



Legislative Council

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2010

Report with Minutes of Proceedings

Members of the Committee :

Hon Ivan Dean MLC
Hon Kerry Finch MLC
Hon Mike Gaffney MLC
Hon Tania Rattray MLC (Chair)
Hon Adriana Taylor MLC
Hon Don Wing MLC

**LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE "B"**

MINUTES

Friday, 3 December 2010

At 8.53 am in Committee Room No 2, Parliament House, Hobart.

Present : Mr *Dean*, Mr *Finch* Mr *Gaffney*, Ms *Rattray* and Mrs *Taylor*.

Confirmation of Minutes :

The Minutes of the meeting held on Wednesday, 1 and Thursday, 2 December 2010 were confirmed as a true and accurate record.

Mr *Wing* took his place at 8.55 am.

TOTE TASMANIA PTY LTD

The following witnesses appeared before the Committee :

Hon Michael Aird MLC, Treasurer
Mr Michael Kent, Chair
Mr Craig Coleman, Chief Executive Officer
Mr David Bailey, Head of Ministerial Office

The Committee proceeded to questions.

The Committee was advised by the Treasurer that there would be legislation introduced into Parliament next year to repeal the Act that allowed for the sale of TOTE. "If any future government wanted to put TOTE on the market they would have to go through a process again of transparency legislation to achieve the sale".¹

Additional Information Requested

- Full details of the market budget of \$783 927, including a breakdown by codes
- Copy of the Communication Plan
- Details of the number of people attending Thursday night racing, compared to the previous day racing
- Executive salary details (*in camera*)
- Board salaries and appointments details

¹ Legislative Council Government Businesses Scrutiny Committee B – Hansard, 3 December 2010.

Conclusions

The Committee concludes that:

- There is general satisfaction with the operation of TOTE Tasmania Pty Ltd since the split from the previous racing arrangements.
- TOTE is developing international partnerships in order to grow its wagering industry. The countries involved include China, Vietnam, France, England, Ireland and Sweden.
- TOTE is assisting Tasracing Pty Ltd through introductions to international contacts in the United Kingdom and France.
- There is a good commercial relationship between Tabcorp and TOTE. However, Tabcorp is being demerged and the wagering business will be separated from the casino business. Until these issues are clarified and the licence operator is known, it is difficult for TOTE to know what will occur beyond 2012.
- Betfair and TOTE have a good working relationship. Betfair is now an agent for TOTE and is selling TOTE product to the entire international client base.
- The move from self-regulation to the *Gaming Control Act 1933* is considered good for business as it improves TOTE's reputation by having independent oversight.
- TOTE needs significant changes to its information technology model as a result of the requirements of the *Gaming Control Act 1933*. Funding has been allocated for this purpose.
- TOTE has recognised that outlets require assistance at peak times and has increased the presence of personnel to help operators and for education and consistency.
- Last financial year TOTE lost \$7 million in profitability as a result of a change in the fixed-odds betting arrangement. This forced TOTE to diversify and move to Sports Alive to ensure that the business was not affected by a policy change again.
- The replacement of the computer system is providing TOTE with an opportunity to consider how it operates in outlets. Eventually TOTE would like to have terminals where customers can put in their own bets and not need to fill out cards.
- The increased contact with TOTE outlets is commendable as it is important that all outlets receive support.
- Tote made a one-off payment to Tasracing of \$5.2 million.

- There was some inconvenience for punters on Melbourne Cup Day due to a computer glitch.

Recommendations

The Committee recommends that:

- The arrangements with Sports Alive be scrutinised further in twelve months to evaluate the performance of this arrangement.
- TOTE should continue to financially support Tasracing.
- Procedures be put in place to minimise technological problems.

Tabled Documents:

- Field Staff Outlet Visit Summary – Retail Outlets
- Field Staff Outlet Visit Summary – Hotel Outlets

Mr *Wing* withdrew at 10.17 am

The Committee suspended at 10.20 am.

The Committee resumed "*in camera*" at 10.23 am.

The Committee suspended at 10.31am.

Mr *Wing* took his place at 10.42 am.

The Committee resumed in public at 10.42 am.

