

Mr TONY JEFFRIES WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Hall) - Thank you very much for coming down, Tony. Are you aware of privileges and restrictions on reporting, and all that sort of stuff?

Mr JEFFRIES - Yes. I shouldn't open my mouth outside the inquiry if there's anything of controversy.

CHAIR - Yes; basically you're covered by privilege here, but outside you're not. So the bottom line is don't refer specifically to anyone about the evidence you give to the committee until the report has been published.

Mr JEFFRIES - No, I'm pretty calm, pretty cool.

CHAIR - Thanks, Tony. What I would invite you to do is to make a statement if you would like, particularly related to our terms of reference on the sale of TOTE.

Mr JEFFRIES - I have a written submission which I will read, and if there are questions as we go, fine; if not, I can answer the questions after. I will just give a bit of background to myself. My name is Tony Jeffries, and I have been involved in the harness racing industry for over 40 years as a breeder and owner. I have held the following positions in the administration of harness racing at different times. I have been the secretary-treasurer of the North West Light Harness Association; I have been president of the Ulverstone Pacing Club; secretary, treasurer and president of the Burnie Harness Racing Club; and a member of the Tasmanian Harness Racing Council, which was recently disbanded after the TRB was brought to bear. I also currently am a member of the North West Light Harness Association, a member of the Devonport Harness Racing Club, a member of the Burnie Harness Racing Club, a member of the Tasmanian Breeders, Owners, Trainers and Reinspersons Association and also a member of the Launceston Pacing Club.

CHAIR - Is that it?

Laughter.

Mr JEFFRIES - And I have recently retired from Westpac Banking Corporation after 40 years' service, with the past 25 years involved in commercial and business banking as a manager.

I now want to talk about the sale of TOTE Tasmania. As I understand it, TOTE was originally set up some 40 or 50 years ago for the benefit of racing in Tasmania. Some gentlemen by the name of Bruce Freeland, Dick Bertram and Doug Martin were the early committee members who lobbied the industry to convince them that TOTE would be a long-term winner for the whole industry, which it has been. Last year, TOTE contributed some \$30 million or thereabouts to cover stakes and infrastructure for all codes.

TOTE Tasmania is a company whose shares are held by the Treasurer and the Minister for Racing in trust for the Crown - and, hopefully, the racing industry. The constitution of the company is a schedule to the TOTE Tasmania Act and can only be amended by a special resolution passed by both Houses of Parliament. TOTE Tasmania is operating as a successful business and is charged with promoting the development of the racing and breeding industry, and promoting Tasmanian racing and wagering on it.

Why would you sell an asset that generates \$30 million for the racing industry? I would suggest that last May, when Treasury became aware of the global financial crisis about to arrive, Mr Don Challen looked in the cupboard to see what would generate substantial cash to help balance the Budget, and there was TOTE Tasmania. Challen, who is a numbers man, has given no thought to the industry participants or their families, or the 2 700 people directly employed and the many others indirectly employed. He has gone to the minister and said, 'The TOTE has to go', and the minister and his advisers have misled the industry on the pending sale and also actually misled the Parliament of Tasmania, especially the upper House.

I go back to the question: why would you sell a major asset which generates \$30 million per year, funding the racing industry without any call on consolidated revenue? At the moment TOTE covers the cost. Why would you sell it when we are experiencing the biggest global financial crisis in the past 50 years? Why would you sell anything that is worth a lot of money at this stage? Why would you sell when the expected price - and there have been many mentioned or bandied about - is virtually a fire sale price, from the figures that I have heard. At this time, would we not be better to hold onto TOTE Tasmania until the markets settle down and we have better times?

The minister has failed to produce a business plan for the sale of TOTE. How will the industry be funded going forward? Will the Minister for Racing have to go to Treasury along with Health, Housing and Education for funding? Where will racing fit in those priorities? Where will racing be next year when the recession sets in and the money is tight and hospital patients are in the streets? They are having a few problems in Launceston.

What long-term guarantees will the racing industry have? There is talk of a 20-year funding program being set up; I think the minister mentioned that. What happens when money is tight; what happens with a change of government? How can the industry and its participants plan for the future if something is not set in concrete? What will happen to participants' families, who are looking to set up their children for a future in the racing industry? Do they stay in Tasmania or do they go somewhere else?

