

Mr ROBERT BIFFIN AND Mr NEIL HERBERT WERE CALLED,
MADE THE STATUTORY DECLARATION AND WERE
EXAMINED.

CHAIR (Mr Hall) - Welcome, Mr Biffin and Mr Herbert and thank you for coming along. You both understand the rules of parliamentary privilege and are au fait with all that. I do not know how you are going to do your presentation but if you would like to make an opening statement with particular reference to the sale of TOTE and then we will allow the committee members to ask questions. We have only a 30-minute time slot so it must be fairly short.

Mr HERBERT - We were advised TOTE Tasmania was not on the market and therefore there was no provision in the new Tasmanian Racing Board legislation dealing with any future sale, hypothetically or otherwise. We want to know whether there was any stakeholder input. On 8 January we received a letter from the Treasurer, the Honourable Michael Aird, advising of the Government's intention to sell TOTE. The letter stated, 'This will improve TOTE's competitiveness'. We cannot see how that can be when it has had a negative impact on all the other States.

Under the new proposal of the Tasmanian Racing Board, the Director of Racing, the Racing Appeals Board and the Integrity Assurance Board will all be funded from the State Budget. It also stated, and I quote, 'I can guarantee that the Tasmanian racing industry will not be worse off with these arrangements'. Shouldn't the guarantee state that we would be better off? The letter also states that the proceeds of the sale will be reinvested into other State assets. I point out that the privatisation of the TAB in South Australia has been a disaster and that State now has unfunded capital works and low prize money. It beggars belief how the minister can guarantee future funding arrangements from future governments. With changes to social and economic circumstances we would be competing with all other submissions to Treasury including health, hospitals, schools, housing et cetera.

May I remind the committee that the TRB legislation was passed with no business plan, no cost-benefit study, no funding formulas for prize money or maintenance, and at the moment I think the new Tasmanian Racing Board is in negotiation with the Government for funding. To me, you have sold the farm and now you are trying to negotiate some cattle back onto it.

There are questions that I believe should be answered. There has been no study on the impact of racing. Will the new owner want input into the time slots in allocating Sky Channel when product goes overseas? Will the current number of TOTE outlets remain? Will Tasmania benefit in racing funding tied to growth in turnover globally? New owners may not care, as 94 per cent of turnover is generated from products outside the State now; their interest may only be in obtaining a licence. Also, the Betfair agreement is due for renewal in 2011. Will they still be in Tasmania? As it is half-owned by the Packer Group, they may wish to move it to Sydney or overseas, and they are not liable to put in \$5 million

a year if that happens. Also the current Sky Channel arrangements end in 2012. At this stage, we pay them to take our products.

So in summary, if a sale is pursued then the industry needs concrete arrangement, specific clarification, transparency, integrity protection for stake money tied to growth and capital expenditure with long-term sustainability, not words, which is all these things are at the moment.

Mr BIFFIN - I know under the present model that levels of funding are not guaranteed, but I thought I read somewhere that this would provide surety of income. I am not quite sure what that means, but that is a concern. I guess with the minister's commitment or statement that the racing industry will not be worse off, we need to make sure that that actually is carried out and the racing industry is not worse off. I am not sure how we do that. What does the term 'worse off' mean? Does 'worse off' allow for reasonable growth? Who decides what 'worse off' is? These are things I do not understand. The statement was also made that the sale of TOTE would provide opportunities to increase funding to the Tasmanian racing industry. I would like to see what those opportunities are, how significant they are and the time lines for when they would be introduced. The funding model would have been mentioned by everybody who has come in and we would like to see a funding model which details how we will not be worse off, how we will grow and how we will maintain confidence in the industry.

There are a lot of participants in the industry who have put a huge amount of money into infrastructure, just to mention one Alwyn Shaw. How do we guarantee these people that they can have a five or 10-year plan and continue to spend the millions of dollars they are currently investing? That relates to a lot of the participants. There is a huge amount of money tied up. At the moment there is a lot of concern about future funding and whether it is worthwhile staying in the industry and they should continue to commit funds. This all seems to be taking place during the latest restructure transition period for the Tasmanian Racing Board, although I am not sure that they even know what they are doing at this stage.

It seems to me there is unreasonable rush to get this through. The timing to me is very surprising. I would have thought that the Tasmanian Racing Board would have been giving advice to the industry but I do not know whether they can or cannot. But they certainly are not in a position to do that at the moment and there is no-one advising the racing industry on the ramifications of this whole thing. There are a lot of questions being asked. There is a lot of negativity. A lot of people are frightened. They are worried about their future and they want to see more concrete information.

