

UNCORRECTED PROOF ISSUE

Wednesday 3 December 2014 - Legislative Council - Government Businesses Scrutiny Committee B - Tasracing Pty Ltd

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Wednesday 3 December 2014

MEMBERS

Mrs Armitage
Mr Dean
Mr Finch
Ms Rattray
Mrs Taylor (Chair)
Mr Valentine

IN ATTENDANCE

Hon. Jeremy Rockliff MP, Minister for Racing

Ministerial Office

Jenny Gale, Chief of Staff
Bronwyn Perry, Deputy Chief of Staff
Ashley Bastock, Senior Adviser

Tasracing Pty Ltd

Mr Brian Speers, Chairman
Dr Eliot Forbes, Chief Operating Officer
Mr Chris Brookwell, Chief Financial Officer

CHAIR (Mrs Taylor) - Thank you, Minister, for being here and bringing the team to the GBE scrutiny committee for Tasracing. Would you like to make an opening statement?

Mr ROCKLIFF - I have a brief opening statement and then Brian would like to say a few words.

To begin with, the \$200 000 loss noted in Tasracing's annual report for 2013-14 does represent a continued improved financial performance for the organisation and an improvement on the previous year's \$50 million loss result. Tasracing has reduced its cost structures while maintaining industry service levels. Stakes and prize money for industry participants were also increased in line with the consumer price index.

The Tasmanian Government is a strong supporter of the Tasmanian racing industry, as I am sure all members are. An independent economic impact statement commissioned by Tasracing found the Tasmanian racing industry is worth more than \$100 million to the state's economy. The report found there are more than 5 500 individuals employed or are direct participants in the industry, many in rural and regional Tasmania where the industry plays a crucial role.

It also found owners invested more than \$40 million in the preparation of racehorses and greyhounds for racing and that breeders invested more than \$13 million in the production of racehorses and greyhounds for racing. These are significant numbers in anyone's language.

While on the subject of the Government's support for the racing industry, I would like to point to my introduction of the Racing Regulation Amendment (Race Fields) Bill 2014, which was passed by both Houses of Parliament. Thank you for that.

Previously, because of the restrictions in the Tasmanian legislation, race field fee terms could only be changed once a year on 1 July. A decision on terms was required to be taken six months before the terms were applied and then the terms were locked in for 12 months. The change provides Tasracing with greater flexibility when it comes to setting and collecting race field fees. The importance of this amendment is confirmed when you consider Tasracing grew wagering turnover on a Tasmanian racing product by \$41.9 million in 2013-14. As a result, race field fees payable to Tasracing in 2013 increased by \$1.8 million and will increase further as projected. Tasracing continues to grow wagering turnover on Tasmanian product.

When we came to government in March this year, we were aware of the challenges facing the industry - challenges that Tasracing had not only made us aware of but had communicated to all of the industry. For the three-quarters of the financial year that we are about to discuss today - 2013-14 - we were not in government. I am happy to allow Tasracing's Chairman, CFO and CEO to answer questions directly about this time.

The results in Tasracing's annual report for 2013-14 are encouraging, but particularly so when we look back two years to 2011-12. On that note I congratulate the board and all of Tasracing for what has been considerable hard work in recent years and their commitment, and I look forward to continuing this work in partnership with them and other industry stakeholders.

Mr SPEERS - Chair, the 2013-14 financial year was a positive one for Tasracing. The single biggest highlight was that growth of wagering turnover improved by \$41.9 million to \$445.6 million. It takes wagering growth over the past three years to in excess of \$100 million. This growth is directly linked to the commercial decisions taken by Tasracing. Increasing wagering turnover is one of the key responsibilities of Tasracing.

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The company charges a fee to every wagering operator across Australia that offers a market on Tasmanian product. In 2013-14 Tasracing earned \$6.8 million through race day field fees. This was an increase of \$1.8 million compared to the previous financial year.

We are very pleased to report that legislation changes introduced into the Parliament by the Minister for Racing means that we have greater flexibility to collect these important moneys. Tasracing is committed to growing through innovation. We are engaged with the next generation of customers via a website and social media.

The development of innovative products like StrideMASTER, a GPS tracking system for thoroughbreds that captures key performance stats for all horses in all Tasmanian races, is just one example. The original StrideMASTER product and enhancements that were recently announced because of new technology will position Tasmanian thoroughbreds as a premium choice for wagering customers. The new StrideMASTER features, for example, streaming of live data in race, will enhance the broadcast experience for those watching Tasmanian thoroughbred racing.

As noted in the annual report, Tasracing reported a small loss of \$200 000 compared to \$500 000 last year. Tasracing has maintained our reduced cost structure and the industry service levels, and we have increased stakes and prize money by CPI. In fact, over the past three years, our administration expenses have fallen by 33 per cent. In 2010-11 the figure was \$1 million, in 2013-14 the figure has dropped to \$657 000.

Thoroughbred night racing from Launceston on Wednesday nights is another positive for Tasracing and the industry. It is important because Wednesday night racing attracts a 19 per cent premium compared to the Sunday day meetings. There is only Australian product that is regularly exported into France.

We have talked before about the industry's sustained ability and it continues to be a key issue for the board. While we are able to reflect on a positive year for the company, there is still much work for the industry and, indeed, Tasracing to do together.

From the outset we have been committed to engaging with industry and we remain keen to do so. We formally meet with the industry groups every 12 weeks. We may not agree on every point that is discussed, and balancing the needs and requests of the three codes can be challenging but there is a structured process in place. Our CEO chairs these meetings and formal minutes are recorded. Feedback received is carefully considered by Tasracing management and the directors.

We have worked closely with the new Racing minister since the Liberal Government was elected in March and we look forward to continuing to do so on the ongoing development of the industry and the broader industry's sustainability issues. There are challenges to be met but the current board and the management team have done an excellent job engaging with industry, our representatives of the state at a national context.

Our plan is to continue to do that and we look forward to ongoing dialogue with our industry partners.

CHAIR - Thank you very much, Mr Speers.

Mrs ARMITAGE - I am looking at the financial statements for the past three years and a question I have is regarding executive management. I see that it was four employees in 2012

down to three in 2013 and two in 2014. Can you explain the changes? What has happened there? Can you also advise me what was the annual salary increase in each of those years for those employees, and are they FTEs?

Mr ROCKLIFF - I can get that information for you and I will throw it to Chris in a moment, or to Brian. Of course, Tasracing have been doing their best to look for efficiencies across their corporate arm, if you want to term it that way. There was obviously a significant gap there when Tasracing first took over, at the start of its inception, and they inherited the deed. They have done an excellent job, in my view, of trying to gain considerable efficiencies to try and close that gap. You would have noticed that there is still a gap there.

Mrs ARMITAGE - So there were four in 2012, down to three 2013, and then to salaries greater than \$150 000 in this last financial year. I am assuming that the top people have been kept and the two less expensive people have gone. I would like to know who has stayed, who has gone, what happened and what salary increase those executives received for those last three financial years. What percentage of increase was there? Was it a 5 per cent increase, or 3 per cent? Was it like everybody else - a 2 per cent increase - or a pay freeze?

Dr FORBES - The minister is right in saying that there was an efficiency drive. We have made several positions redundant and we ordered those responsibilities across the two remaining executives. We used to have a Chief Racing Officer and we absorbed those responsibilities into the Chief Operating Officer. That was the first change. Secondly, we changed when the prior CEO resigned. We absorbed the Chief Operating Officer and the Chief Executive Officer responsibilities into one. That took our executive down to two.

Mrs ARMITAGE - And increased those salaries commensurate with the work, is that right?

Dr FORBES - There was a bench-marking exercise in relation to the complexity of the job and the increased scope of responsibilities. In relation to the increase last year, I think it was of the order of 3 per cent. There was a 2 per cent base rate and then in relation to performance and also -

Mrs ARMITAGE - A 3 per cent performance, are you saying?

Dr FORBES - No, sorry. Two per cent in line with CPI increase and then a reflection on extra roles and responsibilities came down to an additional 1 per cent.

Mrs ARMITAGE - So it was a 3 per cent increase. And over the other previous years?

Dr FORBES - That is before my time.

Mr SPEERS - What we do in fact is that we size the job and we go to the Hay Group, which is the group that the current Government use. We ask them for an indication of where that sits and then we review what we are doing. From memory, and I think I am reasonably accurate on this, a 3 per cent would have been the top increase, merging the two jobs into one. In 2008-09 when TOTE passed the idea of racing over to us and we were required to do that we just got the staff given to us. We were just given what we got and over a period of time we have worked on that to balance up the requirements and the needs and the capabilities to come out with the flat structure that we have today.

Mrs ARMITAGE - I know that GBEs do not come under the public service wages but with pay pauses and minimum increases, I am surprised that it was above the 2 per cent. Thank you.

Mr DEAN - While we are talking about the issues of staffing, minister, if I can address the board. There are seven members of the board. In today's climate, is that reasonable? Boards have been considered and looked at by the Government right across the whole spectrum. We know Metro has been decreased by, I think, three. Other boards have been decreased in numbers as well. What is the position for Tasracing?