Barry Rattray is a prime example. He has four young fellows, one of them representing the Australian harness racing industry driving in Onslow, I think - it is overseas - but what will those kids of participants now do in the future? Why would you sell a business that generates \$30 million per year to cover the costs of racing to then have to take your cap in hand to Treasury for your funding in the future? Where are the guarantees? Who will cover the costs of upgrades and maintenance of all tracks, facilities, grandstands et cetera? We have a current situation today where the following facilities are in need of upgrade or

maintenance basically now. One of them, Brenton, is Spreyton racecourse's thoroughbred track, where major works are required to bring it up to date.

Mr BEST - Yes, \$12 million to \$15 million.

Mr JEFFRIES - At the Devonport harness racing track the lights are 30 years old now, unreliable and need to be replaced. Light towers are under investigation as to safety, and the grandstand needs a major upgrade. I understand the Brighton training complex is in urgent need of upgrade and maintenance. I am also aware that part of the complex is constructed on land not even owned by TOTE Tasmania, so I am pretty sure there are a few problems there. As to the Hobart harness racing track, even though we spent \$16 million there recently or even more, I understand that the top and bottom corners are in need of major works due to the camber being out of kilter.

These four items need many millions to bring them up to date or up to standard. Who will pay for this? I understand the Tasmanian Racing Board, in the legislation, can borrow money. That is very handy, but if they have to borrow money, who is going to pay it back or how are we going to pay it back?

I think you may have this. A recent article in the *Examiner* newspaper dated 17 March by one of Australia's most experienced racing administrators has urged that we look at what has happened upon the sale of TOTEs in other States.

CHAIR - Yes, we have that.

Mr JEFFRIES - We need to do some research to ensure Tasmania does not end up like South Australia after their foray into selling their TOTE. They are on the bones of their knees and selling assets to try to maintain their industry. If we finish up dependent on the Government of the day to cover our annual operating revenue we could be going back to the 1970s and racing for \$1 000 per race, the breeding industry could be devastated and 2 700 employees looking elsewhere for jobs. Why would you sell a business that generated \$30 million per year without touching consolidated revenue and put us in a position where we rely on Treasury at each budget to fund the racing industry? I would implore this committee to look very closely at this sale; short-term gain for long-term pain.

This industry employs 2 700 people directly and many others indirectly. I suggest that the TOTE be left alone and allowed to get on with its charter promoting the development of the racing and breeding industry, and promoting Tasmanian racing. I am sorry I have repeated myself several times throughout this, but remember this industry employs 2 700 people directly, and many indirectly, is funded by TOTE Tasmania and generates \$30 million per annum. Why sell and then rely on funding from consolidated revenue which is under pressure, the most pressure it has seen in 50 years.

I also have - and I think Mr Gutwein might have a copy of this - the racing industry representation. This was to the Legislative Council on 27 February. The greyhound racing industry, thoroughbred racing industry, harness racing industry, and so on all signed this

particular piece of paper suggesting that we totally oppose the sale of TOTE. If that's not officially in, I would like to present it. I think that you have a copy of this, an appropriate reference from Ms Whishaw.

CHAIR - Yes, we have that one as well.

Mr JEFFRIES - I suppose that is my concern. The minister does not have or has not mentioned a business plan, he hasn't mentioned a funding plan. I think from May last year they've said, 'TOTE is about the best thing we have to sell, we have no debt on it. Let's put it to the market and let's see how we go'. I have heard figures bandied about, and you guys would have heard most likely from \$100 million to -

CHAIR - Yes, I think that's something we'll leave alone.

Mr JEFFRIES - I am seriously saying that we really should not sell the TOTE unless we have complete guarantees. I don't know what guarantees we can put in place. In the last 20 years we have had an election every four years, I think, there's going to be one soon. Various different things are happening, we need to build some hospitals, and all sorts of things. How can the minister guarantee the same funding we've been getting with annual increments, and so forth?

CHAIR - Thanks very much for that presentation, Tony. Obviously you asked us a lot of questions that we can't answer; we don't know because we're not the Government. If the Treasurer or the racing minister came up with a set of guarantees, if you like, that might persuade this committee or the Parliament, and we think it's in the best interests of the industry, how would you feel about that?