CHAIR - Thank you very much.

Mr GUTWEIN - You raised a number of issues. We heard from a witness earlier today that the current concern in the industry had contributed to the very poor result at the yearling sales. Would that be your view as well? I think it was suggested that nationally sales were down 15-25 per cent but in Tasmania we took a 41 per cent fall. I am wondering whether or not that negativity in the industry played any part in that and what your view might be on that.

Mr BIFFIN - I think that it may be one of many things that may have formed a part. I do not think that it was necessarily the biggest part. It would depend on who you were speaking to and which part of the industry they belong to. Certainly that would have been in the mix of things as it was a national trend. We are linked to the national economy and apparently a planeload of buyers never made it to Tasmania. There were quite a few different things and that could have been part of it.

Mr GUTWEIN - Following on from that in regard to time frame, there is legislation to go before Parliament and the Government has to provide information on a range of matters. How critical is it of the industry or the bodies that you represent that the Government provides information in a timely fashion and how long would the industry stand for the current status quo to remain that is no information before it before it starts to have a very detrimental effect on the industry? How soon do you need to know what is going on?

Mr HERBERT - Obviously as soon as possible. With the introduction of legislation we need the information as quickly as we can possibly get it. As you say, the negativity at the moment is because of unknown quantities which I stress from everything that we have seen you could say are words. There is nothing that is concrete evidence about whatever will happen, or may happen, with the exception of the minister saying that we will not be disadvantaged. Unfortunately I do not think it is good enough to evaluate anything in that light.

As far as we were concerned, the TOTE was established to provide funding to this industry. If you sell it without any of this information, we do not know and nobody knows where that could end up in three years' time. We could be sitting around this table and going to turn the key in the front door and then we all go home. You cannot expect the studs to look at investing when they do not know where they are going and the industry in general. It has probably been said that the industry employs around 3 000 people. You take that on board. There is a lot of negativity in the industry full stop. I do not know where you would want to invest. I just made reference to a new owner hypothetically with the board room in Sydney or Hong Kong or wherever. They are obligated as directors to make as much profit for their new organisation so they may decide in two years' time to close all the TOTE outlets as a business risk. There are a lot of people - I do not know how many outlets there are, probably 70 or 80 in Tasmania - and those people would be unemployed.

Mr BIFFIN - We are not saying that the sale of TOTE is a bad thing. We do not have the information to have an opinion, I think. Is one of the reasons the fact that the Government is looking for money to pay off other debts or to source other projects? What came first?

CHAIR - We cannot answer some of those questions because we are not the Government.

Mr HERBERT - They are the questions being asked of us.

CHAIR - Of course, yes. I realised that.

Mr BOOTH - From an industry point of view, can either of you give us a single reason it would be a good thing to sell TOTE? Given that you did not know it was going to happen, was it something that you were thinking in your own minds, 'Gee, they should sell TOTE. That would be good for the industry.'?

Mr BIFFIN - From my personal opinion, I think TOTE has been motoring along beautifully in the last couple of years. Turnover has been increasing. I must give credit to the new CEO, Craig Coleman. Everything was positive and it seemed that turnover was up, they were on top of things and competing very well against the other States and TOTE companies. From my personal point of view I was surprised. But I do not have the information. I do not know whether it is good or bad. We just desperately want information.

Mr BOOTH - Does it sound satisfactory for a racing minister to be so disengaged from the industry that it appears that there is no trust in what they are saying?

Mr HERBERT - Because of the boutique nature of Tasmania, as I said earlier, TOTE was established as a funding stream for that situation. It is an obvious situation that if that goes offshore or to anywhere, there are board rooms which have to be satisfied. It is as I mentioned with Betfair. The contract that they had here for five years to put in \$5 million a year will be finished in 2011. They could pick that up and put it in England. They have their licence now so they could put it in any State of Australia. When they could not they used Tasmania to get the licence.

Mr BOOTH - I want to drill down a bit on that because it is something that has been troubling me but you are the first person who has raised it in the committee. The problem is that it may be that somebody may purchase TOTE simply to get the licence. What implications do you think that may have in terms of the future of all racing codes in Tasmania were somebody to purchase it for the licence? Where do you see that could lead potentially?

