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### **THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE ROLE AND FUTURE VIABILITY OF TOTE TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 2 MAY 2012.**

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**Mr BRUCE HOUSTON**, GENERAL MANAGER, TOTE TASMANIA WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Booth) - Welcome.

**Mr HOUSTON** - I saw that I had the opportunity to prepare a statement but I haven't. At the outset, I would simply note the invitation from the committee to discuss our intentions for the future operations of TOTE Tasmania and our response, which said that I am happy to do that and talk about where we head from here. There are certain things that I am not inclined to make observations on. I don't have a prepared statement so I am probably right to take questions. I have a dot-point paper for when we talk particularly about the change and what we are all about in TOTE. I am happy to distribute those and talk about each of the dot points.

**CHAIR** - That would be good. Maybe you could distribute those now and, if members have any direct questions with regard to a response to that, they may wish to ask them. The committee may have some broader questions that they want to ask beyond what you've indicated you are content to respond to. I just point out that the committee can ask whatever it likes in that regard, and possibly will. It can't be restrained by preconditions that were made with us.

**Mr HOUSTON** - That's fine, I accept that, and I will do my best to answer them, if I can. We accepted the invitation on the wording, which was to understand the future operation of TOTE Tasmania.

**Mr STURGES** - Chair, if I can go to the dot-point paper that Mr Houston has provided. I think it might be of assistance to the committee if he goes through these points. There are some quite relevant matters there that have been raised in previous hearings before the committee and he may be able to elaborate in relation to where the new organisation is going.

**Mr HOUSTON** - More than happy to. A couple of the points don't need elaboration, but I will go through them. The first point I make is - and the wording is 'ownership of the betting pool delivers long-term certainty for Tasmanian punters. Tasmania is no longer reliant on a contract with a pool host'. What I'm getting at there is that you've already been down the path with your fixed-odds experience where the people who used to run the fixed odds for you, TAB Sportsbet, were kicked out of their operation. We all had to scramble and find a new operator. This year, in August, your contract with your current pool host was due to expire and there was no guarantee that they were going to retain you in that pool. If they didn't retain you in the pool and we weren't interested in hosting you in our pool, you would have been in a lot of trouble. Not you personally, but Tasmanian punters would have been in a dilemma or crisis, if you like, because, sadly, the betting in Tasmania isn't big enough to conduct its own pool. So without access to a greater volume of money - that's how parimutuel betting operates. It was timely.

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**Mr STURGES** - Excuse my ignorance, but does that involve parimutuel and fixed-odds betting?

**Mr HOUSTON** - Fixed odds is the second dot point. What we have also bought is a fixed-odds betting business as well. Again, you're not relying on it a third party. When I say you're not relying on it, you are owner of the pool now - the equivalent with Queenslanders, South Australians, Northern Territorians. You're all part of, and owner of, those betting pools. You're not going to get a call one day to say, 'We've decided to kick you out of the pool'. You are part of it, so you're part of that future and the operation of the parimutuel pool and the fixed-odds betting service. It's eliminated that threat that was always hanging there: did you have a long-term future? I would say that wagering is changing greatly in Australia. The industry itself is changing greatly and it's one of the areas going forward where States will need to have access to a betting pool to maintain liquidity and a proper environment.

The next couple of dot points are our observations as to how we think that the lot of the Tasmanian punter has been greatly improved since we've come along. Before the cut-over of the business I visited Tasmania on a number of occasions and had a look at the operations in the offices, the TOTE agencies and the Pub TABs, and I saw some remarkable sights. I tell these stories from what I observed. I was at the Shoreline Hotel at Howrah, at the agency with the hotel, watching a lady behind the counter who had about 36 pieces of paper sticky-taped to her arm. I asked her, 'What are you doing?' and she said, 'I'm waiting for a break to put up changes in prices on the fixed-odds service, results for previous races and scratchings'. I said, 'That's going to change'. In the operation now an operator does not have to leave the counter once. Everything is updated automatically; it's up to the moment. If there's a scratching, it's up there; if there's a track downgrade from good to slow, it's up there; if there's a riding change, it's up there. They don't have to leave the counter at all. In fact, the lot of the operator now is to come in in the morning and just turn on the switch and there day is started.

The other thing I touched on was incorrect prices. I think previously punters were getting a bit of a raw deal on some of their fixed-odds prices. Because they were coming through to the operator, the operator gets a printout that says, 'Phar Lap was 7:2, it is now 5:2' - they have to go out there and sticky-tape that up on the wall. I observed that in one office. By the time I went to the next office, half an hour later, and had a look at Phar Lap's betting, they'd been too busy so they hadn't even updated their pricing. That's all changed. Punters in Tasmania no longer have to rely on unreliable manual updates and results. Punters are better informed now, from greatly-improved odds and racing information displays on widescreen TVs. Previously it was the boxy little TVs - the old-style TVs - with 'run a number, run a name and some odds'. What they get now - I don't know whether you've been into of the offices and had a look - when punters look up at the screen it's better than having a newspaper in your pocket. You have the runner, the number, barrier, jockey, handicap, form, TCDW, the last three starts, rating, and most importantly, TOTE and fixed-odds displays. So there is a wealth of information up there, backing those screens up with all that information, and most punters would make a decision on a bet on that information alone. I'm guessing here, but I would suggest that 70 per cent of information that punters require is already up on that screen. But to back that information up, we have installed throughout the offices what we call 'TAB information' kiosks. They have detailed form of every runner - it is touch-screen - and

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for those who are looking for that extra 30 per cent information, it's there at their fingertips. I will touch more on that shortly with paper.

