

**THE LEGISLATIVE COUNCIL COMMITTEE ON GOVERNMENT
ADMINISTRATION A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE,
HOBART ON TUESDAY, 7 JUNE 2011**

TASRACING

Mr GARY LOTTERING, CHIEF EXECUTIVE OFFICER, **Mr BRIAN SPEARS**, CHAIRMAN AND **Mr DAMIEN BONES**, CHIEF FINANCIAL OFFICER WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR (Ms Forrest) - Welcome to the committee and firstly I would like to acknowledge and thank you for your submission. It was quite a helpful submission, which contained a lot of information that we were seeking, and we appreciate the time you have taken to provide it to the committee before the hearing. It actually helps to direct our inquiries a little further. I would ask you to make some opening comments, but also particularly to discuss the terms of reference. You have made some requests that you would like some of it considered in camera, but not all of it, so I would just like to clarify that. If there is any time in the proceedings when you are not in camera but you think you need to be, you can make that request and the committee will consider it. So perhaps you would make your opening statement and then explain your rationale for wanting some aspects of it to be in camera.

Mr LOTTERING - Sure, I will proceed with some opening remarks this morning. I will just give you some background details on the company. Tasracing was established under legislation introduced in the Tasmanian Parliament in November 2008. A new board then took over the governance and administration powers and functions of TOTE Tasmania, effective from 1 January 2009.

This was a major change for the industry that saw individual code councils replaced. Tasracing's quite specific brief was to develop a vision and plan to sell Tasmanian racing to new and emerging markets. While the Tasmanian racing industry benefits from a 20-year funding deed and capital works funding provided by the Tasmanian Government, Tasracing is charged with implementing and overseeing major change to the Tasmanian racing industry so they can operate independently for additional funding of government and TOTE Tasmania.

In addition, in March this year, the Government reintroduced racefield fees legislation into the Tasmanian Parliament, backdated to 1 November 2010. That will provide up to \$5 million annual funding for Tasracing. Income from racefield information, publication fees has been identified as an integral funding source for Tasracing. The funding arrangements provide Tasracing and the Tasmanian racing industry with a unique, long-term commitment and a solid base from which to develop. At the same time, Tasracing must balance its responsibilities to operate commercially against industry expectations within the available funding deed and capital expenditure budget. This is often a difficult task. While Tasracing appreciates that change is often hard to accept, the industry needs to understand that commercial decision-making must drive everything we do.

Tasracing has consistently stated and the industry agrees that it is important to develop a racing product of consistency and quality to meet or exceed customer expectations. This can only be achieved through increasing all track wagering customers, particularly in the emerging Asian markets, that will generate sufficient revenue for the industry to become financially viable and economically sustainable. With this in mind, the board has developed an updated corporate plan, 2011-15, that provides Tasracing and the industry with a detailed framework for the future. The corporate plan is an evolving document. For example, early this year, senior management directors conducted workshops across all codes to ensure stakeholder views were considered when preparing and updating the plan. After an initial business-as-usual approach to ensure minimal disruption to industry stakeholders, Tasracing has moved to introduce a number of significant reforms. While these will take some time to complete and fully implement, there are some positive, early signs. These reforms include industry training. In consultation with Skills Tasmania, Tasracing has developed a new three-year racing industry skills plan. Changes to the licensing requirements for harness and thoroughbred participants will be introduced this year that require participants to be suitably qualified to a national training standard. Tasracing has secured significant government subsidies to help cover the cost of this training.

Tasracing will introduce a new code funding model on 1 July this year for the 2011-12 financial year. The new funding model recognises and rewards the performance of each of the three codes. The decision was taken after Tasracing completed a comprehensive review of the current funding model of the thoroughbred, harness and greyhounds codes in Tasmania. The new model was developed following considerable research over a nine-month period, including local industry analysis, a review of interstate funding models, stakeholder discussions and an assessment of economic impact of any changes. The new code funding model, which has seen a small reduction in the funding for the thoroughbred and harness codes of up to 1.5 per cent and 1.2 per cent respectively, will not impact on prize money or race numbers. To put these reductions into context, the thoroughbred code will still receive \$11.3 million for the financial year. The harness codes allocation will be \$5.8 million and the greyhound code will receive \$4.4 million.

Work has commenced on a \$11.5 million redevelopment of Spreyton Park with the awarding of a tender to supply and install an all-weather thoroughbred track. The awarding of the contract follows the completion of an independent feasibility study, commissioned by Tasracing, that examined the future requirements of racing on the north-west coast. The Spreyton expenditure is part of a \$40 million capital expenditure program for the industry.

While Tasracing appreciates that the type of changes we are implementing can create uncertainty and the industry has some concerns about its current state and future, we are committed to working collaboratively to achieve the best possible outcomes for all parties.

As requested, Tasracing has provided a written submission in response to the full items contained in the terms of reference and has provided additional information. The team here today are happy to take questions based on the information provided in our submission and, if the committee desires, also to take questions on any other evidence you have received from other racing industry stakeholders.

CHAIR - You did say in your covering letter that there were some matters related to your submission where you wanted to provide evidence in camera. Are you happy to speak broadly to all four terms of reference initially, and then, if we get to a point where you think information should be in camera, we can go down that path at that time?

Mr LOTTERING - Yes, Chair. Some information in sections 3 and 4, as we have indicated, we believe involves some commercial arrangements that we want to discuss with third parties. There is some other information regarding future strategies that we have with third parties that we believe is sensitive that we would like to discuss in camera.

CHAIR - Okay. So if we go through the others initially, when we get to those -

Mr LOTTERING - We will tell you.

CHAIR - You can make that request at that time and we will further consider it.

I think all sitting around this table are fairly familiar with recent processes of establishing Tasracing, because we were all in the Parliament at the time, and setting up the funding arrangements that were established to fund the activities of Tasracing. I understand the actual model, the \$27 million indexed for 20 years and then subsequently the racefields funding, was arrived at through Treasury modelling around the contributions to industry from TOTE and Betfair prior to the restructure. So Tasracing was provided with a fairly set budget. It was pretty clear; it was \$27 million indexed per annum. I know you haven't had a large loss, but why haven't you been able to operate within this budget despite the fact the funds were clearly identified?

Mr LOTTERING - The \$27 million was a part of the budget that we were given to operate the industry with. It has always been our understanding, and the deliberations we had with the Treasurer at the time underline this, that we would still need the revenue from racefield fees to supplement the budget. I know there has been some discussion about whether it was just going to be \$27 million, and whether the rest of the money that would come from racefield fees be surplus to our requirements. But the \$27 million and the \$5 million that we were to get from racefield fees were always going to be part and parcel of our operating budget, and I would say a very tight budget. There certainly was no room for real improvements in terms of excess cash. The \$27 million did not include any money for depreciation, so I think when you see the actual financial situation coming through we are actually trading at an accounting loss. Through the depreciation of non-cash charges we are actually able to make up the losses that we have.

CHAIR - I accept that the racefields funding was not available immediately, but you were given the equivalent, weren't you, from TOTE to meet that, except for the first part of this financial year between July and the end of October. I am just a little confused that you are saying that that money came in from a different source, but still you weren't able to maintain -

Mr LOTTERING - When we signed the deed we signed on the basis of \$27 million plus racefield fees at the time. At that time the legislation had gone through Parliament to enact racefield fees the first time around, and there was always the understanding, and the correspondence we always had with the minister at the time, was that this was an

essential part of our budget. When the Solicitor-General decided to suspend the payment of fees or the collection of fees in August 2009, we made representations back to the Government to suggest how we were going to fund the balance of our operating budget, and through negotiations with TOTE Tasmania at the time - on the basis, I think, that they were not sold - we were able to negotiate for them to pay us the difference that would make up our budget, which was the \$5.1 million. When we actually went to approve the budget in June this year, the board operated on the basis again that there was an expectation that racefield fees in full would be compensated for, on the basis once again that it was going to be \$27 million plus racefield fees. We have worked with the Government up until the time of the reintroduction of legislation to enact racefield fees to bring in that extra income that we require.

CHAIR - I notice in the Auditor-General's report last year you made the comment that:

'Tasracing's financial strategy is based around it being able to report a book loss on the basis that the loss is funded from non-cash charges, that is depreciation, and that those non-cash charges would allow funding for normal ongoing capital programs. Large capital projects will need to be funded from the loan facility' -

which we will get to in more detail shortly -

'and that Tasracing's ability to service any loans drawn down be supported by the Department of Treasury and Finance. This strategy, whilst reporting a book loss, is essentially a cash-led position.'

That is what the Auditor-General said. The net cash from operating was \$2.632 million and the net cash on capex was \$6.812 million and the Auditor-General talked about it being cash neutral, but that does not really appear to be cash neutral. How has that happened and how long can you keep that up?

Mr BONES - In that year we received cash injections from a number of sources, one being TOTE Tasmania and the other being from Treasury for the remainder of funding for the TOTE centre lights. But essentially the cash neutral position going forward, as we have discussed there being funded from non-cash charges, is such that non-cash charges are largely as a result of writing down leasehold assets. They are leasehold assets that we hold for 50 years. If we hand them over in 50 years' time and they are worth \$1 and that is the only equity that this entity has on its balance sheet and we hand it back then all current positions are covered and the company is dissolved. We have no more assets, then it is all square. To add to that, yes, the non-cash charges provide coverage for the ongoing capital expenditure program.

CHAIR - When there is that big difference of \$2.6 million net cash from operating expenses and you are investing the \$6.8 million, you say that it is going to be all dealt with through depreciation?

Mr BONES - Sorry, \$2.6 million from operating -

CHAIR - In your annual report on page 27 you have some notes relating to the statement of cash flows and there are some further notes attached to it further on in the report. You

have the net cash provided from operating activities - \$2.6 million - and then your net cash used in investing activities - \$6.8 million. That is the difference that I am talking about here.

Mr BONES - Okay, the moneys for the TOTE lights - \$5.5 million - were largely received in the previous financial year, prior to the end of the year. The difference between those is that there was a cash injection in the prior year that was carried forward.

CHAIR - And that is what created this?