Mr HERBERT - I am flying a kite at the moment but by the same token if they have a licence to operate TABs or TOTE or whatever they wish to call it, the thing that I am nervous about, because of our boutique nature, is do they have then the effort of putting our product globally and saying to Sky Channel and to this industry here, 'For us to make money and everything else we want you to race on Monday from 6 o'clock until 10 o'clock in the morning.'? That is a hypothetical, I know. But where is our control? We have absolutely no control over it whatsoever.

Mr BOOTH - Could it lead potentially to a sort of teletrack-type situation or maybe them buying product off others around the world?

Mr HERBERT - I think, being realistic, that will probably halfway happen anyway, because to go global you have to race at certain times. We actually support our industry going global to generate income.

Mr BOOTH - I do not know the answer to this so I am in the dark with regards to what one could do with that licence, but is it possible hypothetically for a person, a company or an

organisation to purchase TOTE, therefore purchase a licence and then simply decide to take the product from wherever they want?

Mr HERBERT - They could go to the Northern Territory and set up to bet on racing as such everywhere but they would make commercial decision on whether it was worth it.

Mr BOOTH - So what you are saying then in answer to that - and it is hypothetical - is that potentially they could have no Tasmanian product if they wanted to?

Mr HERBERT - At a board level they could make that decision quite easily.

Mr BOOTH - They would make those decisions in the interests of the company.

Mr HERBERT - Of their shareholders, that's right.

Mr BOOTH - So there would no longer be any imperative for a new owner to do anything in terms of making sure there were plenty of races happening in Tasmania then? That is your view?

Mr HERBERT - Yes, as I said earlier, I find it very difficult to know how a government of the day can guarantee what will happen to a government in 10 year's time.

Mr BOOTH - Absolutely. You cannot rule from the grave, so to speak, if you are not the government.

Mr HERBERT - That is right.

Mr BOOTH - My concern is that apart from the effect on the culture of racing it actually puts the funding of racing into a political domain so that each year you have to go with your begging bowl.

Mr BIFFIN - Exactly, and that is one of our big concerns.

Mr HERBERT - That is our big concern.

Mr BOOTH - Further to that, from what you have said and if the licence was sold and somebody decided that they could make more money out of camel racing than running races here, it could ultimately mean that the industry could collapse in terms of the racing industry because the people who provide the product would be here but they no longer have anywhere to put their product. Is that a reasonable assumption?

Mr BIFFIN - Well, that should not happen because isn't the minister guaranteeing that the industry won't be worse off?

Mr BOOTH - But do you believe him?

Mr BIFFIN - Well, we do not want to say we disbelieve him but we want to see the cold, hard facts. If the purchaser is successful in operating what he has purchased or if he is not, my understanding is that it will not affect the money that will go to the racing industry because we will be negotiating separately from that, so we will not know whether it is successful or not so really it shouldn't have any effect on the funding of the Tasmanian racing industry, but that is where I have trouble understanding that too.

Mr HERBERT - I have trouble in understanding exactly what you said. If we get into that situation the industry would be with everybody else in negotiating State budgets and all sorts of situations.

Mr BOOTH - And even if the money went into the industry, if the people who owned the licence decided not to put it through SuperTAB or some other system, where would your stakes come from?

Mr BIFFIN - The minister.

Mr BOOTH - He would just provide the -

Mr BIFFIN - Well, that is all we can understand at this stage.

Mr BOOTH - So were a sale to be considered by the industry it would be something you would need to see in the legislation that said that an owner of that licence would have to support product provided by the Tasmanian racing industry to the level it is now at least or presumably growing. Would that be a reasonable summation?

Mr HERBERT - We would want that, and growing. The fact is that if you stand still you go backwards in any situation, so we are looking at a growth where we may accept some of our races going tele-track, hypothetically, to generate income as we have to move to that thing.

The only reason I raised the licence situation was that there could be corporations that are looking at a licence, and I don't want to go back to Betfair but they came here so they could get a licence and they have got into Australia now, so they could move that offshore here tomorrow morning and we'd get nothing, so that is why I raised the licence. If an international company in Europe sought the licence and then after three or four years' time looked at the returns sitting around the boardroom, they could say, 'We don't need this'.

Mr BOOTH - To support the industry that you are talking about in terms of racing, even if it were tele-track, you would want that to be here, not camel racing in the Northern Territory.

Mr HERBERT - Oh yes, of course.