The next dot point, from our experience, and we know from across the borders in New South Wales and Victoria, the fastest-growing bet type in Australia is fixed-odds-on racing. Fixed odds was traditionally the domain of bookmakers on-course and parimutuel was the off-course style. That all changed a couple of years ago and fixed odds was slowly but surely metered out off course, starting with the Melbourne Cup and the Caulfield Cup. It has grown and it's on most thoroughbred meetings now. Tasmanian punters beforehand got a bit of a raw deal on that. It wasn't a simple operation to find out what the fixed-odds market was in a race; you had to go to a separate kiosk - and there weren't plenty of them, there was just one. Once you found your runner - and I will use Phar Lap again - there was a five-digit contingency number you had to write down and then fill out a card and see the price. While you're doing all that, the race is getting closer, prices can change and suddenly you look up and the totalisator price is better and you think, 'I won't have the fixed odds, I'll have TOTE'. We have changed all that. Part of those displays now, with all the other information on our screens, there is a display of the current totalisator prices, win and place, and right alongside are the fixed-odds, win and place prices. It's up there and they can compare. We also go one step further - they don't need a fixed-odds ticket or a parimutuel ticket, they just have one ticket. They can fill out their ticket, mark 'Launceston, race 1, number 2' and if they want fixed odds they simply put a mark through one part of the card. So they can stand at the counter and bet at the very last second to get what they consider the best odds. Feedback from punters is terrific; they love it. To back that up, I was checking this morning on our up-to-date figures since we've cut over, Tasmania's take-up rate on fixed-odds racing is faster and is already greater than, say, South Australia. I checked this morning and 20 per cent of our betting on thoroughbreds now is fixed odds. In South Australia it is still only 15 per cent, so they've really embraced it down here. We are pleased with that and I think we always felt that that would happen. So we now have a single betting card and comparisons up on the screen.

The next dot point is that retail punters finally gain access to the most popular form of fixed-odds betting, and this is multi-bet. It's where you can link - if you think Hawthorn are certainties and Black Caviar is a certainty, you can mix them up. You can say, 'I'll have Hawthorn and Black Caviar' and you multiply them. You can have up to 10 combinations on this bet. So for a \$1 outlay, you can have a go and the sky's the limit. Punters love it. They particularly like it in football, where they think there are two or three certainties - there are not certainties in betting, of course - but what they consider are certainties and they can group up the three. So, say, West Coast versus Greater Western Sydney might be \$1.05, but they combine West Coast with \$1.20 and \$1.20 and they might end up with \$1.50 as the return for picking what they consider a certainty. Multi-betting wasn't available to the retail punters in Tasmania before we cut over on 27 March.

**Mr STURGES** - So you're saying there's up to 10 combinations?

**Mr HOUSTON** - It is available on up to 10 combinations at once. You can mix racing. You can have it all on sport or all on racing or you can combine racing and sport. Not many take the 10 because I think you're pushing your luck, most of them are two or three AFL rounds each weekend - they like to earn a bit more or look for more value for their dollar.

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**CHAIR** - Can I just ask - the question I have is probably on the point before but it probably covers a few of these, but what sort of percentage shift have you seen? Have you seen a shift in Tasmania already moving from parimutuel to fixed-odds betting?

**Mr HOUSTON** - I touched on it before. I don't have access to accurate data from what was happening last year but we get bits and pieces. Obviously we still have staff there who were around at the time - sales managers et cetera - and anecdotally they say the percentage of fixed-odds betting was less than 5 per cent and they say it was negligible; it was too hard to do. As at this morning, the percentage of fixed-odds betting of total thoroughbred betting is around 20 per cent - 19.6 per cent.

**CHAIR** - So possibly a 15 per cent shift in that sense, do you think?

**Mr HOUSTON** - Yes, on those broad maths.

**CHAIR** - Has the turnover risen or gone down since Tatts took over? I know it's early days.

**Mr HOUSTON** - Again, it's difficult for us because we can't compare to what was around last year. We don't have accurate data. The data that we can see included retail, but there was this middle level of what TOTE used to call 'premium customers' and then there were the wholesale customers, which lent itself to big numbers, so to speak. We're doing our best to ignore those wholesale numbers and are conscious that we're still getting some of that premium stuff but not all. I'm working backwards now - if you can remove the premium stuff, the retail business seems to be about the same. That's our best guess. More importantly, from my observations - and I look at the data all the time - since 27 March, since the cut-over, the weekly turnover has continued to grow. Weekly sales are continuing to grow. We don't normally discuss what we do weekly, but we are happy with where the levels are. They are solid figures and it's heading towards where we think it should be. Importantly, fixed odds is much greater than we thought it would be. So parimutuel and fixed odds combined are growing each week. The barometer I am using right now is what percentage is Tasmanian betting of Queensland. I am just using that as the benchmark: is it 10 per cent, or 12 per cent or what have you, the size of Queensland's market? I am using that as my barometer and each week it is growing as a percentage of Queensland's betting.

**CHAIR** - Is that betting through the agencies or -

**Mr HOUSTON** - Mainly, traditionally. We are only one month into operation, we are still establishing a lot of our reporting, but I would guess that 70 per cent of the business would be through the agencies, what we call retail - PubTABs and the TOTE agencies. There's usually about 70 per cent through there, 30 per cent account betting. That account betting is generally about 50 per cent Internet and 50 per cent over the phone with operators.

**CHAIR** - I think you mentioned before the better terminals and infrastructure in the agencies.

**Mr HOUSTON** - Better betting cards for win and place. Way, way back we were contemplating changing the terminals. We have a couple of clever guys in IT who had a look at the Tasmanian terminal as it was and thought that they could develop software

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and be able to retain those terminals, and they were able to do that. We have imported the TattsBet betting cards, so we will replace the Tasmanian cards but retain the Tasmanian terminals with new software. That is probably the only change there. The big change, apart from that win-and-place ticket, which is now fixed odds or parimutuel, are on display right around the TABs. I will back it to the hilt that punters have a much better deal than they had before, and that's been the feedback, too. We've had some terrific feedback that it is a far better system for punters now. They can bet confidently that they know the information is accurate.