Mr BONES - Yes. That year, being the first full operating year, in isolation is not a good year to look at for cash purposes because in the prior year the cash flows from six months of the Tasmanian Racing Board were unique and not really a good picture of how the business will be running in the future.

CHAIR - Are you able to provide more of a breakdown then of the cash outflows with investing activities? There are no further notes that relate to that so are you able to provide that?

Mr BONES - We can, yes. I can say that the majority of it would be from the TOTE lights project, which was \$5.5 million. There is an ongoing capital expenditure program of \$800 000 to \$1 million per year normally.

CHAIR - Getting back to the overall budget management, can you provide details of the salaries of the senior management team currently and what were the comparative salaries before the establishment of Tasracing?

Mr LOTTERING - I can provide those to you in writing if you like; I do not have the actual details here.

CHAIR - Yes, I would appreciate that. I am just wondering if there has been a significant increase in what was being paid to similar positions in the previous structure as there is now, and if that is the case on what basis were those increases made?

Mr LOTTERING - I would say that the only increase that may have been different would have been the salary of the Chief Executive Officer - myself. That would have been based on the salary negotiated with assistance from TOTE Tasmania at the time, based on the recommendations and policy they had at that time in terms of the size of the company. There would not have been a significant change in the actual bands of those salaries other than now we have actually gone forward and had perhaps three other executives taken on board. Their salaries would be in the region of \$113 000 to \$177 000.

CHAIR - So you have three additional executives, what positions are those?

Mr LOTTERING - We have had a chief operating officer appointed and we have had a chief financial officer, which we would have shared with TOTE Tasmania previously and we have had an asset manager that we have taken on board who is a specialist in this area. We don't consider him an executive position as such, but he is in that senior bracket.

Mr HALL - With regard to the quantum of employees where are you at the moment - about 75?

Mr LOTTERING - Seventy-five full-time, part-time and casual staff.

Mr HALL - Compared to the old Thoroughbred Racing Council, how do you stack up there?

Mr LOTTERING - I don't think that is an easy comparison because we are a stand-alone company as compared to when we operated under TOTE Tasmania when we shared most of the corporate services activities with TOTE Tasmania. We had three code councils and there were support staff in those code councils, but we have now had to stand alone and employ the same number of staff as you would have for a company of this size in all the areas that we need to be governed accordingly. So there may be additional staff members in the areas of corporate services, financial, accounting, auditing and human resources whom we have had to employ as a result of our standing alone as a company.

Mr HALL - I think you mentioned before that you looked at or compared similar models interstate. Is your structure of a similar vein and, given the size of this jurisdiction here, are you competitive - if I can put it that way?

Mr LOTTERING - I think we are much under-resourced for what we do in the business at the moment in comparison. There are only three other jurisdictions in Australasia that deal with three codes of racing. In Western Australia the model is still together with Western Australian Wagering, so Racing and Wagering in Western Australia is one company, which still operates wagering, racing and integrity. In Queensland they have just moved to the model of separating the racing and wagering, but also incorporating the three codes of racing. In Tasmania it is a stand alone. In New Zealand there is a different model. There is still very much a different structure under each code in New Zealand and one governing body. We have actually encompassed the three codes of racing and taken on a number of operational responsibilities within the actual racing operations that the other two jurisdictions will not do.

So in terms of administration of clubs, we maintain all the assets, we maintain all the racetracks, we maintain the facilities and we are responsible for that development. We actually do a lot of administration functions on behalf of the clubs for race meetings that would not normally be done in other States.

CHAIR - So the clubs themselves do it in other States?

Mr LOTTERING - The clubs in other States would be looking after assets. They would be responsible for the maintenance of their tracks. They may be getting funds from the principal body to help them do that, but generally there would be staff that would need to look at the administration of those assets.

Mr SPEARS - Madam Chair, to give you a breakdown that I think would answer Greg's question, 42 of our 70-odd staff are involved in track repairs and maintenance and ongoing matters and the other 33 are involved in administrative matters within clerical-type work.

Dr GOODWIN - Going back to when Tasracing was established in 2009, apart from those three executive positions you mentioned, have there been any others added during that period?

Mr SPEARS - If I could just answer that, Vanessa, one of the things that we have done is we have had a restructure. We are continuously looking at our costs and the people we brought on. With all due respect, we had to take those people, they were given to us; so we have sorted things out in that regard and we have moved the senior structure around a little - some have moved on, and one has moved in. That is about it, so there has only really been the one.

Dr GOODWIN - So your numbers probably haven't changed much.

Mr SPEARS - Basically the same. Almost identical, yes.

Mr LOTTERING - It is a bit difficult to try to make the comparison with how racing was administered under the old system as opposed to the way it is being administered now. The association I had with TOTE Tasmania was that there were only two full time equivalents in TOTE Tasmania who were actually responsible for racing. In addition to that there were the code councils and the clubs. So we have largely taken on board the administration of three codes under one company. Obviously when we are progressing our corporate plan we are looking at what opportunities there are in the different projects - for example, the one person that the chairman is talking about whom we employed is a training coordinator. That is something that we never had done before, but it is a major project within our corporate plan and, as I have indicated before, it is a major concept of our strategy of saying we need to bring racing participants up to national standard, and we need to be able to coordinate industry training accordingly, so that was the reason for the appointment of that person.

Mr WILKINSON - I suppose the major question is this: with the restructure that has been undertaken and with the change as a result of the legislation, how do you believe it makes for better racing, better administration and better work within the industry? Of course, with KPIs you will have to look at that in years to come and say, 'Look, this is how we believe that there will be improvement,' and you can test it for that.

Mr LOTTERING - I think the consolidation of the three codes under one corporate entity makes for a lot of efficiencies. The consolidation of assets in terms of the tracks at Hobart and Launceston, where we have tri-code venues, makes a lot of good commercial sense from the point of view of rationalisation of resources and funds. Trying to look at three codes of racing will always be challenging because you are looking at three different types of markets and three different types of stakeholders, but I think bringing it all together under one roof we can see that where we can actually try to maximise one to benefit the other. A good example of that is the code-funding model.

What we are saying to industry is that if one code maximises their returns all three will benefit from that share. Whereas in other States you are basically isolated in saying, 'Well, that is your share for harness or thoroughbreds or greyhounds, that is what you have to perform against and what you will be measured against.' I think there are some

synergies there and efficiencies of resources, and there are certainly some synergies there in how we build the industry and how we move forward.

Mr WILKINSON - Some might argue if they are doing well and they are doing well because of the way they are working - either thoroughbreds, dogs or harness - they should be getting the benefit from it and the others should not be getting as much benefit. That is the argument there and is there conflict?

Mr LOTTERING - I think, sir, the argument there is saying that we are established in Tasmania to oversee the sustainability of the racing industry as a whole. I think Tasmania is not big enough to decide as to how each individual code goes forward. It is about 'let us work this together for the benefit of the industry as a whole'. I think that in trying to get the three industries to work closer together, we are saying that we see that there are synergies within each individual code where they can work closely together and make it work.

Mr WILKINSON - It would seem to me that there has been a problem for years, as you know, in relation to the codes. As a result of what you have put in place already, have you seen that there is more harmony between the three, or not? If there is not, are you able to give any indication as to when that might occur?

Mr SPEARS - Mr Wilkinson, the answer is a pineapple. Some within the industry come and work with us and others don't. We find it difficult to -

Mr WILKINSON - Depends where you insert it, I suppose.

Mr SPEARS - Exactly. If we are in Launceston and we have done something in Launceston, everyone thinks that we are going reasonably well. Or in Devonport with putting a new track in, so we are the flavour of the month in Devonport.

Mr HALL - Like the football, isn't it?

Mr SPEARS - It is something like football, yes.

CHAIR - Don't mention the war!

Mr SPEARS - It is difficult to give you an honest answer. The fact is the industry as a whole is working more cohesively. Just to give you a quick example, we put a track into Launceston that cost roughly \$9 million. That is a huge asset and you cannot leave one group just to look after it, you need to oversee it and have national expertise in maintaining that product and keeping the longevity of the track. It is exactly the same with Devonport with our synthetic track, which gives us the opportunity of racing when we cannot race on the thoroughbred tracks because of the weather. We can go to the north-west coast where it doesn't rain and we can -

CHAIR - If it did it wouldn't matter.

Mr SPEARS - Absolutely. I guess what I am trying to say to you is that as a result of the co-location we can speak as one for all three codes with regard to Sky Channel, with regard to maintaining our assets and with regard to any number of things that we talk about,

which gives: (a) economy of scale, and (b) continuity of expertise to the codes that they didn't have in the past.

CHAIR - Can I go back to the staffing and budget management stuff after that little foray into another area. With the 42 administrative staff, are we able to have a breakdown of where those people are actually engaged in the business?

Mr SPEARS - Thirty-three. Forty-two were on the track maintenance and the like.

CHAIR - Forty-two is track, right. Yes, can we have a breakdown of their roles?

Mr LOTTERING - Sure, we have it here. We have nine who are in a management position group. We have a manager, media marketing. We have an OH&S manager. We have three code managers - harness, greyhounds and thoroughbreds. We have a part-time human resources manager. We have a regional racecourse manager in the north of the State and obviously an officer manager who looks after our administration. We have about 20 administration positions which include: a senior financial accountant; a business analyst who looks after all the data; our media website coordinators; racing support officers; facility and asset coordinators; senior course rangers at our tracks; a racing industry coordinator; finance officers; maintenance officers and project officers. We have a greyhound adoption program, which is a coordinator for that welfare group, and then we have our general office staff, executive assistants to myself and the other two executive members of the team.

CHAIR - Thanks for that. I will come back to some of those positions shortly, perhaps. Can you also tell me the sitting fees that are paid to directors?

Mr BONES - I think, in round terms, the directors are banded according to Department of Treasury guidelines. Directors are somewhere between \$26 000 and \$27 000 and the chairman is somewhere in the order of \$49 000.

Mr HALL - In terms of consultancies, can you provide any details of what you have spent and with whom, on any consultancy?

CHAIR - And for what purpose?

Mr BONES - Would you like that to be provided out of session? We have some round numbers here today. I think some \$42 000 has been paid on operational consultancies this year and approximately \$100 000 on the large capital project consultancy and corporate plan roll out.