Mr ROCKLIFF - Right across government we are ensuring there is fiscal discipline for all the government businesses. A range of measures have been taken to ensure the businesses behave in a manner that is consistent with expectations of the community and the state's very challenging financial circumstances. We have taken a number of steps to strengthen the guidelines as they relate to government businesses. Changes the Government has put in place for government businesses in the context of the state's financial position include working with government businesses to identify cost savings and opportunities, including board fee savings. We have frozen board fees for one year and amended remuneration guidelines to ensure the annual reports are more transparent.

We have written to businesses noting the Government's concern with excessive termination benefits and requesting that no further such agreements are entered into without shareholders' approval while the review of the remuneration guidelines is being progressed. We have instructed Treasury to work with the Auditor-General to amend the remuneration guidelines to strengthen requirements relating to termination provisions. We have looked at overseas travel and everywhere we can find some savings within the board, we are endeavouring to do that. That also includes Tasracing, which is not immune to this, and we are working through these issues now.

Mr DEAN - Are there any other cuts? The Government is now required to cut 500 or 700 over the next period of time - 12 months, I think. Does Tasracing fit into that or has Tasracing had all the cuts it is going to have? Will Tasracing have to give up positions to satisfy the Government's retrenchments?

Mr ROCKLIFF - There is a 1 per cent efficiency dividend.

Mr SPEERS - The structure of the board is that there are three persons representing the three codes: harness, greyhounds and thoroughbreds. You put those three there and then you have a requirement to have legal, accounting, financial, communication, and a chair. The structure we have been given to operate with is three persons who come from the codes. You do not necessarily get accounting, legal, and finances in those persons. Therein is our problem. The minister indicated when he became the minister that he would be reviewing this at some point in the future.

Mr DEAN - I want to now look at Racing Services Tasmania, minister. Has it been considered that there ought to be a merger of those two groups? If you look at the functions that are served, there seems to be duplication across those services. There seems to be some confusion as to the requirements of both those organisations. It seems to me that a fit would be for perhaps bringing together those two groups. Then the functions could be identified within those groups as to where they should go and who should be responsible for them. Has that been considered or is it being considered?

Mr ROCKLIFF - I will finish off the previous question by saying Tasracing has done the board and their employees a very admirable job of finding savings within their organisation and closing that quite considerable gap. You would be well aware of the history around the TOTE sale and the deed or all those sorts of things.

Mr DEAN - I thought it was a TOTE giveaway.

Mr ROCKLIFF - They really have found savings that we should commend them for in trying to close that gap so they can support the racing product.

Mr DEAN - I am not being critical of what they are doing.

Mr ROCKLIFF - That is right, and I commend them for that. There have been some discussions around a Racing Services Tasmania and Tasracing merger. There are a lot of issues to consider with that. Tasracing is the commercial arm of racing and Racing Services Tasmania is the integrity arm. We would have to think long and hard about what the implications would be about a merger, what savings could possibly be generated if there were savings, would they go back into racing, would they go back into consolidated revenue. The issue around integrity is so important for the racing industry, that if we lose any integrity, whether it be the existing structure or any future structure, people will lose confidence in betting on our product and we will not see the excellent work that has been done by Tasracing in terms of increasing its turnover. One of the most important things to consider is will any such merger, as you term it, result in a racing industry in Tasmania that those wagering on our industry can have confidence in.

Mr DEAN - I have talked to the industry over the last eight to 10 years that I have had my position and there seems to be that common position of the duplications and the misunderstanding in some areas of what they should be doing and what they should not be doing and that is the reason I raise it. I also understand that it is the only model in the country that currently runs the two separate bodies. I think I am right in saying that.

Mr ROCKLIFF - There is a slight differentiation around various states. It is probably the only one with a system like it. Other states would probably, in some ways, envy our system but there are pros and cons of such a merger. It has been discussed amongst the racing circles. I go to the track and people talk about it but if you are asking me if I have made a decision on whether or not that is going to happen, I have not.

CHAIR - He was asking is it in consideration because most of those other jurisdictions have merged the two?

Mr ROCKLIFF - We have set up a Tasracing working group which worked between September and the end of October. They took a little time into November to complete their report and that is separate from Tasracing. Tasracing presented, as did Racing Services Tasmania, to the working group with various ideas of how we can make racing in Tasmania sustainable in the long term which is a challenge and the working group did a solid amount of work and the individual members were chosen based on their experience within the industry and what they could contribute. I commend them on the report they have presented.

I have only been able to have a first glance at that report in the last 10 days. Tasracing has not seen the report, only the working group and I have, and there is a number of ideas contained within the report that we can work on to try to achieve some sustainability within the industry.

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Some of those might involve legislative change. One of the ideas was the race fields legislation which we have already acted on and which we hope will improve Tasracing's bottom line. All these things were discussed.

Ms RATTRAY - Will it be a public document, minister?

CHAIR - Yes, when will we get to see it?

Mr ROCKLIFF - I am not going to release it publicly. There is some commercial-in-confidence information in it. I will be looking at the report, the recommendations, and informing the public of my decisions around which recommendations I am going to put forward but I will not be releasing it publicly in full.

Mr DEAN - On that point, in answers to questions I raised in the Chamber over the last couple of weeks of which you would be well and truly aware, one answer coming back to me was that:

The report they had prepared is not specifically on Tasracing and is therefore not relevant to the business of GBE committees.

From what you have already said, minister, I would argue very strongly that it is relevant to GBE business because it does relate to funding and all of the other issues and I would contend that was a misleading statement to make. Also you have said, and I guess it has come from your office, although the Leader gave the answer:

However, the Government is happy to keep interested members informed of the next steps for the racing industry.

Do you stick by the fact that that report has no bearing on this committee, the GBEs into Tasracing?

Mr ROCKLIFF - Tasracing have not seen the report and I have only just looked at it myself. It is a report for the racing industry, separate from Tasracing.

Mr DEAN - Would you still say that it does not have any bearing whatsoever, no bearing on what this committee is about? That is looking at Tasracing closely and looking at the financials and looking at all of those other issues, the forward thinking in relation to Tasracing where it is going and what it is going to be doing?

Mr ROCKLIFF - The working group was not there to look at Tasracing. They were investigating ways of making the racing industry, in general, sustainable and put it on a sustainable footing. In terms of the context of the 2013-14 financial report which we are scrutinising today, and this GBE, the working group report is not relevant.

Ms RATTRAY - I was going to ask the minister if he could make the report available to the committee, in committee. Then it is not a public document, but the committee get an understanding of what potentially is going to happen for the industry?

Mr ROCKLIFF - I would have take some advice on that and the highly confidential information contained in that -

Ms RATTRAY - We are used to getting highly confidential information.

Mr ROCKLIFF - We will have to take some advice on that, but I will not be making the report public for obvious reasons.

Mr DEAN - What are the next steps for the racing industry, minister?

Mr ROCKLIFF - We have the basis of a comprehensive report that has been done to explain the value of the racing industry to the Tasmanian community of some \$104 million.

CHAIR - The year of that report was?

Mr ROCKLIFF - There have been two reports done in the last six or seven years. One was released in December 2007, which showed the value of the racing industry of some \$93 million. The recent report, released in November last year, a value of \$104 million. The people who are employed in the racing industry highlighted the fact that some 43 per cent of that value was in rural and regional Tasmania, so it offers a very strong social value and people with limited skills can participate.

Mr DEAN - I support it, do not get the view that I do not support it.

Mr ROCKLIFF - That is fine. I understand the value of the racing industry. The next step for me as minister, will be to look at the working group report, their recommendations, ascertain which recommendations I believe the Government should be moving forward with, particularly around the areas of legislative change because there are perhaps some areas that do not require any further funding that we can assist either Tasracing, Racing Services Tasmania, industry participants and clubs, encourage people to get to the track, encourage people to bet and have confidence in the Tasmanian racing industry, which clearly they do, given the increasing turnover across all three codes. That will take some months, but the committee and indeed the public will be fully informed on where to from here.

Mr FINCH - My question is about a specific item in the report and we had the stakeholders yesterday and some issues were highlighted to us. One was about overseas travel, which had increased by \$30 748 on the previous year. I would like to have an explanation of that. Has that come under the microscope by you, minister?

Mr ROCKLIFF - Every item of expenditure comes under the microscope from me. I want to make the point to the member that there is no more money for racing and -

Mr VALENTINE - Outside of the \$30 [million?]?

Mr ROCKLIFF - Exactly. People come up to me and they say, 'We need more money, it is not sustainable, can we tip more money into racing?' I cannot. When I had a brief chat to the working group in the first 15 minutes when they assembled for their first meeting, and I have not participated in the other working group meetings at all since that time, I said, 'There is no more money for racing, none.' That presents a challenge to the working group and to me, as minister, in how we can make this racing industry, a valuable industry, sustainable into the future. That is why we have to come up with some innovative ways of cutting a bit of red tape for Tasracing and racing industry participants, and find ways we can grow the product without tipping more in.

The previous government tipped money in - bandaid effect. No more bandaids, it's all over, red rover in terms of more money for racing. We have to grow the product, find good ways such as increasing the race field fees, give Tasracing the flexibility to do their job, which they have welcomed, and I hope we will see the benefits of that as of 1 July 2015.