Mr GUTWEIN - On one hand a 20-year deed in regard to providing surety of funding for the racing industry moving forward has been talked about, so that is obviously something that you guys would definitely require information on, but then in regard to any new purchaser,

as part of one of the conditions of sale would it be important that a certain amount of Tasmanian racing product was always going to be a part of what they were doing?

Mr HERBERT - Yes.

Mr GUTWEIN - You would be looking for that sort of guarantee.

Mr HERBERT - We would be looking for something in that light, and I don't know how you tie that in because the more conditions, for want of a better word, that you put into the contracts, hypothetically I would suggest that the more it would bring the price down.

Mr GUTWEIN - Well, it normally would.

Mr HERBERT - Yes, and if you try to tie into all these guarantees that they have to take Tasmanian product and they have to do this and that, one would assume that the price would come down. That might still suit them if they just want the licence.

Mr GUTWEIN - You gentleman obviously know a lot more about racing than I do - and hesitate to say it, but a number of other people on this committee as well. Are there any threats that you can see on the horizon to TOTE as it currently operates at the moment? You have both said that TOTE has been doing wonderfully well the last couple of years and that has certainly been echoed by other participants in the industry. Are there any threats that you can see to TOTE and its current operations as it currently stands, whether on an interstate or an international basis from your understanding of the industry?

Mr HERBERT - Without looking at the international thing, as Robert and I and the industry have said, we have been very happy with the progress and where TOTE has been heading. We had really been looking forward to going international, globally and so forth, until it raised its ugly head that we might be selling it. We were really looking forward to moving forward the industry and TOTE, to be quite truthful.

Mr BIFFIN - I would have thought the product would have been something that would have concerned them.

Mr GUTWEIN - Is that Sky Channel?

Mr BIFFIN - Yes, it is. The Sky Channel coverage would have been the main problem on their minds but they seem to be reasonably confident that they could come out the other side of that pretty positively.

Mr GUTWEIN - How much sway does Sky Channel have in regard to the timing of your race day events? How much of the dog do they wag, so to speak?

Mr HERBERT - Well, it is a large slice at the moment; that is why TVN, which was New South Wales and Victoria, started their own. The fact is that we all need to get our product locally, interstate and overseas, so we need Sky Channel. Obviously they have a very big input into

it and they are looking for 24-hour, seven-day-a-week operations so they can put it around the world. So, yes.

Mr BIFFIN - At the moment we have a binding contract but that only has a few years to go and then they will be -

Mr HERBERT - To 2012.

Mr BIFFIN - looking at us very closely because it is a commercial decision on their behalf so they will be looking where best to position us to maximise their turnover.

Mr GUTWEIN - I am trying to get an understanding. Post-2012, how realistic or unrealistic is it that Sky Channel might put a proposition to Tasmanian racing? You said before that it might be a 6 a.m. Monday morning start because you need to meet the needs of some other international market. What sort of chance is there of that actually occurring?

Mr BIFFIN - There'd be a fair chance, I would think.

Mr HERBERT - I reckon there'd be a very good chance.

Mr BIFFIN - They would want us to go off Sunday racing to some sort of mid-week racing.

Mr GUTWEIN - And even sometimes during the night, to fall in line with the time frames?

Mr HERBERT - It could be, which is probably not a bad time frame if at night we are to go to places like Singapore and into Asia, and maybe even to North America on those time frames. But what we were saying there was that it would depend on who acquired it and whether they had the clout to go to Sky and say, 'We can make millions more if we race in the 6 to 10 a.m. time slot on a Monday morning'. I do not know where we stand to negotiate in that situation.

Mr BOOTH - Even if you were to consider a 20-year deal, setting aside that I am not entirely sure how you would even do that or if you would get a plebiscite of your industry, but hypothetically, if this deal came down the line, what then? Does it concern you that if a 20-year deal were made, what happens in year 21?

Mr BIFFIN - Twenty years is not a lot of time.

Mr HERBERT - Twenty years is not a lot of time. Betfair was great - five years - but that is up and there is nothing stopping them taking their bat and ball and going anywhere in the world now they have their licence.

Mr BIFFIN - Personally, I find 20 years a disappointing period.

Mr HERBERT - Because we are trying to build.

Mr BIFFIN - We are talking about a massive industry and you are giving them 20 years, so the panic will start to set in after seven or eight years and then you have 10 years of people losing confidence and getting out of the industry because they need surety.

CHAIR - Thank you, gentlemen, for your input. I wish you a safe journey back up the highway.

THE WITNESSES WITHDREW.