?

Mr AIRD - As I explained before, my position is that while they are the beneficiaries of a wagering industry and their interests need to be satisfied with the process, if I had gone through that process I would have caused a lot of instability within TOTE and there are about 300 employees to be considered. I had to satisfy myself that we could get value out of the sale of TOTE and ask whether it was necessary for it to be in State hands, and whether we could provide some security back to the racing industry. I believe I can do those things and I am satisfied in terms of my decision making that I have engaged in a proper process.

Mr BOOTH - Who did you consult with then? We have not had a single person from the industry who has expressed any confidence in you whatsoever, and none of them had been consulted. You are talking about an industry, but I cannot quite reconcile proper process with not consulting with anyone. But setting that aside -

Mr AIRD - Let us not set it aside. What we are selling is a wagering industry. We are selling a wagering business, not a racing business. The interest of the racing industry is to secure funding - bottom line. I understand that. I think that we will be able to do that and satisfy

the industry. Those who have been critical of the process are concerned about their future. I understand that.

Mr BOOTH - Who did you consult with?

Mr AIRD - We went through this last time. I am not going to do that again.

Mr BOOTH - With respect, I am asking you a question. It is not up to you to say you are not going to deal with anything in here if somebody wants to ask a question.

Mr AIRD - I do not want to waste the committee's time.

CHAIR - We went through those questions last time. The Treasurer gave the answers with regard to stakeholders. A lot of them have criticised the process, others have said it depends on what the Treasurer comes up with.

Mr BOOTH - In regard then to the deed, you said that you will prepare a deed whether you sell TOTE or not. When did you decide that you will prepare a deed?

Mr AIRD - I had discussed with the committee before that I thought a deed would be an estimate of securing funding for the industry.

Mr BOOTH - Yes, but when did you decided that you would do that? You discussed it with the committee before that you would prepare a deed to guarantee the future of the industry on the sale of TOTE.

Mr AIRD - I do not have a date in my head so I cannot answer that.

Mr BOOTH - It is just that you said that you think you should have a deed whether we sell TOTE or not.

Mr AIRD - That is right. Before I was saying that it would be a condition precedent in terms of the sale. I reflected upon the conversation I had with the committee. I said to the committee then that I would go away and think of the attitudes put forward by the committee. I have done that and I think by creating the opportunity for a deed to be signed, whether TOTE is sold or not, handles the issue of security or whatever.

Mr BOOTH - Is that something on which you have come to a conclusion since you appeared before the committee the first time?

Mr AIRD - I have firmed in my view that that is the best way of securing a long-term, sustainable funding model for the industry. That was following on from the committee's deliberations.

Mr GUTWEIN - On another matter, although there are a number of issues I want to drill down on the deed so I do not want to get away from that, but we will do that in camera. Today we

heard an interesting criticism of the way that you and the Government have handled it and that the recent yearling sales, which I understand around the country were down by between 18 and 25 per cent but in Tasmania took a 41 per cent hit. Criticism has been raised today that the uncertainty in regards to the TOTE sale had an impact and exacerbated the situation, making it worse in Tasmania than it was in the other States. Would you accept that as a valid criticism? Importantly it appears from every witness that we have heard today that everybody is concerned about the lack of information that is available to them. What process will you be undertaking to ensure that the industry is informed to remove any perception of uncertainty in regards to going forward?

Mr AIRD - There are a couple of questions. One, I could be held responsible for a lot of things but I do not think the downturn in yearling sales can be directly attributable to that. It is more to do with the broader economic climate that we are in rather than any decision made by the Government. That is my observation. No-one has ever raised that issue with me before other than -

Mr GUTWEIN - As I say, it was raised in a couple of -

Mr AIRD - If it was raised here, that is fine but I think it is stretching things to attribute this to me or the Government's decision. There has been a drop in sales around the country. Everyone knows about that in terms of the returns that people are getting from their stock. I think the variation is more to do with the market than any influence that we brought to bear by this decision on the market. In answer to the other part of the question, what I would tend to do is to produce two pieces of legislation, one to amend the Gaming Control Act and the other a TOTE sale act and, at the same time, I would table the deed.

Mrs RATTRAY-WAGNER - Minister, you indicated that you thought that the process was appropriate leading up to the announcement of the sale and you highlighted the fact that you were concerned about unrest with the 300 TOTE employees. Can I put it to you that the 2 700 people within the racing industry are probably as concerned about their future? Do you acknowledge that they are just as important?