WATER CORPORATIONS

The following witnesses appeared before the Committee :

Mr Geoff Willis, Chairman, Tasmanian Water and Sewerage Corporations

Mr Barry Cash, Chief Executive Officer, Ben Lomond Water

Mr Andrew Kneebone, Chief Executive Officer, Cradle Mountain Water

Mr Mike Paine, Chief Executive Officer, Southern Water

Dr Christine Mucha, Chief Executive Officer, Onstream

Mayor Tony Foster, Chair, TWSC Statewide Owners' Representatives

The Chairman provided an overview of the formation and operation of the four corporations.

The Committee proceeded to questions.

Additional Information Requested

- Priority Project List of Boil Water Alerts – Water Corporations

Mr *Wing* withdrew at 12.40 pm

Mr *Wing* took his place at 12.42 pm

The Committee suspended at 1.00 pm.

The Committee resumed at 2.02 pm.

Mr *Wing* took his place at 2.05 pm.

Mr *Dean* withdrew at 2.55 pm

Mr *Dean* took his place at 2.59 pm

Mr *Wing* withdrew at 3.05 pm

Mr *Wing* took his place at 3.24 pm

Conclusions

The Committee was impressed by the collegial presentation by the Chair, Chief Executive Officers and the TWSC Statewide Owners' Representative.

The Committee concludes that:

- Onstream headquarters are based in Launceston and confirms that the corporation's policy is for future appointments to be based in Launceston, unless there is no suitable applicant to fill the position.
- The number of staff (ftes) employed by each corporation is as follows :

	As at 1 July 2009	Current
Onstream	32.2	71.2
Ben Lomond Water	152	181.4
Southern Water	294	383.4
Cradle Mountain Water	129.3	157.8

- There were 607.5 full-time equivalent staff employed within the corporations at commencement to undertake water and sewerage activities. The corporations indicated that this number had increased to 793.8 as the activities have broadened and require additional expertise, such as engineers and project managers.
- The billing system is a major challenge for the corporations and a concern to the community in general. There is a high level of customer dissatisfaction mainly as a result of the timing and in many instances lack of bills, for example, for volumetric charges.
- Communication between the corporations and the owners has not been as effective as it should have been. The Shareholder Letter of Expectation is detailed and prescriptive regarding communication and as the operations settle there is the intention to spend more time to achieve the required level of communication.
- The provisions within the legislation do not ensure effective communication between the corporations, owners' representatives and the councils.
- The Corporations welcome the House of Assembly Select Committee review in relation to the cap on pricing, however, they believe it is too early for a full review into the structure of the corporations.
- The 5 per cent cap on pricing introduced by the Government put enormous pressure on the corporations and added significantly to customer dissatisfaction. When the 5 per cent cap is lifted, it will add further pressure on the corporations in the billing of customers, as the difference is accumulative.
- The corporations claim that the services provided by Onstream and the three water corporations are cost-effective and have minimal duplication. For example, Onstream provides the payroll services and the water corporations provide their own industrial human resource expertise. There is some conflict between this view and that stated by some stakeholders.
- The call centre functions have been relocated to the regional corporations to improve efficiency in the operation. In periods when there are no calls, the staff are then able to provide administrative assistance.
- Although submissions to Infrastructure Australia have not been successful to date, it is crucial that the Corporations continue negotiations to ensure

support for the development of infrastructure and facilities required around the State.

- \$10 million has been provided by Infrastructure Australia for the water meter program in rural/regional areas.
- There are still a significant number of communities with boil water alerts and the Corporations have a regulated responsibility to deal with the priority lists. It is noted that a significant capital works program seeks to address health and environmental issues.
- Developer charges will be phased in over a three year period and applied consistently throughout the state.
- Onstream has the capacity to offer further cost effective regional and statewide services, such as IT to councils.
- It will be important for Onstream to increase the number of external customers, as only \$147,000 in revenue was received this financial year. Any profit made by Onstream is to be returned directly to the owner councils.
- The combined costs and duplication of the two Onstream offices in Hobart and Launceston are of concern.
- The different terminology used within the Annual Report is confusing.

Recommendations

The Committee recommends that:

- A copy of this Report be forwarded to the House of Assembly Select Committee on the Water and Sewerage Corporations.
- An early review of sections of the legislation be undertaken to ensure adequate communication between the owners' representatives, councils, the water corporations and Onstream.
- Due to the impacts of the 5% capping, this issue needs to be addressed urgently to assess and deal appropriately with the implications.
- The terminology of references within the Annual Report be consistent.