Mr JEFFRIES - I think that the industry and the guys I have been speaking to, and the people I am involved with, and so on, are fearful. If we are given a guarantee and gets rid of the TOTE, there are also other areas that rely on consolidated revenue for funding and where may racing sit in the pecking order? I know Don Challen doesn't think about racing, in fact I am led to believe that he is suggesting no more racing in Tasmania, we'll just bet on Melbourne and Sydney and elsewhere.

I just fear that even if they do give us guarantees and so on, how will they ensure that for the next four or five elections that will be \$50 million which will increase by CPI each year, and so on, and all the way through, when a change of government can throw it out? I don't know. Obviously we need to obtain from Treasury, from the minister, an idea of what his plans are. What is he going to do?

Mr GUTWEIN - Tony, I do not want to put words in your mouth but is the first step that needs to be taken in all this that information needs to be provided? Is it as simple as that? The sense that I get is that you are in exactly the same situation as I am and other members on this committee are to a large degree. That is, currently there is no detail in the public arena in regards to what was being proposed and how the racing industry may benefit. It is

obviously very difficult for the racing industry to say, 'Yes, that will be very good for us' or 'No, it would be very bad for us'.

Mr JEFFRIES - That would be a start. I think the minister and the Treasury have to come clean and put us in the picture. It could well be that TOTE Tasmania have discovered that Sky Channel is going to abandon them and that their foray into South-East Asia and other things that were sold to us at the original TRB set-up may have fallen in a hole. It may well be that we have to get as much money for the TOTE as quickly as possible. I do not know, but no-one is coming forward to tell us why.

Mr GUTWEIN - Following that through, has there been any approach to any of the clubs - you are involved in a multitude of them - or organisations by anyone from government or anyone in a position to provide some information on this situation?

Mr JEFFRIES - As far as I understand, no. Back when the TRB was being instigated and so forth the legislation went to the upper House first on Christmas Eve, I think. People like myself were grasping to get a hold of the legislation to have a look at it, we were trying to interrupt members of the Legislative Council when they were debating it. That was brought on very quickly. We said, 'This has all been set up for the sale of TOTE'. 'No, definitely not'. Since the announcement of the sale of TOTE, that has been it. If it were not for, I suppose, people contacting other people and so forth this committee may not have existed. There might not have been the opportunity here to put our case or to try to understand or find out why we are selling the TOTE. What is the benefit for the racing industry?

Mr BOOTH - Are you saying, Tony, that you were informed that TOTE was not going to be sold?

Mr JEFFRIES - That was put, I think, in the first few days after it came out, that the board was going to be rehashed. I know in Harness Racing we had problems where, I think at one stage the minister appointed a member for the council without even going to the people to get a vote and so forth. That may be part of our fault because we did not nominate anyone. There were a few things going on there. The whole idea in having the Tasmanian Racing Board was to clean that up. Lo and behold, when you think back it was to set the TOTE up for sale.

Mr BOOTH - Do you think that you were misled?

Mr JEFFRIES - I am very sure that we were misled. Why? It was asked in the Parliament and the minister denied that the TOTE was for sale. He told the Parliament - or his representative did; I think it may have been Mr Cox.

Mr BOOTH - Now that the councils no longer exist, how would you get a plebiscite if the members of the industry - as we have heard evidence from yourself - have not been involved in any consultation, there has been no information released, there is no business plan but you would have to look at it if it were provided? How would you, in your view, be able to make

a satisfactory response to the industry if such information was provided? Or is that not possible?

Mr JEFFRIES - When the TRB was set up we had forums and so forth. I am very sure that, if something was put on the table and we could see where we were going and so forth, the industry would consult and talk with one another - all three codes - and go forth from there. The minister would need to put a very good case to the industry based on the fact that we are in a global financial crisis. I do not know but I assume that the Government is suffering fairly substantially from a lack of money, GST receipts et cetera are all going to be down the drain and next year TOTE might be sold and we would have to go to the Government and ask for money to maintain our industry. South Australia, New South Wales and Victoria are currently having major discussions about where their future funding will be coming from, and I have already mentioned that South Australia is in diabolical strife. If we sell the TOTE we are going to rely on consolidated revenue and then we are going to be saying we need hospitals, we have an ageing community and we need to look after education and so on and so forth. It is a big fear.

Mr BOOTH - With your experience in the commercial banking field that you spoke of, and the Treasurer has said that they are talking about a 20-year model, what sort of dollars would this involve? Thirty million dollars today in 20 years' time would be what? What do you anticipate you would be wanting?