We are scrutinising every dollar, Mr Finch, and I am sure Dr Forbes will be able to inform you of any specific details around travel.

Dr FORBES - I can advise you there are some swings and roundabouts in relation to that expenditure which are basically timing issues. Tasracing, right from its inception, has had the responsibility to grow revenue, as the minister has identified, and international markets was identified as a key strategic goal.

You cannot sell a product, whether it is racing or any other product, by sitting in an office in Hobart; you have to get out there, sell, meet people and press the flesh.

We are very pleased that we have had significant growth across several key markets. Since 2012 we have grown the turnover on French races by 189 per cent. France is one of the biggest wagering countries around the world and they have become a key partner in relation to our export. Tasmanian racing is the biggest exporter of Australian racing into the French market and that is due to that strategic positioning in the correct time zone to reach the French punters at the right time of day, and night racing has allowed us to do that.

CHAIR - Supplementary to that, you are not directly doing that, are you? Aren't your wagering agencies doing that? Isn't it being done through companies like Betfair or Sky channel? You are not directly going in and negotiating those deals in France, are you?

Mr SPEERS - May I speak to that for a moment, Chair?

CHAIR - Yes, of course. Sorry, I am addressing my questions to the minister, who will direct whoever he would like to answer them.

Mr ROCKLIFF - It is a good question and I will ask Brian to answer the question.

Mr SPEERS - Let us talk about France for a second, for Mr Finch's benefit. We created a relationship with France Galop and the PMU, which is Sky in France, the vision provider. We sorted out what to do in that regard and then we came back to Sky in Australia and said to them, we have created this opportunity of taking our product of a Wednesday night thoroughbreds into France. They have gone ahead and organised that.

I visit France once a year. I holiday in London each year and Tasracing pays for me to catch a train over to Paris and back. It is usually a day, sometimes it is overnight, to keep that relationship with France Galop going. Two days prior to my last visit, the Victorian people were there knocking on the door with lights up at Cranbourne saying, 'We would like to provide product to you.' If we don't knock on the door, press the flesh, give them a bottle of Tasmanian wine, or whisky in this case, that is what maintains our relationship with these people.

When we talk to Sky, we are 2.5 per cent of the Australian product. We cannot bang our fist on the table. We cannot jump up and down. We have to have the relationship direct, which is

what we are doing exactly now with the Singaporeans. Supposedly, as Ms Rattray indicated, Sky should do the marketing for us but they don't because Sky is owned by Tabcorp, Tabcorp owns them lock, stock and barrel, so they provide the product to the overseas market where they get their best bang for buck, and it is not Tasmania. We have created a situation where our CEO is well known to the Singaporeans. We have been there twice now and spoken to them. The Wednesday before the Melbourne Cup they took a whole program at Mowbray on the Wednesday night, the first time, and we are hopeful that very soon into the new year we will be doing a deal with the Singaporeans. If we get that deal over the line, the Malaysians and the Macau people would just drop into line. That will be bigger than France as far as we are concerned, income-streamwise. I hope that has clarified it for you.

Mr FINCH - Would you get a sense that this criticism as it was presented -

Mr SPEERS - I have not heard a criticism.

Mr FINCH - It is an unfair criticism because that is really dollars that are invested into the future of Tasracing and the racing industry, minister.

Mr ROCKLIFF - They are doing what they have to do to establish relationships, to build on those relationships in an effort to grow the product, which is working. When you grow the product there will be more money for Tasracing participants.

Ms RATTRAY - Minister, why wouldn't the members of the board send that good message out to the codes? Where is the breakdown? If it is such a good message about how these trips are fostering good relations and generating what is given here, why aren't the board members taking that back to their codes? Why do we have to have hear criticism?

Mr ROCKLIFF - Within the racing industry, between codes and within codes, there is a degree of variance of opinion. My view is, however, as the Chairman said in his opening statement, the consultation with codes and racing participants is extraordinarily good. Every 12 weeks Eliot, the CEO of Tasracing, is out there talking directly to participants on a formal basis, let alone when the Chairman, CFO, CEO and I are at the track. Counter to some of the potential criticism out there, what I am picking up at the track is that people have growing confidence in what Tasracing is doing, particularly our CEO and the board.

Our board, as the Chairman said, is very well connected to the racing industry itself in representing their various codes. Trevor Leis is a classic example of that in harness racing: very well connected, passionate about the industry and at a lot of race meetings. The last time I ran into Trevor was at the Burnie Harness Racing Club annual dinner. He spoke as well. He gets it. He has been a participant for a long time. For every criticism, and of course you hear the comments that are not always favourable by people coming from a very narrow perspective, I am increasingly picking up very positive vibes about the way Tasracing is conducting itself and their level of consultation with industry participants. There is an air of confidence returning, albeit in difficult circumstances because the racing industry goes through some challenging times in difficult economic times as well. Prior to the global financial crisis when people had that discretionary spend, they were investing in race horses and joining syndicates. When times get tough, people tend to cut off those luxuries. There are some tough times but there is an air of confidence returning. I get a lot of good feedback about the way the CEO and the board are consulting with industry.

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Mr SPEERS - At those quarterly meetings, there is a board member who also attends with our CEO. The feedback comes straight to the board. We do not have to wait for executives to tell us; we have the feedback straight into our board.

Mr ROCKLIFF - The last meeting I attended of the Tasmanian Pacing Club with the CEO and the director of Racing Services Tasmania was a very positive one. I spoke myself and the shadow minister, Scott Bacon, spoke, as did Eliot and Tony Murray. There were some questions from the floor - sensible, inquiring questions - and no-one was aggressive. It was very cordial but those meetings have not always been that way on previous occasions, I understand.

Ms RATTRAY - I am not sure that answered my question, but thank you anyway.

Mr VALENTINE - International income on Tasmanian racing increased by 21 per cent. So it seems you had a \$41.9 million increase in wagering turnover. How much of that is the international scene responsible for?

Dr FORBES - That increase is domestic turnover, so the \$41 million is domestic in Australian terms.

Mr VALENTINE - It is only domestic, not international?

Dr FORBES - Correct.

Mr VALENTINE - Can you give me an understanding as to how much revenue we are getting from the international connections, with France and the like? Is there any way of knowing that? What is happening to increase that into the future with other opportunities?

Dr FORBES - I will answer the second part of the question first. As we identified, growing revenue on all counts is very important to us. Moving into the international sphere is complex. It is a highly regulated market, as is any wagering industry is around the world, and racing is not exempt from that. We have a number of target countries that we work with through Sky Channel. The chair was right to identify that there are intermediaries and agencies in this value chain. There are a number of target countries we work with, but the details and nature of those are a commercial matter. Likewise, the actual receipts the racing industry receives from international revenue is commercial as well.

Mr VALENTINE - So we do not really know what return we are getting for the money we spend going overseas? It must be profitable, so can you give us an understanding as to whether it is major or minor?

Dr FORBES - I can assure you it is a cash positive exercise in relation to the expenses incurred. It is a very worthwhile pursuit and, likewise, it has tremendous growth potential as well. There are a number of key markets going forward and it is all going to be additional money we can bring into the system to benefit the industry beyond what we can access at a local level.

Mr VALENTINE - The other question about the \$30 million - when does that stop?

Mr ROCKLIFF - That will be in 2028-29; so in another 15 years.

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Mr VALENTINE - It is a fair way out, but what are you planning to do to be able to take the industry through that problem area once it stops?

Mr ROCKLIFF - What we are planning on doing is to try to increase the revenue to racing outside the deed as much as we can. Race field fees are a classic example of that. It is up around \$6 million or more at the moment, which is increasing. We are trying to ensure that racing has a sustainable future beyond 2029 where it is not so reliant on a deed, for example. That will be very difficult to achieve. Governments leading up to that period of time will have to make certain decisions around that to give the industry confidence.

Since I have become minister, I have had a lot of the discussions with Tasracing, race industry participants and Racing Services Tasmania. We are all in this together. We value our racing industry and we understand that there is heightened scrutiny of taxpayer funding going into racing in Tasmania, as we said it would, once you sold the TOTE. That is gone and we have to move forward and generate discussion, ideas and implement action to increase revenue into racing outside the deed arrangement.

Mr VALENTINE - Fifteen years sounds a long time, but really you have to start planning prematurely.

Mr ROCKLIFF - I agree; we do, and that is what this is all about.

Mr VALENTINE - At the moment that \$30 million remains. It says Tasracing helps 1 000 FTEs. Is it 1 000 full time equivalent jobs in the Tasmanian economy if you give them all \$30 000 a year and tell them to stay at home?

Mr ROCKLIFF - There are 5 500 people who directly benefit from racing. It is a cultural issue for rural and regional Tasmania. People love their racing and I have more intimate knowledge of the harness racing industry and it is full of good people who love what they do.

Mr VALENTINE - Anyway it is on the radar and there is planning in place to cope with that when it happens.

Mr FINCH - May I just clarify those numbers, please, minister. You mentioned 5 500 are involved. How many are directly employed by the racing industry? Is it more like 1 000?