**CHAIR** - Just touching on that, what would have been the circumstance then? You mentioned that because they weren't putting the odds up, people were betting basically on a false odd, weren't they?

**Mr HOUSTON** - No, not a false odd, but an unreliable odd. There was time involved. If they went to what was then the Betasport terminal, which was through Centrebet, they would have write down this five-digit contingency and by the time they found the horse in the race they'd say, 'It's \$2.70'. Then they start to fill out their ticket - and betting changes dramatically in those last seconds - and then they look up and see the parimutuel approximate has gone out and is now \$3.20 parimutuel. It was a messy and awkward system. What is on display now is side by side, both odds - parimutuel and fixed odds. They can stand at the counter with the ticket and wait for the last one to move in.

**Mr STURGES** - So it's real time information as opposed to the manual system?

**Mr HOUSTON** - Absolutely, up to the moment and accurate. I think accurate is important because a lot of publicans would freely tell us that their staff had to do other duties. If a late scratching came through, which is really important to a punter, particularly if they're having a quadrella or a race that's further out, their staff just didn't have the time to get out from behind the counter and mark the sheets - 'knock out number 2 because it was a late scratching'. So the punter goes ahead and has his quadrella, two are scratched and there's a muck-up at the counter with that, so they have to go back and look for another runner. All they see on ours now is that all the fields are up to date. If there's a scratching in four races from now, it will be marked as a scratching and it will be highlighted in yellow so it stands out. Just briefly, there's another reason that the operators and the publicans and clubs also appreciate it. Before their staff had to come in early and set up, put all the sheets up on the wall, then they had to go through and find scratchings and what have you. That's not required now so they can come in in the morning now and flick a switch. Secondly, the publicans and agencies used to buy their paper and now they don't require it. They would also have to buy their cartridges to keep the printer going as they were receiving form every day. I am not certain but I am told that a lot of the agents and hotels are claiming that they will save around \$7 000 a year each just on paper.

**Mr STURGES** - A good environmental outcome, too.

**Mr HOUSTON** - It's certainly that, and they'd look at the dollars as well, but it is a much better outcome. We think it's a cleaner result all round. That's where we always thought that we would have an impact in a significant way with the punters.

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**CHAIR** - What impact will on-course betting have on bookies, given that you effectively have fixed-odd and parimutuel displayed together on the terminal now? I guess that means that you effectively fulfil the same role as an on-course bookie with fixed odds.

**Mr HOUSTON** - We could, yes. We haven't had any feedback. You can have a fixed-odds bet on-course. I would answer in another way - again, it's good for punters. In South Australia the on-course runs a separate licence, we don't hold the licence for the on-course operation in South Australia - we do in Queensland, Northern Territory or whatever - but in South Australia there is a rearguard action, they are not letting us sell fixed odds on-course and, for those who follow racing, the best way I can describe it is if you walk on course in South Australia - and you are familiar with percentages - the bookmaker's books are set to a percentage of 135-140 per cent. It is just unfair to the punter. Our book is set at about 115 per cent.

The natural spin-off of it, if we are on-course - and we are not on a stand or anything - to have ours you have to fill a ticket or call the bet on-course - is that all it does is it makes the other bookies more competitive and it is better for all the punters, the punters are better off. Instead of having to back a horse at \$2, they can have \$2.50, or something like that, it is a better result for punters.

Having said all that, Mr Chairman, we have been operating now for a month and four days and we have had no feedback at all. I was on course in Launceston the week before last; I have been out to Hobart and so on - they are all cordial relations we are having so I am not getting any negative feedback on that front. But it is an observation, it is the only one that would, or could, affect a bookmaker.

**CHAIR** - Would you keep going through your dot points then.

**Mr HOUSTON** - Yes, I will keep going, I won't take long. The rest of them are pretty straightforward. Fractional betting - the idea there is that you had flexi-betting before and that was only on the first horse trifectas and quadrellas. We have extended that, we have the same deal that's fractional betting but on every bet type except win and place. So if you just want a quinella, doubles or trebles - which is a new bet type they have introduced - you can tell us how much you want to spend instead of the old system that if you box four runners you've got to pay \$24 or \$12 - you can now just bet \$5 or something like that. So it is putting the power back in the hands of the punter.

The next one is an interesting one for us, it is new territory: the introduction of the Internet betting rebate program for account customers, which will benefit Tasmanians. We are running a trial in Tasmania, only for Tasmanian account customers, on rebates. We don't have a history of rebating, it is not our philosophy, as such, but we thought we would give it a go. For punters who bet through our cheapest channel, which is the Internet - the cheapest service channel - we are offering what we call a volume and channel discount up to 3 per cent only. We are just going to see if there is a response to it. It is too early yet to notice but that is about the extent of our rebating program at this stage. But, as I said, we are only doing it for Tasmanian account customers and we are just seeing if there is any response at all, but down the track I can give you more information on that because I still haven't seen the end-of-April figures or anything like that to see if there is any split between phones. We have very little to compare at this

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stage. I say that just to show that we have not turned a blind eye to rebating but it is toe-in-the-water stuff and I am just saying it is capped at 3 per cent.

The next point is self-explanatory and I have already touched on that fail; it is labour-intensive and great savings on paper.

