

THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION 'A' SELECT COMMITTEE MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON 30 AUGUST 2011.

PERFORMANCE OF TASRACING

Mr GARY LOTTERING, CHIEF EXECUTIVE OFFICER, **Mr DAMIEN BONES**, CHIEF FINANCIAL OFFICER, **Mr BRIAN SPEERS**, CHAIRMAN, AND **Mr DES GLEESON**, DIRECTOR, TASRACING, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Forrest) - Good morning. Thank you for coming.

Mr SPEERS - Can I introduce Mr Des Gleeson to the panel. Des is a board member and in a former life, the Chief Stipendiary Steward for Racing Victoria. He is recognised as and has the reputation of one of the finest stewards that has been produced in Australia.

CHAIR - Thank you very much. Des, perhaps just for your benefit, I am not sure what your colleagues have told you, this is recorded on *Hansard*. The transcript will form part of the evidence of the committee. We will be preparing a report and quotes will probably be used as part of that report. If there is anything that any of you gentlemen believe needs to be provided in camera to the committee, you can make that request and the committee will consider the request, but you need to put your case before we make that decision.

This is really a follow-on from our previous hearing and also we appreciate the information that you have provided to the committee in response to the questions. I know the terms of the superannuation is a fairly complex area and it might be helpful for Damien to go through that in a bit more detail shortly. Also we are interested in looking at aspects relating to the deed and the funding of the Spreyton racecourse. You probably read the transcript of the Director of Racing's comments about the relationship between Tasracing and Racing Services Tasmania.

Did you want to make an opening statement first about some of those issues, or did you want us to launch into questions?

Mr LOTTERING - No, we are ready to go, thank you.

CHAIR - If we could go to the answers to the questions you have provided, just to get a bit more clarity around some of those points, one of the questions we asked was about the remuneration of your senior management level and you provided that information to us, which I know for your position, Gary, was an increase of about \$60 400 and there is also access to an annual short-term incentive to a maximum of 15 per cent of the base salary based on performance. Have you received any incentive payment since you've been in this position? On what basis was that paid, if you have?

Mr LOTTERING - That was in line with the contract on the occasions of the end of each financial year and based on a performance appraisal done by the Chair of the Board.

CHAIR - So there was an incentive payment?

Mr LOTTERING - Yes.

CHAIR - Of how much?

Mr LOTTERING - I don't have exact the details here, but I can provide those to you, if you wish.

CHAIR - When we look at the fact that Tasracing is not operating profitably, unable to pay the interest and principal payments on the loan facility, is that a fair and reasonable thing? I think this is a question for the board, perhaps, more than for you as to incentive payments when we haven't seen any increase in the product, we haven't seen an increase in profitability and we haven't seen an increase in sponsorship necessarily in those areas that we talked about last time.

Mr SPEERS - Chair, to the best of my recollection on the bonus payment/incentive payment I think it was 15 per cent, but I think we allowed 10 per cent. I think the payment was 10 per cent not 15 for last year.

Mr LOTTERING - As I said, I can provide that exact detail.

Mr SPEERS - With regard to salaries, I am sure, Chair, that you are well aware for us to attract the right people to do the job the salaries need to be in line with what is the go in the marketplace. The marketplace for racing is very limited and invariably we need to look outside the State to bring the expertise that we require into the State. So I hear clearly the question you are asking but the norm is that we've got to meet the market to get the right people to do the job.

CHAIR - Could you understand the criticism then -

Mr SPEERS - I can.

CHAIR - from the industry, perhaps, that we haven't seen the business becoming profitable, increasing the product exposure in the marketplace, sponsorship and all those things that are identified as core functions of Tasracing, the prize money and all those things that affect the industry players out there?

Mr BONES - I think one thing you didn't address in your question there, Chair, is in the year in question the bonus was paid there was an efficiency of operations that led to a \$400 000 to \$500 000 saving on costs. So the budgeted position was some \$400 000 to \$500 000 different from the actual position at the end of the year.

CHAIR - So that was staff cuts mainly that resulted in that saving?

Mr BONES - It was a variety of cost savings that were realised over the period of the year. So at the start of the year there was a budget that was largely inherited from the previous

administration and during the course of the year there were cost savings realised, even as a result or following on from the fact that the organisation had to pay extra in expenditure to effectively start up the company. So there was a budgeted financial position and the actual came in some \$400 000 to \$500 000 under that.

Mr LOTTERING - Chair, for the purpose of that appraisal there would have been a document that would have outlined responsibilities or the targets that I had to meet within that year period and that would have been appraised by the Chair in accordance with that appraisal, and then that determined back to what amount was to be paid.

CHAIR - At what point in the year does that appraisal occur?

Mr LOTTERING - Last year, I think, it was conducted in October.

CHAIR - So there will be another review in October?

Mr LOTTERING - Yes.

CHAIR - So there will be criteria against which that will be judged in October?

Mr LOTTERING - Yes.

CHAIR - Performance criteria?

Mr LOTTERING - Correct.

CHAIR - Just going over to the response to your answers there, the employee benefit expenses and cost, there are a few areas I would like a bit more information on. You provided a breakdown. Training is \$67 000? Who are we talking about training here?

Mr BONES - That is training across the whole business so for all 70-odd employees. It is a range of necessary training in relation to OH&S for the track staff. There would be professional development courses for the professional employees - a whole range of things.

CHAIR - So that is not the travel costs incurred with their training or is that inclusive of the travel costs?

Mr BONES - I would need to check that but I think it would be inclusive of the travel costs because we would normally have travel related to training included in the training costs.

CHAIR - What does the travel allowance of \$16 800 relate to?

Mr BONES - Travel allowance could be a variety of things. It might be for board members who need to travel for specific reasons, such as meetings outside of the board meetings. From time to time there is a requirement for staff who do not have vehicles provided to travel to the north of the State as part of their duties. The travel allowance is remunerated or passed on on a cents per kilometre basis. There would be a range of things included in that travel allowance.

CHAIR - You have another line item second from the bottom there, board travel allowance. Wouldn't all the board travel be included in \$40 100 there?

Mr BONES - Likely.

CHAIR - Because you have a total of \$57 500 in travel all up.

Mr BONES - Yes. It depends on how we are required to classify and depending on what the board needs to do but the majority of board travelling would be included in that \$41 000.

CHAIR - Does that include some of the overseas travel? I think we were told last time that you went to the UK and Europe as well.

Mr BONES - I am just trying to think. When was the timing of those trips, Gary?

Mr LOTTERING - No, this is 2009-10.

Mr BONES - I think they were outside of that time.

Mr LOTTERING - There was a trip taken in 2009-10 but the other trip was taken in this financial year just gone.

CHAIR - All right, so where was the one this year that accounts for part of the \$40 000?

Mr LOTTERING - There was one taken by the Chairman and me to Singapore in May 2010.

CHAIR - Your travel would not come out of the board travel allowance?

Mr LOTTERING - No.

CHAIR - No.

Mr LOTTERING - There would be a number of board directors who would be situated outside of Hobart. In the period as well the Chair of the Board at that time was located in Melbourne. There would be travel costs. I think two of the directors in that financial year lived in the north of the State and one in the north-west of the State so there would have been travel costs to attend board meetings, functions or race meetings and so forth in that respect.

CHAIR - A comment was made to the industry regarding the meeting in Singapore that you went to that effectively all the people who were key players in that market were at a meeting in Sydney only a short period beforehand. So the question was asked why would you travel to Singapore when we are not really active in the market there, Tasmanian racing isn't or it appears it isn't, when all those people would be available and could be met in Sydney.

Mr LOTTERING - I do not recall the reference to Sydney, Chair, sorry.

CHAIR - It was a comment that was made from the industry, not in a hearing. It was in the public.

Mr LOTTERING - I would suggest that the Sydney meeting we are talking about is perhaps a meeting that we would have regularly with Sky Channel.

Dr GOODWIN - Is there a Sydney Cup or something -

CHAIR - An event.

Dr GOODWIN - a major race meeting? I think it was something like that.

CHAIR - All the players were there?

Mr LOTTERING - I am not aware of that. Our trip in terms of going to Singapore was that all the Asian clients would be in the one area at the time. We were looking at the arrangement in Singapore. We knew that representatives from Hong Kong, Malaysia and Singapore would all be in the city at the same time. I do not know about the Sydney Cup or that we would necessarily be invited to it. We may get invited to a race meeting but when you go to a race meeting there are probably 30 000 or 40 000 people there. Those people could be anywhere. We just happened to be, through our contacts in TOTE Tasmania, saying, 'We are going to be in Singapore for this period of time. Can you set up some meetings with people that you know could be of some use to us?'

CHAIR - The criticism that was made was that you could have done that in Australia with these same people being at this particular race meeting.