Mr ROCKLIFF - 1 000 FTEs are probably directly employed, but 5 500 includes that and other people who are directly engaged with racing.

Mr FINCH - Not necessarily employed, though.

Mr ROCKLIFF - Volunteers owners, breeders and trainers.

Mr SPEERS - Barrier attendants, vets, suppliers of food and produce.

Mr ROCKLIFF - Farmers, and all the inputs that go into it. Tourism, I guess, would be an aspect to that.

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Ms RATTRAY - Just in relation to the capital expenditure program, minister, I am interested to know how much is intended to be spent and where? Or how much was spent and where was the spending undertaken? Potentially, what other projects does Tasracing have on its radar?

Mr ROCKLIFF - I will come to the figures in just a moment. There is a formula that Tasracing uses, which I can get Chris to speak on in a moment, regarding all the infrastructure associated with racing in terms of clubs. Tasracing has predominantly the most responsibility for a lot of the clubs' infrastructure and capital spend. There is a rating system based from one to five. It might be for some stalls somewhere, for example, in terms of the occupational health and safety compliance with the infrastructure.

Ms RATTRAY - That is good news for Elwick then, isn't it?

Mr ROCKLIFF - The rating is from one to five, one being the poorest, five being the best. You would like the infrastructure to fall into the area around three or better and that is what the projected capital expenditure in the future is based on.

Tasracing spent some \$635 000 on capital projects in the financial year 2014. That was a below a budgeted spend of \$1.2 million and during that period Tasracing prioritised their capital expenditure based on safety obligations, compliance and commitments through existing contracts and agreements and the commercial return to achieve efficiencies based on that sort of criteria.

The racing clubs and industry consultation groups were offered an opportunity to submit their capital expenditure requests on an annual basis. Those requests were taken into consideration within the financial and strategic constraints and that is when Tasracing approved the capital budget and there has been a new asset management system which grades the conditions of all assets within a scale of one to five, ranging from highest priority for evaluation is commission one, to a brand new asset, commission five -

CHAIR - Is that information available, minister?

Mr ROCKLIFF - I will get Chris to explain further, if you like.

Ms RATTRAY - The safety aspects of the Elwick track, for instance. There would be an obligation for Tasracing to address the safety aspects of that track, that would be a high priority or a requirement?

Mr ROCKLIFF - Safety would be the number one priority. Occupational health and safety is very important.

Ms RATTRAY - So the lights going out when the dogs are going around, that is a high priority?

Mr ROCKLIFF - Lights going out anywhere of a night time -

Ms RATTRAY - Regularly - that is our understanding.

Mr ROCKLIFF - present an occupational health and safety and animal welfare risk no doubt, so I would imagine that would be of concern to the CFO and CEO.

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Ms RATTRAY - I am listening.

Mrs ARMITAGE - Following on with Elwick, I was also looking at 2012 and I am assuming that no great work has been done at Elwick since 2012? I was hoping he could answer both at the same time because we were talking about the lights going out and we are also talking about -

CHAIR - We are talking about the inside track as well, the grass.

Mrs ARMITAGE - Yes, the corrugated and uneven and unfair track and saying that it is dangerous for jockeys and horses so I thought while we are talking dogs you could answer both.

Mr ROCKLIFF - We need to discuss that because we do not want to necessarily alarm people by some of those questions -

Mrs ARMITAGE - This was on the internet and I have just read it, it was public.

Mr ROCKLIFF - My understanding is that in terms of Elwick there are no safety issues.

Ms RATTRAY - I used that as an example.

Mr ROCKLIFF - Yes, I know. That was just an example and I need to clarify that because my understanding is there are no safety issues at Elwick.

Mrs ARMITAGE - As I said, mine came purely off the internet from 2012 and it was a public document.

Mr BROOKWELL - In terms of capital expenditure, we spent in 2014, together with the budgets for 2015, \$635 000 in 2014. That was reasonably spread across the seven venues we have. The largest project was the training lights at Longford which is \$162 000. We budgeted to spend \$1.2 million to \$1.3 million and there was a large project which straddled the FY15 which is the irrigation upgrade for Elwick. We only spent \$89 000 on that project in the financial year 2014.

Ms RATTRAY - Which is carried over, apparently.

Mr BROOKWELL - Yes, that is right. That was the second largest project and so after that the funding was spread out over the other venues but there were not a large amount of big projects. The level of capital expenditure was quite consistent with the prior year and we were conscious that that is too low and it went to sustainability.

The budget, however, for FY15 is larger, it is \$2 million. It includes the balance of the Elwick irrigation project so that is a project which is \$670 000 and has been completed on time and on budget which is good and it is operational. Absent of that particular project, there is not anything of that sort of order and the balance of the expenditure, which would be \$1.3 million to \$1.4 million, would again be similar to the last couple of years. It would be spread out over the other six or seven venues and we are spending that to focus on safety, efficiency and return on capital.

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Ms RATTRAY - There are no safety issues on any of the tracks that Tasracing look after across our state - no breaches of OH&S or any of that?

Mr BROOKWELL - Safety is a key priority for Tasracing. We are very aware of our responsibilities and obligations in that area and if there is any suggestion of being a compromise to safety we want to know all about it. We have a structured process in place. If there is a risk or an incident that has been identified, we have a safety officer who investigates that and we have a remediation plan if there is anything to address.

CHAIR - Supplementary to that, minister, the inside track at Elwick - the grass track - which was put in, what, 18-20 years ago.

Mr SPEERS - Longer than that, Chair.

CHAIR - We were told originally that the life of that sort of track is usually about 14 years.

Mr SPEERS - Yes.

CHAIR - Give or take a year or three, if it is longer than 20 years it should be at replacement stage. I refer to two years ago, to the *Hansard* of this GBE hearing, when I asked that same question, and Mr Green, the minister at the time, said:

Part of our plan is to upgrade the track at Elwick.

And Mr Dean said it again, and Mr Green said:

No, we will be making it an all-weather track and we will be taking the rail inwards. It will make the track wider so we can have larger fields and at the same time we will, as part of the plan, provide lights into the future. We want to adapt to what is required to ensure that we can sell our product. That is exactly what we have to do.

Can you comment on that?

Dr FORBES - Several years ago there was an intention to do some immediate capital works in the near future in relation to Elwick.

Mr DEAN - I would hope so because that is what we were told.

Dr FORBES - As time has gone on the challenges to our funding and sustainability were clearly identified. The board took a strategic decision that it would not take on any more debt in relation to capital infrastructure until the sustainability issues were resolved.

That being said, it changed our whole strategy in relation to that track and we changed the process in terms of turf management. When you are trying to get the asset to eke out until you fix it, you approach it in one way. When you think, 'We are not going to be able to do anything here for five years, it could be 10 years, we don't know', it means that we have to try to rejuvenate this track.

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We have put in a very aggressive process of what we call aeration which is making us all healthier, taking out the organic matter in the soil, changing the grass species, putting in more drains, making sure that the railings are there. What we did recently was put in place irrigation systems.

CHAIR - That was all done to that track to make that track last longer?

Mr FORBES - Yes, what we have done is extended the life of that track indefinitely. It still will not perform like a brand new track. The turf track at Mowbray is a brand new track and it is built to a different specification. It will not be as responsive and perform as well in wet weather as that track does. However, it does a very good job for what we expect it to do.

The second thing is in relation to the inside track at Elwick which is a very old track. The bulk of our racing at Elwick is conducted on the outside track but that does not mean that that inside track is in any capacity unsafe. It is a safe surface and you adjust your racing to suit that particular surface in terms of the number of horses that might be in a field size. We consult with the Jockeys Association to make sure that they are satisfied with the safety arrangements that are in place and then, going forward, it is trying to make sure that you can get the best performance you can out of that surface.

The other important aspect is that if we had a significant rain event in the winter time at Elwick, with sufficient notice we have the option to transfer a race meeting to Devonport which is why that asset is such an important strategic asset for this state.

CHAIR - The question relates not to today but to the future because of the funding arrangements you are under. The minister has just said, 'There is no more money for racing'. You are not going to get large capital funding; you are going to have to fund that out of what you currently get and what you currently earn. Can you see in the next few years that your capacity to grow from the wagering aspect from Sky Channel or any of those agencies is going to be sufficient to replace the assets you need to replace?

Mr SPEERS - Yes, is the answer. The racing, and we are talking about thoroughbreds now, is shared north, south and north-west. As previously indicated by our CEO, during a winter period when there is excess rain, we transfer it, which means the life of the track can be sustained over a longer period. We have lapsed during the period when we are coming up to our summer racing carnival - Hobart Cup, Derbies and the like - where we give that track a spell because we can move our racing to other areas.

The other area which has already been indicated to you, Chair, is the importance of Spreyton to us. It is an all-weather track. They train 200-odd horses on it of a morning and they race in the afternoon. What you are asking me for is, what is the lifespan of that track? In 2008, when we started Tasracing, the lifespan of that track was probably three years only. But with the work that has just been indicated to you and the expertise we have sought and brought in, that lifespan is almost indefinite at this point. It does not affect our numbers on the track. It does not affect our picture to Sky and our wagering throughout Australia and the world.