Mr JEFFRIES - I am not positively sure about \$30 million, but I think that there was \$27 million in stake money, there was a lot of infrastructure and they covered the cost of that. Say, \$30 million plus. What is inflation now - 4 per cent? Over a 20-year period you would be talking \$40 million times 20, which equals \$800 million.

Mr BOOTH - But if you got \$30 million support in 20 years' time that would be -

Mr JEFFRIES - TOTE are currently trading very well. We have been led to believe that they are branching off into South-East Asia, that they have all these markets that may be coming on line. TOTE could be generating for the racing industry \$100 million to \$200 million. We are talking billions of gambling dollars in South-East Asia where they are looking at the moment.

It would be marvellous. If someone can buy the TOTE for a fire-sale price and they continue to go down the track that they are it would be a great windfall for someone.

Mr BOOTH - Irrespective of what TOTE can generate and if someone is going to buy it, they are not going to buy it to lose money, they are going to buy it to generate money and income. We have heard in evidence that it is going to penetrate the Asian market and generate more returns et cetera, but in terms of the support today, is it fair to say the industry at the moment is fairly happy with TOTE providing the support for the industry for the stakes and so forth?

Mr JEFFRIES - At this stage stake money is good. Mind you, the other States are catching up on us pretty quickly so there is definitely a need for some minor adjustments to stake money, I think some increases. But at the moment it is going along fairly well.

Mr BOOTH - So if TOTE's business model improved over the years you would expect more money would flow to the industry and so it would be a symbiotic sort of relationship.

Mr JEFFRIES - Absolutely.

Mr BOOTH - Were there to be a sale of TOTE then the support package that would have to replace that, looking 20 years down the track, you would not be looking at \$30 million in 20 years' time, you would be looking at more like \$200 million?

Mr JEFFRIES - Definitely not. Ball park figures. You can throw as many figures around as you like but \$100million would not be unrealistic.

Mr BOOTH - In other words, if it was a funding model that locked you into an annual thing of \$30 million for the next 20 years, in 20 years' time you would just be bankrupt.

Mr JEFFRIES - There would definitely have to be the rises and falls and so on. You talk about CPI and those things; you all know about that and they would have to be put in there. I do not know how you can predict 20 years out but if you are only going to be in government for the next 12 months we can bandy around as many figures as you like.

Mr BOOTH - Setting aside the fortunes of governments and the fact then that you would have political pressure every year on the budget to get your funding, if there was a model put in place that in fact took it away from the political pressure, and I am not entirely sure how you would do that, but were you able to set up a structure that was exempt from political machinations every budget, that model would have to guarantee -

Mr JEFFRIES - It would be preferable and you have to use your commonsense a bit here also. Down the track what is going to be more important? We have an ageing population, we have pressures on our hospitals already, we have different aspects of education being brought along now which are going to cost money, all these things affect the budget situation. Racing it depends entirely on -

Mr BOOTH - To keep it level pegging now there would have to be a substantial increase in dollar terms.

Mr JEFFRIES - If they come up with a 20-year plan that can be put in concrete that cannot be affected by a change of government, that cannot be affected by the fact that we need a new hospital here and we need to do something with the LGH and so on and so forth, then definitely industry, I would consider, would be keen to look at it.

Mr BOOTH - It would have to meet at least today's level of support in 20 years' time..

Mr JEFFRIES - We are talking about infrastructure as well. I mean, in 20 years' time the infrastructure could be falling down. You need to continually upgrade your infrastructure and you continually need to maintain it as well.

The facilities at Hobart need to be upgraded to a certain degree, and I mentioned the harness racing track. I don't know about Spreyton and Devonport harness racing. There is some talk of a try situation there. Who knows? It could cost \$50 million to build something like that so there are plenty of things that need to be addressed now as well as in the future.

Mr BOOTH - If the codes were able to have more interaction with TOTE in terms of the outcomes to the industry, is the TOTE model the preferred one over the years?

Mr JEFFRIES - TOTE has been good to racing. Every relationship has its ups and downs and so forth but at this stage I think we are on a winner.

Mr BOOTH - Are there other more ephemeral things than just stake money that are important to maintain TOTE, to maintain the culture of racing, for example?