The Committee suspended at 3.24 pm

The Committee resumed at 3.31 pm

TASRACING PTY LTD

The following witnesses appeared before the Committee :

Hon Bryan Green MP, Minister for Racing
Mr Brian Speers, Chairman
Mr Gary Lottering, Chief Executive Officer

The Minister provided the Committee with an overview of Tasracing's activities over the last twelve months.

The Committee proceeded to questions.

Additional Information Requested

- Full details of the market budget of \$783 927, including a breakdown by codes
- Copy of the Communication Plan
- Details of the number of people attending Thursday night racing, compared to the previous day racing
- Executive salary details (*in camera*)
- Board salaries and appointments details

Conclusions

The Committee concluded that:

- The marketing and promotion budget for Tasracing, totalling \$783,927, is allocated across the three racing codes as follow :

Administration	14%
Thoroughbred	54%
Harness	19%
Greyhound	13%

- The number of thoroughbred race meetings has reduced significantly from 94 races in 1989 to 68 races currently. There are different views across the industry regarding the optimal number of races. There is a widespread belief that Tasmania's potential is not being realised because there are too few race meetings.
- The number of races is dependent on the amount of money available for distribution to stakes.
- There is a lack of decision making and action by Tasracing, as there is a Corporate Plan but no action plan outlining how activities will be achieved.
- Tasracing's evidence that they communicate with the industry on a daily basis is in conflict with the industry representatives' view.

- There is a shortage of jockeys in Tasmania and Tasracing is addressing the issue by developing a three year industry skills development plan to train all stakeholders, from jockeys, trainers, to stable hands and farriers. This should allow stakeholders to cross over and provide more employment opportunities.
- The provision of an all-weather track at Devonport will allow racing to continue in all weather, but will not provide a consistent track surface across the State. This may result in some trainers not competing with their horses at Devonport as they believe there would be an advantage for those that train on that surface.
- It will be important for industry development to generate \$5 million over five years, as outlined in the corporate plan – to be reinvested in programs, stakes money or incentives.
- Tasracing's total revenue for 2009-2010 was \$35.376 million, including a \$5.2 million grant from TOTE. The expenses for Tasracing during this period totalled \$35.791 million. The corporation will not make a profit, as all revenue received will be put back into the industry.
- The deed recently signed by the Minister determines that Tasracing provide shareholders on an annual basis with what is in the corporate plan and what is to be spent, and they must demonstrate the capacity to pay the debt support. If the corporation demonstrates a loss, the Government will pay the principal and interest.
- It was acknowledged by Tasracing that the \$40 million loan facility provided for in the deed could not be taken up at this stage, as there is no capacity to repay the loan.
- In accordance with the deed, Tasracing has increased the stakes every year by CPI. However, there are a number of costs that come out of the gross stakes that have to be met, which include bringing jockeys from interstate and overseas.
- There is a conflict of views within the thoroughbred racing industry regarding the amount of stakes.
- The Minister will be considering the submission regarding the Magic Millions, sales, and will be looking at opportunities for partnerships with the breeding industry overseas. The facilities for sales will be considered in the context of the advantages to racing in Tasmania.
- There were fourteen different consultancies employed during the last financial year. The Committee is concerned about the large amount of funding required for these consultancies.
- Tasracing is continuing to negotiate with international markets, in particular, Singapore, Malaysia, Hong Kong, France and the United Kingdom.

- There is an inconsistency of days and times in the holding of thoroughbred race meetings across the state.

Recommendations

The Committee recommends that:

- Consideration be given to the feasibility of increasing the number of race meetings, particularly thoroughbred races.
- Communication with industry stakeholders be improved.
- Tasracing continues to sell the Tasmanian product overseas to generate additional revenue, as it is considered that without the \$5.2 million payment by TOTE, Tasracing is not a sustainable business.
- A consistent product be provided to ensure access to the international market.

Documents Tabled

- Employees – Head Count

The witnesses withdrew at 5.00 pm.

REPORT DELIBERATIONS :

The Committee considered issues for inclusion in the draft report.

Resolved, That –

- The Secretary prepare a draft report for Members to consider.

At 5.15 pm the Committee adjourned until a date to be determined.

DATE

CONFIRMED



CHAIR