

**Mr WALTER McSHANE WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

**CHAIR** (Mr Hall) - You are aware of the issues that surround privilege and that sort of thing?

**Mr McSHANE** - Yes.

**CHAIR** - You are au fait with that?

**Mr McSHANE** - Yes.

**CHAIR** - You do not need me to explain those to you?

**Mr McSHANE** - No.

**CHAIR** - Thank you very much for coming along. You know what our term of reference is. I will just read that to you again - we propose to inquire into the proposed sale of TOTE by the Government of Tasmania and any other matters incidental. I would invite you to make an opening statement if you like and then we will ask you some questions.

**Mr McSHANE** - Paul Lennon did a great job when he designated a lot of money to the racing industry because it is a very important industry, as racing is all over Australia. He engendered a lot of confidence in racing when he put as much money aside as he did - albeit much of that money was misspent - not his fault, he cannot do everything. A lot of that money was misdirected and had it been given to the racing industry it would have been spent ever so much better, but that is not the way it all happened.

I consider racing very much as a confident sport and business. From my point of view it is a business and a sport. What has happened since Mr Aird took over and misled us has destroyed one heck of a lot of confidence right throughout the industry from the breeders to the owners to the trainers and perhaps jockeys because we cannot get jockeys to stay in this State.

We are in a shocking situation where we are flying jockeys in every Sunday to ride horses, then on a Monday we go looking for people to train our horses for the other six days of the week. People are not here and they won't come and stay here because our industry is a little bit too small. We have asked for more racing to make it more viable for all of us but this has not happened, the money was not available.

We were pretty comfortable with TOTE and our spin-off from TOTE to keep the industry in a reasonably sound situation. We thought we knew where we were going. We were promised by Paul Lennon that we would be looked after and that all the legislation was in place to maintain the racing industry and when the word came out that the racing industry and TOTE were to be split we were pretty quick to work out why. I was in the room when we put the question to Mr Aird as to whether that was going to be the case, no less than three

times in one session. He denied it thrice, and there was no cock there to crow after he said it.

**Mr GUTWEIN** - When was that?

**Mr McSHANE** - I cannot tell you the date. It was in his rooms in the Executive Building.

**Mr GUTWEIN** - Can you give an indication of which month?

**Mr McSHANE** - I have a shocking memory. I have had a lot of falls off horses and my short-term memory is non-existent. Someone else that you will possibly have in this room today could tell you; it was in the spring.

**Mr BOOTH** - Well before the racing restructure bill went before the House.

**Mr McSHANE** - Yes it was. The writing was on the wall and when we put it to him directly he denied it three times at least so we thought maybe it was not going to happen. We read in the press that he said it was not happening, it was not happening until he signed the sale, or the whatever it was - the bill for the future sale of it. And that is when it happened, he said.

But it happened nine months before that when took the racing administration out of the hands of TOTE, or he put it in train. Confidence went and, as we have seen in the yearling sales a couple of weeks ago, it was not the economic recession that caused the fall in prices, it was not that, because Tasmania is rather a small industry but we need  $x$  number of horses to run our racing industry.

It seemed that we had too many horses because we did not have enough races for the horses that we had bred here so when it came to the sales we were expecting a little bit of a downturn but not to the extent that it happened. Now we have a glut of horses, we have service fees and studs that are going to feel a huge impact and it has been caused by indecision and by lack of confidence. The confidence has gone because we do not know where our funding is coming from.

We are told by the man that denied it thrice, to believe him, he will make sure that we are funded. We cannot believe that, nobody in their right mind could believe that anymore. Whether we are going to be correctly funded or not we do not know.

We already have the problem in the industry that we do not have enough racing, and we have a shortage of personnel. I have 15 horses in work at the moment. On Monday morning I had no riders. A couple did not turn up and the rider that I had been using is back in Melbourne riding track work over there for somebody who won't give him rides during the week.

They want to live in Melbourne, they want to live in the big smoke; they will not come and live in Tasmania because we are a backwater to them but they do not mind coming on

Sunday and taking our money and going back to Melbourne, but we do not have a big enough industry here for them to want to be here.

With the lack of confidence we have with the sale of TOTE, should it happen, we feel in a very precarious situation.

**CHAIR** - Even prior to this mooted sale of TOTE these issues existed under the existing regime, then? There were not enough race meetings and there was a lack of personnel in terms of jockeys and everything else even before this?