Mr ROCKLIFF - Chair, the idea of setting up the working group and looking at its sustainability was not just about the cash-flow from year to year but also a provision for capital as well. That aligns very closely with the Tasracing board. It has adopted a definition of sustainability in a financial context which is achieving at least an accounting break-even result in

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generating sufficient cash flows to service debts and fund appropriate maintenance and development of capital expenditure programs. The idea of sustainability is not just about trying to make ends meet, in terms of a cash-flow basis. It is also about being able to have the funds to re-invest into capital which makes the future arrangements with racing in Tasmania all the more important.

CHAIR - That is exactly why we are asking these questions. We are worried about the viability and sustainability of the industry.

Mrs ARMITAGE - Can you tell me, has any work been done on the surface of the tracks at Elwick since January 2012, apart from the irrigation?

Mr ROCKLIFF - Yes, a lot of things which you have outlined.

Dr FORBES - We work on the track every day. There is maintenance at various levels and there are more invasive techniques you do for rejuvenation. We have done some drainage works in sections of the track in the off-season where we have moved some race meeting just after the Hobart Cup time. We have done that two years prior and then the next year again. You have to balance the useability of your asset and the track together with the works you have to do because you do not want to shut it down for six months. There is work going on all the time.

We are very excited about the irrigation system we have put in. Before we had two manual systems with tractors dragging a boom around that would take eight hours to water the track. Now, with the press of a button, we can deliver sufficient quantities to water to ensure the racing surface is fit for racing.

Mrs ARMITAGE - The corrugation is gone?

Dr FORBES - There was not any corrugation or unevenness. From time to time, industry chatter, particularly on internet forums, might suggest the track is blamed for a horse's poor performance or why they did not race well.

Mrs ARMITAGE - The reason I mentioned that was that you were saying you deal with the Tasmanian Jockeys Association. I was reading from the January 2012 Jockeys Association who commented on the track. That was all.

CHAIR - Which is why Mrs Armitage is asking if that was so. The jockeys considered that was so.

Mrs ARMITAGE - The Tasmanian Jockeys Association made the comment. To be blunt, they say, 'It has past its use by date; it now cambers the wrong way; it is corrugated in places; it is very uneven and a very unfair track'. Because you said you were working with them, I wondered whether you had satisfied their concerns of January 2012.

Ms RATTRAY - Obviously, whoever wrote that did not get a winner that day.

Mrs ARMITAGE - It is a public document on the internet and the ABC.

Mr ROCKLIFF - The chair has just raised an important point around occupational health and safety. Of course, the jockeys need to be at the forefront of everyone's minds in terms of

occupational health and safety. There are track inspections. Eliot, can you explain how that works?

Dr FORBES - Your racing surface is the most important asset you have. It is critical for the safety of the horses and the jockeys, the attractiveness of your racing product in terms of the competitiveness and how it looks on Sky.

They are older tracks. We have identified that fact. In terms of their actual turf performance we look at it in terms of how well they can cope and absorb moisture and how that impacts on the racing as well. As for the Jockeys Association, we are in constant dialogue with them. Quite often before a race meeting, any number of stakeholders are free to walk the tracks to get their view before a race meeting. They might be looking for advantage in relation to where they think the going might be better on a track. As they walk across an older track there may be a perception that it moves up and down. The surface at Elwick is undulating to a degree. That was a natural topography there and it is a very old site.

You contrast that to Mowbray where it was redeveloped completely and as such it is very wide and even surface. Yes, probably as they walk around the track they might feel it goes up and down to a degree. But part of the normal maintenance includes rolling to a degree that turf can accept rolling.

Mr VALENTINE - With respect to your built assets, not so much the track, how you are providing for depreciation? How are you aging your assets? What method do you use to do that?

Mr BROOKWELL - The minister has outlined the new strategic asset management system and the condition reporting that we have recently introduced. That is a piece of software which requires us to go and physically inspect all of the assets that we own or are responsible for in the state across the seven venues. We did that 100 per cent. As we inspected the assets, we assessed their condition - 1-5 as the minister has outlined. At the same time, we also appraised the remaining useful economic life and correlated that to what we have got in our accounting ledgers in relation to how much written-down value we have got left and also how quickly we are depreciating that. The implementation of the system was terrific. We have essentially recalibrated the asset values. We have recalibrated the remaining useful economic life to align to what was a fairly robust and comprehensive 100 per cent view of the asset base.

Mr VALENTINE - You haven't checked against other facilities and how the life of certain aspects of your infrastructure is. Do you do any comparison or that sort of thing?

Mr BROOKWELL - We have generated a standard list of racing equipment and assets that we have got. We have got a list of about 30 different classes of equipment and infrastructure. We have had a look at what would be a standard life for those assets compared to others states and what you would normally expect.

Mr VALENTINE - Okay, so you have done that comparison.

Mr BROOKWELL - We have adopted those standard lives as a default for the assets as part of that introduction of the system.

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Mr VALENTINE - That is now right at the start of the system. Presumably as some of these pieces of infrastructure fail, it alters the life of that. Do you then adjust the life or do you still stick with this comparison.

Mr BROOKWELL - There are two aspects on the introduction of the system. Firstly, for all of the new assets you have got the standard life. But where we have an asset which we have already purchased and which has already lasted for a couple of years, we have said the standard life for this asset was 10 years, it has lasted for two or three, default would say it has seven left, we think it has six. We have applied that.

Mr VALENTINE - So you adjust it?

Mr BROOKWELL - Yes, we have. Going forward we have a policy to do a rolling review of each of the venues such that each of those assets would be physically inspected again each year so that the condition is reassessed. There would be some recalibration for remaining lives and also condition on a rolling basis.

CHAIR - Minister, as to the answers to those questions people asked, this sort of asset document would answer a lot of those questions. Did you say we could have access to that? Is that public, that asset 1:5 scale on your major assets?

Mr ROCKLIFF - I understand the reasons for the questions. My understanding is that the lights have never gone out at Elwick. I am not sure if that was just used as an example.

CHAIR - It is not all the lights going out, but we were told that every week at the greyhound racing at least some of the lights go out, which would be bulbs or whatever. It is a fairly old system, I think. Could you address the big lights for Elwick, because that is one of the reasons you cannot do thoroughbred night racing.

Mr SPEERS - We have no money, Chair.

CHAIR - Yes, but if you are talking about growing the business and saying that Wednesday nights at Mowbray are the only really good product you have to sell, why would you not do Wednesday nights?

Mr ROCKLIFF - It is not the only really good product we have to sell, there has been growth right across the board. I cannot recall what the expenditure for the lights was at Mowbray - \$600 000 or \$700 000. There would have to be a very robust business case, dare I say it, in the short to medium term for lights at Elwick.

CHAIR - My question relates to the future sustainability and viability of the business if that is where you see it growing. I do not care where it is on the plan. Or are you saying we will just write Elwick off and it is not in our plan?

Mr ROCKLIFF - No, we need to stay within the confines of the existing funding allocation, and the deed goes up every year - I think it started off around \$27.5 million and it is now just over \$30 million with CPI - and with the racing field fees that is growing. Of course, within that funding envelope you have to be able to strategically invest to grow your product. If it is possible to strategically invest to grow the product and get more people betting and increasing turnover, that would be the decision of Tasracing, but they are looking at every opportunity to grow the

product. If that means a strategic capital investment is required to do that within the funding envelope, I am sure those ideas will come forward.

Mr SPEERS - There are a number of matters you would expect - horse population is one, getting a picture on Sky at the appropriate time is another, and the list goes on and on. It is not just a matter of saying we can put the lights up and can we get a return. All the other ducks have to fall into line for it to make it financially viable for us. At this point in time, with the restraints of sustainability, we have not raised that issue at all.

CHAIR - A further question from that is: do we have too many race tracks? Would we be better off concentrating the funding on one, two or whatever and saying we do not have the income to be viable everywhere?

Mr ROCKLIFF - Are you talking about thoroughbred tracks?

CHAIR - I suppose so, but all three codes are saying they are underfunded.

Mr ROCKLIFF - All three codes are increasing their turnover, which is encouraging. There is further work that Tasracing is doing in engaging a lot more with social media and those sorts of things that came up at a discussion I had recently with the board about what they are doing to try to increase those marketing opportunities.

I always refer to which track would you not have, but the Tapeta track in Spreyton complements the existing racing industry in Tasmania very well. We had some 75 thoroughbred race meetings roughly, from memory off the top of my head, last year. The Tapeta track is of high value in terms of the maintenance as well for existing grass tracks in Launceston and Hobart; it is well positioned in those winter months. My understanding is that anywhere around Australia any more than 25 race days a year has a degenerative effect on the track in many respects, so the Tapeta track plays a key role if an event is cancelled through inclement weather. When you get the information to participants quickly enough, they all go to Spreyton and that turnover continues. We do not lose all that revenue.

Ms RATTRAY - Some go. Not everyone is going to traipse up to Spreyton if they get their race meeting, I think that would be fair to say.