This next one is just really on our commitment to the task at hand down here. We have spent about \$3 million so far on new televisions - replacing those boxy TVs with the nice big flat-screen TVs with better clarity for punters, vivid colours and whatever - on fit-outs and minor fit-outs in hotels to be able to fit the TVs in and generally getting the offices right, initially for cut-over and now we have almost finished the second wave of that program where we wanted to make sure every office was right to sell bets into the TattsBet pool from the morning of 27 March, and it worked well. The first bets went through and we were up and running, so the system was right. Then we have gone back and revisited every office in the State to get to this next stage of our program, which is to get all the paper removed and replace it with just electronic delivery of form, betting information, responsible gambling information. It's all there now. If you go into a large office now they might have as many as 10 or 12 of these TAB information screens. There are around 30 or 40 offices to go and that will be finished within a fortnight, so that will be the end of our \$3 million spend. We could say everyone is connected now and we are happy where it is but we're going to then start a program in the new year of spending around \$5 million on upgrading all the TOTE agencies in the State - not the PubTABs so much. There'll be some work on some PubTABs but with the stand-alone TOTE offices we gut them completely and start again and present a nice, clean, fresh office environment.

**Mr STURGES** - On that, Bruce, would you have with you at the moment the number of pubs and clubs that TattsBet services?

**Mr HOUSTON** - It's 136 in total. We're retaining all the branding and we're using TattsBet as the fixed-odds service because it was too hard to change that. You would have noticed around Tasmania a lot of the TOTE Tasmania branding and then there was Betasport and that's what we are in the process of replacing right now - Betasport will be replaced by TattsBet. TOTE Tasmania has 136 offices.

**Mr STURGES** - Is that pubs and clubs? What about agencies?

**Mr HOUSTON** - That includes agencies; agencies are around the 20 mark.

**Mr SHELTON** - As far as the agencies and pubs and clubs go, you have kept all of them that were in existence under TOTE?

**Mr HOUSTON** - Yes, and we've opened one or two more and probably have our eye on one or two more as well. I want to be fair, it's something we always watch. There was one that TOTE people told us they were about to close but we haven't at this stage. We are going to continue to watch; we would like to see it operate under this new environment before we decide to close one. That was a metropolitan TAB in Hobart, but we haven't closed it.

**CHAIR** - Will the agencies or the licensees be liable for those refurbishments?

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**Mr HOUSTON** - No. It's an interesting occupation for people who are cut out for it, and good agents love it, and it's a good business to get into. There are no upfront costs apart from a security bond of around \$8 500. We find it all - the rates, power et cetera. We fit it out and the agent's only costs are the wages. If they put in a lot of hours themselves, they save on another wage and do very well. If they want a break on a Monday or Tuesday they can bring staff in. We pay them as well when we close their office. We supplement their lost income while that office is closed to be gutted and refurbished. We would normally have them out of action for about two weeks so we then work through to see what commission they've had in the past and we will provide them with some sort of income while their office is closed.

**CHAIR** - And where a pub or club has part of an agency contained within it, it's the same deal?

**Mr HOUSTON** - The same deal. It's a bit different with the pubs. You come to an arrangement, depending what the work is. Often the pubs will do their own refurbishment and tell us, 'We're going to move your TAB over to here' and it's a process of negotiation. After the cut-over - and it was a relationship with one of the pubs near Longford, I think it was the Carrick one - they couldn't sell bets. It baffled us so we sent technicians there and we couldn't work it out. It was intermittent and it was a Telstra problem but he was out of action for about 10 days. We struck a deal with him; whatever the commission he used to earn in the weeks beforehand in the old TOTE, we paid him that. It wasn't our responsibility, so to speak, but we didn't want to see him put out. It is an ad hoc thing as far as that goes. But for a stand-alone TOTE agent we cover all the costs of refurbishment.

**Mr STURGES** - Just to finish on that point, and I am asking these questions more for the sake of completeness given the previous evidence we have received. You have made comment on anecdotal feedback that you have in relation to the punters, the businesses you have just mentioned - 136 Tasmanian businesses?

**Mr HOUSTON** - Yes.

**Mr STURGES** - What sort of feedback are you getting from that in relation to your presence in the State?

**Mr HOUSTON** - It is very, very good. Again, it is from the field and from personal visits. The agents and the publicans - club managers or what have you - are all over the moon, they say that it's been better. I had some very good feedback yesterday - I can't betray the source but he has a senior position within government. He didn't want to divulge too much about his social life, and he won't name the hotels he's been to, but two hotels, unsolicited and independent, said how they are really enjoying the relationship now. They feel that their clients are no longer being slaves, if you like, of however it may have been before, but they say that they are really enjoying it. They have no complaints whatsoever, their punters are happy, their customers are happy and so the feedback is good. All I can say is our feedback is good. We had some concern about our radio service initially. We had one e-mail of complaint and certainly we didn't go soliciting for compliments, but we had a wonderful letter of congratulations saying it is a far superior service to what they used to listen to, far more relevant to wagering and they thought the

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race-day service was terrific. Our feedback has been very, very positive, it really has been positive.

We have a complaints register we have to keep because of part of our regulatory environment and apart from the complaint about the radio, there has not been one other complaint.

**Mr STURGES** - That was one complaint?

**Mr HOUSTON** - Yes, that was the complaint. We have had lots of congratulations but no other complaints.

**CHAIR** - What is your long-term plan for the sports radio component? Can you paint a picture of what it's going to be like over the next 12 months?

**Mr HOUSTON** - It is already up and running. We inherited a contract with Radio Sport National, a Melbourne-based station, and we are in the throws of negotiating our way out of that and it will cost us money to get out of that because we no longer take their service. The radio service will be what it is, which is a radio-TAB broadcasting through all States and Territories of Australia. The implicit instructions to the guys in the studio are that 'when you are broadcasting, pretend you are on a ship in the middle of the ocean'. No-one wants to hear that it is a sunny day in Brisbane today, or something like that, so it should just be independent of geography. The service delivery in the morning is about sport - rugby league and rugby union - which a lot of Tasmanians might not like, but there is AFL, American football and all sorts of things, but any discussion they have is primed at delivery of betting on that sport.