Mr LOTTERING - I cannot recall who met them. I think we realise, and we have said this before, that the height of their strategy of getting them to Asian countries is creating relationships. Us coming to them to build that relationship is seen as a willingness for us to want to come and see them as far as talking through some of their issues and building a relationship between us is concerned. You do not necessarily do a whole lot of business really at a race meeting. People are there for different reasons. We were there to say we were in Singapore for three days and could we set up meetings outside of the race meeting. In fact, at the race meeting that we did attend we did not get to even go to where the main players would have been because we were not important enough. We made appointments to see people.

CHAIR - That is a comment, I guess, that if you are not seen as a key player in that industry then -

Mr LOTTERING - That's right. That is why you have to be making sure that you get to the people where they are at the right time. As I said, the advantage of that was that we had key contacts in TOTE who were able to provide access to those people who were going to be in around their schedules at the time in Singapore outside of a race meeting environment. I do not think that a race meeting environment is the best place to try to grow relationships.

Mr SPEERS - Madam Chair, I think the meeting in Singapore went particularly well. It is not only a matter of seeing the chair of an organisation such as the Singapore Turf Club

but we need to see the CEO and their programming person. We looked at track management. The Singaporeans were in town so we met with them and discussed ongoing matters with them. There is a chappie who provides a form guide for that South-East Asian area. We met with him and discussed how we would get our form guide across. These are all things that you could not possibly do unless you were there on the ground. Without being rude, it is quite a ridiculous situation to think that you could have these meetings in an area like the racecourse in Sydney. It is just not on. Sorry, I do not wish to be rude.

CHAIR - No, I am only repeating what the industry has said.

Mr HARRISS - In addition to that, Madam Chair, the suggestion is not that you seek to do that business at the racecourse. The clear point being made is that there were key industry players from Asia here in Australia and that you do not need to try to do your business at the racecourse with them but at some other time while they are in the country. That is all. It is not that you have to try to knock into shape your discussions, and Gary shakes his head at that. It is not just that simple separation of issues.

Mr LOTTERING - And in fairness to us as well, it is not that simple to think that when people are coming to Australia they would not also have other commitments when they are here and would actually say, 'Well, we will see the people from Tasracing'. We are just another racing jurisdiction, that is all, trying to get into those markets.

CHAIR - Would you consider taking that opportunity? If there was a significant meeting in anywhere big, Melbourne, Sydney, wherever, if the Asian key players were going to be there, would you endeavour to meet with them at that time?

Mr LOTTERING - I think you have to understand what my Chairman has just said. The opportunity is to be there with the players, not just going to see the key players. For example, in Singapore you may see the chairman. He has, as any chair of a major club would have, some interest in what you are trying to do but we have to get underneath the skin, if you like. We have to get to the players underneath who are the ones that are going to be recommending making the decisions to their board, saying, 'Look, we have had discussions with Tasracing from Tasmania. This is what they have got. This is what we have been offered. We can recommend that'. We are trying to get probably below the key players, if you like, and saying, 'Who are the people that are running the race meetings? Who are the ones that are bringing in the product? Who are the ones producing the race books? Are they the people we need to be seeing and not necessarily just king at the top?'. There was a Melbourne Cup festival. The Chairman got invited to attend one of the functions that TOTE Tasmania was putting on to meet with some of the key players there, but again they are right at the very top - key players - but not necessarily the people that are going to be making the recommendations about whether we take this product or we don't.

CHAIR - You would take those opportunities that are presented in Australia?

Mr LOTTERING - Of course you would, but I think our strategy was that we had heard so much about these overseas markets and what they provided and what Sky racing were telling us they provided. Our strategy was to get into their face really and say, 'Okay, we are here. Tell us what we need to know to provide you with the product that you need to

have to be able to market this'. I don't think we are going to get that at a meeting with maybe one of the top players. You have to get underneath the skin where the real people are that are making those decisions or making those recommendations and growing a relationship with those people. They may not be at the key race meetings that we are talking about. Again, I say that if you go to a Melbourne Cup Day and so forth, those key players are undoubtedly going to be either in the committee room or the club, not necessarily where we may be able to get access to them.

Mr HALL - Gary, you mentioned Sky. Once again, how good is your relationship with Sky?

Mr LOTTERING - I think we have to understand that we are a small player in a big market, so we are having to maintain as best we can a relationship with Sky Channel to deliver the outcomes that we are looking for.

Mr HALL - There has been a lot of criticism from within the industry that it is not operating all that well and the relationship isn't that good. That is where I am coming from.

Mr LOTTERING - I think we need to understand where we come from. I think there is a perception in industry that says, 'Just go and tell Sky that we need to be there on a Sunday afternoon' or so forth and we are saying, 'Just remember that we are only 2 per cent of the national market and we have to grow that relationship with Sky'. Yes, we have to come to the table, put our cards on the table and we have to grow our relationship with them. Yes, we have to comply with certain things that they want us to do, just like every other jurisdiction. I think it is important that what we are doing with Sky Channel and with any other jurisdiction that has that control is growing that relationship from the racing point of view and saying, 'This is who we are. This is what we've got to offer'.

I think our biggest vantage point with Sky Channel is being able to say to them on more than one occasion, 'Look, we are a small entity. We do represent the three codes of racing. We can be flexible. What is it that you want from us that we can provide to you to enable us to grow?'

Mr HALL - Have Sky given any indications of any increased coverage or exposure at this stage?

Mr LOTTERING - I think we are looking for changes all the time. We are looking for feedback from them as to what they can deliver. They have just recently made some changes in our harness schedule. We were racing predominantly through the week. We were racing on Mondays and Wednesdays and they gave us some leeway and said, 'Let's shift those meetings back to Mondays', which was really positive for us because we were on the Sky 2 channel on the Wednesday and they said, 'Let's go back to Sky 1 on a Monday night and we'll provide you with additional coverage then'. So that is a plus. In terms of our greyhound product, for example, they have kept us on the days that we had. They have kept us on the Monday night, the Tuesday afternoon and the Thursday night, so I think we are providing the kind of products that they are looking for and we are providing that flexibility. We are out there saying to them, I think more so than perhaps some of their bigger customers, 'What can we do? How do we improve to do the things that you want to do? If we race at night on Thursday night and you want a live host on a Thursday night because that is going to produce a vision to send overseas or whatever, we are happy to provide that. That is going to give us exposure and profile'.

Mr HALL - Are the gallopers more problematic?

Mr LOTTERING - I think from a perspective that Sunday afternoons predominantly now has grown into being the second-most popular spot on the schedule so they are always looking to say, 'Okay, we can be flexible on that'. So we've gone from Sundays and we now have Sundays on Thursday nights and we have gone back to them now and said, 'What other opportunities are there? If we want to grow this night-time product, are there opportunities for us to change our spot and can we look at that in terms of what else might be available?'

CHAIR - Are you making progress in that area?

Mr LOTTERING - I hope so, that is all I can say.

CHAIR - When do you find out? When do you get some feedback and some progress? It is all well and good to be doing all this stuff but if nothing ever happens -

Mr LOTTERING - We are looking to review our rights' agreements for thoroughbreds. There is an option to renew it at the end of this year, so we are now in the process of talking to Sky Channel about some changes to that agreement, some changes to those schedules.

We should know by the end of September where we are with that, and where we are going. We told them our strategy is to grow our night-time product. We would like to think there is perhaps some opportunity to do that, but we are mostly in their hands, waiting for them to come back to us with some responses. We have a window of opportunity between now and the end of the year for them to provide us with feedback about the changes we are requesting, in terms of our scheduling and our product.

CHAIR - If that all falls over, then what?

Mr LOTTERING - We still have an option on Sky Channel for a further five years, which they have agreed to renew. They will exercise their option for a further five-year period. That schedule is still for Sunday afternoons and meetings during the week, so we are confident we will get some changes. We believe we have a product they want to buy, because it is a night-time -

CHAIR - They have to agree, haven't they?

Mr LOTTERING - That is right, but we have a night-time product, which is a product they are trying to access because it is obviously beneficial for them. They are trying to access markets overseas for these products.

CHAIR - I guess the industry wants to see outcomes. This is the thing I am asking -

Mr LOTTERING - On Friday, we released results on the performance of the codes for the past year, to the clubs and associations, and also to the media. There was a lot of criticism - the turnover is going down, and it is all because of night racing.

The thoroughbred code has made a dramatic turnaround in 2010-11, with their turnover. Their turnover, on average, has gone up 11 per cent over the last year and that has seen a turnaround in their actual performance, within the funding model. We are seeing a more consistent product - it is being run on Sundays and Thursdays, as opposed to Sundays and Mondays where it was before - and there are the results.

The results in performance are plain to see. We have gone from a \$181 000 deficit variance in funding to a \$75 000 positive variance. That surely must speak results, and performance.