Mr ROCKLIFF - We are dealing with infrastructure we have now. There is no move to reduce tracks or anything like that, and the three thoroughbred tracks at the very least are strategically important to each other. We have here Launceston, for example -

Dr FORBES - Just adding to the minister's comments, the participant base in each region is very important. If you were to take any one venue away, you are going to lose people to the industry. A lot of people engage in the industry on a part-time or an after-work basis; if they do not have a training facility on their doorstep or nearby where they can train their horse or their dog after work or before work, you are going to lose those people if they have to jump in their car and drive for an hour or two hours to get to a facility. That regional footprint is very important and that is almost the grassroots of our industry.

CHAIR - You have a fairly good track at Brighton, though, for training.

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Dr FORBES - The track at Brighton is fit for purpose and there are plenty of excellent winners that are trained out at Brighton. I think just one other point that you made, Chair -

CHAIR - I do not want to close Elwick, it is in my electorate. I certainly do not want to close it, but I also do not want to see it deteriorate or not be as good as it might be, the same as anybody would not want their local facilities to be.

Dr FORBES - I can assure you in the age of social media, if there is even a hint that a blade of grass has been mowed the wrong way, we hear about it straightaway.

CHAIR - I understand that, but I am talking about the future.

Mrs ARMITAGE - Didn't you have social media?

Mr DEAN - Just so I am clear, there is no plan at this stage to replace the track at Elwick in the foreseeable future?

Dr FORBES - In answer to the question, the focus for Tasracing has been clearly on sustainability. We need to address our funding concerns, our financial challenges. Up until that point is achieved, we have not considered going into further debt in relation to capital expenditure. That does not mean we do not plan for it, we already have a clear view of what we would like on our wish list. The Chairman made mention of night racing and in a perfect world I would love to have lights there tomorrow night. It would open up all wonderful opportunities for export straightaway, but we have to responsibly live within our means and we have to also make sure that whatever dollars we do spend, it is fair and reasonable in a commercial sense.

Mr DEAN - I just want an answer to my question. At present, minister, there is no forward plan in place at all for the replacement of the track at Elwick - yes or no?

Mr ROCKLIFF - In the short to medium term, no.

Dr FORBES - I will just add to that the track is doing its job in taking the racing load as it stands. Because of the work that we have put in over the last couple of years, the track is delivering on its performance characteristics. We have not lost a race meeting there in the last 12 months.

Mr DEAN - We have been asking those questions as well and that is why I am asking the question.

CHAIR - Minister, as you said, if you could do it, you would put lights there tomorrow. That would open up all kinds of further wonderful business opportunities for you. So is there not a business case then?

Mr ROCKLIFF - There has not been, to my knowledge, a business case developed.

CHAIR - But you cannot on the one hand say we cannot make a capital expenditure because there is no guarantee that we would make any extra money from it and, on the other hand say, if I could do it tomorrow, I would, because of all these wonderful opportunities that would open up.

Mr ROCKLIFF - Yes, potentially. It would have to be a very robust business case for what might be significant capital funds. As the CEO quite rightly said, they are doing their very best and doing a good job of it, dare I say, in growing the product and trying to cut their cloth, as they have done considerably over the course of the last four years, to try to make ends meet before we can get to the point where we think about major strategic capital investment.

Ms RATTRAY - Information tells me that Tasracing has taken over two thoroughbred clubs. Is that correct?

Dr FORBES - Through the minister - that is some of the colloquial language that people have been using in the industry.

Ms RATTRAY - That is exactly what I am using.

Dr FORBES - Exactly. It is a very high-level view as to a restructuring of responsibilities with some of the clubs. They had some questions in relation to the best way to organise operations for race day. When we think about a race day, it is an interaction between the club, Tasracing and the stewards. There are three organisations in an administrative capacity responsible for an event, notwithstanding the fact that you have numerous trainers, of course, conducting their business on the racecourse.

In relation to the clubs and Tasracing, we entered a dialogue. We had a talk about the best way to apportion the responsibilities in relation to the execution of the operations on a race day. We have achieved efficiencies and I will give you an example.

Ms RATTRAY - It has not cost more, then? It has been suggested that it cost more to actually take on those roles but it has not.

Mrs ARMITAGE - In the annual report.

Dr FORBES - The barrier crew, the chaps who push the horses into the starting gates, is effectively the same group of fellows but there were three separate payroll functions across the state for the three clubs. We were paying the club to pay the same fellows and going through an extra step so we said, 'Let us skip out the middle person. We will assume those onto our payroll and we will save you the administration costs of having to pay the same group of people from three different sources'.

As you restructure things in an administrative capacity, you have to make some changes. Has it cost us anything? I would say that we have absorbed those responsibilities without any tremendous increase to either our administration or supervisory staff. Our payroll software, for example, easily accepted that into the system.

In the very short term, there has been also a restructure of the revenue and the costs in relation to the club and that has brought some noise into accounts where we have absorbed some extra costs. That is why some people might think that it has cost us more but at the same time we have absorbed the revenue for it as well.

CHAIR - Are the clubs better or worse off?

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Dr FORBES - In our view, what we have now provided in dialogue and consultation with the clubs is a sustainable and robust profitable business model for those two clubs going into the future.

Ms RATTRAY - Have you lost volunteers along the way by doing that? Our racing industry across our state relies heavily on volunteers?

Mr ROCKLIFF - Yes, it does.

Ms RATTRAY - Are we effectively going to lose volunteers by going down this path?

Mr ROCKLIFF - Not necessarily. In fact you might encourage more people -

Ms RATTRAY - If somebody is getting paid and somebody is not, the one who is not is probably not going to hang on for a long time. That is my experience.

Dr FORBES - Racing is a balance between passionate people who like to give up their time in a volunteer capacity usually at a grassroots level through to paid professionals. You have a whole range there.

In relation to the higher-end professional, high-pressure jobs, right across the racing industry, Australia-wide, they tend to be paid professionals in those jobs. At the grassroots country level, there is a lot more volunteer labour.

Ms RATTRAY - I see them every day in my patch. St Marys would not survive without the volunteers. North East Pacing would not survive without the volunteers. If you start taking over clubs, potentially you might lose those. Is the minister concerned about that?

Mr ROCKLIFF - That is a matter for the individual clubs. Some clubs would welcome more direct involvement from Tasracing because they are ageing, as a lot of volunteer organisations are. A lot of them have been working hard for decades for their clubs. What we need to do and what I am interested in doing, as the Minister for Racing, is encouraging younger participants in the industry which is absolutely crucial for the sustainability of the industry. But also finding ways to, where possible, upskill volunteer clubs that want to remain on a volunteer basis. The volunteers put in a lot of hours with their respective clubs but they are also to be commended in many ways for the innovation at a club level. The Burnie Harness Racing Club is a great example of that. They have gone out and invested themselves, ensuring to Sky2 coverage initially, at least a few years ago. They have increased their turnover and interest in the product. A lot of innovation is happening at a club level when we need to find ways to encourage that.

Ms RATTRAY - In relation to the Brighton Training Centre - and it is a terrific facility - I heard we have gone from two employees to seven, some of whom around because you cannot do anything while the horses are training first thing in the morning. Just a bit of comment and feedback about that. Are you aware we could have employees sitting around out there, twiddling their thumbs? Are the hours right for the people we have working?

Mr ROCKLIFF - I will take that as feedback from yourself. It is the first I have been aware of it. Our CEO would have more knowledge around activities.

Ms RATTRAY - I do not think he has, by the way he shook his head at me.

Mr ROCKLIFF - He probably disagrees with some of the feedback you are receiving.

Dr FORBES - The bulk of our workforce works on tracks around the state and we have a workforce in play that is aligned to deliver on the operations and responsibilities set down.

Ms RATTRAY - So we do not have seven people working at Brighton?

Dr FORBES - I could tell you the exact the figures if you would like me to but there is a workforce that is aligned to deliver on those responsibilities. We have supervisory capacity for those tracks including ensuring those participants adhere to the rules and safety for those tracks. What we find is that when we have to go and enforce those regulations and tell people, 'You cannot go onto the track because you do not have your helmet on or you do not have your vest done up', it inevitably, on occasion, creates conflict. I hear stories from time to time where people are unhappy. I find when I go and investigate such an accusation that there has usually been conflict at some level and somebody is grumpy.

Mr ROCKLIFF - What I can say about Dr Forbes is that he is very proactive in nipping anything in the bud out there, talking to participants, at a very grassroots level, despite the complexity of his occupation.

Ms RATTRAY - I was interested to understand that the hours that are being used for employment at the Brighton Training Centre suit what is required there and we do not have people sitting around doing nothing. If they are supervising and that is their role, the industry will be aware of that after this discussion today.

Mr DEAN - A question in relation to the race numbers and horse numbers.

Mr ROCKLIFF - Thoroughbreds?

Mr DEAN - Yes. It has been suggested that the numbers Tasracing has identified and want to get to - to use some words that have been put to me on a number of occasions - are fanciful. For example, they have predicted race fields in harness will increase from a record low 8.4 per race to 9.4. So far, the average is less than eight per race. Over the past weeks, this has fallen to seven per race, with five races in fact deleted without sufficient numbers.