**CHAIR** - It is more of a national approach.

**Mr HOUSTON** - A national approach. Once you get to half past 9, you could be listening to any racing station in Australia, because you will get the scratchings, selections and then you go to the race caller, then you get dividends and then you go to the next race. The complaint letter was really not about the racing service, it was just the first part of the morning. We were conscious of that, we learned from experience, when we went into the Northern Territory and then into South Australia, that there is certainly a parochial part to it all and we recognise that and that is why as a part of leading up to the cut-over we've had to reorganise our programming to accommodate the Tasmanian content.

**CHAIR** - That is the question I am trying to get to.

**Mr HOUSTON** - Sorry, okay. For the Tasmanian content we now have race callers set aside to do greyhound, harness and thoroughbred shows. We have dedicated Tasmanian content, we have tried to keep it where it was before - Sunday morning - because Tasmania often has races on Sunday and we have kept that time slot that used to be there.

**CHAIR** - So in terms of the total content over a week on the radio broadcast, is there going to be a change to the local field content?

**Mr HOUSTON** - I doubt it. It's hard to say whether you can forecast a change, as in are you looking for an increase or a decrease?

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**CHAIR** - I think the local industry would want it all on local fields.

**Mr HOUSTON** - As South Australia want it all and as the Northern Territory wants it even on Fannie Bay racing, and Brisbane. Brisbane people say, 'We didn't want to hear about Tasmania', and South Australians say they don't want to hear about Brisbane. In the end, if you took the service off South Australia now they would complain. They get used to what it is.

We had some interesting comments on the service itself. A lot of people were happy with the change because they thought that the Radio Sport National one was real matey and in-house stuff and they were happy with the coverage we provide. To answer your question, no, there always has to be content because we have to give a voice to Tasmanian racing because it suits our interests; it helps our betting if Tasmanian racing is promoted.

**CHAIR** - If you could still get the same betting level without promoting Tasmanian races and perhaps increase it you wouldn't grow -

**Mr HOUSTON** - You wouldn't do it. You have to give it air-time; you have to be fair. I think if you check with any of the States that we operate in, we enjoy a good relationship with the racing industry. We've never gone out of our way to pick fights. I think we have a good relationship in every State with the racing industry. I think here in Tasmania we have established a good relationship with Gary and all the gang out at Racing Tasmania and certainly in Launceston, where I was the other night.

**CHAIR** - Do you see a synergy there with the growth of the Tasmanian industry parallel with TattsBet, for example?

**Mr HOUSTON** - It usually would. If you get growth you usually get growth across all the venues you are betting on. That is probably my experience from years in the TAB business. I would see it long-term, hopefully there is natural growth. Normally with this parimutuel business you get CPI growth; each year you can work on CPI growth. It's a real business of narrow margins. At the start of each year, when we sit down to budget, it's as fine as looking at how many Saturdays there are next year. Last year, the year we're just coming out of, there were 53 Saturdays and next year there are only 52. So, straightaway, we know we lose a bit of our business next year. We do 40 per cent of the business on a Saturday so to take that out of one week it's a big hole. How do you get growth? You get natural CPI growth and you look for an extra Saturday, you look maybe for additional programming or better programming. That's why we talk to the racing industry every now and then. We talk about how we see the program.

**CHAIR** - Just to clarify that, one of the concerns that spreads to the committee and individuals who have been lobbying on this is concern that the focus of TOTE being in government hands and in Tasmanian hands was that it was easier to focus it on promoting and ensuring the long-term future of the Tasmanian industry as opposed to a Queensland-focused organisation that has more of a focus on its own bottom line and business and whether those two are locked together or whether it's possible for the betting system to benefit.

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**Mr HOUSTON** - That wouldn't be the case. We need Tasmanian racing to flourish for our business to flourish. If Tasmanian racing fell over tomorrow we'd notice an impact in our wagering, so it's not in our interest. We treat it as well as we treat South Australian racing or Northern Territory or Queensland racing. It's in our interest that they do well. To give you an idea, with TOTE down here Tasmanians bet more on a dog program at Devonport or Launceston than they do on a Queensland gallop meeting. We're not silly, we don't want to lose that.

**CHAIR** - Is that because they hear that dog racing commentary on the sports radio or is there some other reason they do that?

**Mr HOUSTON** - No, it's because they have a stronger interest in their local product. I've spent five years in Melbourne and I possibly bet a bit more on Melbourne racing than I do here. When I was in South Australia I bet more on Adelaide racing. I think it's just that local sense you get. I'm betting on Tasmanian racing now. I wouldn't have bet on Tasmania before, but I do now. You get to know trainers and jockeys et cetera. These people have bet more on the dogs than they do on a Rockhampton or Townsville gallop meeting. They clearly know more about the trainers, the form and what have you and that's their interest.

**CHAIR** - Would you say the local content part of the radio broadcast is critical to maintain that Tasmanian part of the industry?

**Mr HOUSTON** - I'm guessing now, but having listened to the radio - every time I'm in the car I have our racing radio service on - there would be as much coverage on the Devonport dogs - there would be a Devonport dogs preview and a Warrnambool dogs preview.

**CHAIR** - But the Devonport dog profile is going national now -

**Mr HOUSTON** - Yes, absolutely. That's the reverse of this, and we're probably heading there. The other thing with Tasmania is that it is right on our radio service now; Tasmania is being promoted to Queensland, South Australia and the Northern Territory all the time.

**CHAIR** - In terms of support for our industry then, is there some commensurate flow-on of business that's now starting?

