

Mr CRAIG COLEMAN WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Mr Coleman, you are aware of the privilege issues that run as you have given evidence before. For the benefit of members of the gallery and the committee, Mr Coleman may wish to give some evidence in camera as well, but we will start off in open committee. Craig, I would ask you to make an opening statement, if you would, please.

Mr COLEMAN - First of all, I would like to thank the committee for the opportunity to appear before you today and to provide some comments.

Understandably there has been a great deal of interest in the sale of TOTE Tasmania within the Tasmanian racing industry. As I perceive it, the concern is about the continuity of funding, and certainly they were remarks that were echoed this morning by Kevin Ring in his presentation from the industry, and I think that is an entirely valid concern. The Tasmanian racing industry for the past 10 years has received a substantial increase in funding and, as Terry Clarke, the previous witness, indicated, that increase has been in the order of 90 per cent over that time. The profits that are generated by TOTE Tasmania and paid to the racing industry - this is my position - are a distribution of government funds. The Government owns the business, it was set up by the Government and it has chosen, as it did when it formed the company in 1999 and then formed the State-owned company in 2001, to distribute all its profits to the Tasmanian racing industry. So what we are actually getting in the Tasmanian racing industry is government funds.

The Tasmanian racing industry, in addition to the government funds, is provided with considerable other concessions in the form of dividend holidays. I know that has been of considerable debate in other committees and forums within the Parliament. It gets money from Betfair and direct capital injections from the Government, the most recent being the \$22.6 million that was paid to the industry in 2002. Operational funding for racing from TOTE Tasmania alone this year is \$23.8 million. The Tasmanian industry has seen the success of TOTE Tasmania in recent years and is understandably nervous about its future funding and the impact if TOTE Tasmania is sold. I consider this a strong vote of confidence in the management of TOTE Tasmania and for that I would like to acknowledge the fine work of the board and the management team of TOTE Tasmania. I suppose, in many respects, this probably makes it the right time now to sell the company.

Funding from TOTE Tasmania is but one form of investment in the Tasmanian racing industry. Many Tasmanians invest in the industry through ownership of horses, dogs and, more importantly, through investment in properties dedicated to breeding and training of horses and dogs. For some the investment is motivated by passion for the industry; however, it is important that an appropriate economic return must be considered for those individuals. In my view, the certainty of future funding by government, either through TOTE Tasmania or directly, is an important key element in encouraging that ongoing private sector investment in the racing industry. In this regard, I note the Minister for Racing has already committed the Government to a long-term funding deed, and he spoke of that when he appeared before the committee a couple of weeks ago. That funding deed, as I

understand it, will be for 20 years and has agreed amounts of funding with the Tasmanian Racing Board, which accords exactly with the requirements of Mr Ring this morning.

As I understand it, the industry has been guaranteed a level of funding independent of the commercial operations of TOTE Tasmania, and that is a very important point I'll come back to in a moment. This resolves many of the concerns expressed about what private ownership of TOTE Tasmania may mean to the local industry, and I will touch on some of those concerns as they were referred to by Mr Clarke in his evidence, particularly on the sale of the South Australian TAB. The committee received evidence on the first day of the hearing that the sale of the South Australian TAB was a significant cause of the decline of the racing industry in that State. By way of contrast to TOTE Tasmania, when SA TAB was sold it was returning a loss to the operator. It was virtually stripped of all its profits by the Government of the time. Indeed, following the sale, turnover decreased further, and Mr Clarke referred to that in his evidence this morning. Funding for racing in South Australia is directly - and I emphasise 'directly' - related to the turnover of the TAB in that State, so as the turnover increases or decreases so too does the funding for racing in that State.

I can fully understand that the racing industry would be concerned if the Government was to implement a funding model similar to that model in South Australia, but this is not what the Government is proposing. I understand that the Government is proposing to enter into a long-term deed with the Tasmanian racing industry, which would provide a level of certainty of funding independent of and separate to the turnover of TOTE Tasmania. I encourage that approach because at least the industry will have some form of certainty about its funding model.