CHAIR - So you don't have a breakdown that you could table?

Mr BONES - Not at the moment, no. We could provide that.

CHAIR - Yes, we need that. That is where I was heading.

I am interested in whether any consultants and what companies have been used in the area of media promotions.

Mr LOTTERING - We have our own media marketing manager and we do use, from time to time, Corporate Communications.

CHAIR - Why would you outsource that area when you have your own marketing there?

Mr LOTTERING - It is basically a situation of the amount of work on at the time. During the summer racing carnival, for example, that position would be fully utilised in looking after what is required for that carnival. So where workload permits we may go out to Corporate Communications and get a more independent review of some of the work we are dealing with. But it is a very small amount of consultancy in that area.

CHAIR - Have you used consultants to prepare media releases and things like that?

Mr LOTTERING - Most of those would be done in-house. But, for example, in the last month, where there may have been some people on leave, we may have asked an external consultancy to prepare a media release on our behalf.

Dr GOODWIN - With your media marketing team, you mentioned you have a manager. What other staff do you have?

Mr LOTTERING - We have two other support staff on there. There is a racing journalist who looks after some of the articles that we write on behalf of the industry, and the presentation of our product on Sky Channel, and there is a public relations support person. We also have somebody who works three days a week who looks after sponsorship, events and programs.

Dr GOODWIN - So there are nearly four FTEs?

CHAIR - So you have four FTEs involved in that area. One of the criticisms that has been made is that consultants have been engaged at a cost, obviously, to do things like media releases and media activities when you would hope and good management would dictate that you do not have all four people off at the one time - unless everyone was sick, of course.

Mr LOTTERING - We have one senior manager and perhaps three other junior people. In terms of our marketing media we have actually taken a decision about reassessing our marketing spend going forward. Traditionally we have inherited a department which has been predominantly looking at assisting racing in terms of development of events, major carnivals, racing events, helping clubs, doing promotions. We have taken a view this year of saying we need to rationalise that. We need to decide that our marketing focus is based on an everyday focus of trying to promote our product, so we are now in the process of looking at that again and saying that our whole marketing spend needs to be reviewed to see where there can be other efficiencies, to see whether we refocus our energies on where we need to be promoting our product on a daily basis rather than putting our efforts into three or four major events in the year. So I think we will see some shift in terms of our spend, and also our resources in that area.

CHAIR - Okay. So when you provide that breakdown you will include the consultants, who they are and where they are based?

Mr BONES - Yes.

CHAIR - Do you normally use predominantly locally based consultants? Can you also inform the committee of how much has been spent on travel and accommodation, and perhaps look at the breakdown of whether it is overseas, interstate or intrastate?

Mr BONES - The total is \$104 000 to the end of December 2010. I don't have a breakdown between overseas and domestic, but I can provide that.

CHAIR - Are you able to inform the committee of the purpose of the overseas travel?

Mr LOTTERING - As part of our strategy into looking to provide our market to overseas customers, the chairman and I embarked on two overseas trips in the last 12 months to talk to overseas customers, to find out how they receive the Australian product that they import, to find out what their needs and requirements are, and to develop the relationships with those customers as to where we see the opportunities in the future. We have spent some time in Asia talking to racing entities in Singapore and Malaysia, as that is considered to be one of the most effective markets exploiting our night-time product. We have spent some time talking to customers in the UK and France who are, given the time frames that we operate under, potential customers for us in the future. It has been about fact finding. We rely heavily on Sky Channel to provide access for those markets. By actually going over and spending some time with those customers we are able to develop a relationship and understand a bit more about how they want their products packaged. What we are finding is that the product will be packaged in such a way that it may not be commensurate with their requirements or needs. So those visits have primarily been on the basis of going to establish those contacts or those customers.

Mr HALL - There has been quite a bit of criticism from within the industry that the stakeholder money has not increased in real terms, particularly with the thoroughbred side of things. You are probably investing a significant amount of time and money in trying to get more exposure for the industry. How successful do you think you have been?

Mr LOTTERING - To be frank it has been a journey for us. When the changes to the administration of racing came in there was a lot of discussion about the potential for our product to be exported. The dealings we have had with Sky Racing about exporting our product have been on that basis. We believe that the opportunity is there to export our product. Our product nationally is only about 2 per cent of the national wagering market, and so for a State the size of Tasmania it is very important for us to look at other markets around the world where we may be able to export our product to. We were given to believe it was an opportunity where, if you had the product - for example, night racing - there were opportunities where that product could be exported to. What we found is that we are competing against New South Wales, Victoria and so forth who are looking to compete in the same markets. So now we are looking to see whether we can take the edge on that and saying that we have to be in with the customers and try to establish those links and those relationships in order to get one step ahead of those who are looking to export into the same markets.

It is not an easy journey but I can say that we have learnt a lot in the process. I think there was this notion that it was an easy to put your product on Sky Channel and they

would send it off around the world and we would earn money from it. What we are finding is that we are just one of the other parties in the market all competing for the same time schedule - the same market. So we have to be innovative, we have to be looking at what kind of product we have, developing our infrastructure, positioning our product and trying to be as good as or better than some of the others who are looking to the same thing.

Mr HALL - That being the case - and you have painted a difficult scenario for you to move forward in that respect - what do you think your chances of success are? You could argue that the whole industry hinges on your success in this direction.

Mr LOTTERING - I think that it is important to understand the whole wagering and racing market has changed. In the last two years in the time of the establishment of Tasracing the whole wagering market has changed to a position of where four or five years ago there were no agreements, there were no racefield fees being paid, there was no real competition in the market as to where you got your money from. The changes that are happening now mean that everybody is competing in an environment which is competitive; it is saying if you want us to take the industry forward and develop it then we have to get on top of it and we have to look at ways that we can be innovative. We have to look at our product and see what can we do to develop it across the three codes, to be able to take it forward and build it up accordingly. The opposite side to that is saying that we can stay where we are and the issue will just stagnate because the product will become, as we have put it in one of our submissions, like the wagering market, which is stagnant at the moment. We have been racing on Sunday afternoons for the last eight or 10 years, that is one of the most competitive slots in the week. If we want to be competitive and try to get ahead we need to be looking at what else is available so we can send our product to be wagered on and that we will get better returns from.

Mr HALL - Can you elaborate and explain to the committee what new initiatives you might take to improve the situation?

Mr SPEARS - Excuse me, Gary, I think that we ought to go into camera to discuss a matter that is rolling which I think will answer Greg's problem with regard to China, if that is okay?

CHAIR - Maybe we can come back to that. We can come back towards the end of the hearing to deal with that one.

Mr SPEARS - We are happy to do that, Chair.

Mr WILKINSON - Can I just ask a question in relation to the Asian market? My understanding is that the Asian market revolves around relationships and trust and in order to foster that relationship and trust there has to be a number of meetings with the people that you are hoping to do business with. Am I correct in saying that? I do not know whether that is the case in racing, but I know that it is in relation to other fields, and I would imagine that it is exactly the same in racing.

Mr LOTTERING - Very much so.

Mr WILKINSON - As a result of that, do you believe that you are speaking with people and have now formed that relationship that we are talking about in order to obtain the business that you are hoping to get?

Mr LOTTERING - We are still going to be very dependent on our scheduling, our programming and our product. There is work to be done to continue to develop the profile of the product, to continue to get it to a point where it becomes attractive. The customers that we talk to have a wide range of product that they can access. So we need to make sure, through those relationships, that this is the product they need, this is how they want it packaged, this is the form that they need and the times they need to have this product available to them. These are the rules that they operate under; they are not the same as Australian rules. We need to try to adapt to that and we need to work towards it. What we find is that it will be a long process to achieve those outcomes but that has to be the focus that we need to concentrate on.

CHAIR - Do you think you have the expertise to do that? Is this one of the challenges?

Mr LOTTERING - I think it is a challenge and I think, as I have said earlier, that as we move forward in our plan we look to see what resources we have in place where we can afford to say we need expertise in certain areas and we need to bring those resources into place to meet some of those challenges.

CHAIR - So do you think you have the expertise?

Mr LOTTERING - I think we have the expertise at the moment, yes.

CHAIR - You do have it.

Dr GOODWIN - In terms of getting the product to where it needs to be to appeal to these overseas markets, you have said that there will need to be quite significant changes. Will one of these challenges be bringing the industry with you and is there some reluctance on their part to move down a new pathway?

Mr LOTTERING - I think the challenge is about change. We find that in industry, and especially in racing industries worldwide, there is a reluctance to change. We have had the status quo and it has worked for us for a long time. We enjoy the racing on a Sunday afternoon, we would like to be racing Saturday afternoons and there are decisions that need to be made that are sometimes tough decisions. But we need to understand that some of the industry do come along with us and they can see the bigger picture. They can say, 'We understand that is where we have to get to to deliver these outcomes.' I think for a long time the industry sat in a space where they have been provided for - 'This is the funding, we have racing on these days' - and suddenly we are now in a much more competitive environment, so there has to be change. It cannot just be change within the principal racing authority. The change has to come also from within the industry. They need to also be looking at their own model, their own business, the horses that they are training/breeding/selling and consider how that will actually facilitate that change and take us forward. So it is about bringing people together.

One of the things we talked about in terms of customers overseas is also trying to put Tasmania on the map. So often when you talk to customers they say, 'We know about

Melbourne and Sydney, but we don't know much about Tasmanian racing.' We are saying we have this product and we are trying to develop and position it so we can compete.

CHAIR - Is there a realistic expectation here? We are small; we are obviously a small industry?

Mr LOTTERING - Yes.

CHAIR - Victoria and New South Wales are big industries with huge amounts more turnover and much more capacity, so are we being realistic?

Mr LOTTERING - The one thing that is in our favour is that because we are small we can be more flexible in terms of perhaps how we market our product. We also can look at the number of horses or dogs that we have within our State. One of the key factors when you are trying to export a product and you are asking overseas customers to wager is product consistency. When you are seeing a Tasmanian product come on line with the same names of trainers, jockeys, horses and dogs competing over and over again it starts to build up a bit of success. If you look at the Hong Kong market or the Singapore market, where they predominantly are only racing on their home turf, that is where they see the consistency because they have their own horses, jockeys and trainers and there is a consistency of that product coming forward the whole time.