**Mr HOUSTON** - Absolutely.

**CHAIR** - Do you have any examples?

**Mr HOUSTON** - No, it's too early for that; we're only one month in. Separate to all this, I am sure I can track it down in good time, but we'd need a couple of months to do that. It speaks for itself that there will be growth there. The best example I can give is that we bought the Northern Territory TAB in 2000. Queenslanders had never heard of the Fannie Bay racetrack or Darwin and never bet on it. When we bought the Northern Territory TAB we felt we had to do the right thing and start operating on the local gallops. There are a dog meetings and gallops but there is no harness racing up there in the Northern Territory. They'd never had any interest in their pools on their dogs at

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Winnellie Park and the interest on the gallops had been minimal but Queenslanders started to bet on it because they could hear it on the radio station and suddenly they went from the dogs in pools of \$500 to \$40 000. It's a natural spin-off. If our punters hear it on the radio and they're about to jump for two minutes to Devonport or Launceston, say, they have an interest in it. They get to know the characters because our people are interviewing the trainers, the Bruntons et cetera, and the jockeys. We wouldn't have done that before, our audience is hearing names and getting to know people on the radio.

**CHAIR** - So they are trackside broadcasts, are they?

**Mr HOUSTON** - No, just in interviews on a race-day morning they'll get on the phone.

**Mr SHELTON** - Along similar lines, and you've only taken over the business a month ago, in a business sense - and you talked about CPI increases - you wouldn't have bought the business if you didn't think there was potential and growth et cetera, so do you expect to get more than that CPI initially? Is there a thought that there is potential?

**Mr HOUSTON** - The one thing that we were confident of is that we could grow fixed-odds betting because we thought the service down here was pretty ordinary. We knew we were never going to get the levels of sales that the previous operation had because of the international and interstate business they chased. We were realists there, so when we bid for the business we had this retail business in mind, what I would call the 'rank and file punter' - the mum and dad punter. That's who our target is, that's how we operate and that has been our philosophy. We busy ourselves with just looking after the punter, the man and woman who are going to turn up week after week and have a bet - a recreational punter, if you like.

**Mr SHELTON** - We have talked about radio and the difference that makes. In my discussions with the different racing codes it has been mainly around Sky. I am interested in what gets put over Sky, Sky1, Sky2 and so forth. I am interested in your relationship and how you see that developing over time. Typically, as you've said, if you talk about it on radio you get increased betting. If your race meets are on Sky, typically there's an increase in betting. So for the Tasmanian sector it is absolutely vital. Is there any potential there to increase the exposure on Sky?

**Mr HOUSTON** - I have a personal view, first of all. I really oppose Sky2 - there's just too much racing. I still hold that view that there's far too much racing. There's a limit to how much punters will accept. I was opposed to the introduction of Sky2 after many years but I would say yes to everything the racing industry says. To be on Sky1 is really vital. From my observations in travels around the offices, most of the offices have Sky on their audio. We are probably at some stage going to encourage them to move over to listen to the radio coverage. There are a couple of reasons for that. Because of Sky2 about to go on Devonport, whatever might be on Sky2 somewhere, if Sky1 is on you're not going to hear that race. You might know that it has jumped and you have to watch a screen but you listen in silence. Our station would make sure that punters hear that and that's what we are going to say to the offices, 'It's probably a better service for your customers if you let that radio service go'. It doesn't answer your question fully because it goes back to Sky coverage. The racing industry is right, they all battle over trying to get Sky1 coverage; they want a slot there with Sky. I know Tasmania was pushed sideways to get to the Sundays.

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**Mr STURGES** - It's interesting to hear you say that because I recollect - and bear in mind this inquiry has been going over a period of time - that representatives from the racing industry were concerned about the focus of Sky and the service they were providing, in the negative sense it was having on the local product that was being provided. It's interesting to hear your comments in relation to having the radio service operating in your agencies. I understand they will still have Sky but it's going to be focusing on that local product.

**Mr HOUSTON** - Absolutely. Sky, whether they like it or not, has a different agenda to what Radio TAB has. In the lead-up to a race Sky might go to an ad for a car company or something or they might have some in-house banter, but in the lead-up to a race we'll say, 'Two minutes to Hobart' on a Sunday and we'll give a TOTE update for the radio service. Then we'll give a fixed-odds update and let punters know and then we'll go to Colin McNiff at the track. I think the radio service into the offices is our next step to try to get people focused back on the local product.

Sky is a bigger question than is going to be resolved here. One day I hope they get back to one service, or gallops on one and harness and greyhounds on another. I don't know what the answer is at this stage.

**CHAIR** - You talked about the shift in your total businesses with the parimutuel and the rebating issue, and your wholesale and premium customers. Could you give us a bit of a breakdown of where you look like going there? Are you still doing the same volume of rebated wholesale punters?

**Mr HOUSTON** - No, not at all. They were on the move even leading up to the announcement of a sale, but certainly at the sale time the wholesale punters were on the move to other States.

**CHAIR** - So they've gone?

**Mr HOUSTON** - Yes, and we're not chasing them.

**CHAIR** - Does that mean that the parimutuel pool that you offer will deliver a higher yield effectively to the punters who remain?

**Mr HOUSTON** - That's a very good question and there's a whole debate about that - is there better value without 'smart money' in there - smart or heavily rebated money - is it a better result for punters? Yes, we have that view.

**CHAIR** - Well, it would be, wouldn't it?

**Mr HOUSTON** - It's as I was saying before, instead of you getting \$2.10 you will only get \$2. The value has to be taken out of that pool; there's a certain logic there.

**Mr STURGES** - You've taken a layer out, haven't you?

**Mr HOUSTON** - Yes. A lot of these wholesale punters are not fools; they have great systems, and then they throw in a healthy rebate on top. They can afford to lose at 5 per

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cent and get 7 per cent and they are in front by 2 per cent. It's certainly never been our philosophy, and we've held very hard on that. Our philosophy has always been the rank-and-file punters. We don't rebate anyone in Australia. Historically, the highest commission you can earn on the mainland with us is through a hotel level - if you reached a certain level at a hotel in South Australia there was 4 per cent available. But historically there was only one punter who ever achieved that and he's moved on to greener pastures anyway because he can get better than that elsewhere. So that doesn't exist. The next level is where we're just putting our toe in the water with a new business for Tasmanian customers only, a 3 per cent cap for people who use the Internet. Then the only thing we have said is, 'Let's get this business bedded down. Let's spend the money on the retail environment'. We get a sense that there's a degree of commonsense coming back into Australia with rebating. They're starting to bring them down again. I think things got out of hand. We just get a sense, we don't know that, but other States - Victoria, New South Wales, Western Australia - there might be a little bit of cooling off of the very generous rebates. They might be putting a lid on it again. I think there was a realisation they got out of hand and, if that's the case, we will probably have a look again in a couple of months' time.