I would also like to address some of the comments that were made at the committee on the first day of hearings. The former chairman of the Tasmanian Greyhound Racing Council, Mr Bullock, raised two issues of concerns to him and his former council with respect to the guaranteed levels of funding for the greyhound code. The second matter was in respect to the potential sale of TOTE Tasmania during the industry consultation. Again, that matter was referred to by Mr Ring this morning, so I will address those two points.

It has been asserted that TOTE Tasmania advised the greyhound council that it would increase the level of funding for that code received from funding from Betfair in excess of \$5 million; however, TOTE Tasmania did not formalise its commitment in writing. I have here in evidence copies of several letters which passed between the code council and Mr Bullock and TOTE Tasmania which refer specifically to that guarantee. Mr Bullock further asserted that in written documents handed out during industry forums, and in particular the industry forum at Campbell Town, there was a commitment that TOTE would never be sold. On this point I will read from the document - and there is a copy of this document incorporated in the papers that I've handed the committee this morning.

The comment was made that as TOTE Tasmania is not on the market, therefore there is no provision in the proposed legislation dealing with any hypothetical future sale. That falls well short of saying that TOTE will not be sold. Indeed, on a number of occasions during the consultation process, when asked about this question, I expanded my comments to say

that the Tasmanian racing industry could never be guaranteed that the TOTE would not be sold. This Government, or indeed any future Labor or Liberal governments, may well decide to sell TOTE Tasmania, so there's no guarantee in future. To rely on an organisation for the bulk of your funding appears to me to be madness. You need to broaden your income base so that the industry has a good and sustainable future well beyond the single-point sensitivity of TOTE Tasmania. I made that point quite clear at a number of those forums.

I also want to make comment as to why I was so motivated to see the implementation of the industry restructure which was approved by the Parliament last year. There are several papers here which refer to the documented process that we went through there, including board papers from the TOTE Tasmania board when the formation of the Tasmanian Racing Board was first raised and pursued in July and August 2003, almost some six years ago now. So this has been on the agenda for the company for several years and was first raised in public forums in 2004, but didn't proceed at that time for a number of reasons.

I again raised the prospects with the TOTE board in July 2008, and the process of the formation of the Tasmanian Racing Board as a governance model started in July 2008, well before any consideration of the sale of TOTE Tasmania was on the agenda. I, along with a number of other executives, developed that model within the company, and we were firmly of the view that we needed a model which took a one-industry approach to promoting the industry in Tasmania, and wasn't caught up in the fracturing of the three codes competing for their own individual positions, which was the case previously.

There are a number of people within the industry and I received lots of comments through the process. Indeed, I received a copy of a survey done for the greyhound code where 57 per cent of the constituents expressed a vote of no confidence in the old code structure. They were the motivations for me to take forward the industry restructure, it had nothing to do with the sale. Indeed, I would have said that TOTE Tasmania could have been sold regardless of whether the restructure occurred.

As the Minister for Racing indicated last week - and referred to by Mr Clarke this morning - we have restructured the company into three entities: a media entity, a racing entity and a wagering entity; not ostensibly to sell, but because of the efficiencies of running the business in that way. Any one of those entities could have been hived off from the business and could have proceeded forward without the other two. That is all I would like to say about that at this time, but I may have a further comment on that later, Mr Chairman. In conclusion, in my view, the restructuring of the Tasmanian racing industry has nothing to do with the sale of TOTE Tasmania.

CHAIR - Okay. Any questions?

Mr BOOTH - When did you first become aware that the Government was interested in selling TOTE?

Mr COLEMAN - I have made no secret over the last four or five years that I have had an interest in seeing the TOTE pass into private ownership. I have raised those observations with a number of people, including the Government, over that time. So when did I first have those discussions with the Government? Maybe three, four or five years ago.

Mr BOOTH - So with this current proposal to sell, when did you start discussing with the Government the prospect of its being sold? Not from your position in the past that you thought it was a good idea, but with the Government specifically to do with selling it?

Mr COLEMAN - The first discussions I would have had on the possibility for sale would have been in May or June 2008.

Mr BOOTH - What form did those discussions take?