With Racing Victoria and New South Wales obviously it is a much, much bigger market, with a lot more racing animals, trainers and stakeholders involved as well. So it is a challenge, but it is the way we need to move forward.

Mr WILKINSON - I'm trying to draw a conclusion from what you are saying. So you are saying if you stand still you stagnate -

Mr LOTTERING - Absolutely.

Mr WILKINSON - and there is a likelihood of losing the business that you already have. Or alternatively you can endeavour, even without any promises, to grow the industry, but the only way that that can happen is by fostering these new markets such as in Asia, and it might mean a major change in the way that we know racing today. It might have to be in the middle of the night, 2 o'clock, 3 o'clock in the morning or whatever it might be, in order to cater for those markets overseas.

Mr LOTTERING - Absolutely. What does the market want? At the moment there is a demand for thoroughbred racing. There is no demand in Asia for greyhounds. There is a demand in Europe and probably UK for greyhounds. There is very little demand for harness. New Zealand actually take our harness product. That is probably one of the predominant markets for that. South Africa, there is some opportunity, but in Europe and the US it is all trotting, which is a different racing experience altogether.

Mr HARRISS - Just focusing on that Asian market if I can, what are the real challenges in penetrating that market? Am I right in understanding that if you are going to try through night meets here in Tasmania you will confront significant issues in the Asian market because of their lack of betting agencies and in view of the fact that without betting

agencies they have to be oncourse, they are not oncourse at the time that you are trying to penetrate that market, are they?

Mr LOTTERING - In Singapore, for example, they do have an offcourse betting network; in Malaysia they have the same; in Hong Kong they have the same. But what they do tend to do is that, unlike Australian racing where they race 24/7, there are selected days of the week that they operate. In Singapore they operate four or five days a week, they may be racing on two of those days and they may open their outlets on the other days. We have to see where we can position ourselves in the future so we line up on a day when they may be operating at either a race meeting or they may be operating on, say, Hong Kong racing in which case they would be operating their offcourse outlets. Those are only three very well-established markets. The opportunities to get into Hong Kong are probably very remote because of the regulations in that country. But slowly the markets like Singapore and Malaysia are starting open up and we still have to explore other emerging markets in the Asian region that could be opened up in the future.

Mr HARRISS - Gary, what you have indicated then is that there are betting agencies that operate in those locations and that there is no great impediment then for you to penetrate that market by providing our product into that market if there is no race meet which coincides with a race meet here.

Mr SPEARS - Paul, one of the things that we have found as a result of going to Singapore is that Singapore has just put in two new casinos. The racing industry has been affected, depending upon whom you speak to, by 30 per cent plus in downturn in turnover because of the casinos. The racing industry in Singapore has very tight ties with the Government of Singapore but they are looking to change their arrangements, they are considering opening offcourse betting shops on a more regular basis and more amenable to the public to bet on, which creates an opportunity for us to contemplate putting product in there.

Mr HARRISS - Do Singapore have offcourse betting shops now?

Mr SPEARS - Yes, they do.

Mr HARRISS - They are looking at opening a different type?

Mr SPEARS - More. They only open at the moment when the racecourse at Singapore is operating. In the interim they sell scratch-its and tattslooto things in that venue. But there is a change; they are moving and we are hearing that. As a result of being there we are up to date with where they are going with that change.

Mr HARRISS - Okay, so for us to penetrate, say, the Singapore market you need those extra offcourse agencies to be in place. Is that a fair assessment?

Mr SPEARS - Yes, or conversely, perhaps we need to be racing on a Wednesday night when Singapore race. There is a difference there.

Mr HARRISS - So we would be racing then at the same time that they are racing.

Mr LOTTERING - I think the situation would be that certainly sending a product to an Asian country which is going to expand is going to improve your returns. You will find

in some of the Asian countries like Singapore and Hong Kong predominantly on those race nights they have many more thousands of people in attendance at those race meetings than we would experience here in Tasmania, but I think that those markets are certainly seeing the benefit of having those offcourse outlets in operation. So, yes, we would have to be positioning our product in a time frame that suits the opening of those markets. Here we really are talking about night racing because if night racing has a start-up time of 6.30 to seven o'clock at night during the summer time, it is about five or six o'clock in the evening in Singapore which is the same time that some of those outlets will be opening or they will be racing. We need to ensure that we can line ourselves up on the schedule times when they are actually opening for business and/or racing themselves.

Mr HARRISS - Are our stake moneys sufficiently attractive to move down a path like that?

Mr LOTTERING - There is a degree of that. Some customers, for example in France where the product would only get there early in the morning in time for their 9 a.m. to 1 p.m. segment, are particularly more looking at saying, 'What are you racing from?' in terms of big race meetings or feature races or better stakes money. I think our stakes money compares well with where we sit in the market in Australia and certainly, just as a comparison, we were racing in the UK last year in December and they were racing for £2 000 on a Saturday afternoon meeting and we are racing for \$12 000. So that UK market has been sold into France. I think when it comes to stakes money it is a benchmark they are looking at but I think they are also looking at the quality and consistency of the product, the assets and the consistency of the horses, the strike rates of jockeys and the professionalism of trainers. So I think a customer may say, 'Stakes money is obviously a benchmark'. I think there is a number of other factors that would be looked at to say, 'Is this a good racing product?', and they will only know that by what returns they are making from their customers.

Mr HARRISS - That is the customer making some assessment of the quality of our product. What about sufficient enticement for our local people to race from 6 p.m. until 10 p.m.? Is it sufficiently enticing for our horse owners to pursue the stake money here at whatever time?

Mr LOTTERING - There are a couple of things in that. If we look at our night-time product, and we know there are some challenges around the change in that night-time product and the attractiveness of that, if we are looking to say this is where we want to get to so we can provide some better incentives or some better returns on that, we will need them to come along on the journey with us to achieve that. But having said that, our stakes money is pretty much at the moment compared with other States in terms of where it sits in the market. But also we need to consider what are the alternatives. If we want to move forward in this industry, we can stay where we are and we can say that is where it will be or that is where it will stay. For example, on Sunday afternoons how long will it be before we get pushed out of the market because there are other competitors in there that we cannot sustain those kind of levels? It is an ongoing challenge to say, 'Let us make sure that we have a product. Let us try to position the best we can to move forward to try to provide those returns back to the industry that they desperately need'.

Mr HALL - Gary, how good is your relationship with Sky? I ask that because they are a major conveyancer of the product in a lot of countries and right around Australia and

also it has been put to us that when this Parliament gave Betfair permission to operate within this State then perhaps Sky have shown a lack of interest in Tasmanian racing. Would you like to comment on that, please?

Mr LOTTERING - I think we have a very good relationship with Sky Channel. Regarding where we sit in the market in terms of our ability to develop the product that they are looking for to wager on, if you recall Sky Channel has shareholders, Tabcorp, which are essentially a wagering company so we like to think we work very closely with Sky Channel. We have just come back from a workshop where we sat down for probably the longest we have ever done, three or four hours with them, just going through our schedule for next year and being able to say to them, 'We are here to try to accommodate you. We can be flexible and facilitate what you think is the need for us to be able to maximise our returns'. I think we have a very good relationship. Because of the wagering environments and the markets that they are in at moment, I think the relationship that I have with Sky Channel is very good.

Mr HALL - Do you think, in short, down the track that they are going to accommodate your needs sufficiently or are you not going to get as much exposure as you would like?

Mr LOTTERING - I think we need to understand that we are in a competitive market. So they are going to be looking to us and saying, 'Can you deliver a product which is as good as some of the other products on the market for our customers to wager on?' Again, that is the change that has occurred. If we take Sky Channel, two or three years ago before racefield fees came into being, there was a gentlemen's agreement around Australia that said we bet on your product and you bet on my product and no money exchanges hands. We have gone from that to a competitive environment. We need to be able to accommodate that, and Sky Channel will say that you can have your racing whatever day you like, but I have some clients or some customers that want to race on this day. Have you got a product that can accommodate that. We have to move towards that.

Mr HALL - Have you? Is that the case? I know there was capital expenditure going into improving the infrastructure, but do we have the quality of the fields here to entice Sky?

Mr LOTTERING - I think we have as good as any, but that is the strategy that we are embracing, as far as Tasracing is concerned, to say that there is a journey here and we need to make sure we have that product that customers want to wager on. We need to make sure we have the consistency. We need to work with the industry to develop that. Industry training is perhaps one of our key projects this year, so we need to make sure that our industry participants are on the same level as they are interstate, that they have the same qualifications as their interstate competitors. We need to make sure we have depth among the races, the venues are appropriate assets for them to race on, and that we are looking at what we can do in terms of programming. One of the key challenges we have had since we started is a lack of data to be able to make good decisions on. There was really not a lot of data available on the industry when we took over as far as being able to make comparisons or look at trends or look at operations and ask how we compare whether a 10-horse field or 12-horse field is going to make more money for us. The other thing that has happened in terms of the competitiveness is that most of that responsibility now is going to come back to the racing to look at, whereas before the bigger wagering companies might have said, 'We will look after that; we will market

your product for you. You provide it and we will sell it', whereas now their practice is, 'You market it, you package it and we will buy it from you'. So I think there is a challenge, a lot of work to be done in that area, so we need to have that comparative data as well to be able to make decisions. You have to go to the industry and say, 'If we race nine races today we need x amount, but if we race eight in the schedule, one less, we can deliver better outcomes'.

Dr GOODWIN - Your corporate planning or your revenue goal is to generate additional annual revenue of \$5.25 million, which is 15 per cent of your operational expenditure by 2015, and that is presumably in order for the industry to be sustainable in the longer term. So that is essentially the shortfalls you have at the moment between the government funding and the racefield fees and whatever else you can get by way of sponsorship. So you really need that \$5.25 million per year for the industry to be sustainable. Is that right?