Dr GOODWIN - Do the opportunities you are exploring with Sky relate to just night racing, or are you thinking of changing your Sunday timeslot?

Mr LOTTERING - We are looking to explore whatever opportunities there are. We know that Sunday afternoon is a safe schedule, but it probably rates six out of eight in terms of the turnover of the different venues racing that day. We are certainly looking to pursue an opportunity for night racing - tell us where you think we can do better.

We have suggested some options to them, but we are only this percentage in terms of national product and they have an agreement with every other jurisdiction that may be completely different from the one they have with us.

We are in the business of trying to maximise our returns - we want to know where we need to be flexible. If it is not Sunday afternoons, we would be reluctant to give that up unless we get something better for it. If Thursday night can go to Wednesday nights, for example, and there is much more opportunity there, that is where we want to be.

Dr GOODWIN - Is there something inherently attractive about night racing, or is it just that there is not a lot of night racing happening, so we can compete better in that space?

Mr LOTTERING - There is not a lot of night racing happening, but it is also a valuable product for a Sky Channel, because I think that is where they get most of their viewership - from thoroughbred racing.

If you are providing them with a product within a time frame that is attractive to punters - internationally, if you are providing a night-time product which comes into Asia at about 4.30 in the afternoon, that is obviously attractive.

It is also attractive for the UK and Europe because it is coming in around mid-morning, when betting operations are opening. So, I think we have an advantage there. We have a product that might be a viable one. For example, we have had some discussions with them about an alternative slot, and we suggested Wednesdays. They said that Hong Kong races on Wednesday nights, and asked if we could look at some scheduling to fit in with that - whenever they are racing, we could be racing. We said we are happy to go back and see where we have to change to suit those schedules.

Mr HALL - Just following on, you said Sunday afternoon or Sunday night was a six out of eight, Gary?

Mr LOTTERING - Sunday afternoons.

Mr HALL - So, what is an eight out of eight? What is prime time? What is the best outcome for you?

Mr BONES - You mean six out of eight ranking. So, there are eight products that they -

Mr HALL - Sorry, I am with you. I thought you were giving a six out of eight score.

Mr LOTTERING - It would be very good if we were.

Mr HALL - I wondered why you weren't going out of 10.

Mr SPEERS - Chair, could I put something on the table with regard to Sky, just for the information of the panel? You may or may not be aware that a group called TVN, which is a competitor of Sky, has made two offers for a takeover of Sky. We have been proactive enough to sit down and discuss with TVN where they are at, and where the takeover scenario might finish up. Who knows where that might lead. The Sky situation is in flux - it is an ongoing situation. It is a moving target, if you like, and to that end we have been to TVN - spoken to TBN, and perhaps come to some sort of benchmarking arrangement of where we would sit, if they take over Sky.

CHAIR - How likely is that?

Mr SPEERS - I haven't got a crystal ball, Chair. There have been two takeover offers and one would assume that the next will be a hostile offer, where they will go to the shareholders as opposed to going to the board of Sky.

Mr HALL - Just the background of TVN?

Mr SPEERS - It is owned by the industry. It is owned by the turf clubs - by the principal Sydney and Melbourne turf clubs. The advantage would be that the industry itself would clip the ticket on providing the vision, as opposed to us just giving the vision to Sky. Is that right Gary?

Mr LOTTERING - Yes.

CHAIR - When was the last approach to the board - to the Sky Board?

Mr SPEERS - Two months? Six weeks, seven weeks ago. It is in the press regularly.

CHAIR - Which was obviously rejected.

Mr SPEERS - Yes, it was over \$400 million.

CHAIR - You are saying then, Brian, that you have been a bit proactive by going to TVN.

Mr SPEERS - That was the word I started with - proactive. We have gone out and met with the TVN, and said where we are situated and what we are doing, and in the event that there is -

CHAIR - Is that a significant threat to Tasracing, do you think?

Mr SPEERS - It was an issue we at Tasracing needed to address because TVN is virtually a thoroughbred channel, and we are also responsible for greyhound and harness racing. We needed to know where that sat and where the ongoing opportunities were for the other two codes.

CHAIR - Were TVN just looking at taking over the thoroughbred aspect of Sky, or the whole shooting match?

Mr SPEERS - I cannot answer that, but it is likely that the \$400 million-odd was to take over all of Sky and therefore handle the whole deal.

CHAIR - That would include harness and greyhounds?

Mr SPEERS - Yes. Sitting here in Hobart it is not an easy situation to get your head around, but at least we got off our tail and met with them and tried to work out where we sit in the picture.

CHAIR - Just one other question on the expenses - employee benefits expenses and costs. Salary continuance - what does that refer to? I know it is not a huge amount.

Mr BONES - It is insurance.

CHAIR - The HR support you did break down. It is a lot of money.

Mr BONES - It is.

CHAIR - How much does Treasury charge?

Mr BONES - For HR support?

CHAIR - Yes, it says Treasury fees for board recruitment?

Mr BONES - That has got nothing to do with board recruitment, that HR amount. I think we paid an invoice to Treasury in the last year somewhere in the order of \$10 000.

CHAIR - It is not much out of the \$209 000 then.

Mr BONES - We just wanted to break it down for you, Chair - just broadly. It did include that.

CHAIR - Looking at the superannuation - there are only four employees in the defined benefit scheme, and when I looked at the Mercer report you provided, which is the actuary's report, isn't it? You talked about the superannuation expense on page 5, \$187 000, and the liability valuation movement, also on page 5, can you direct me to that? I cannot find that. I see the variance you have on page 6 of the report.

Mr BONES - Are you talking about the report, not the -?

CHAIR - In your letter on page 4. Sorry.

Mr BONES - I am sorry, I just have the letter. You are referring to which part of our letter?

CHAIR - Page 4, where there is a discussion on the difference in the amounts referred to in Note 18 of the annual report and Note 10 and you have said that is reconciled as follows: superannuation expense per the Mercer report, page 5 is \$187 000 and the liability valuation movement, also on page 5, is \$428 000.

Mr BONES - You have caught me there, Chair.

CHAIR - The variance is over on the next page, \$59 000.

Mr BONES - I think it might be \$487 000 less \$59 000. I should have probably referred to page 6. You can see on the next page the movement between the balance at the start of the year, \$2 665 000, and \$3 093 000 at the end of year is \$428 000, so that is \$487 000 less \$59 000. That is just a typo on our part, saying page 5 rather than page 6.

CHAIR - Right. I wondered and flicked backwards and forwards. I was going to say, what are you talking about? Okay.

I just want you to, in layman's terms - I know you have done a fair bit on this - but just explain how you treat this liability.

Mr BONES - How do we treat it? With reluctance. It was transferred. It is not unique to our business of course but it is a liability that the business attempts to cover in its ongoing operations. As we said, the movement was some \$400 000 in that year. The movement in the most current year was less than \$100 000. We are just in the throes of finalising our financial statements at the moment. It is something that represents a future commitment so this RBF liability is something that at some stage, theoretically, this organisation will need to discharge in the future. The movements in the balance comprise two main parts. There is a valuation movement, what is the current value of those future payments, and then there is an interest component. For the fact that RBF hold this liability out there is a small interest component of that balance as well.

CHAIR - So these four people, the harness club manager, track manager in the north and two grounds persons, are they close to retirement? Are we likely to be seeing these being paid out?

Mr BONES - I think maybe one.

CHAIR - I am just looking at your capacity to meet these obligations and remain profitable. That is the issue here I think, is it not?

Mr BONES - Absolutely.

CHAIR - Are you in a position to manage?

Mr BONES - Our short-term position covers this and we make provision each year in our budget to ensure that the position is that, if in so many years' time when the assets all

wind down, the leasehold improvements, theoretically there should be a dollar of equity left and that will include provision for the RBF amount.

CHAIR - So you are confident then in the way you are tracking at the moment that you will be able to meet all these obligations as they fall due?

Mr BONES - As we are tracking at the moment, yes.

CHAIR - Do we have any other questions from our members on that area? No? No.

Okay, did you want to go to the deed now or to the Racing Services Tasmania discussion?

Mr HALL - I just have a question, Madam Chair, just a general question on communications with the industry. Sometimes we have quite a bit of talk in our constituencies. We have talked to different trainers and all that sort of thing and there still seems to be that perception that communication is lacking and we have trainers leaving the State. How would you respond to that? And that the industry is not travelling well at this stage.

Mr LOTTERING - I think, through the Chair, we would say, both sides, that we believe the communication structures that we have in place are adequate to meet the needs of the legislation; we are talking to industry on a regular basis. What I have said to the industry just recently is, I think sometimes we get that they only want to hear what they want to hear. So if we are not talking about numbers and positives and where we are going forward and so forth, they are going, 'We don't want to hear that.' When you talk about trainers leaving the State, there was an article in the paper last week about John Blacker leaving the State. He is just going to Melbourne because he believes that is his next opportunity. He has no questions or issues with Tasmanian racing. I think we sometimes use that as being, 'There's all these trainers leaving,' and when we actually draw down and look at the facts, we may be talking about one or two or so. When you talk about the number of trainers in Tasmania that are licensed compared to the number that are leaving, it is just minimal.