Mr AIRD - In terms of legitimate stakeholders to this they are a legitimate stakeholder in the racing industry. What we are divesting here is a wagering industry and my interest is to ensure that the general community can benefit from the assets that are held, not just the racing industry, this is a broader view. This is a view that I have about the community not just the racing industry. This sale has the potential to benefit every Tasmanian not just the racing industry. The racing industry is not the only stakeholder in terms of the value that we could extract from the sale of TOTE. I expect that we would be able to invest in other assets which will benefit the whole community.

No-one has been more supportive of the industry than I have and this Government. In fact, when we came into government the industry was on its knees and we have managed to build and sustain it. You think of the resistance we had with Betfair.

Mrs RATTRAY-WAGNER - Praise has been given today to the former Premier.

Mr AIRD - That is fine. I do not mind where it goes but it has to be acknowledged that we have built up the industry. We do not intend to do anything that is going to negatively affect it.

Mrs RATTRAY-WAGNER - Moving on, and I am probably fortunate that I am not making the decisions that you are making I had not thought about the process I would take but I think that I would probably have engaged some more consultative means. That is my view. We have heard an opinion today that any conditions attached to the sale of TOTE to secure funding for the industry, may diminish the value of TOTE. Do you agree that that could be the case?

Mr AIRD - It depends what the conditions are. I do not know. Most sales have conditions on them and some of those conditions can affect the sale depending on the nature of the conditions. There could be a range of conditions, and some of them may affect the value.

Mrs RATTRAY-WAGNER - Have you thought about what some of those conditions may be?

Mr AIRD - Yes, I have thought about some of them but I have not concluded any of them yet.

Mrs RATTRAY-WAGNER - But they may diminish the price or they may not.

Mr AIRD - Some of them may be worthwhile in terms of the overall benefit to the Tasmanian community and the industry generally. We will be making a judgment about that in terms of what we say will be conditions precedent if we get Parliamentary approval to sell. Obviously we will go through other stages to work out what other conditions we want to impose.

Mr BEST - I have some key feedback from some things put to the committee in relation to any funding model you might be thinking about being to continue to attract new people into the industry, the pool of horses coming through. They wanted to go from 68 to 78 races a year. I do not know how achievable some of that is. There is also a view that I think they want to canvass and that is how the stakes might eventuate between the two larger cups of the year and how that could be shared across with more race meetings? I do not know how achievable that is, but that is some of the feedback. From what I have gauged in evidence here, people seem fairly comfortable with the formula that has been used from the Country Racing Victoria but there could be some special circumstances with those two cups et cetera.

One of the big issues has been what might be included in some arrangement regarding infrastructure. I am from Devonport and I have heard of some upgrading needs in the Devonport area of \$12 million to \$15 million.

Mr AIRD - That is true, I acknowledge that.

I have views about the capital expenditure that needs to be invested into various racetracks around Tasmania. I think Spreyton does need to be upgraded. Whether it needs to be an all-

weather track or a synthetic track I do not know; that is why we have a racing board to deal with that.

I am not here to micro-manage, in fact this highlights the issue that we have put a Tasmanian racing board in place. The intention is that it will become a State-owned company, that it will determine the outcomes of the racing industry and that racing people will take control of racing. They will be determining the level of capital that they wish to put into various racetracks around Tasmania.

My responsibility is to ensure that there is a level of capex available to the board, that there will be an injection of an amount that needs to go to the board and I am prepared to do that at the conclusion of the sale. I cannot find the amount of capital to invest in that from the circumstance we are in at the moment so, in answer to your question, those decisions will be made.

In terms of race meetings, already we have announced with TOTE that there are lights going in at the TOTE racing centre and Launceston will create more meetings, probably around about 11 more, which will open up another part of the market for us. There are other aspects that I think can create avenues for us to fill niche markets in terms of racing but a simple answer to your question is that most of those decisions should be made by the Tasmanian Racing Board. The discussion here is about how we put the resources to the Tasmanian Racing Board so it can make those decisions.

Mr BEST - Just finally on that, from what I have picked up there have been people who have been pretty aggressive and heated about the situation -

Mrs RATTRAY-WAGNER - Did you find that?

Mr BEST - Just slightly.

When you start drilling down with this in discussion, mostly it is around the context of what the funding agreement might be, I suspect, and how that works out.