**Mr McSHANE** - These were pre-existing issues. We were hoping for an improvement. We have been fighting to get the two big cups put back where they should be.

**CHAIR** - To reduce the prize money and then spread that more equitably.

**Mr McSHANE** - Spread it throughout the industry, put on more race meetings. We have worked out that by bringing the two cups back to \$300 000 and \$250 000 instead of \$400 000 and \$300 000, we could put on another four race meetings. That would help quite a bit.

**CHAIR** - Would they still attract quality fields even if you reduced both of them?

**Mr McSHANE** - Oh, yes. We have a meeting next Tuesday and one on Wednesday. We have 213 horses nominated, and that's in two days. Then there's another race meeting the following Sunday which will attract probably another 110 or 120 nominations. Quite a few of those horses will be balloted out because some of them are concentrated too much in the maiden and the lower grades. There is quite a big number of horses here, but if we are not on Sky Channel they don't want us. Our local administration are not keen to spread money around midweek if we're not on Sky Channel. That's where we're left, with a huge glut of horses to be balloted out, a breeding industry that's hit the wall. A lot of horses went home to the studs after the sale, and they'll be more or less given away; people will be trying to give them away to trainers so that they cut their own costs back because it's costing them to take them home when they expected to sell them.

**CHAIR** - So there is not a shortage of horses, that's not an issue?

**Mr McSHANE** - No, it's the personnel. We're not training our own personnel here anymore. They're going to Melbourne.

**CHAIR** - Are you concerned in terms of future funding and capex for the courses, capital works? Is that another issue? We know Launceston has been done.

**Mr McSHANE** - There was a lot of money spent at Elwick, in one silly place: the grandstand that's used once a year. Yet our tracks that people all over Australia see on Sky Channel every week are in a shocking condition and they are quite stupid because one of them is so narrow that you can only have 10 horses running on it. A spit of rain and you have all sorts

of problems and biases where horses tear up the outside fence, or into the inside fence or somewhere, and people over Australia look at it and say, 'What the ... are you doing out there, why are they out there, and why are they in there, why are they all crowding in there?' It's because the track is just not good enough. All the money was spent on the grandstand which is empty on race day, and nothing was spent where it should have been spent on the tracks, where the horses are and where the betting was done that gives the TOTE its funding.

**CHAIR** - Could you argue that perhaps a new privatised entity might have done that better than what's been done in the past?

**Mr McSHANE** - Yes - if only they'd listened, but I am afraid they would not listen. TOTE was given a job that they had no expertise in whatsoever. None. They spent the money exactly how they felt like spending it.

**CHAIR** - That's turning the argument around a bit, isn't it, if you had the devil's advocate and the funding was secure? I know Mr Booth raised the issues of competing against health, and all those sorts of issues, and that is a real problem as well.

**Mr McSHANE** - That was a problem at the time, no doubt, but the funding was there. The way it was spent was another issue.

**Mr BOOTH** - To clarify this, are you saying that you hold the current minister responsible to a large degree for the collapse of the yearling sales?

**Mr McSHANE** - To quite a big extent, yes. The confidence of the industry went straight down when he said that he was not selling TOTE and then he did a backflip and said, yes, he was. Then he told us to believe him. No-one could or would believe him after that and so where the funding was coming from has been a question in everyone's mind ever since. Confidence has gone rock bottom again.

**Mr BOOTH** - Do you think the industry would like a new minister in that regard to restore some sort of confidence?

**Mr McSHANE** - If TOTE was left as our benefactor, I am quite sure that confidence would be restored.

**Mr BOOTH** - If TOTE remained in public hands?

**Mr McSHANE** - If it remained in the hands of -

**Mr BOOTH** - As a GBE, yes, under the Government.

**Mr McSHANE** - Yes.

**Mr BOOTH** - To get this straight, with regard to the long-term future of the industry, your view is that you prefer TOTE not to be sold but to be managed, setting aside the management

issues with TOTE, but you would prefer the TOTE to remain in Government ownership rather than being sold.

**Mr McSHANE** - Correct. The change in administration will possibly be quite okay. That will not be a big issue. It is just about in place and ready to work but the funding is the problem that everybody feels is dangerous. We are in a precarious position with no-one telling us where funding is coming from.

**Mr BOOTH** - If the TOTE was sold and the Treasurer says - and you have said that you cannot believe him, but setting that aside - a funding model was set up with some capital expenditure and so forth, would you still be concerned that you were competing with health, education and so forth every year in a budget rather than it coming straight across from TOTE? Is that fair to say?