What I said to the industry just recently again was, let us get the facts right before we go out and talk about all these emotive issues because I think sometimes we just conjure up an element of fear in there about how it looks like all these trainers leaving, does that mean there is a demise? The very fact that two weeks ago there was a statement in the press from the president of the Trainers' Association saying it is all about a downturn. I just went to him the next day and said, 'Well, that is just not true.' I think it is important that when we present you with these things you read through these documents and get the facts about what it is that we are talking about and not just perhaps what I want to hear or what I don't want to hear.

We have gone out of our way now, in terms of thoroughbreds, to try to set up this new structure of theirs, to talk to them, to have some facts on the table to talk about where do we go from here and how do we get better communication between us.

CHAIR - Just on that point, the greyhound industry were very happy when they spoke to us about the consultation at the three monthly meetings, I think it was. That was established at the outset from the legislation. But the other industry codes had a very different view

of that. I think this is what you were alluding to, isn't it, Greg, that the greyhounds seem to have this three-monthly meeting, that there is communication both ways as you would hope and expect, but the thoroughbreds and the harness racing [people] saw it completely differently.

Mr LOTTERING - I think that is a positive for the greyhounds that they keep their act together and they get around the table and we can discuss and have those three-monthly meetings. We started out with the same structure with thoroughbreds and harness. We got to a point of going to the meeting and saying there has to be some constructive discussion we have in these meetings, it is not happening, do we change the structure? We all agreed that we would change the structure and for harness we would go into smaller working groups. We would meet on the same basis of having quarterly meetings and six-monthly meetings and that is what is working at the moment. For thoroughbreds it is the same thing.

CHAIR - Are you suggesting that the greyhounds, as I understand, are a smaller group. There are less of them and less disparate views I guess, whereas harness racing - as a committee we found it difficult to find out who the key spokespeople were, and even with the thoroughbreds. I think it is a fair comment to make that it has been a little bit difficult for the committee to find out who are the lead spokespeople in this area. So how do you progress this? You are there to represent them. You are there to advance their industry and business, that is your role. Obviously there is an obligation on their part as well, so where do we find this common ground?

Mr LOTTERING - As we said, Chair, at one meeting a year ago when we sat with the thoroughbreds, we said the problem we've got around the table is that there is no unity here. We have got five or six different groups with five or six different agendas. You have to look at what you are doing in your organisation and decide what is it that you can come together with as a group and I think that is what the thoroughbreds are trying to do now. They are bringing the group together and they are trying to establish a group of all representatives, and for the right reasons.

CHAIR - So have you had a meeting with that group?

Mr LOTTERING - I had a meeting with the group about a couple of weeks ago where we had three or four hours of discussion with about 10 or 12 of them. They have gone away to finalise their terms of reference for their group, their network group. We have said this is how we will meet with you in the future. I've met on many occasions with their facilitator who is trying to bring it altogether. I think that, provided that you can get some unity amongst the players, there is very good opportunity for that to work. But in addition to that, Madam Chair, we are meeting with the Trainers Association and the Jockeys Association as an individual group on a regular basis. What you find in the Trainers Association is that they are not all trainers or members of that group. What you find with the Owners Association is they may have 100 members and there are maybe 1 000 owners in the State. It is also about them saying, 'Well, how are we going to get you to make sure that you have an organisation that is representative of your members so that you can deal effectively when there are issues on the table?'

CHAIR - Do you believe that is the industry's job? You could do that in any area I guess. How many midwives are registered in Australia but how many are members of the

College of Midwives, for example? Only a small percentage. Are you saying to the industry that they need to get their members on board and include it in their process and then have an elected representative?

Mr LOTTERING - We always ask them how we can help them do that.

CHAIR - How about the harness group? Any progress there?

Mr LOTTERING - We made a change to the structure of the harness group a year ago. We now have a variety of harness group meetings. We have one that deals with programming. We have one that deals with yearling sales. We have one that we call Harness Energy Development Group and we have an open forum that meets every six months where we get everybody together around the table. Personally I think that we have established a better working relationship with them but I know that you would have been witness to the divergence between clubs, between north and south and between different organisations; they are trying to get that together. That is what we keep saying, at the end of the day in order for this industry to go forward - and we are trying to say it is not about Tasracing versus the industry, this is about the industry collectively as a group wanting to move forward on all these issues that we have to deal with - we need to have that collective approach.

CHAIR - Do you have a representative group from the thoroughbreds now as you see it?

Mr LOTTERING - I think that it is in the process of being put together. I have had one meeting with the bigger group and there is an opportunity for both sides to have their say, put their cards on the table, and then say, 'Right. Let us move on from here. This is how we would like to meet in the future.' I would encourage them that they have their own network. Get that network together and then they have a network of their own, which hopefully will provide some leadership, then how can we assist in making that work.

CHAIR - So the harness group, have they got a similar structure together?

Mr LOTTERING - They have been working with the structure that they have had probably for the last year where they have had these three or four different groups working.

CHAIR - In your view then do they need to have one representative group that meets with you?

Mr LOTTERING - Harness have an organisation called BOTR, which is Breeders Owners Trainers Reinsmen. That is a fair representation of industry stakeholders across, so trying to get that collective body together, but I think there is divergence in that about who is on the table and who is at the front of the team.

CHAIR - So you meet with BOTR?

Mr LOTTERING - No, we ask BOTR to send a representative from their committee. We have asked all of the groups whether they want to meet with us, whether they want to meet at the club, or meet with an association outside of these groups.

CHAIR - So it is up to the code, in your view, to establish their leadership team and work with you?

Mr LOTTERING - Yes.

CHAIR - And you are happy to meet with more than one?

Mr LOTTERING - For harness we have what we call Initiative Development Group that meets every quarter, which is a representative from each club and a representative from BOTR and a representative from the country clubs. That is a representative group of perhaps all the stakeholders in the State. We meet to discuss what is on the agenda from a strategic point of view. There is a programming group, which is again representative of clubs, racing services and I think the country clubs, and a BOTR representative who meets with us to talk about programming. There is a breeders committee that meets with representatives from breeders and us. There is an open forum that is held every six months where we get every club and association to send a representative.

The other thing that is important is that when these people meet and take something away from that meeting it is important to know what they disseminate back to They need to go and disseminate that back to their members I think that is where communication of it breaks down.

CHAIR - So does Tasracing do a summary of the meeting and send it out?

Mr LOTTERING - There are terms of reference for each one of these groups, which outlines what the group is about, who does the groups. There is an agenda, papers are distributed, minutes are provided.

CHAIR - I am talking about follow-up after the meeting. You have gone through the agenda, you have talked about all these different agenda items, then the industry go back -

Mr LOTTERING - A set of minutes is sent to each member.

CHAIR - To each member.

Mr LOTTERING - to each member that was represented at the meeting.

CHAIR - Then it is up to them to distribute it broadly beyond that.

Mr LOTTERING - Yes.

CHAIR - How descriptive are the minutes?

Mr LOTTERING - I guess they would look at what was discussed and what were the key action items.

CHAIR - In your view it is fairly clear what the intent of the meeting was at that point? I was just thinking that things can be misinterpreted, misconstrued, relying on information being distributed.

Mr LOTTERING - We can only do to a certain level and then we expect that members are responsible enough to go back to the organisations and report back to them what was discussed. If there is something you have to put your hand up and ask, and that was the criticism I had of the other group.

What has been discussed here today is vital, you are taking it back to your organisations and reporting that and that information is flowing down to the members and if they are not members of the organisation well you need to ask yourself why are they not members of the organisation.

Mr HALL - Just to follow on, Gary, I do not think anybody in the committee will disagree that fragmentation is a huge issue we have seen. You mentioned a facilitator; who is the facilitator?

Mr LOTTERING - If you recall in the past couple of months with the thoroughbreds a lot of criticism of Tasracing and so forth, they had a rally in Launceston back in April.

Mr HALL - Yes.

Mr LOTTERING - They did as a group of organisations appoint an external facilitator. They just pulled them all together and it since then has been sort of integral in the process of trying to get the group established as a group, so an external facilitator they have either employed or as a group together, so it has been a positive for them to have one independent person that has no affiliation with any individual group to draw all the strings together and try to get this group organised.