Where are we going with those numbers, minister? Is there a move to try to increase those numbers? Is the figure put forward by Tasracing realistic or are they living in another world?

Mr ROCKLIFF - I will ask Dr Forbes to comment in just a moment.

The number of meetings held between 2009-10 and 2013-14 has been relatively consistent, going from 85 to 84, 83, 86 and 86 in 2013-14, excluding King Island. Races held were 733 in 2009-10 and are now at 758 in 2013-14.

For overall starters there has been a decrease over the course of the last few years: 6 453 in 2009-10 and 6 392 last financial year.

There was a 7.7 per cent increase last financial year in the number of meetings on Sky compared to 2012-13, which is good, an increase in turnover. There was a 4.5 per cent increase, 31 races, in the number of races on Sky compared to 2012-13 - 727 to 696.

In 2013-14 there was a 12 per cent decrease in the number of starters compared to 2012-13 - 6 393 to 7 260. That fall in starter numbers was attributed to extreme weather conditions in late winter and early spring in northern Tasmania. In 2013-14 there was a 1.9 per cent decrease, some 15 races in the number of races conducted compared to 2012-13.

CHAIR - Did we have bad weather again that year?

Mr ROCKLIFF - That was the same year, yes. In 2013-14 the decrease in races and starters was attributed to the extreme weather conditions in late winter and early spring.

Dr FORBES - You made reference, Mr Dean, to some recent field sizes. This time of the year is a transition period. We have obligations with Sky channel to deliver a certain number of race meetings every year. You can appreciate it is always a balance between ensuring that you have a racing population that can deliver on your contractual obligations.

November is a challenging month because we go from one meeting per week through to two meetings per week. During that transition time, sometimes we see some of the field sizes a little short because there are two meetings on the weekend. Last weekend we had some shorter fields. This week the training population has caught up, the weather has improved, more horses are coming in to work, they are now coming on to the track. We have a meeting at Carrick this week on Friday night and that is nine races with full fields. We have a meeting in Hobart on the Sunday night and we have eight races there with very good fields as well. Now the population is starting to catch up but you would appreciate there are always swings and roundabouts, but when we take a step back, that average field size has been reasonably consistent over the five years, albeit that there are swings and roundabouts during the course of the season.

Mr DEAN - Generally then, minister, across all three codes, do we have more people coming into the industry or is it remaining stable with the numbers of people - trainers and owners - in those areas, or are you seeing movements either way?

Mr ROCKLIFF - I am not sure there are any more at all. We are trying very much to make it sustainable. I have some information here if you would like, Mr Dean, that I can talk to you about.

Mr DEAN - Are these figures reasonably current, with the economy the way it has gone, is it having an impact?

Mr ROCKLIFF - Are we are still talking about all three codes?

Mr DEAN - Yes.

Mr ROCKLIFF - For thoroughbreds, for example, trainer numbers have remained consistent for the past five years. Jockey numbers have decreased, however, with injuries and retirements being the main drivers. This has been offset to some degree with the increase in apprentice jockeys. Apprentice jockey numbers have increased in the financial year 2014 due to the reintroduction of the apprentice jockey training, which is terrific. I think it is the first time

since 2006, from memory. The increase in the number of apprentices has meant there is less reliance on flying in interstate jockeys, which is a good thing.

CHAIR - How many local jockeys do we now have?

Mr ROCKLIFF - We have 14 jockeys and 14 apprentices. Trainer numbers have decreased 5 per cent in 2013-14 in harness; however, driver numbers have increased.

For harness racing, there are 95 trainers in 2013-14, compared to 101 in 2012-13; 48 drivers in 2012-13 and 51 in 2013-14.

For greyhounds, trainer numbers have remained consistent for the past five years and reached a five-year high in 2013-14 to 135 trainers. Owner-trainers also had a marginal increase from 79 to 80 for 2013-14. It is relatively consistent across the last five years for participants. Tasracing is pursuing a more aggressive approach to jockey numbers, which is so important, and that is why you are seeing an increase in apprentice numbers from nine in 2009-10 to 14 in 2013-14.

Mr DEAN - What were the thoroughbred numbers?

Mr ROCKLIFF - Thoroughbred trainers in 2012-13 were 113, and in 2013-14 there were 111.

Mr SPEERS - Mr Dean, a number of the thoroughbred stables have become bigger - the Trinders, Bruntons and the McShane crew are having more horses. I think that is just a sign of the times when the economy of scale to run the horses is such you would need more horses in your stable. I am not perturbed about that at all. In fact, I genuinely feel that the trainers, certainly in the thoroughbred world, are enthusiastic about where they are going at this time.

Mr ROCKLIFF - Given the difficult economic circumstances and the change in racing in the last four or five years in particular with the sale of TOTE, the Tasracing change of corporate governance of racing in Tasmania, there has been some debate in the community about where racing is heading. That consistency is pleasing from that respect. I believe we have a good solid base to go forward on.

Mr DEAN - Is that reflected within the Magic Millions Sales? We have not heard a lot on that and I was wondering how it went this year.

Mr ROCKLIFF - I am more than happy to inform you on that. In 2014, Magic Millions Tasmanian Yearling Sale was the second to be completed under the direction of the Yearling Sale Working Group. The group was devised as a result of the development of a three-year agreement between Magic Millions, TasBreeders and Tasracing. The agreement secures ongoing support of one of the nation's leading bloodstock companies, Magic Millions, ensuring national exposure, which is good for Tasmania, and increased credibility for the Tasmanian breeding industry. The current agreement is due to cease after the 2015 sale. Magic Millions, TasBreeders and Tasracing agreed to enter into a further three-year agreement.

I have some figures from a catalogue of 96 yearlings. The 2014 sale delivered 76 lots sold with a clearance rate of 87.4 per cent, which is pretty good, a record for the auction. Of the 76 lots sold, 16 yearlings were purchased by overseas buyers, 19 by interstate buyers and 41 were purchased by Tasmanians. A colt, Teofilo, equalled the highest price ever for a sale of \$85 000.

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The average price was \$13 158, which was a 7 per cent increase. Early indications for the 2015 Magic Millions Tasmanian yearling sale are strong, with 146 horses nominated and Tasracing provided \$100 000 towards the operation and the cost of the 24th Annual Magic Millions Tasmanian Yearling Sale.

CHAIR - I am conscious that we have five minutes left, so we might keep our questions and answers as short as we can.

Mr DEAN - In 2012, from memory, did not look so rosy, so they are good figures.

Mr ROCKLIFF - Yes, it is encouraging. A good sign of better things to come.

Mr FINCH - In light of the financial performance of Tasracing, seeing it has reduced by 26 per cent in five years, can the minister provide a guarantee to this committee that the letter of comfort that Tasracing was given on 6 August 2012 by the former government, remains in place to protect its going concern status and that it will continue over the corporate planning period 2014 to 2019? That letter of comfort still holds?

Mr ROCKLIFF - Yes, the letter of comfort has been given.

Mr BROOKWELL - The letter you refer to, of 6 August 2012, is from the prior government and it did a number of things in relation to the sustainability for Tasracing. The question is does that still apply? Having a look at the financial statements for the company, we have been able to increase the cash year on year by \$2.5 million. The amount of cash in the company at 30 June 2014 was nearly \$8 million. We were able to prepare the accounts on the going concern basis without any letter of financial support, from the Government. What that means is we are able to pay our debts as and when they fall due without any support, on reasonable assumptions.

CHAIR - Without the need to call on the letter of comfort, but nevertheless do you have an assurance that if you were to need it in some future years that the letter of comfort still applies?

Mr BROOKWELL - It was not a letter of financial support. There is not financial support in that sense from a going concern basis. We have not relied on that and we do not rely on it.

Mr ROCKLIFF - What I have done as minister is assured Tasracing that we will work out the sustainability issues prior to the end of this financial year, Mr Finch, and there will be a sustainable path moving forward.

Mr FINCH - There is a loan to be repaid on 30 June 2016, of \$2.46 million. How will that be dealt with?

Mr BROOKWELL - That is with TASCORP and there is a contractual arrangement in relation to that loan that removes the risk around renewal. That loan was initially structured with that bullet repayments in 2015, \$2.4 million, and without any risk around the renewal what Tasracing can do with TASCORP, is place that legacy debt onto a long-term loan again with suitable repayments, a principal and interest through the remaining term of the funding deed.

Ms RATTRAY - You do not intend to pay it back in 2016?

Mr BROOKWELL - The company may have the capacity to repay it, but that has not been determined yet. The capital structure of the company will be considered in the context of the financial sustainability of the company at that stage when that issue arises.

Ms RATTRAY - Minister, will the Government continue to support Tasracing with the interest component of that?

Mr ROCKLIFF - We are working very closely with Tasracing over the course of the next six months before the end of the financial year. They will be on a sustainable path and we will need to put some structures in place and new ways to ensure that they can have the freedom to grow their business, which we have already done and acted on very quickly in terms of the race field fees but I have every confidence that Tasracing will be on a sustainable footing.

Ms RATTRAY - The Legislative Council will not see in section 19 a supplementary appropriation for the interest component for Tasracing after 2016?