Mr AIRD - I think that is right.

Mr BEST - I realise there are two separate issues at stake.

Mr AIRD - I understand that and I am keen to address that issue.

Mr BOOTH - Just to be clear for the committee, Treasurer, you are not selling the racing business, you are selling the wagering business -

Mr AIRD - That is correct.

Mr BOOTH - and you are doing it for the benefit of the whole of the State, not just the racing industry?

Mr AIRD - That is correct.

Mr BOOTH - Implicit in that then is that the racing industry would be better off retaining TOTE?

Mr AIRD - No.

Mr BOOTH - How can it be that this is better for the Tasmanian population?

Mr AIRD - One does not negate the other.

Mr BOOTH - How is that?

Mr AIRD - It does not negate it. I am putting forward a model that guarantees them a future in terms of funding. In terms of long-term sustainability they will be out of the political hurly-burly, they will not have to do any lobbying, they will not have to anything other than get about their business running the racing industry the way they want to do it.

Mr BOOTH - So they will be better off?

Mr AIRD - In my view they will be a lot better off. They will be better off than any other funding model anywhere else in Australia.

Mr BOOTH - How will the Tasmanian community be better off than any other? You cannot have it both ways.

Mr AIRD - Of course you can, because the amount we will get from the sale will be able to benefit Tasmania so we can invest in other assets.

Mr BOOTH - The overall sale price will give you enough money to do both you say? So the wagering business in itself will be worth a lot of money?

Mr AIRD - I am not going to be drawn into price or -

Mr BOOTH - No, I am not asking for the price.

Mr AIRD - Obviously if I did not think I could do all that I would not be putting it on the market, would I?

Mr BOOTH - So why didn't you tender out the pokie licence? I mean, if it is a wagering -

Mr BEST - Mr Chairman, relevance.

Mr BOOTH - No, that is a reasonable question. If the pokie licence in fact was not for the benefit of the community, and that money was got by selling the licence, why is it that this wagering business has to be sold off but the pokie licence was given away?

Mr AIRD - It is two totally different -

Mr BOOTH - They are both wagering businesses, aren't they?

Mr AIRD - They are different types of businesses. There are a lot of reasons for renewing a deed - I don't know if you want me to keep on going with this but I am happy to - there are a lot of advantages in having a deed. In fact there is another committee investigating this matter so I don't know if it is entirely reasonable to go into this. The Public Accounts Committee is looking at this, isn't it?

Mr BOOTH - I do not know.

Mr AIRD - As far as I know they are.

Mr BOOTH - You do not want to answer this.

Mr AIRD - No, in any event there can be real advantages in ensuring that you have a strong industry. The fact that you do not have competitive pressure in terms of a deed can lead to advantages to the operator and to the community generally. We are addressing that issue and I will make a further announcement about that tomorrow.

Mr BOOTH - Could you not then extrapolate that to say that the racing industry would have been better off maintaining the TOTE for what it was set up for in the first place, which was to support the racing industry and therefore be able to not have to go to that auction every year for funding through consolidated revenue?

Mr AIRD - The TOTE's business is a wagering business. It has changed dramatically as a business. Only 6.5 per cent of its revenue is generated out of Tasmanian racing activity. TOTE has been built up as a large business by virtue of the activities of TOTE as a wagering business, not as a racing services business.

Mr BOOTH - Are you saying TOTE was not set up to look after the racing industry?

Mr AIRD - What I am saying is the nature of the business has changed dramatically and the benefits to the industry have changed dramatically. Under the model we are putting forward they will still have access to sponsorship money at racefields. There was no such thing as racefields before, no such thing; there is a new stream of resources going to the racing board that they would never have had before. We now have Betfair, and they get the benefit of that, so the whole nature of wagering has changed in Tasmania and indeed in Australia.

Mr BOOTH - How would you propose they would be funded beyond the 20 years then?

Mr AIRD - Twenty years seems to me a reasonable threshold. You can put aspects into the deed if you wanted to work out renegotiation renewal clauses. There are ways of doing that if you wanted to.

Mr BOOTH - Is that contemplated?

Mr AIRD - I think there has to be some provision, and I think 20 years is reasonable. Whether you have a renewal period at, say, year 15 or year 10 and then beyond that, the next 10 years, I do not know, but we will certainly be addressing that issue.

CHAIR - If there are no further questions, thank you very much for your attendance. We will move to camera, Treasurer.