Mr HALL - On a broader note with the industry per se, are you concerned about the economy? With 2 per cent of Australians or thereabouts, are you concerned about the economies of scale; the quality of the breeding stock with our yearling sales, particularly with the thoroughbred sales? Anecdotally they have gone poorly. Some local owners have gone to Melbourne because the quality of the breeding stock has not been up to speed. Is it a bit symptomatic of an industry that is very small at the moment and really struggling to provide the wherewithal to make it work?

Mr LOTTERING - What I have said to some in the industry is that we cannot just focus on what Tasracing is doing for the industry as far as trying to grow the product and the profile. We have a time frame now, we are at a crossroads.

We need to look at each individual business. If I am a breeder or a trainer or a jockey, what I need to look at is whether my business model is working, and is the way that I have conducted my business over all these years now still working for me and still going to provide me with a sustainable return in the future.

For example, are we producing the right horses for the market? We have been on a wave for the last five or six years where we have had an external Magic Millions company come in and run the sales, providing access to national and international buyers, providing facilities for that, providing expertise, but if we are not actually producing the kind of stock that the customer wants to buy, they are just not going to buy it.

We need to work, we need to look at that and ask whether we are breeding the right horses at the moment, whether we are putting the right horses on the market and what our market is.

Mr HALL - What sort of reaction have you had from the owners, from some of those breeders at the studs?

Mr LOTTERING - I would probably say reactive.

Mr SPEERS - The breeding scenario is a problem against all codes. In the harness world Harness Racing Australia have just conducted or are in the throes of finalising an inquiry into the breeding industry because of their problems, so it is not just Tasmania; breeding has a problem all round.

When you look at Tasmania there are other factors that influence the sale price. Is the community going well? Have we money in our pocket to spend on horses?

Our largest thoroughbred owner and most successful in Tasmania was at the yearling sales, sat there and watched and then two days later went to Melbourne and spent half a million dollars. Does that tell you something? It does to me.

Mr HALL - That is why I asked the question.

Mr SPEERS - I have no answer to that, Greg, it is just the way things are.

Mr LOTTERING - I think, Greg, there is a bigger picture here and we need to be looking not just inside of how is the principal authority operating, but how are we operating out in the field and what do we need to do to change that? What I am saying to them is, what was successful yesterday may not be the norm that you have to choose to take this industry forward. We all have to do our part and we have to look at our part and say what worked yesterday may not be working tomorrow, and we are committed to change that.

Mr HALL - By facilitating and hopefully getting together some of the fragmentations and drawing that back together we may be able to get a bit more of a handle on and solve some of these problems because that is what it is all about, financial viability of the whole industry.

Mr LOTTERING - I think it is a case of industry looking to the principal body and saying, 'What are you doing? Why don't you put this in, more money, more stakes, more revenue back to industry,' rather than 'What am I doing? Am I producing the kind of product that the customer wants to buy?' That is our message. That is probably a big turnaround from a couple of years back when the focus and the commercial focus was not particularly on racing. It is about what are we doing out there that is also going to help to grow this part, not just about what we can do. We can schedule race meetings, we can do programs, we can vision rights and we can get wagering customers wanting to bet on our product, but we have to have a consistent product of some quality that people want to wager on and that is the turnaround from where we were probably five or six years ago. If I participate in the industry, how do I play my part in achieving that? If I'm a trainer, am I charging the right amount of money to my owners? Is that producing a

return for me or am I just saying, 'I'm hoping that maybe there will be a subsidy for me for transport, or there will be a subsidy for me for nominations or will there be some other subsidy that we can look at.' That is not a sustainable model in my view. I have to make a go of this and we have to think about the next generation that are coming along because if the ones that are here at the moment are not doing it, or are doing it tough, the next generation is just not going to invest. We need to change our thinking about the way to take it forward.

Dr GOODWIN - Gary, I wondered if you could give the committee a summary in writing of the consultative mechanisms that you have with each code so that we can do a bit of comparing and contrasting and get a bit of a feel for it, because it is obviously a different structure for each code at the moment. I know you have just given us a summary then but it would be useful to have it actually in writing.

Mr LOTTERING - I have a sheet here which just talks about the consultation structure that basically is where it stood four months ago, which I am happy to leave with you. This basically is a summary - we now keep a record of all the meetings that we have had with industry, so there is probably for the last six months the number of times we have met with either the associations or the clubs and so forth.

CHAIR - Are you able to table that as well?

Mr LOTTERING - Yes, I am able to table that.

CHAIR - Do you want any further information than what is on that?

Dr GOODWIN - I suppose I am interested to know, you mentioned you have open forums every six months with all the harness people, do you do the same with the thoroughbred people?

Mr LOTTERING - Again, this was a decision that was made that evolved out of the reference group, if you like. When you talk about the greyhounds, the greyhound people have a reference group that meets every quarter and are quite happy to stay with the status quo. We used to have the same reference group that met with harness and a year ago we said this is obviously not working, how do we change that? We went back and said this is what we propose: smaller working parties and perhaps one forum every six months. With the thoroughbreds, with this new group that is coming on board, we are saying, 'This is what we propose: we will meet with you bimonthly until such time we believe there is more continuity on the communication front. This is how we propose we do it.' Perhaps we are saying nominate up to six representatives from your group and it doesn't have to be one from each organisation, it just needs to be - who are the six best players that you can put on the table? But that does not say we are going to stop meeting with clubs, it means we are not going to stop meeting with trainers' associations to discuss ongoing, everyday operational issues. We do want to get a group of people at the table where we can say, 'Let's look at the bigger issues here, guys, and how you provide us with information to enable us to make better decisions as we go forward.'

Dr GOODWIN - I understand your frustration and the need to try to have a group that is representative of the industry or the code that you can meet with on a regular basis, but I suppose the benefit of having the open forum approach is that people can come along

and air their grievances, which to me sounds like that is exactly what they want to do in some circumstances.

Mr LOTTERING - What I have said is we had a forum meeting. I had the first forum meeting and Mr Gleeson and I attended that meeting and we had probably 10 or 12 people there from various groups and I said, 'Let's have the first meeting, you get it off your chest and we will do the same when we finish.' I have said we are prepared to have those other meetings bimonthly and maybe every six months we will have a forum like what you suggested in the harness, so let us do that as well. But it is so important to get the facts on the table, so that what we are communicating is the fact not the emotions or what they perceive maybe as the issues.

CHAIR - It does seem to be a challenge, doesn't it?

Mr LOTTERING - The ready in the thoroughbred group is that the Jockeys' Association decided not to be a part of that group. The jockeys said 'We do not need to be a part of this group because we meet with Tasracing on a regular basis'. So I said to the group, 'Look, you nominate six representatives and I will bring the jockeys along because we need it to be a consultative group at the table.'

Mr HARRISS - On that then, we live in a world of public perception, unfortunately, rather than truth and reality. I will try to recall the fellow's name and I did get the newspaper clipping, there was a fellow recently reported in the *Mercury*, a key player was a Mr Morris or somebody, anyway, who said don't believe anything other than that the industry is in crisis. He quoted the fact that various trainers were leaving the State and I reflect on your comment a while ago, Gary, about Mr Blacker leaving the State because there are other opportunities elsewhere.

Dr GOODWIN - It wasn't David Brunton, was it?

Mr HARRISS - Perhaps, yes. So how do you manage that? That was a pretty damning comment, or some damning comments that he made and people either believe it or agree with it. What does Tasracing do to hose that sort of stuff down?

Mr LOTTERING - You just tell the truth.

CHAIR - How do you tell it, though, how do you get it out there? That is the question.

Mr LOTTERING - If we get asked, 'Do you want to respond to' - whatever the comment was, that article came about as a result of an interview I did on Radio Sport National and the minister actually did an interview on the same radio station, and I think they interviewed David Brunton at the same time. So we were able to put our side of the story on the table. Again, it is an interpretation of the facts. I keep saying and come back to the same point, let's just get the right facts on the table and we cannot do much more than that and to be able to say we are getting criticised for what we have done, we haven't done wrong, done right, let's have that. One of the things I said to the thoroughbred group was, 'You know you are not doing your brand any good in going out and talking publicly about things that are not necessarily right. So what are you doing for the Tasmanian brand? Are you reporting the facts as they stand? By all means, come and get the facts and if you do not agree with them, well, then go out and criticise them.'

But that is the process of trying to get that information to a degree of saying, 'Have we got it right? Are you saying what is right and what I am reporting is right or what I am saying is right, or am I just talking from my emotions or the way I feel, or - I just think it is all heading the wrong way.'

Mr BONES - To add to that, in my short time I don't think the factual responses receive the headlines.

CHAIR - I'm not surprised by that.

Mr HALL - That is Tasmania, we are a small jurisdiction.

Mr BONES - That really summarises where we are at. But last week there were three or four good news stories that went out in relation to recent developments: the Spreyton track and Stridemaster, which is quite a new and innovative product and enhancement for wagering customers and also the code allocation information.