**CHAIR** - The 3 per cent?

**Mr HOUSTON** - Yes, Chair, 5 per cent, 6 per cent or something like that at tops, but nothing like some of the crazy levels that some got.

**CHAIR** - And that's only coming out of fixed odds anyway or was that Internet betting on parimutuel?

**Mr HOUSTON** - Yes, no fixed odds. You can lose money on fixed odds, so there's nothing at all on fixed odds; it's only parimutuel betting. One observation I will make is that Tasmanian punters are on top of us in fixed odds right now. With racing they're losing at about the national rate but Sportsbet has got us - we're doing dough with them right now.

**CHAIR** - A welcome change.

**Mr HOUSTON** - Yes, we'll have to see what we do about that. Rugby League and soccer are losing money and with AFL we are about square. It's an interesting observation; I don't know why that is.

**CHAIR** - They're smarter than -

**Mr HOUSTON** - On sport. Horses, I think we'd get you.

**Mr STURGES** - Some of the football results, I'd have to argue, were just sheer luck.

**Mr HOUSTON** - We were losing significantly in the first couple of rounds and I think a lot of the favourites were winning. I don't know if there were a lot favourite punters but a couple of results have eased the pain a bit lately.

**CHAIR** - Who are the premium customers then? I guess that was a system where TOTE was giving out presents to particular people - say, the open table at the Victorian racing track and so forth -

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**Mr HOUSTON** - The chairman's club.

**CHAIR** - Yes, and one lucky punter got a new car apparently.

**Mr HOUSTON** - I'm aware of all the stories; I hear stories.

**CHAIR** - That was from the evidence, that somebody got a car.

**Mr HOUSTON** - The Medallion Club at Etihad Stadium - we know about that because we have inherited contracts that we can't break. That was the approach they took.

**CHAIR** - So you're not going to pursue that either?

**Mr HOUSTON** - No.

**CHAIR** - To be clear, the wholesale betting has pretty well finished and the premium stuff -

**Mr HOUSTON** - The wholesale betting and the levels that were occurring are not our modus operandi.

**CHAIR** - Can you comment about the system that was in place before with regard to the gifts and largesse -

**Mr HOUSTON** - Quite sincerely, I can't. I am not inclined to because we don't know enough about it. I don't know how they operated that system. We did try to find out because we've had a couple of people tell us, 'My fax hasn't arrived' or 'My photocopier hasn't arrived' - things they were buying with these rewards, but we can't establish that. In some cases we're topping up their accounts with money just to settle the issue.

**CHAIR** - So that's finished?

**Mr HOUSTON** - It's certainly finished; those things have stopped.

**CHAIR** - So your business model now is you've shrunk it back to your core, normal way of running a betting business?

**Mr HOUSTON** - Yes. That's how we operate - the recreational punter. We're not interested in the heavyweight stuff, the wholesalers.

**Mr SHELTON** - I would like to go on to the issue of employees and the loss of employees out of TOTE. Can you give the committee a number that was employed by you on the takeover date - part-time, full-time?

**Mr HOUSTON** - We are into that area now. We've always said we retained approximately two-thirds of the staff - the head count on the payroll of the old TOTE Tasmania.

**CHAIR** - But not the full-time equivalents?

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**Mr HOUSTON** - I guess we took the view that in this day and age there are a lot of people who are part-time who want to be part-time because of kids or husbands or wives working et cetera - we counted everyone as an individual. I think there were approximately 340 on the payroll in total, and we retained about two-thirds. That two-thirds are what we would call selling staff.

**Mr SHELTON** - In the retail sector and the job losses mainly occurred in the back office -

**Mr HOUSTON** - Corporate - the roles that were duplicated, the management.

**Mr SHELTON** - The full-time staff?

**Mr HOUSTON** - Yes. Not all those jobs were in Tasmania; there were people interstate.

**CHAIR** - It might be easier to just tell us what percentage reduction there has been in the payroll as a result of that.

**Mr HOUSTON** - We have retained two-thirds, so that's about a 33 per cent reduction of heads on the payroll. Do you mean in total dollars?

**CHAIR** - Yes, I am talking about dollars.

**Mr HOUSTON** - I don't have that information but I could come back with that to the committee. If you do your sums, on the day of the cut-over I think there were approximately 111 people made redundant - who weren't all Tasmanians.

**CHAIR** - We will ask you to get us is the percentage payroll reduction - and people seem to not be able to understand the question we're asking - because we want to know what the full-time equivalent reduction is as a result of TattsBet taking over. If you can't give us that in FTEs, could you provide it in dollars?

**Mr HOUSTON** - I would say it would be very inflated - some of them were highly paid.

**CHAIR** - If you have that sort of information and would like to share it with the committee, we would be very interested to know what some of those highly inflated positions were. We certainly have heard that remark made before.