Mr BONES - No, there is a difference between the stretch goal that we are providing in the corporate plan and the actual financial forecasts that we have provided as part of the submission, which will also be provided in the current year's corporate plan. But in year five, from now, in the new corporate plan we would need some \$2.1 million additional revenue in order to continue to be at least cash neutral, or that would provide us, I think, with a \$400 000 surplus. That is something that the organisation believes is part of the corporate planning process that we have just been through. Based on the work that we have done in the last period it is achievable. It is some \$2 million, and then that would provide a cash-neutral position, keep us up-to-date with our capital expenditure program, and meet the commitments - that is, all expenses increasing including our obligations under the deed to maintain stakes in real terms for the industry, and all expenses increasing in accordance with CPI. It more or less makes up the deficit where our funding increases by CPI, less 1 per cent.

Dr GOODWIN - But ultimately you want to get to this \$5.25 million?

Mr BONES - Ultimately that's the stretch target. The organisation will be pushing for whatever we can achieve, but that was identified.

Dr GOODWIN - Do you think it is a somewhat ambitious target?

Mr BONES - It is blue sky. I think everything is ambitious. We need to set ambitious targets in order to try to meet them. Ambitious, but not unachievable.

Mr LOTTERING - It is a stretched target but also there are other activities that we need to be looking at in the business over and above just revenue generation on turnover.

Dr GOODWIN - Can I make the point, though, that if you put something like that in your corporate plan that then goes out to industry, the community broadly and all your stakeholders then it sets up some sort of expectation and people want to know whether it is going to be achievable. I suppose the concern I have in listening this morning to some of the challenges of actually growing the market is to work out how realistic it is.

Concerning the night racing issue that you have had with Mowbray and jockeys not wanting to ride during the winter months, can that be sorted out or continue to be an issue and how will that impact on your ability to grow the market overseas?

Mr LOTTERING - That is an issue that we didn't encounter when we started to talk about night racing. It has come about from the practicalities of racing at night-time. It does restrict us in the winter months from racing in the night-time season. Having said that, we have worked tirelessly with the jockeys to look at all the options. We can come out and say it is about it being too cold and these are the issues we have. We would like to sit down with the jockeys and work out each factor and what we can do and how do we mitigate those things. If it is around night racing and it is during the winter time, well there are certain things that we could do to mitigate some of that risk. If it is about the clothing they wear, then perhaps we can look at what athletes are doing in the Winter Olympics and so forth; they can do the same things and achieve the same outcomes. Our view is to work with industry, let's have a look at the factors here and how do we actually try to mitigate the problems. If it is a factor that says we cannot race, for example, at night time during those winter months, then what do we do for the rest of the year? Perhaps we need to look at our scheduling for the nine months or so that we are able to race. Maybe we do need to put in extra meetings around those times to accommodate those meetings that we lose during the winter season. In Asia there are certain times of the year that they do not race. I believe in Hong Kong they do not race in June and July and that might tie in better with our scheduling as to how we take it forward.

Just on the question of a stretched target and revenue generated, I think there are a number of factors that have come to light in the last year, even around racefield fees where we are saying there is an opportunity perhaps in the future to look at raising the money that we actually generate from that in terms of the percentages that we charge. There is a case in Victoria at the moment where they just have done an assessment and the outcome is that in August 2012 they will raise the charge from 10 per cent to 13 per cent. There are a number of things that we need to look at as we go forward about how we can grow that pie other than just -

CHAIR - The forward estimates don't include that; that wasn't including an increase in race fees.

Mr LOTTERING - It just gathered a snapshot of what -

CHAIR - There is certainly potential there.

Mr LOTTERING - There is potential there, yes.

CHAIR - There is also potential in the sponsorship area too.

If you go to your annual report from last year, page 35, can you clarify what 'other associated personnel expenses' relate to - \$695 000? At the top of the page, note 10, under associated personnel expenses.

Mr BONES - I don't know off the top of my head. It is an accounting requirement that we set them out a certain way. I can certainly bring that back to the committee.

CHAIR - Moving on from there then, regarding the contributions to the Defined Contribution Fund of \$302 000, if 9 per cent of wages is the rate, that implies wages to those employees of about \$3.3 million. Is that about right?

Mr BONES - That sounds about right, yes.

CHAIR - That does not leave much then for the defined benefit employees because it is \$3.38 million for them.

Mr BONES - It does not leave?

CHAIR - If your total wages are \$3.38 million and most of them appear to be in a defined contribution fund, the question is that we do not seem to have an allocation here for the defined benefit employees, not much room for that. Do you see what I am saying?

Mr BONES - I would need to give you a detailed breakdown in order to answer that question. I could not answer it off the top of my head, sorry.

CHAIR - I will go on to put some more context around the question then. Your submission to the committee states that the majority of employee benefits are defined benefit scheme members with RBF yet the increase in the defined benefit liability was \$4 632. How many of your employees are defined benefit members? You said the majority are.

Mr BONES - Did we say that in our submission? I cannot recall.

CHAIR - Yes, on page 9 of your submission it says that.

Mr BONES - I think that 20 to 25 are defined benefit, I would not have said the majority, so that might be an oversight as part of putting the submission together. I do have a list back in the office of exactly who they are.

CHAIR - It just seems that you have a significant allocation for the Defined Contribution Fund employees that implies the wages of about \$3.36 million. It just seems to be a disconnect here.

Mr LOTTERING - Perhaps, Madam Chair, would the other associated personnel expenses be a reference to contributions to ordinary super funds?

Mr BONES - It could be. I could not answer it off the top of my head.

CHAIR - I will get you to provide extra information around that.

On page 46 of your annual report I note there are seven FT directors and seven FT management personnel who receive \$1 million in employee benefits. The post-employment benefit cost of \$78 000 is presumably super?

Mr BONES - Yes.

CHAIR - Who then are the employees whose super costs in 10 - again, you might need to take some notice to go with your other one -

Mr BONES - Yes, I think so.

CHAIR - are included in the best part of the defined benefits super of \$463 000 and the defined contribution super of \$302 000? Excluding super to the senior personnel, there is a total of \$687 000 in super costs. They do not seem to line up.

Mr BONES - I would need to provide a reconciliation between note 26 and note 10 for you.

CHAIR - Further to that - and you will probably need to take this on notice as well - on page 39 note 18 states that the increase in defined benefits liability was \$487 000. This is different from the figure in note 10 which is \$463 724. There is a difference in those two figures.

Mr BONES - I do not think that the Auditor-General will let us get away with a difference in figures.

CHAIR - You might like to provide an explanation then.

Mr BONES - There are a few elements. Certainly note 18 is something that is provided directly by RBF's actuarials. It is quite a complex movement. The \$463 000 is an actuarial movement in that defined benefits scheme but there are various elements to that. I can provide a full breakdown for you.

CHAIR - Moving on to the unfunded superannuation liability, when Tasracing took over as an entity there was enough cash transferred to fully fund all your liabilities, including the unfunded superannuation liability. The Auditor-General observed in his 2009 report into Tasracing that TRB's net working capital of \$10.826 million is healthy, placing it in a strong position to meet its short-term commitments. However the bulk of these moneys are committed to expenditure programs and to meet staff superannuation entitlements. That is the Auditor-General's comment. Do you intend to maintain enough cash so that the unfunded super liability will always be fully funded that you will be able to meet your current liabilities as and when they fall due and that these contingent liabilities will be fully cash backed?

Mr BONES - Yes. With the position at the end of the year, we must maintain that we cover our short-term plus our employee benefits.

CHAIR - As the general government spent all their amounts previously set aside in recent times such that there is no cash backing now, if you keep going the way you are, are you confident you will always have that full cash backing for any that fall due?

Mr BONES - Yes, because the financial strategy is to maintain that cash-neutral position each year, as in revenues received in cash terms will equal expenditure, both operational and capital, each year.

CHAIR - You mentioned the actuary's report from RBF. Is that the only actuarial report you work with?

Mr BONES - It is.

CHAIR - Are you able to provide a copy of that to the committee?

Mr BONES - Yes, it is basically that note.

CHAIR - We will have a look at the report. Obviously you do not have it with you now, but does this report state that you will be able to continue to meet your contingent liabilities when they fall due?

Mr BONES - It is not required to say that.

CHAIR - Isn't it?

Mr BONES - The RBF's report?

CHAIR - The actuary's report.

Mr BONES - Yes, that is only to do with the RBF liability. It is nothing else. It doesn't go into anything else bar the RBF liability. It is not asked to.

CHAIR - Okay.

Mr BONES - To add to that, that is the AG's area.

CHAIR - I want to move down to some questions about the loan facility for the \$40 million, if members are happy to go down that path. With regard to the loan facility, the \$40 million from Tascorp, and the deed with the Government regarding these borrowings, I understand that all interest payments have been met from the Consolidated Fund and Tasracing has not had to meet any of the interest costs. Is that still correct, and do you expect to be in a position in the future to meet any of the debt-servicing costs?

Mr BONES - I think in answer to the first question, we haven't put a claim in yet for any interest costs. We have only started drawing the facility. We have made one draw, I think, to the tune of \$850 000, so I think interest to date is some \$4 000. But, yes, as part of the funding deed, we will be putting in a claim each quarter to have Treasury facilitate the \$40 million facility.

CHAIR - Do you intend to get into a position where you can meet the debt-servicing costs?

Mr BONES - Ideally. The five-year forecast that we have provided you is still cash neutral, or at least I think in year 5 it is only a surplus of \$400 000. At that stage it would be discussions with Treasury to organise how we use that cash surplus. I am certainly not going to speculate.

CHAIR - There is still potential there to increase that cash surplus, though, isn't there, through increasing racefield levies, potentially sponsorship, growing the product?

Mr BONES - Absolutely.

CHAIR - As the taxpayers of Tasmania are providing \$27 million a year indexed to this industry, they are providing all the debt-servicing costs in a \$40 million loan setting because the Treasurer didn't manage to sell TOTE - we know that is why that is - do you think it is a reasonable expectation for the taxpayers of Tasmania that they would see this business grow to the point where it can meet these costs?

Mr BONES - I am not going to answer that on behalf of the taxpayers of Tasmania, but I think, to answer it in short, is this organisation aiming to increase its revenues with which it can facilitate the debt, the answer is yes.

CHAIR - But not for at least five years, you are saying?

Mr BONES - I think you will see by the total forecast we have provided that we provide in the fifth year a cash surplus of some \$400 000.