CHAIR - One of the points that you could get at is, you have interviews on sports radio, or whatever it was, I do not listen to that and I don't know if anyone -

Mr HARRISS - Don't you?

CHAIR - No.

Laughter.

CHAIR - Obviously some members do. It is one of those things where perception is reality, for the average non-punter out there - people like me who aren't involved in the industry. We do not tend to see much from Tasracing disputing negative feedback. You might do it on sports radio, but it does not appear in the mainstream media. You may give it to the mainstream media and they do not run it - I do not know - but it makes it difficult for the average non-punter.

Mr LOTTERING - I understand that, yes.

Mr SPEERS - There is only one racing journalist in our State.

Mr HARRISS - There are two.

Mr SPEERS - Full-time. I correct that statement - full-time racing journalist.

Mr LOTTERING - That is a very good point. We realise that you only have to read the blogs to see what people think.

CHAIR - That is right, that is what I am saying - that public perception.

Mr LOTTERING - So, how do you address that? I think it is ?10.01.24 about what people want to report. The media need to consider whether information is factual, and what is the response from the principal body. Our website has media releases, and fact sheets that we send out when we do something different. I think the issues we are going

through now reflect a fear of change. The reaction to fear is just more of the same. If we are not getting what we have always had before, and have enjoyed having, like increases in stakes money, then we need to look at the bigger picture. What worked yesterday may not be working tomorrow, and we have to fix that and look forward.

If the industry is saying, 'I don't want to change, I want things to stay the way they are,' I am going to be reactive to that.

CHAIR - We might just move on to the integrity issue, and then have a break before we look at the deed. Unless anyone desperately needs to break right now?

Mr HALL - We are getting close. We've had a lot of water this morning.

Laughter.

CHAIR - We will try to deal with this issue. Just to lead into this topic, on the 7.30 Report a week or so ago, there was a story from New South Wales about corruption within the ranks of stewards. With all due respect to the steward across the table, I am not saying he was involved at all. The argument put by the Director of Racing was that the industry itself and the integrity process should be kept separate. There are always conflicts between commercial interests, for example Tasracing's interests and the safety, integrity and welfare of horses, riders and others involved in the industry. The story on the 7.30 Report showed that in the Tasmanian situation integrity would be undermined. Do you want to respond to the comments that were made in relation to that conflict, because you have a different view?

Mr LOTTERING - I may ask Mr Gleeson.

Mr GLEESON - I am not fully familiar with what happened in New South Wales, but I think there was a suggestion of corruption within the Integrity Services Department and the stewards have lost their jobs. It is an ongoing investigation as to what the significant problem was, but it certainly undermined harness racing in New South Wales. It has a flow-on effect, and undermines the integrity of racing across the board - the three codes. I think it was unique to New South Wales, but they obviously didn't have the protocols in place to protect integrity, as they should have. Tasracing is unique. It is the only State in Australia where the integrity arm is separate from the commercial arm. In all other states, the integrity services and the stewards are employed by the principal racing authority. I think we all recognise, and certainly Tasracing recognises, that the integrity of the industry is paramount. It is a pre-requisite for the success of the industry.

There have been discussions as to whether it is best served by having the integrity arm separated from the commercial arm. I worked in Racing Victoria for 35 years, where the Integrity Services Department was part of the principal racing authority. It worked really well there because there were no decisions made commercially without input from Integrity Services and no decisions from Integrity Services were made without input from the commercial side. I fully understand the importance of upholding the integrity of racing.

I refer to a report conducted by Justice Gordon Lewis in Victoria in 2008. It was commissioned by the Racing Minister, and it was a report into the integrity assurance of

the Victorian racing industry in general. The terms of reference included determining whether Integrity Services and their system should remain a function alongside the commercial and development roles of the controlling bodies, or be separately provided independent of those roles.

After consultation with all - or a number of - industry participants, Justice Gordon Lewis concluded that the present integrity systems in Victoria - integrity systems and services - should remain with the codes rather than be separate, and that is a really interesting report. It is available on the Victorian Government website.

Whilst he concluded that the integrity services should remain within the principal racing authority, he recommended that certain procedures be put in place to protect the integrity, and that has been done in Victoria.

CHAIR - Are saying the judge's view was that the integrity side should remain with the codes?

Mr GLEESON - Yes.

CHAIR - So, you have three separate integrity bodies? With a jurisdiction the size of Tasmania, which is considerably smaller than Victoria, and the fact that everyone knows everybody in the industry, even across codes, does that present different challenges for Tasmania?

Mr GLEESON - No, I do not think it does because the board of Racing Victoria consists of a number of learned gentlemen and ladies with great racing experience and great racing knowledge and a high percentage of those board members are owners of race horses, and are probably also involved in the breeding of race horses. But they have to fill out a disclosure of interest register, which is held by the Commissioner for Integrity in Victoria.

Providing those interests are disclosed, and the stewards' operations are separate - it is important that stewards who are employed to uphold the rules of racing and protect the integrity of racing are not compromised by the board - it works extremely well.

It is important that any decisions of the stewards can be appealed to an independent appeals body, which is in place in Tasmania, as it is in Victoria. I do not see that as an impediment at all, because the board structure in Tasmania is no different to the board structure in Victoria or in New South Wales or any other state.

CHAIR - I do not know if you feel able to comment on this and please say if you do not, but if the integrity and commercial arms were put together, as they are in other jurisdictions, do you see there could be greater efficiencies and cost savings?

Mr GLEESON - Yes.

CHAIR - Where would they occur?

Mr GLEESON - If both departments are under the one roof, that is a cost saving in itself. I am not sure of all the costs, but I can certainly see some cost savings.

CHAIR - So what risks would there be in Tasmania then?

Mr GLEESON - Provided that the stewards are allowed to operate, which they are now, both separate and -

CHAIR - Separate to?

Mr GLEESON - Their role is to uphold the rules of racing and to ensure fair and safe racing. It is important that they are able to do that without any interference from the board of Tasracing, for example. In Victoria when I was director of Integrity Services and Chairman of Stewards I was responsible for the fair conduct of racing in Victoria and upholding of the rules and reported to the board, but the board certainly didn't influence any decisions that I made or the stewards made as they upheld the rules of racing. The stewards' powers are clearly demonstrated under the rules of racing, both Australian rules of racing and local rules of racing, and if the stewards are left to uphold the rules of racing without any influence from Tasracing I cannot see a real problem there at all.

CHAIR - Do members have any other questions on that area?

Mr GLEESON - I notice that the field sizes and things like that were referred to by Mr Murray. We often get requests from clubs or participants that the field sizes maybe were not running enough horses at certain tracks at certain times of the year. Tasracing is entitled to raise that with the stewards department, but the stewards department is solely responsible for the safe conduct of racing and they will make the decision on field sizes, without any influence from Tasracing. It certainly can be raised from time to time, but certainly no pressure is applied to the stewards when they make those determinations. I think that having the bodies working closely together ensures that there are no decisions made commercially without the integrity voice being heard and vice versa.

CHAIR - How does that work in practice? You made that comment earlier, that no commercial decision is made without the input of integrity and vice versa. How does that work in Victoria? Does something similar happen now even though they are in separate bodies?

Mr GLEESON - In Victoria if there is an operation or meeting with the operations department of Racing Victoria a steward will always attend that meeting to address any issues from an integrity perspective. I think that is really beneficial because it saves double dipping. Here in Tasmania if the operations department makes a decision they then have to consult with the Integrity Services department, which is based at Launceston, before any finalisation can be made and vice versa.

CHAIR - They don't get in the same room together, that is what you are saying.

Mr GLEESON - Yes, get everybody together working through the issues.

CHAIR - But they don't in Tasmania at the moment, they don't get in the same room together?

Mr GLEESON - No, they don't.

CHAIR - Could you address that by keeping the bodies separate, for argument's sake, but then when you do have industry meetings that look at whatever matter it might be, you could get one of the stewards to attend those meetings and vice versa when the stewards or Integrity are having their meetings get somebody from the industry to go?

Mr GLEESON - Yes, that could happen, but I think it works better if we're all under the one roof because meetings can be called very quickly if an issue arises and you do not always plan a meeting a week ahead, you might have to make those decisions on an hourly basis if they arise. I think having both parties in the one building is really beneficial.

CHAIR - I am not sure whether you read the evidence. Did Tony Murray give his evidence in camera?

SECRETARY - Yes, he did - some.

CHAIR - If there was an issue that could compromise an investigation or something like that, would that have some risks and does that happen in Victoria? If you have an ongoing investigation of a trainer or owner or whatever, how then do you deal with those issues in a Victorian sense so that you do not compromise the investigation?