Mr JEFFRIES - Exactly. Some people might say it only employs 2 700, we could do without it, but the community involved in racing in the country areas and those sorts of places is a sort of folklore. You have families who have been involved in the racing industry for years, be it all three codes and so forth, and some of those are looking to the future to establish a future in racing and so forth.

If we do not have a solid, concrete model going forward there are a lot of people that would be affected. The older people who are involved can manage but the youngsters coming through - trainers, owners, drivers, jockeys, and we have a shortage of jockeys - would want to ensure that they have a future.

Mr BOOTH - A TOTE model with some change. I am not saying it is perfect as it is but basically a TOTE model.

Mr JEFFRIES - TOTE has been supporting racing for the last number of years and they have been able to improve the product. They have different things coming on board now - first four and first six, there are different betting entities and betting types coming on board that will help keep them solvent. I go back to the fact that the possibilities with South-East Asia and those places are phenomenal.

One thing I have not mentioned in the whole of this is Betfair. Betfair have come into the racing game as well and they have put some funds in so the relationship there should be fostered as well.

CHAIR - I am just being the Devil's advocate here. I think you mentioned before that whilst TOTE have done a very good job they are in a very competitive environment.

Mr JEFFRIES - Absolutely.

CHAIR - There may be some issues out there that you and I do not know about and -

Mr JEFFRIES - Absolutely. Wouldn't it be lovely to know, Greg, that we have hit a great big bump, we have a problem or this has not worked out or this won't work out or our computer systems are out of date and we have to spend millions and millions of dollars. If that were the case, fine, but no-one has come forward with any of this information. They may well have done a good job. We had the equine influenza last year and they were able to get through that, recover, increase their turnover and increase their income so I think TOTE is not doing too bad.

CHAIR - Are there any further questions from the committee?

Mr BEST - I think Tony has put it pretty well. Obviously there are some matters we are going to have to follow up later this afternoon.

Mr JEFFRIES - There is so much concern out in the community and I know the racing industry involves gambling and can be construed by many of the do-gooders as an evil thing. It is not evil - it employs 2 700 people and the industry needs to know from the Government what they are at.

CHAIR - Thank you very much, Tony.

Mr JEFFRIES - Thank you very much for the time.

CHAIR - It's a pleasure; you have a long and broad interest in the industry.

Mr JEFFRIES - Exactly, and I think we need to know that if this is for a short-term gain because there's a big black hole and so on, why sell it at a bad time? Keep it for 12 months and see where we go.

Mr BOOTH - So in your view, the decision that has been announced isn't necessarily for the good of the industry.

Mr JEFFRIES - As we understand it, definitely not but, as I said, there may be a massive statement this afternoon from Treasury that may put us in the picture.

Mr BOOTH - Do you know anyone who's been consulted in the industry about the sale of TOTE?

Mr JEFFRIES - Not as far as I know, but, as I said, I don't know about thoroughbreds or greyhounds. I'm pretty sure from the greyhound man that there hasn't been much consultation there. I mean, TOTE was originally set up for the benefit of racing, but the bean counters have said, 'Gee whiz, look at this! We've got no debt on this business, it's going well, things are looking good. What can we get for this?'

Mr BOOTH - Do you think that depoliticises the whole deal as well, the fact that TOTE's there generating its own income? Is that valuable for the racing industry?

Mr JEFFRIES - As I said, don't throw the baby out with the bathwater because we will go from an industry or an asset that's generating income to service that particular industry. If we sell that, okay, we might get \$1 billion or \$2 billion, who knows, but that will be gone into consolidated revenue, and then we'll be going cap in hand to Treasury saying, 'We're the racing industry and we need our money this year. How are we going to go?'. They will say, 'Oh, look mate, we've got hospitals, we've got education, we've got all sort of things that need money. You fellows are sort of down here, so we can only do so much'. Why sell an asset at this very stage, when the global financial crisis is still coming? I'd say Mr Challen is an intelligent man, and he has picked it up back in May and said, 'We need to be prepared to cover the shortfall and so forth'. Why sell something at a fire sale price that can generate this sort of income going forward, when maybe in 12 or 18 months or two years it could be worth twice as much?

CHAIR - Okay, thanks very much, Tony. Have a safe trip.

Mr JEFFRIES - Thanks a lot. I'll have my ear to the ABC news at about five o'clock tonight.

THE WITNESS WITHDREW.