**Mr SHELTON** - Do you have any comment around the positions that were let go and the roles they played?

**Mr HOUSTON** - I know there are different agendas for different people but we don't want to keep dragging this on. The business is bedded down and we don't want to keep revisiting this issue. We retained the selling staff, we need people to sell bets. The people who were made redundant were in those roles that were duplicated. It's an unfortunate consequence of an acquisition. You don't need two race-day controllers; you don't need two people to do the one job. We have to keep running a business so you don't get rid of people just for the sake of getting rid of them. They were duplicated roles and we feel sorry for those affected. I am not sure how many, but I know that a lot of them have already got other jobs. I can also tell you that I found one of the roles particularly hard to fill because people had already found another job, they had decided they were going to

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pursue study and others were going on a world trip et cetera with their redundancy. There were some elements there - you could start to tick those numbers and say, 'There are people there who liked the redundancy'. You'd understand our position and would probably say, 'Sure, you will say that', but we think it's unfair on those who have been affected to keep dragging it up.

**CHAIR** - The committee has a different role on this than yourself and we're not expecting you to make a comment on that but it is interesting now that you mention the unusually high salaries -

**Mr HOUSTON** - No, I'm just saying if you inflate the ones that were made redundant, if you look at dollars versus dollars, what's left, you could argue that that would exaggerate it.

**Mr STURGES** - Just going back to the terms of reference, or the amended terms of reference, clearly the first point is the potential impact should TOTE Tasmania be sold. I understand that my colleagues are focusing on the potential loss of salary, and therefore money that is available to the Tasmanian community. I think, on the other side, if we are going to request information we might also get that information, although it's on *Hansard*, on money invested and other initiatives taken by the new business to invest in Tasmania. On that last point, you indicated that the previous payroll had interstate employees. I think, in fairness, if you're looking at the money that Tasmania may not now be getting through that payroll, that that also be extracted from the information provided to the committee. I personally think it's a futile exercise, but I'll go along with it. I also think we need to have a look at the positives.

**Mr HOUSTON** - Sure. As I say, we would want to move on.

**CHAIR** - So you understand that request for information, with regard to what Graeme is asking for there?

**Mr HOUSTON** - Is there a follow-up? Do I receive a letter?

**CHAIR** - We will write you a letter so that you understand the query.

**Mr SHELTON** - Following Graeme's point, my next line of questioning was to the future. We've already talked about your agencies and that you've kept all of those. Technology is a great thing and you've put it in but it's inevitable that some technology takes over from jobs in the agencies and so on. Have you made a commitment to the level of expected staff in these agencies? Do you see a retraction in that or do you see it expanding because you're growing your business?

**Mr HOUSTON** - No, not in the agencies. Again, from experience, they are at capacity now. The numbers in the offices are what you need to run the offices as they are now, and that is our experience interstate as well where these same electronic information displays have been around for a while. The numbers that we're operating in those offices are about the same as the numbers we run in the offices down here, where you'd get growth if you grew the number of outlets.

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**Mr SHELTON** - I have a question around the indemnity from Sports Alive. Through the discussions we know there's a court case, was there any agreement reached between you as the purchaser and Sports Alive?

**Mr HOUSTON** - Not that I'm aware of, but I am not at that level. I wasn't involved in any way in that part of our operation. The only comment we've made publicly - and I note in Launceston last week one of our media guys said that it's a matter for the previous directors. I can't add anything to that because I don't know.

**Mr SHELTON** - So you don't believe, as the purchaser of the old business, which went into Sports Alive, that you have any liability issues from the previous business?

**Mr HOUSTON** - All I am saying is I'm not aware of that. I did not get involved in that part of the acquisition.

**CHAIR** - Do you have anything else you'd like to say to the committee in regard to what TattsBet intends to do to promote or grow the Tasmanian industry?

**Mr HOUSTON** - I think we've covered off most of it. I think we will see growth with the systems we have put in place, and I think it will be assisted by the money that we continue to invest in the offices down here.

**Mr STURGES** - Chair, prior to you arriving before the meeting started, we were talking about relocating. I think that might be relevant for the sake of your presence out at the track rather than outside.

**Mr HOUSTON** - Some of the money we have spent - the telephone call centre out at Elwick - and one of the decisions we had to take was does it remain there, do we move it into the city or what? We always gave the commitment that we would retain the call centre. It is a little set-up at the back of the main stand at Elwick. The floor was sloping, so much so they had to do exercises every half hour to straighten their neck or back, and we still asked the question, 'Forget the floor and the state of this place right now, given the opportunity would you rather be here or in the city?' and as one they all said they wanted to be out there because most of them lived in the northern suburbs. We have spent a bit of money to get the telephone call centre gutted and the floors levelled.

**CHAIR** - So this is in the new Elwick development?

**Mr HOUSTON** - No, it's at the back of Elwick. It's where the call centre was. We have effectively gutted and started again with the building and the call centre is now up and running. We will also be relocating our corporate role out to that same office.

**CHAIR** - What about the possibility of channelling Queensland racing through the Tasmanian licence - one of the concerns is that there's a possibility because you are on a fixed fee for the Tasmanian licence, which seems to be a fairly interesting arrangement, compared to the percentage that you're paying for the other licences? What capacity do you have as the owner of those licences now to channel into Queensland or other interstate betting through this licence?

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**Mr HOUSTON** - I think Queensland would soon notice if their betting started to disappear. I think we are good corporate citizens and we wouldn't do it. All our rules and regulations -

**CHAIR** - Trust us, you reckon.

**Mr HOUSTON** - Well, any account that's opened up with a Queensland address and is bona fide, it has to stay in Queensland and be for the benefit of Queensland.

**CHAIR** - So that's under your rules, is it, that you operate under some legislative requirements?

**Mr HOUSTON** - Not only the rules, I think our regulators would be right onto us if we did that. What we would not prevent - and you're right in describing the licence down here - is the New South Wales and Victorian market. They are the ones that we would have a look at and any new customers or accounts that we can sign out of New South Wales and Victoria - and we have a huge database there with lotteries, and we haven't done anything about that yet - we would bring them towards Tasmania.

**CHAIR** - Thank you very much, Bruce, for coming in today.

**THE WITNESS WITHDREW.**