Mr GLEESON - You just investigate without fear or favour. If any person bound by the rules of racing has committed an act that requires investigation, the stewards are duty bound to investigate that. It would not matter whether that person was a board member or an official of the club or -

CHAIR - An external investigation may take some time to complete. It might be a matter of observing someone's practice for quite some time perhaps. I have not been involved in the industry and I do not really know how people do their bad things that they do but if you had this very sort of open, it seems to me you are talking about a very open sort of process where you have any commercial decision having input from integrity and then vice versa - an integrity decision having input from commercial. The fear is that you have this ongoing investigation that is a bit sensitive obviously.

Mr GLEESON - Yes.

CHAIR - I am sure they would be.

Mr GLEESON - That is why I said it is important that the stewards are able to conduct those without any influence from board members.

CHAIR - You are saying that would be separate to those?

Mr GLEESON - Yes.

CHAIR - Right, that is what I was just trying to clarify.

Mr GLEESON - In upholding the rules of racing, the stewards clearly have to conduct investigations from time to time, whether it be surveillance -

CHAIR - Or simply taking a swab or whatever?

Mr GLEESON - Yes, which remains within the stewards' department and is separate to -

CHAIR - That is contained within that while that process is ongoing?

Mr GLEESON - Yes.

CHAIR - And then it is not discussed until after the investigation is complete?

Mr GLEESON - Exactly, yes.

Dr GOODWIN - I guess it is important they have their own discreet budget as well so that it does not become a matter of having to ask the board members. The commercial integrity issue can become problematic, I suppose.

Mr GLEESON - I think the Tasracing board understands the importance of the integrity of racing. I know the New South Wales issue where not all winners were swabbed, so that is something that they will have to address.

CHAIR - That was the issue up in New South Wales.

Mr GLEESON - Yes. If they are only going to swab one or two horses per race meeting and you flag that, it is an open invitation for the skulduggery-doers to do what they want.

CHAIR - Particularly when they know which ones are going to be swabbed.

Mr GLEESON - Yes, so you do not do things like that but that is something that the Integrity Service department are fully aware of and certainly work within. There are some overlaps at the moment where Tasracing is responsible for the entries, race fields creation and the handicapping of the thoroughbreds and Racing Services is responsible for those activities in the harness and the greyhounds.

To me that is totally inefficient. That is something that should be under the banner of Tasracing and being overseen by the stewards to ensure that the rules of racing are complied with but clearly that is not the case at the moment; I think that is one area where that needs to be brought together to be overseen by the stewards, but it is not.

CHAIR - In the Tasmanian model that should be taken out of Tasracing and into Racing Services Tasmania?

Mr GLEESON - No, all brought to Tasracing but overseen by the stewards who can be there.

CHAIR - If you bring the stewards into that then you are saying there is no argument for separation in the first place. Is that what you are saying?

Mr GLEESON - In Victoria the fields, race fields, entries and handicapping is all done by the operations department of Racing Victoria but overseen by the stewards. Somebody is there on entry closing day and declaration day to oversee it, to ensure that the rules are

complied with so field sizes and race divisions and the separation of horses from one division to another, to ensure that trainers do not have two runners in one race for example. The stewards oversee all that to ensure that the rules of racing are complied with.

CHAIR - I don't admit to knowing the rules. Any other questions on that in this area, members? We might have a 10-minute break and when we come back we can look at the matter on the deed.

Short suspension.

CHAIR - The committee also want to look at the funding deed for the \$4 million loan facility. We asked for copies of the correspondence related to this from various places. It has been a bit difficult to track what has really happened with this and there has been a number of deeds, some signed by one and not others, some have not been signed at all, some have been signed but not dated. In April this year Treasury became aware that they did not even have a signed copy of the deed of variation initially.

I guess we are really wanting to drill down just a bit more to find out exactly what process was undertaken and how we got to such a point where it seems very difficult to say when the deed was signed, what the arrangements were around it and then, subsequent to that when the agreement was reached to fund Spreyton upgrade, how that all came about. Are you able to walk us through it?

Mr LOTTERING - I can walk through from our perspective, I guess, the correspondence that we provided back in February 2010 from the then Treasurer to Tasracing outlining the announcement of the deed and the change that would need to be required to the deed to incorporate the \$40 million. I think from there onwards until about I think probably June, July time the variation to the deed and the changes to the full deed were being worked through between Crown Law and Treasury and ourselves, so that is probably a number of months going backwards and forwards around looking at what needed to go in there and what the changes were.

I think it was on 25 August that we wrote to the minister with a final copy of the deed and the variation to the deed for his review. Perusal of that meant that from our point of view and Treasury's point of view we were happy with whatever the document was that we had in front of us. The minister wrote back to Tasracing together with the Treasurer on 6 October with a signed copy of the deed of variation. This had been signed by the minister and the Treasurer and that was then signed by the chairman of Tasracing, we believe in November. It was recorded in both of our record systems on 6 November and 8 November. From thereon we have had deliberations with Treasury about the process now to go to the next step of the business case preparation or the guidelines that we needed to follow for the business case for the Spreyton project. I think there is a correspondence to the effect in early January where we wrote to the head of Treasury saying here is the business case as per the guidelines requesting the funding for the Spreyton project. There is a letter from the Premier to the chairman of Tasracing I think at the end of January approving the funding of \$13.1 million for the Spreyton project in terms of the funding deed change.

Then I think in probably March or April we got a call from Treasury saying that they did not have a signed copy of the funding deed. We accommodated that by providing two copies of the deed of variation and the full deed and got them signed by the parties again and they were posted up on the DIER website on 21 April. From our point of view we believe that there was a signed copy of the deed of variation signed in November last year which outlined the changes that were to be made to the final deed.

CHAIR - I have a copy here of a signed deed but it has no date on it. I also have copies of the deed that is signed by the minister but not by Tasracing. That is also not dated. The only one that is signed by both and dated is the one from 29 April this year, which is obviously after all the approvals have been granted for the Spreyton racetrack upgrade.

Mr BONES - I can just add to Gary's summary there, Chair. I was the one who had the discussions directly with Treasury in April when they said they did not have a copy of the deed. We understood that to be the full deed. Hence we had it signed again. Once we had done that it was, 'Oh, the deed of variation was fine'. We said that we already had that signed and we misunderstood what they were saying in relation to the signing of the deed.

CHAIR - Say that again?

Mr BONES - Treasury contacted us in April to say, 'We don't have a copy of the signed deed', thinking they needed a signed copy of the actual funding deed. We already had a signed deed of variation. So we had the deed signed in its entirety again.

CHAIR - The only signed deed of variation that has been provided to the committee is one that is not dated or one that is only signed by the minister.

Mr LOTTERING - This is the copy of the deed of variation that is provided to the committee. It is signed by both the minister and the chairman as a follow-up from a letter received from the Treasurer and the minister on 6 October. That is undated but we have evidence to suggest that it was stored in our system - on both the Tasracing record system and the minister's record system on 16 and 18 November, respectively. What we have done since then is take some legal advice as to whether that is legal and valid, and enforceable and we have got an affirmative that the lawyers have seen the evidence that we have produced in terms of the storing of this document at that time and given us advice, which I am happy to table as well if you wish, to say whether the deed was an enforceable document at the time of signing.

CHAIR - That would be helpful, yes. The way it all looks is that the only signed deed with a date on it is 21 April 2011.

Mr LOTTERING - We took it on the basis that this was the deed of variation, which highlighted the change that had been made to the deed and that was signed back in November.

Mr HARRISS - Then, Damien, you have just indicated that you have arranged for the deed to be signed again. Why would you need it to be signed again? Why wouldn't you just produce the deed?

Mr BONES - No, not signed again, the funding deed itself was not signed back in November because it did not need to be signed, but the phone call from Treasury indicated to us, and our understanding was based on that phone call, that you need to get the whole lot signed. Once we had done that it was, 'Sorry, it is only the deed of variation.' I said, 'Well, we had that signed back in November,' but they didn't have a copy of that, so when they called us in April we understood their direction to be to get the whole deed signed, but the only document that needed to be signed was the deed of variation which was signed in November. I think there was a misunderstanding between the parties to say what we actually needed was that deed of variation that was signed in November, not the full deed signed after the event. It just so happened once they had received that they passed it on to DIER and DIER used that as their copy.

Mr HARRISS - But then as the Chair indicated, 21 April is the variation, dated and signed, but you have just indicated that the variation was signed back in November.

Mr BONES - Correct, the original copy was.

Mr HARRISS - Why was that re-signed on 21 April?

Mr BONES - Again, that was our understanding based on the discussions that we had with Treasury that we needed to get the whole lot signed together. It was just really down to a miscommunication and misunderstanding because Treasury did not have a copy of that deed of variation. They said get the deed signed and we got the whole lot signed, when we actually -

Mr LOTTERING - The deed of variation also refers to annexure A. Annexure A is the full deed, so I think it was easier to just get the whole thing signed again.