**Mr McSHANE** - That is quite fair to say, yes. I do not know that Treasury is all that rapt in the racing industry, even though they should be. I do not know that they are all that keen because there are a heck of a lot of votes coming from other directions.

**Mr BOOTH** - Do you see the danger you spoke about in terms of funding as being that it would then become a political issue rather than it just being within the industry?

**Mr McSHANE** - Yes, and a lot of those politics would not be conducive to the person in racing because there is a lot more weight thrown to education and health. People perceive racing to be a sport of the rich but it is not. It is an industry for people across the board and it employs one heck of a lot of people.

**Mr BOOTH** - Yes, it is a huge engine-driver of the economy, there is no doubt about that.

**Mr McSHANE** - Yes, I am in all its areas; the feed business, the breeding business and the training business. I know how many people are dependent on it.

**Mr BEST** - If you had a good funding model and, say, there was some arrangement and whatever the outcome was that there was a move towards more events, an expanded amount of money being invested and some surety with some agreement as to what the funding model would be, what would your thoughts be about that? Would you not be interested in that, rather than have it stay as it is?

**Mr McSHANE** - At this point we have had no funding model put to us. We have no idea what is in Mr Aird's mind except that there will be an amount of money coming from Treasury. We have had Mr Challen look at us before and he is not all that keen on racing. Should it be Treasury's decision as to what sort of money would be given to racing, we would be very scared of that situation. But if a model, as you say, was put to us with some surety -

**Mr BEST** - Yes, I think that is probably a bit of a reserve aim in a sense that if you had an organisation that was keen and very dependent on having a successful racing industry in Tasmania, you would have to have a good funding agreement, otherwise people are just not

going to put horses into races and things like that. We will see the things that you are talking about continue while this hiatus exists. So there would have to be some common interest at some stage.

**Mr McSHANE** - Yes, if we could see it -

**Mr BEST** - That is right; it needs to be seen.

**Mr McSHANE** - and we could restore some confidence then we would sit a little bit more comfortably, but at the moment there is no comfort at all. There are people who would have gone to those yearling sales and bought another yearling who did not go - and refused to go - because there is not enough racing and their horses were being balloted out. We have Mr Aird's - well, we will not call it a lie but there is no other word for it; you cannot say one thing and then completely reverse it. It is just not on.

**Mr HARRISS** - Walter, I think a common thread coming from most industry participants is that, as Brenton has just visited, if there was the notion of a guaranteed funding model, then the industry might be relaxed about things. I hear what you are saying about lack of trust and so on in the current Racing minister, but it occurs to me - and I have discussed it with Kim and Peter as the day has gone on - that if the racing minister was to produce a model which had a perpetual fund flowing to the industry, and I am thinking particularly of when the Trust Bank was sold and there was an amount of money hived off, untouched by Treasury, which generates interest every year, and the interest from that capital fund goes to community funding untampered with by the Government of the day - you would not be subject to the whims of the Government of the day - it occurs to me that if they get a sufficiently high price for TOTE the Government could say that they are immediately going to put a capital fund into a special account which generates a perpetual revenue stream straight to the industry, with no politics involved in it, how would that appeal to you?

**Mr McSHANE** - That appeals to me no end.

**Mr BEST** - But you need to see that, don't you? And that is the problem you have at the moment.

**Mr McSHANE** - Yes, that is right.

**Mr BEST** - You are saying there is nothing to see, is there?

**Mr McSHANE** - It has to be more than written.

**Mr BEST** - You have to see that. I do appreciate that.

**Mr HARRISS** - It could be, as the Trust Bank sale process was, built into the legislation. Once it is in there no governments in the future can do anything about it unless they come back to the Parliament to tamper with it. So if the Racing minister is not keen to build in such a process to this legislation when he introduces it to the Parliament, and if the sale of TOTE is

a reasonable proposition, but if the guaranteed revenues for him is what is necessary to the industry and the Parliament amends the Treasurer's legislation, too bad for him if he does not accept it.

**Mr McSHANE** - That is the sort of thing we need put before the racing industry right now - without question.

**Mr HARRISS** - That is the clear common thread that is coming from the majority of people who presented to us, that the funding stream needs to be guaranteed and you need to be able to trust what you are being told.

**CHAIR** - Clearly that is something that, as representatives of yourselves, the Parliament will have to make a decision on one way or the other, given certain information we may get from the Treasury.