CHAIR - Which won't go a long way towards any interest or principle. Interest perhaps, but not principle.

Mr BONES - No, that's right.

CHAIR - Have any funds been drawn down yet? You said \$850 000. Is that the only amount?

Mr BONES - From memory, yes. That is for the Spreyton Park redevelopment.

CHAIR - How much is that going to cost all up?

Mr BONES - It is estimated to be \$11.5 million in round terms.

CHAIR - Right, so that is a bit over a quarter of the kitty that is there. What about other projects that are on? You did mention a minute ago this issue with the night racing. Is there a need to improve lights and things like that at facilities, and what about Elwick? That was on the front of the paper recently.

Mr LOTTERING - I think that is a project that we are looking at for the long-term benefit of racing in terms of the Elwick redevelopment of the thoroughbred tracks. We have initiated some initial preliminary investigations as to what that looks like. That would certainly be a second major project. Then after that we would be looking to see what other improvements need to be made on the basis of what drives returns back to the industry in terms of the other codes as well.

CHAIR - Is Elwick not a certainty? It was reported in the media that it was going to close for 10 months next year?

Mr LOTTERING - Our response to the media at the time was that we have initiated some investigations as to what is required, when it is required to be done and how much it will cost. There is an extensive amount of work to be done in looking at the long-term viability of the venue and what is the long-term sustainability of that venue as a thoroughbred track.

CHAIR - So we don't really have any idea of the cost of the upgrade or work that will encompass that?

Mr LOTTERING - No.

Dr GOODWIN - No idea when it will commence or anything?

Mr LOTTERING - We've said that we want to do the initiation work. Obviously as part of our submission to Treasury we need to be able to satisfy Treasury that whatever we are going to do and when we are going to do it is going to have an enduring benefit back to the industry. So I think there is a lot of work to be done still before we can make a decision on when that will occur and how that will occur. Initially we said to the club that we were looking at 2012, but I think we have also said of late that we just need to see what is required to be undertaken.

Mr WILKINSON - It is a significant problem because of the money that has been spent in recent times in relation to the track. It was going to be the track to beat all tracks, and yet that doesn't seem to be the case.

Mr LOTTERING - I think it is important to also articulate that the work done at Elwick in 2005-06 was predominantly on the development of harness and ground facilities, and the work on the grandstand undertaken by TOTE Tasmania. There was minimal work done to the track in the context of those other developments taking place. If we look around the State, it is probably the only venue now that has not had a major upgrade in terms of the facility. TOTE did up Mowbray a couple of years ago and now the Spreyton Park has been undertaken.

Mr WILKINSON - Has the work done on harness and dogs detracted from the track itself?

Mr LOTTERING - I do not believe so.

Dr GOODWIN - With the Elwick issue, have you got consultants looking at that or is that something you do internally?

Mr LOTTERING - We have a consultant. We have a principal adviser who actually oversees most of our major projects. We don't believe that is our core business in terms of redevelopments. We do engage a consultant to oversee the major redevelopment work that needs to be done and also to advise us when we are in the process of conducting a major project from a good governance point of view.

Dr GOODWIN - You have already got that consultant on board?

Mr LOTTERING - Yes.

Dr GOODWIN - Does that consultancy have a time line?

Mr LOTTERING - We are just in the early stages of scoping that up.

CHAIR - You mentioned the leasehold improvements you have for racecourses and that effectively Tasracing funds those, and that is different in other jurisdictions. I assume

that these racetracks that we are talking about are owned by others, the clubs or whoever; is that generally the case?

Mr LOTTERING - Correct.

CHAIR - How do you monitor the financial management of the lessees or do you monitor them? Do the racing clubs have mortgages over some of these tracks?

Mr LOTTERING - No mortgages that I am aware of.

Mr SPEARS - All freehold.

CHAIR - Do you actually monitor the operating budgets and everything of all the clubs? Do you actually receive all that?

Mr LOTTERING - One of the requirements under the new responsibilities is that once a year, before we recommend the licensing of those clubs, we get to look at the operating budgets. Certainly as part of the new funding model we will get much closer scrutiny of their budgets. That really is about trying to assist those clubs to look at all the costs that they are incurring. Again, if we go back to the synergies of one company looking at all nine major racing clubs, we see where there are synergies we can actually employ to help them be more efficient in their operations.

CHAIR - So that is a job that you are undertaking?

Mr LOTTERING - Yes. What we are asking the clubs now is to provide us with quarterly operational updates in terms of some of their costs.

CHAIR - That hasn't been happening in the past?

Mr LOTTERING - No.

Mr BONES - The first quarterly financial information that we requested was up to 30 September 2010. So it has only been implemented in the current year. At the end of this month there will be four quarters worth of information.

CHAIR - Since Tasracing obviously has a fairly significant interest in this, are you likely to publish those financial matters in your annual report in the future?

Mr BONES - No.

CHAIR - Is there any value in doing that?

Mr BONES - No, that is not for us to do. They publish their own annual reports and they have them audited separately. The information they provide us is on a confidential basis. We will not be releasing it.

Mr SPEARS - We have provided a template to them for ease of providing the information to us.

CHAIR - Do you have any problems with compliance at all?

Mr LOTTERING - The penalty is that they need to get licence. So Racing Services has to license them every year and we have to have those 12 monthly budgets in before 1 July every year. So the onus is on them to comply.

CHAIR - Do they provide enough and adequate information to enable your job?

Mr LOTTERING - I think you will find that with the process we have put in place now will be given a much more detailed overview of their performance.

CHAIR - If one of them went broke, what impact would that have on Tasracing?

Mr LOTTERING - We would hope it would not come to that because we would be looking to monitor their performance over the 12-month period and say, 'Where can we help you to overcome or mitigate some of your expenses?'. The new model which we put in place streamlines a whole range of expenses; they will be getting a meeting payment and a commission payment. Whereas before they were paying rental for the use of the facilities on the day; there may have been different costs and the revenues go backwards and forwards. This will streamline their activities. We would like to work more closely with them on that quarterly basis to see just how they are tracking. When we did the analysis of the funding model, that looked at their performance over the last couple of years.

CHAIR - Are they welcoming that or is this a bit of a barrier? We have heard interesting relationships, so is this one of the areas that is creating some discontent out there?

Mr LOTTERING - I would not say so. I think there is obviously always going to be a tendency for somebody else to be looking over their shoulders asking what we are doing and are we performing. So this is what we do but some of those activities are not the concern of Tasracing. We are doing it on the basis of trying to help. We understand you have some issues and increasing costs so how can we rationalise those costs and look for efficiencies in your business. That has not happened before. We go back again to saying that there are nine different clubs, different codes and three different venues, so we may be able to say that at one venue perhaps there is some rationalisation of some of your costs that you can all share, rather than each individual club going out and employing a different auditor, for example.

Mr HARRISS - Have we suffered any detriment as a result of the Betfair issue in terms of sanctions imposed on us by interstate entities?

Mr LOTTERING - I think it has been surprising that there has been a turnaround in the relationship with Betfair. As Betfair has come onto the market the industry has been pleasantly surprised about what their business is about and where they try to position themselves. Obviously there is always going to be some competitiveness around their product as opposed to traditional TAB products. As a racing industry, each jurisdiction is looking and saying that they are just the same customers as for the TABs or the corporate bookmakers, so they are entitled to have to pay the same fee as everyone else.

Mr SPEARS - In France, if you talk about Betfair, it is a swear word. They do not want to talk about it at all. When you go to the UK and to Royal Ascot, smack bang in the main grandstand for big corporates is Betfair. It is right in front of everybody.

CHAIR - That is where they established it, in the UK.

Mr SPEARS - Yes.

Mr LOTTERING - Tasmanian racing clubs saw some sponsor opportunities when Betfair came to the State. So although there was a lot of resistance at the time, Betfair did provide a substantial injection of funds into racing at that time and we have certainly seen the relationship grow. I think even you will find in TOTE Tasmania there is a good relationship with -

Mr HARRISS - That is here. There was certainly some tension interstate when we ran with Betfair in this State. Is that tension still in existence and do we suffer any detriment because of that in terms of penalties, if you like, or Sky Channel or somebody else not picking up our product and running with it?

Mr LOTTERING - I don't think we see it on the surface. What we try to do when we are dealing with any interstate people, we are saying that we are Tasracing, this is who we are and we don't have any affiliations to any wagering entity any more that we could have had in the past. I don't think we are seeing that as a detriment. There will always be a competitiveness in seeing the racefield fees saga played out in the courts where there is always a concern about what corporate bookmakers are paying and what betting exchanges are paying and the models. That is going to be out there for a long time. Racing Victoria have just handed their own study and they have said, 'Under this revenue model, we actually look to improve our returns rather than be operating that turnover model which is in other States.' That might be the case as well. I think we are seeing that as we go forward, more competitiveness now around different entities as opposed to what was there before. There was always a stigma around Betfair and I think that has largely been overcome by the fact that there is an entity alongside any other betting entity as well in the market place.

Dr GOODWIN - In your submission on page 18 you talk about the operating environment and some of the factors that are impacting on that. You talk about gen X and gen Y and their different entertainment requirements and how these perhaps do not align with the traditional racing industry. Is that a Tasmanian thing or is it a national/international thing, and what does that mean for the future of racing?

Mr LOTTERING - I think that really is all over. It is not just a Tasmanian thing, but it is a matter of what generations X and Y will expect from wagering, for example, in the future? They may not want to attend a race meeting and be around there for four or five hours and waiting for the race to go on and so forth. They may just want to get it on their media, they want to get it on their mobile phones, they want to get it on Facebook, they want to find some other medium. I go back to my earlier discussion about the challenges of trying to meet those requirements: it will be somewhat on us to look at that and say, 'If there is a customer out there that is a gen X or gen Y, what are their requirements and how do we actually package the product to suit them.' That will be a challenge. They tend to look and say, 'If I can do a bet on my mobile phone, or I can see

the video streaming of the race on the web, I'd much rather do that because that is quicker.' The entertainment offer is obviously much more active.

Dr GOODWIN - Most of your current players in the industry, would they be outside the X and Y generations?