CHAIR - Annexure A is the agreement, which is signed by both the chairman and the minister, but not dated. The deed of variation was only signed by the minister and not by the Chairman of Tasracing and again undated. This is the information that was provided to us from the letter dated 6 October for that.

Mr LOTTERING - That is the copy that we provided to you, so you ended up with the deed of variation with the two signatures on it.

CHAIR - The one I have here has only got the minister's signature on it.

Mr LOTTERING - That was the letter he provided to Tasracing.

CHAIR - No, no, that is the signature on the signing page.

Mr LOTTERING - That is the one that we provided to you with the two signatures on it.

CHAIR - Yes, so when was that one signed?

Mr LOTTERING - That is the one we are purporting was signed in November.

CHAIR - This is the one that Treasury never had a copy of?

Mr LOTTERING - Yes, but the minister's office had a copy of it because they have entered it into their records on 18 November. They have entered this signed copy into their records on 18 November and we have entered this signed copy into our records on 16 November. Treasury have not had a copy for reasons of perhaps requesting that from the minister's office to say that this is the copy that we signed to say that was the deed of variation.

CHAIR - Obviously more care needs to be taken with dating things.

Mr LOTTERING - Correct and that is why we sought to get advice on that to ensure that the document we had was enforceable.

Mr HARRISS - On the matter then of your understanding that you needed to package the two and have them both signed with a consistent date, 21 April, why wouldn't you still rely on the previously signed variation? It is done, dusted and then just sign off on the deed, the agreement.

Mr LOTTERING - That was just a request that came from Treasury that said we need a copy of both.

Mr BONES - It is a verbal request and, not being in writing, both parties just misunderstood each other. When they said, 'Do you need a copy of the deed signed?', and once it was signed and the whole thing was packaged and sent to them, they said the deed of variation would suffice. I said we did that back in November. It just so happened they did not have a copy. Why they asked for it in April, that is a question for them.

Mr HARRISS - That highlights just that very point there. If you are having this conversation with them and they are saying just a deed of variation will suffice -

Mr BONES - Once we had already given them the whole package again.

Mr HARRISS - Why wasn't the deed signed?

Mr BONES - Originally the advice was that it did not need to be. It so happens it did not need to be anyway.

Mr HARRISS - Who was the advice from?

Mr BONES - I think it was the time it was forwarded to us once we had finalised it with Treasury. I must say there was a cross-over between the people we were dealing with in Treasury during that time as well - moving of personnel between departments.

Mr HARRISS - Is it then that it was Treasury who gave the advice that it did not need to be signed?

Mr BONES - Originally, the deed of variation. I think we might have sought verbal legal advice as well to make sure that that was all in order but the deed of variation is the legal document because it varies the original deed. We were just relying on the conversation that we had in April when we got a phone call to say we have not got a copy of the deed.

Mr HARRISS - But surely the deed would need to be signed and then the variation varies components of it but there are larger components in the deed. The variation varies some components.

Mr LOTTERING - But I think the actual deed of variation refers to annexure A which is the full deed -

Mr HARRISS - Yes.

Mr LOTTERING - I think they are saying sign the attached to the deed of variation should have been the full deed - the new deed with all the changes incorporated in there. So the deed of variation enforced the changes to the dealing.

CHAIR - Treasury never had that copy -

Mr LOTTERING - Treasury never had this copy. This copy here, which was signed by the minister and the chairman were sent back to the minister's office for storage. The instructions that we received were from the minister's office saying 'Here are two copies of the actual deed of variation for your signature on 6 October. Please sign and return a copy to us.' That is what we have done - we have signed it and returned a copy to them and they stored it.

CHAIR - So you returned it to the minister's office?

Mr LOTTERING - Returned it to the minister's office, yes.

CHAIR - The minister was unable to provide a copy of a signed and dated deed.

Mr LOTTERING - I am not sure, Chair, whether the Treasury contacted the minister's office or they just came directly to us just here and said 'We have seen a copy of the documents'.

CHAIR - Effectively, if they had gone to the minister's office they would have got a signed and dated deed.

Mr LOTTERING - Yes, correct. They would have got that.

CHAIR - Signed but not dated.

Mr LOTTERING - Signed and not dated, correct.

Mr BONES - Just to add to that as well, the whole process we went through in November led us to continuing with our business case and submission to Treasury in January. We were operating on the basis that the deed of variation was in order, as it was the whole time, but we just received a phone call in April saying 'Where is the deed?' - after approval had been given.

CHAIR - The copies we have got have not been signed at all. It was authorised by one person.

Mr BONES - The copy you would have had, Chair, from the minister's office would be an unsigned copy by Tasracing so that would have been the letter that they sent to us on 6 October saying here is a copy of the deed of variation for your signature, signed by the minister only and that is what we have signed and returned to them.

CHAIR - Sent back to the minister?

Mr BONES - Yes.

CHAIR - If you could table that advice -

Mr BONES - I can do that.

CHAIR - to show that. Any other questions on that at this stage, members?

Mr HARRISS - In regard to annexure A, the deed, it refers in the document to see the signing page. The signing page has a provision for the insertion of a date and that provision was 2010 and when you signed it on 21 April this year you crossed out 10, quite appropriately, and inserted 11 but it always had a signing page and earlier in the document it said 'Refer to the signing page'. It seems most odd that it would not be signed or that you would receive advice -

Mr LOTTERING - It wouldn't be dated.

CHAIR - It was signed but not dated - the previous one.

Mr BONES - The layout of the first document was a bit different, as you can see - the date is up the top. I'm certainly not making excuses.

CHAIR - There is also a date on the front page, as well, that hasn't been filled out.

Mr HARRISS - Neither the variation.

CHAIR - No, neither of them. More attention to detail required. Any other questions on the deed, members? With regard to the Spreyton Racecourse upgrade that has been completed and opened, I think -

Mr LOTTERING - It will open 4 September, provided they have a successful trial day today.

CHAIR - What was the final cost?

Mr LOTTERING - We haven't got a final cost yet, but with contingencies we had \$11.5 million as the price at final tender. But, up to date we have been on budget, so we are hoping that it will come in at or below the \$11.5 million that was originally tendered for.

CHAIR - So, it will be a bit under budget, potentially?

Mr LOTTERING - Yes, we have probably saved.

CHAIR - Any other questions members? Nothing else you wanted to add, gentlemen, before we finish up?

Dr GOODWIN - Madam Chair, could I just ask a question. Last time I think we asked about whether there were any concrete plans to upgrade the track at Elwick - at Tattersalls Park. Has there been any further progress on that?

Mr LOTTERING - We reported to the Chair about a month ago that the board had decided to undertake some further feasibility work with respect to Elwick and that we would not be undertaking any major redevelopment at Elwick in 2012. While we have a lot of detail on the scope, from a technical point of view, of what could be done and what options are available, we need to do some more work on the revenue side. As part of any business case proposal, we need to demonstrate that there is going to be some return in terms of increased revenue. We currently need to undertake two studies, one involving night racing. If we decide it is preferable to have lights at Elwick for night racing, what will that return in terms of extra racing? Can we go back to Sky Racing and put that on the table - if we put lights at Tattersalls Park, we will be looking to have a full calendar of racing, and can they provide us with a schedule time during the week for night racing.

Secondly, we need to look at the actual revenue we are going to generate from whatever development we decide to do. We also need to decide what we need to redevelop at Elwick from a customer focus perspective? In the past, we may have just said, 'This is the racetrack let's redo it and let's put some new starts and some better canvas and so forth,' but if we look at it from a customer's point of view, what do the customers want from a new track?

We have a track at Elwick, a track at Mowbray and a track at Devonport. Let's make sure that all three are consistent in terms of race distances, width of track where possible, track surfaces, and so forth. Whatever the redevelopment, we need to decide what we believe it will return. A redevelopment of Elwick is going to be a major project and in the meantime we have another year's work at Spreyton. So, it gives us a year of consolidation of the track at Spreyton.

Dr GOODWIN - In terms of those studies you mentioned, what is your timeline?

Mr LOTTERING - We have given a direction to the board that by the end of November this year we need to be in a position to make a decision as to whether we go ahead in 2013 or not. We need to have that information available so we can begin the process. We want to be in a position, by this time next year, to be calling for tenders and having that process outlined well ahead of time, because of the enormity of the project, and the effect it will have on racing in the south, and the other two codes.

Dr GOODWIN - Is something being done internally?

Mr LOTTERING - Internally, we have nine months of data we have been able to derive from the collection of racing fees, so we can look at that. We have somebody working on that data with some experience of night racing in Asia markets - looking at what kind of returns that can produce. The same with Sky Racing - if it is feasible, and we have a certain number of race meetings in a year, what will that return to us.

CHAIR - Thank you very much.

THE WITNESSES WITHDREW.