Mr COLEMAN - 'Is it worth considering?' - it was no more than that. Of course I was very keen on the notion of it being worth considering.

Mr BOOTH - In your mind, when did you believe the Government would proceed or was seriously considering the sale?

Mr COLEMAN - I really had not formed a view on that. There needed to be some consideration about the appropriate process. There needed to be advice on that and ultimately it is not for me to sell the TOTE, it is for the Government to sell it. I am part of what gets sold but they make those decisions.

Mr BOOTH - Was it in your understanding that it would be sold back in October last year, for example, or prior to that, prior to November last year?

Mr COLEMAN - That it would be sold, no, it was not my understanding. My knowledge of it being sold would have come in late December.

Mr BOOTH - How were you advised of that?

Mr COLEMAN - I was advised that it had been to Cabinet and that Cabinet had considered the sale of TOTE.

Mr BOOTH - Did you know it was going to Cabinet?

Mr COLEMAN - No.

Mr WILKINSON - Was there an increase in activity? Proposed sales do not drag along at snail's pace. If there is to be a sale or a decision to sell there is a bit more activity just prior to that happening. What I am suggesting is that you would have noticed that increase in activity, in terms of discussions with you, looking at business plans et cetera.

Mr COLEMAN - No, there were none of those discussions.

Mr WILKINSON - None with you?

Mr COLEMAN - None with me.

Mr WILKINSON - And you were not aware of any?

Mr COLEMAN - I was not aware of any, no.

Mr BOOTH - Were you shocked when you heard that it was going to be sold?

Mr COLEMAN - Pleasantly surprised or pleased.

Mr WILKINSON - I am not in government so I do not know, Craig, but I have been involved in private enterprise for a number of years and the Legislative Council for a number of years. People know what is going on around them. Are you saying that this was so cloak and dagger that you did not have any idea as to what was going on around you?

Mr COLEMAN - No, it is not fair to say that. In response to the question, did I know that TOTE was going to be sold? No, I did not know that TOTE was going to be sold until December. Was I aware of any consideration of the potential value of the TOTE over that time? The answer is yes, I was. Was I directly involved in any activity? No.

Mr WILKINSON - You were not aware that that activity was increasing. Can I take that to be -

Mr COLEMAN - I do not know that that is a fair characterisation of what actually occurred.

Mr WILKINSON - That is what I am trying to find out, you see?

Mr COLEMAN - My understanding is consultants, Deloitte, were engaged to give advice on the structure of the company under the Gaming Control Act and they were subsequently engaged to give advice on whether it was appropriate to sell the company. If that is an increase in activity, I was aware of that.

Mr BOOTH - Did they approach TOTE at all in regard to that then? Deloitte were engaged to consider selling the TOTE off, so surely they must have approached TOTE and discussed the business operation, model and the finances of it - what you owned, what you didn't?

Mr COLEMAN - All of those discussions occurred subsequent to the announcement of the sale of TOTE.

Mr GUTWEIN - Mr Coleman, are you telling us that the Cabinet made a decision to sell TOTE without there being any direct involvement by yourself, the CEO of TOTE, in regards to the value that might be ascribed to that asset should it go to sale?

Mr COLEMAN - I think we need to be clear on the decision the Government has made. The decision is the Government has an intention or a desire to sell TOTE given the right circumstances. Those circumstances have yet to be identified and finalised, so saying that TOTE is on the market today is wrong, it is not. Indeed, one of the key processes that needs to be dealt with is the passage of legislation through both Houses of Parliament and a price will need to be achieved which satisfies the Treasurer and the Government in particular. To say it will be sold, there are a lot of things -

Mr GUTWEIN - I said the decision had been made to sell TOTE by Cabinet which I think was certainly how the decision by Cabinet was portrayed; that the Government had decided that they would sell the TOTE. It seems a little strange that as CEO you were not involved in providing any advice to either Deloitte or to Government about the potential value of TOTE prior to Cabinet making that decision.

Mr COLEMAN - If we are going to get into some of those questions I would rather answer them -

CHAIR - Any further questions? If not, we will have a short time in camera again.