Mr LOTTERING - That is a concern as well. We talk about clubs and we talk about the great contribution by some clubs in terms of their volunteer components where they are actually out there helping with the day-to-day race meetings and stuff. I don't know, but I reckon gen X and gen Y might say, 'Well, it's not for me.' I think we even find it in jockeys. The jockey's life is pretty difficult - getting up at odd hours of the morning to arrive at work at 5 o'clock or 6 o'clock in the morning. So how much are they prepared to do that these days?

Dr GOODWIN - Not to mention the sweating it out in the sauna!

Mr LOTTERING - That is right. These are the pressures that will come, but I think we need to be out there looking at how we mitigate those and how we encourage those people, because they are the business of tomorrow.

Mr HALL - Just a generic question and please tell me if you have answered it. With regard to the Auditor-General's report - and he talks about your corporate plans and he makes the statement here:

'We note without all these strategies coming to fruition there is doubt that Tasracing will be able to continue as a going concern unless it is able to generate income from other revenues.'

Out of the four issues there, which one do you think is the most fraught with danger which could cause your organisation to come unstuck financially?

Mr BONES - I can answer that one. I had discussions with the Auditor-General before he wrote his report and his major concern there was that racefield fee legislation had not enabled the collection of fees at that time. So there is that item there in relation to racefield fees that he had concern about. But into the future, the fact that the funding deed provides funding that indexes by CPI less 1 per cent and presumably everything else goes up by CPI, including the need to increase our stakes and funding allocations by CPI every year, means that at some stage in the future there will need to be additional revenues other than the base racefield fees that will be provided as were forecast at that time. So there is both (a) the racefield fees at that time were not being collected when he wrote his report and (b) there was no move at that time to collect them; whilst there was talk, they were not scheduled to be collected. But in addition to that, once they were collected, is that forecast that we have provided of some \$1.7 million to \$2 million in five years that we will need in addition to the estimated racefield fee revenue.

Mr HALL - What sort of addition, any quantum at all?

Mr BONES - \$1.7 million to \$2 million.

Mr HARRISS - On that, Madam Chair, the racefield revenue is essentially a trade-off against the arrangement previously with TOTE, so how does that address that matter that Greg just went to in terms of if you do not deliver all of those strategies? One is just trading off against the other, it is not generating any new revenue streams.

Mr BONES - No. Racefield fees are essential. We need that revenue, otherwise the Auditor-General's concern comes to fruition. That is part of our budget and whilst we were provided with \$27 million plus CPI less 1 per cent, that was on the understanding that at some stage we were going to get racefield fees that we should have been getting.

CHAIR - TOTE did give you that protection.

Mr LOTTERING - You take out the one-off payment?

CHAIR - Yes -

Mr LOTTERING - There was one only. TOTE's obligation to racing now is the payment of racing fees. They are just like any other entity. They will become a wagering operator and we will charge a racefield fee based on what they wager on a product.

Mr HARRISS - That is the very point I was getting to. You have the one-off payment through that arrangement and because it has gone, the racefield fees are, in essence, picking up that area.

Mr LOTTERING - Yes, they are.

Mr HARRISS - There is no net benefit there to you.

Mr SPEARS - The net benefit, of course, is the increasing of the 10 per cent to 12 or 13 per cent over a period. So if it goes to 12 per cent, it is another \$1 million in income. The Victorians are already forecasting that in August they are going to put it up to 13 per cent and for their spring carnival, 18 per cent. So we would probably need to fly slightly under the wings of that and I think you would find that the parimutuel TABs throughout Australia and corporates would just tick us off on that. I think we could confidently say, if the Victorians put 13 per cent in play, we could run to 12 per cent which would produce the extra \$1.5 million that Damien was talking about.

Mr WILKINSON - I wanted to ask a question a short time ago in relation to gen X and gen Y. That, to me, seems to be one of the major problems that you have going forward. I say that because the majority of people who are at race meeting at the moment are -

CHAIR - Baby boomers and older.

Mr WILKINSON - I am 59, I would be in nappies if I was there. They are a bit older than me, but not all. But the gen X and gen Y are not going. They want more instant gratification, instant ability to bet and things like that. There has to be a mindset change, hasn't there, between the people who are the traditionalists and saying, 'We do not want this change.' We are not getting a lot at the races now but we are going to get even fewer if we go into nights or go into using these new initiatives that you have been speaking

about. Have any other countries coped with the problem or are they touching on the problem and what are they doing, which you believe you would be able to take onboard?

Mr LOTTERING - If we talk about the wagering environment, what we say now is that probably a large portion of the wagering returns is done through the Internet. So the traditional ways of wagering in the past where people went to the racecourse to wager and experience some entertainment on the day is probably not going to be sufficient now to cover off some of the bigger returns that you want to make from racing. What we have seen, as has been the case in the last couple of years, is more and more leaning towards non-retail environments where people have access to the Web 24 hours a day and more opportunity to get it all in one package. They can go on the website, download, get their form, download it and they have the results. They can probably watch the TV and see the replays or the live race and they can wager from the comfort of their own home.

That has been emerging for some time and I think that is where it will go in the future. The challenge for people oncourse is saying, 'How do I create a product offer that will be attractive for those customers?' What we are finding in greyhounds is that it is an attractive offer because they like nine or 10 races that last 30 or 40 seconds; it is fast, it is action, it is attracting a new market of people that did not happen before. It is in a time zone, it is a night-time product, it has some attraction for those who are out in the community at entertainment venues and they decide this is a product that they want to get into and win a race on.

We have to constantly look at what is out there. What are the attractions for this generation, what are they looking for?

Mr WILKINSON - It parallels to me a bit like cricket. Test cricket was the only form of cricket to be played, then it was one-day cricket and now it is 20-20 because of this instant gratification. India were the first to really take hold of that and as a result of that, it has created a lot of interest. Have you any ideas - and you might want to mention it in private - for Tasmania to get involved with something that is completely new but it grabs the attention, in this case of not only Tasmania but the rest of Australia and also other parts of the world?

Mr SPEARS - Jim, perhaps the follow-up question that really is at the base of the problem is how do we encourage new owners into the industry? The wagering fraternity will be as it is because it is out there and people are sitting at home and betting and all that sort of thing, but how do we encourage the owners? What has happened in recent times is that the training organisations, the Waterhouses and the Freedman's, have huge marketing wings behind them and they buy a horse from the United Kingdom and they syndicate it; they go to all sorts of people and syndicate it. That syndication has become part and parcel of the new ownership structure. That has filtered down and is being done on a smaller scale in our own State. The trainers go to the yearling sales, buy a horse, and then they go and find the owners for it. Syndication brings all sorts of different people and in a way, younger people into the industry.

There is no real answer for you but there are a number of people working on this marketing of ownership of dogs and horses into the industry.

Mr WILKINSON - You believe that by doing that it will create an interest with the younger people because of the ability that they would have to buy into horses, dogs or whatever it might be, and that would create their interest and then move on from there? Is that what you are saying?

Mr SPEARS - I think there is a flow-on, Jim, yes.

CHAIR - Looking at the relationship between DIER and Tasracing, do you want to allude to the areas you want to cover in camera? Is this an area?

Mr LOTTERING - It is an area that I would like to discuss in camera.

CHAIR - Do you want to explain to the committee what areas and why in broad terms? I understand the issues around the other matter that we raised.

Mr LOTTERING - I think that it is about where we believe there may be opportunities for more efficiencies in the future, where there may be a review of what is occurring in other States, what the model may be in other States and maybe look at what is currently in legislation as to where, after two years of operation, there may have been some overlaps in terms of our responsibilities and Racing Services' responsibilities that we need to be careful of considering; how that is affecting the industry going forward.

CHAIR - I am just a bit unclear as to why you think that needs to be off the record.

Mr LOTTERING - I think we just wanted to have a discussion about a strategy that we have about where that goes to. We believe that there are opportunities perhaps after two years to review the models and see where there are efficiencies that we could make.

CHAIR - Isn't that in the public interest if you can make efficiencies?

Mr LOTTERING - Well, Madam Chair, we could look at other States of Australia where the principal racing authority is under the same model, where integrity is part of that association, and we could look at that in the future as part of our model. There are some challenges around after the two years that we have been in operation. We believe there are some overlaps in the response between the two organisations in terms of legislation. Perhaps there could be a review of what those are and how we could improve upon those in the future. I am happy to discuss that now on the record.

CHAIR - It is interesting that the industry has varying views on this, and some sectors of the same codes have completely opposing views in that Tasracing and DIER, or Racing Services Tasmania, should be under one umbrella and others are completely opposed to it. You have identified that there are savings to be made in your view, so do you want to go down that path a bit further for us? This is obviously a matter that could affect the long-term viability also of Tasracing, I would suggest.

Mr SPEARS - Madam Chair, could I put my tuppence worth in? With race day field collections, originally Racing Services were to collect those fees. They were going to take 5 per cent for their collection cost. We indicated clearly that we could handle that, and Racing Services had no problem with that. That is a saving of \$250 000 to the racing industry as a result of our bringing it in-house in the collection. Damien has

found a way of distributing it through the three people who work in his section, so that is clearly a quarter of a million dollars that the industry would have had to pay away, which is now available to the industry.

CHAIR - That would have been paid to DIER.

Mr SPEARS - It would have been paid to Racing Services.

CHAIR - Or to Racing Services, yes.

Mr SPEARS - Where it goes to from there, I don't know. The point I am making is that it is now no cost and those race day fees have just come in to Tasracing.

CHAIR - But I am also hearing you say that money that is not coming out of the Consolidated Fund to Racing Services Tasmania now could potentially go and pay for a nurse, for example, as opposed to coming over to Tasracing to fund that activity within Tasracing. Is that what you are saying?

Mr BONES - If I could jump in there, Madam Chair. I think under the old arrangement we would have been paying some quarter of a million dollars to Racing Services which is a division of DIER. They wouldn't have received anything from anywhere else.

CHAIR - You were paying that?

Mr BONES - Yes, we were paying that. There would have been a leakage to the industry.

CHAIR - Right, so it doesn't change it then.

Mr BONES - It was purely a leakage to the industry. What Racing Services or DIER chose to do with the \$250 000 then was their decision, but that may have been, for example, additional employees.