Mr ROCKLIFF - We are working very closely with Tasracing on these issues now. We know that things are tight and that there is going to have to be some change but I am very confident in Tasracing's future.

Mrs ARMITAGE - Going back to the financial statements because I am always interested in money. I notice that on the previous year, in the annual report, there were no other benefits for 2013, which the aggregate remuneration was \$511 631. In this year's annual report there were other benefits which came into a negative of \$19 529 and which I am assuming is that long service contractual, and up in this year's now - you have started listing the other benefits whereas they haven't been listed in the past. Is there a reason that it hasn't been listed, that other benefits have come up in previous annual reports as nothing and now all of a sudden we have our \$17 465? Can you first explain if that is long service or what it is and why it hasn't been listed in the past? There was no long services, is that what it is all about?

Mr BROOKWELL - There is a change in requirement from the Tasmanian Audit Office in terms of how we present the components of executive and director remunerations. There was a requirement for the first time this year to include the movements on the leave provisions so there is a change in the basis on which the remuneration is composed.

The other benefits, which is the column that you are talking about, is presented for the first time and picks up the movement in those provisions. There is also some volatility there when somebody leaves, there is a payment for that and there is quite material movement in that leave provision.

Mrs ARMITAGE - With the pay pause for public servants and people losing their jobs, do you consider that a 3 per cent pay rise is acceptable for executive management or for Tasracing? I accept it is a GBE.

Mr ROCKLIFF - Yes, and it is a GBE and they work within their confines. They have been set a very difficult task of closing what has been a considerable gap in terms of its finances. They have rationalised positions an order to make those efficiencies and they should be commended for the way they have cut their cloth.

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Mrs ARMITAGE - With respect, I accept that some changes have been made. I am asking you, not to do with rationalisation or a change of salaries, but if you consider a 3 per cent pay rise is acceptable in view of the Government's push for the pay pause in public servants?

Mr ROCKLIFF - The pay rise you refer to is, one, a decision for Tasracing and the board and, two, it was done over 12 months ago.

Mrs ARMITAGE - Thank you.

Mr VALENTINE - My tongue in cheek statement about pay for under \$30 000 and stay home, I was not serious about that. It brings a lot of benefit back to the community - \$103 million, I think - so \$3 back for every \$1 invested, I suppose. The fact that there is not much chance of Tasracing paying a dividend back to government, is GBE the right model for this?

Mr ROCKLIFF - As shadow minister for racing, I supported a model that was put forward by the previous government. The *Hansard* is there that shows the scrutiny that we applied at that particular time. I believe it is the right model. Given the model that the Government has developed and the way Tasracing has gone about trying to be sustainable within the confines of the existing deed and other funding arrangements, I believe that they are on a path to sustainability. I am not going to change the model, as Minister for Racing. I believe we have the model right and the model needs to be further embedded.

CHAIR - A question about other wagering products. It has been suggested to us that a number of people involved in wagering, and that is where much of your income is going to come from, have broadened the field to also then include, say, football or other sporting events to broaden the base. Have you ever considered that as a way of increasing your income? I know you are Tasracing but there are other codes that have done the same thing and just broadened out. We are told that sports betting is now far greater in things like football than it is in racing. Obviously, you have not considered that yet.

Mr SPEERS - No, because we are not a sporting organisation in the sense that we do not handle the wagering; we just get a return from the wagering on our product. We do not run football or soccer matches.

CHAIR - Maybe you could.

Mr SPEERS - No.

CHAIR - I am not serious.

Mr ROCKLIFF - They are into racing and existing structures are very good. There are some significant advantages in terms of the GBE structure - strong governance and accountability - and the fact that you are scrutinising us today provides that. Management consult with industry regularly and are accountable to an independent board of seven which reports to shareholders. There is a very high level of accountability as a result of this. The board is structured to add value by achieving a mix of independent directors, and a mix of racing and commercial skills apply to critical and independent judgment. The centralisation allows for strategic and holistic planning and management of racing and assets across the three codes. That was not possible under the fragmented council structure - it was a shemozzle.

Cost reductions from scales, synergies and professional management - all these issues have been brought under the banner of Tasracing so we can actually, if you like, have a vehicle to cut the politics out of racing as much as possible and at least encourage through stakeholder engagement some synergies with three codes working together. First, working together within their code and most importantly, we are all in this together. Every single stakeholder, whether in harness, greyhound or thoroughbred, relies on all those three codes. They should not be fighting against each other like they have done in the past prior to this point in time. It is about working together to grow the overall product and Tasracing and the current structure provide a very good vehicle for that.

CHAIR - It has been pointed out to us that Tasracing has had four CFOs now in the last six years. Are you about to go or have you just come?

Mr ROCKLIFF - I think it is three in the last six years.

CHAIR - Is it number four?

Mr BROOKWELL - I am joining Forestry Tasmania in the new year.

CHAIR - There may be really good reasons for that, minister, but it does seem a little unusual to have that sort of turnover in CFOs, one would think, in an organisation.

Mr ROCKLIFF - I may ask the chair to comment on that because it is at an operational level.

CHAIR - Are we just not paying them enough, or is the job not interesting? Sorry, it is interesting, I reckon. Sorry, Mr Speers.

Mr SPEERS - I think you have answered your own question, Chair.

CHAIR - Have I? I do not know the answer.

Mr SPEERS - We continuously fight. Let us move to a CEO we have. All racing jurisdictions around Australia would like to have Eliot Forbes working for them and every single one of them would be paying more than we pay. We fight that on a continuous basis. We found Eliot in Dubai because he has two beautiful young children and he wanted to bring them back to Australia. Now we have them at Taroona and their schooling is wonderful and that is the reason we retain them. When we move to Christopher, he has done a splendid job and he relocated out of Sydney for a work choice to be in an environment where he takes 15 minutes to get to work as opposed to an hour and a quarter.

The point I am making is that we fight a constant battle for salaries for our two executives to compete in the marketplace, and we do not compete.

Mrs ARMITAGE - But we have lifestyle. It is no different to medicine or any other area.

CHAIR - But he is answering, going from one organisation to another. I presume that is for money.

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Mr ROCKLIFF - We are fortunate within the GBE structure that Chris is remaining with us. He has put three and half years into this job and done a bloody good job and I wish him well.

CHAIR - There has to be a reason and whatever the reason is, it would be good if you could address it so it does not have to keep happening - if you have someone really good in the job and you lose them for a reason that is not a good reason.

Mr ROCKLIFF - It is a very competitive space.

Mr DEAN - Stake moneys, minister, are they keeping up with what was said a number of years ago where stake moneys would increase. I do not want to suggest a figure but there was a set increase that would continue to occur across for stake moneys? Are we keeping up with that because there have been some concerns about stake moneys?

Mr ROCKLIFF - Yes, the stake moneys have been consistently increasing.

Mr DEAN - In real terms?

Mr ROCKLIFF - Yes. Stake moneys have been maintained above the 2008-09 levels in real terms in accordance with the funding deed. Cumulative CPI was 13.9 per cent over this period. The allocation the annual CPI adjustment in each year was dependent upon the wagering performance of the code, thereby linking code funding to commercial performance via the code allocation model. The funding deed is not code specific and hence overall stakes will be maintained above FY09 levels where the allocation to a particular code may not increase by CPI in any particular year.

The increases in actual spend on stakes each year is as follows: for financial year 2014, we have stakes growth of 14.4 per cent cumulative, and CPI is 13.4 per cent cumulative.

CHAIR - Minister, that brings us to the end of our questions. I feel a little dissatisfied in that I feel like our scrutiny has not been entirely effective. I say this because a number of times we have asked the question and your response has been, 'We are working on that and we will, within the next six months, fix that'. I would have liked more specific answers. I have asked you, can we see in committee or will you publish the asset standards 1 to 5 for the assets around the place? I have not had an answer to that - yes or no.

Dr FORBES - It is a big database sitting in computer program. That is what that program is.

CHAIR - We do not need to see the whole program. You know the questions we have asked about the major grounds and the major asset upgrades. I am not asking you for the entire program. Is it possible to do a little executive summary?

Mr ROCKLIFF - Yes.

CHAIR - We have asked for the report of the working group and, as you have pointed out, only you have seen it at this point. Tasracing has not seen it yet. You have said you have no intention of releasing it publicly but I think you have also not committed to letting us see it in confidence either, and we have asked you to consider that. The members have raised a number of complaints, and I will not say they were shrugged off because that is being too strong, but they seem to have been taken a bit too lightly as individual's responses unhappy about their own

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personal situations and for their own personal reasons. I feel as though we have not done a very good job - and I am not speaking necessarily for the other members of the committee.

Mr ROCKLIFF - We have not avoided answering any questions; we have always been frank. We have had the Chairman, the CFO and the CEO here scrutinising the financial year 2013-14. I believe some information was presented to you.

CHAIR - Yes, when you were not responsible, but thank you all for being here and the frankness of the answers we have had.

Mr ROCKLIFF - Thank you. I thank the Chairman and Dr Forbes, the CEO, and Chris Brookwell, the CFO, and wish them all the best.

The committee suspended at 4.01 p.m.