**Mr HARRISS** - We might ask the Treasurer this afternoon why he has not produced a model such as that. Is it too simple? We will ask him this afternoon.

**Mr McSHANE** - To be in racing you must realise that everybody trusts everybody to a degree, until it comes to race day, when tactics and competition are very, very strong. When we walk away from the racecourse we still all trust one another. Owners trust the trainers and trainers try to trust the jockeys as much as they possibly can -

### *Laughter*

**Mr McSHANE** - and we go home and lick our wounds or count our few bucks, whatever we can do, and get ready for the next week.

**CHAIR** - It is a bit like farming, isn't it?

**Mr McSHANE** - Yes, exactly the same.

**Mr BOOTH** - Put a jockey on your cow.

**Mr McSHANE** - I reckon farmers are the best owners any trainer can have because they are used to relying on rainfall and markets and everything else to survive, and that is what we do in racing. We have to rely on the whole game for our dollar, so confidence is what we need and if we can have confidence in our funding structure I am sure we can pick ourselves up and go ahead.

**Mr BOOTH** - Had it not occurred that the Treasurer suddenly woke up one morning and announced it was going to be sold, did you have confidence prior to that that the TOTE model was delivering reasonable returns, apart from the way it was being run internally, with the income stream coming back in terms of stake money and so on?

**Mr McSHANE** - Yes, we felt pretty confident. We felt that TOTE was ours. We know it isn't but we felt that TOTE was ours and we were supplying the product and were getting some of that return back to the industry. It was a good union.

**Mr BOOTH** - So there is no way that you could say that the decision to sell TOTE had anything to do with the industry deciding it should be sold?

**Mr McSHANE** - No, none whatsoever.

**Mrs RATTRAY-WAGNER** - Mr McShane, thank you for your honest and frank assessment. I am interested to know what would be your view - and I appreciate what Mr Harriss has said about a secure funding model - but do you feel that a secure funding model would assist you and the industry in the infrastructure requirements that are obviously required, because the tracks are not up to complete standard. Launceston is fine but I hear that Devonport needs upgrading and there were some issues with Tattersalls Park as well out at Elwick, so do you feel that that secure funding model would be enough to secure your support for the sale of TOTE without some sort of firm commitment from the government of the day about future funding for infrastructure?

**Mr McSHANE** - Well, I would feel that would have to be written into the agreement because it is integral that there must be capital works taken on every year to keep all the courses and training tracks et cetera up to standard. That would need to be built in as well.

**Mrs RATTRAY-WAGNER** - So there would need to be some consultation and discussion with industry stakeholders about what they see would be required into the future. Would that be a fair assessment?

**Mr McSHANE** - That is fair, and I think the new racing board that has been set up would be quite capable of producing those sorts of figures to go along with stake money.

**Mr BEST** - It was put to us that Country Racing Victoria has a formula based on funding and that we were at 100 per cent same formula for funding here?

**Mr McSHANE** - Yes, we were.

**Mr BEST** - Do you agree with that model?

**Mr McSHANE** - Yes, I think that is our standard for Tasmania. I will just put one little thing to you. The southern club wanted the Hobart Cup to be \$500 000 - that is what they want next - which is quite stupid. At \$400 000 the Hobart Cup was a group 3 race, yet at \$300 000 the Adelaide Cup is group 2. Can you work that out? I can't.

**Mr BEST** - No. Why do you think?

**McSHANE** - Why are we \$400 000 for a start? We shouldn't be because we are just - there is a term but I won't use it.

**Mr BEST** - But you do not have a theory on that?

**Mrs RATTRAY-WAGNER** - Too few are getting too much.

**Mr McSHANE** - No, we are above ourselves; we are above our own population and our standard, so we are inviting Melbourne to come over here and take it and I realise we need Melbourne horses to come here and lift our cup profile, and they do, but it has become a little bit too much that they come and take all the prize money out of the State. How can we as an industry benefit from that? When all that money is gone, what are we going to spend on getting better horses; where do we get them from? There is no money here, it has all gone, the big money is gone, and we are left to buy cheap horse because we cannot afford dear ones. We are told to go out and get better horses so we can compete, but what are we going to buy them with? If we do not have a vibrant industry here, where does the money come from?

**CHAIR** - Thank you very much, Walter, that was very good. We appreciate your coming. You obvious have had a diverse range of interests within the industry over a long time so we appreciate the benefit of your knowledge. Thank you very much.

**Mr McSHANE** - Thank you.

**THE WITNESS WITHDREW.**