Mr LOTTERING - There was an entitlement in the previous legislation that they could claim up to 5 per cent of the total money collected. All we are saying is we have changed that administration and have absorbed that cost within our own business.

CHAIR - Effectively, though, that money then stays within Tasracing for you to operate your business.

Mr LOTTERING - Correct.

CHAIR - So you are saying there are other areas similar to that, perhaps, that could be dealt with in the same way, things that Racing Services Tasmania do that could be easily managed by Tasracing?

Mr LOTTERING - Madam Chair, we are not privy to the budgets or the amount of money that is paid to Racing Services in terms of how they operate, but what we are suggesting is that perhaps there could be synergies in terms of the way that the two organisations may work together, in terms of human resource efficiencies, or savings. We don't know what those are. We have put in a submission saying that this is potential, there is an

opportunity to have a look and see whether there are opportunities there for synergies or for more efficiencies in the longer-term benefit of the industry.

CHAIR - And you would like to have that more thoroughly looked at?

Mr LOTTERING - Yes.

CHAIR - What about the risks then? Obviously there are risks with any change.

Mr LOTTERING - Madam Chair, let's understand the way this model was set up. Tasracing was set up as the principal racing authority, which in all other States is responsible for making the rules, for setting up the policies and the programs to make racing work effectively from a rules and integrity point of view. Racing Services are there to actually administer and implement those rules and to ensure that integrity is maintained at a high level. In most other States it is run under one organisation. What we are suggesting is that organisationally structure-wise there could be efficiencies in that. We can still maintain the fact that we do have responsibilities in making rules and that Racing Services are responsible for implementing those rules, but can it be done within the same organisation without any risks, or trying to see what they are, and if there are risks then trying to mitigate what those risks could be.

CHAIR - So if there was a move then to bring the integrity and probity aspects under the one umbrella, as other States do, would there be an expectation that funds would flow to support that? Or is this something that you are looking as absorbing within your own budget?

Mr LOTTERING - We don't have access to what it costs to run Racing Services, so I think we need to look at what that cost is. I don't think we would be able to absorb all their costs into the Tasracing budget, but there may be synergies and efficiencies in there that we could look at.

CHAIR - You are talking about overall savings, not just to Tasracing but also to the taxpayer-funded industry, whether through Tasracing or the money that goes through Racing Services Tasmania?

Mr LOTTERING - Yes.

Mr HARRISS - in your submission on page 35 you set out what the act confers upon the director of racing. That is a whole heap of words which to me really still only say 'integrity'. Then you say that those words are exceedingly wide and could be limited to integrity and related matters. Again, whilst it is a heap of words, doesn't it still only say 'integrity' and 'probity' within the industry that the DoR has responsibility for? Are you suggesting to the committee that the DoR goes outside areas of integrity and probity in interpreting his powers?

Mr LOTTERING - No, I am suggesting that in the way the legislation is set up that perhaps there are overlaps between our responsibilities and the director's responsibilities. I am suggesting that perhaps those need to be reviewed in terms of the fact we are two years into operation and we have seen the model in operation. Are there opportunities for us to review what we may construe as our responsibility and what the director may construe as

his responsibility? So let's just understand who is responsible for this, make it clear about what their responsibility is and how we actually ensure it is efficient in terms of its resources and ongoing operations.

Mr HARRISS - Have you had dialogue with the director of racing?

Mr LOTTERING - We have had minimal dialogue with the director of racing.

Mr HARRISS - Specifically on that possible overlap?

Mr LOTTERING - We've had dialogue over a period of time as to perhaps where there may be differences in what we perceive as being our responsibilities and his responsibilities.

Mr HARRISS - Is there a roadblock there in terms of who sees what?

Mr LOTTERING - I think so.

Mr HARRISS - That goes to my other question as to whether the DoR sees his powers more broadly than you see his powers. Have you had any communication with your minister about that overlap?

Mr LOTTERING - We have had very minimal dialogue with the minister on that - just recently.

Mr HARRISS - Clearly then you would want to expand that sort of dialogue with the minister so that you could put your proposition to him as the representative owner of the business?

Mr LOTTERING - Correct. In terms of our overall strategies as far as the industry is concerned, are there opportunities that we could examine together that make this business more efficient? That is the real nub of the submission: within the business of the two entities, are there efficiencies we could implement so that we could do better and perhaps save money in the future.

Mr HARRISS - That would be a pretty urgent matter, then, to save money into the future?

Mr LOTTERING - Correct.

Mr HARRISS - That would suggest that the minister ought to be pretty keen to engage?

Mr SPEARS - I can't speak for the minister, of course.

CHAIR - From your perspective?

Mr SPEARS - We have monthly, if not more frequent, meetings with the minister to inform him on a whole range of matters that we are talking about. It is fair to say briefly this has come up only in very recent times, just within a range of other matters and so not specifically bang on this issue. I hear what you are saying.

Mr HARRISS - This is important. You have just indicated to us that this is a money-saving potential. If that is the case, let's placate the industry because there are some tensions out there within the industry as to where Tasracing and the director of racing sit at the moment - and with our product. If there are tensions there and we can deliver a better revenue stream back into the industry, you will release some of that tension. That is a fundamentally urgent matter, but I am grabbing from this dialogue now that you are not getting any urgent response.

Mr LOTTERING - As the chairman said, it is a matter we have taken up with the minister of late, saying that this is what we would like to do in the future.

CHAIR - Has the minister provided any commitment at all to pursue that and support some sort of dialogue between the two bodies we are talking about here?

Mr LOTTERING - I don't think the discussions have gone that far.

Mr HARRISS - There is no question that the Parliament and the industry were advised that we needed the separation so we deliver this somewhat unique model operating out of Tasmania - that separation of powers and responsibilities. It seems that after some operating time you have indicated to the committee that we need to revisit that and there may be benefits back to the industry.

Dr GOODWIN - And that would be the benefit of the independent review you have suggested, because obviously your view of the current structure may well differ from the director of racing's view and others in the industry, as you have said.

Mr WILKINSON - We will have the minister before us in Estimates in a few weeks' time, so can I ask when the first meeting took place between yourselves and the minister in relation to what we have just been speaking about?

Mr LOTTERING - That meeting was only recently, in the last fortnight.

Mr WILKINSON - Had you been endeavouring to have meetings prior to that, but had those meetings fallen on deaf ears for what could have been legitimate reasons?

Mr LOTTERING - No. We are looking to our planning for taking the industry forward in the next couple of years, looking at our corporate plan and asking where are there areas in our business that we may look to in making us more efficient. There is an issue we have had as we have moved forward in our operations, and this has been one. Is this an opportunity for us to look at this as part of our structure and planning going forward?

Mr WILKINSON - In relation to efficiencies, are you able to put a figure on the savings that it may well mean?

Mr LOTTERING - No. It is a new concept, if you like, so let's sit down and have a look at what it is. If there are savings to be made then let's identify what those could be.

Mr WILKINSON - But you must think there are savings to be made if you bring it up as an issue?

Mr LOTTERING - Sure.

Mr WILKINSON - So what do you think the savings could be?

Mr LOTTERING - I couldn't comment without having access to the actual funding.

Mr WILKINSON - But you believe there is a real area there that needs examining?

Mr SPEARS - If all other States have brought it into their racing authority, there is obviously a good reason for that.

Mr WILKINSON - And all other States have brought it within the racing authority?

Mr SPEARS - Yes.

Mr HARRISS - On that matter of integrity and probity, the model we have was promoted, as I said, for the very reasons of that separation. Does it not give you potentially a marketing edge overseas because of this separation? Let's be frank about it, horse racing has been riddled with allegations and realities -

Dr GOODWIN - Not just horse racing.

Mr HARRISS - Sorry, all sorts of gambling, then, and wagering.

Mr SPEARS - I think it's fair to say, Paul, that Racing Services, probity-wise and in the work they have done, has been absolutely to the standard that the industry and the clients that we are dealing with overseas would expect. So we are not casting aspersions on the way in which they have handled probity in any way, shape or form.

Mr HARRISS - No, that is what I am saying. We have a model which was set up for that very purpose, to send a message that we have it clean in Tasmania. That was the message and that is what is coming through. So doesn't that give you a marketing edge with other markets to say that Tassie is above reproach?

Mr LOTTERING - I think what we are saying is that we have had this model for two years now and that there may be some challenges in the fact of that model and those responsibilities. Bear in mind that we are the principal racing authority, so we have the jurisdictional responsibility of ensuring that from an integrity point of view, that is part of our role. Our role is to ensure that we make the rules and we set up national bodies and represent the industry in Tasmania on a whole wide range of issues. This is not about aspersions on Racing Services Tasmania, but we are saying, is there an opportunity, given the fact that we have been two years down the road, to look at model and ask whether it is working as efficiently as it could.

Mr HARRISS - That is fair.

Mr LOTTERING - If we are looking at saying, in all the things we are trying to do in racing, to take this industry forward, make it more sustainable, making sure that it can stand on its own two feet, are there areas in our business around us that we need to look at and ask whether we can do this better.

Mr HARRISS - That is a fair assessment.

Mr LOTTERING - It is across the table saying, is it an option, is there opportunity here.

CHAIR - Thank you. Before we finish we wanted to have a few minutes to cover that other matter in camera. Normally we put our submissions up on the website as public documents. You have requested that it not be done and that not be the case with some. When we look at item 4, it is written there, and we have talked about it just now. Maybe we need to -

Mr SPEARS - Madam Chair, it is on the table now. However, we would like to explain a matter that Greg was talking about on overseas opportunity and the spend and where that brought us to, which would only be a three minute -

CHAIR - We are happy to do that in camera. Are you happy for this document to be a public document?

Mr LOTTERING - We had a part in section 3 where we referred to some of the strategies that we were looking to employ into the future. They were future strategies. That has not been discussed with industry at this stage.

CHAIR - Can you point me to that section in your submission.

Mr LOTTERING - Page 26 and 27.

CHAIR - It would only be that section on page 26 and 27 that you would -

Mr LOTTERING - No, it goes through to page 30.

CHAIR - The committee can consider that, but the rest of it you are happy to have put up as a public document?

Mr LOTTERING - Yes.

End of public evidence.