



**2012**

**PARLIAMENT OF TASMANIA**

**LEGISLATIVE COUNCIL  
GOVERNMENT ADMINISTRATION COMMITTEE 'A'**

**INQUIRY INTO THE PERFORMANCE OF  
TASRACING**

**Members of the Committee:**

**Hon Rosemary Armitage MLC  
Hon Ruth Forrest (Chair) MLC  
Hon Vanessa Goodwin MLC**

**Hon Greg Hall MLC  
Hon Paul Harriss MLC  
Hon Jim Wilkinson MLC**

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## **EXECUTIVE SUMMARY**

1. Government Administration Committee “A” (the Committee) was established by resolution of the Legislative Council and its operation is governed by Sessional Orders agreed to by the Council.
2. By resolution of 8 April 2011, the Committee determined to commence an Inquiry in relation to the performance of Tasracing.
3. The terms of reference for the Inquiry were to inquire into and report upon:
  - a. The financial performance of Tasracing taking into account their half yearly financial position;
  - b. Update of matters noted by the Auditor-General (*see Report No. 2 of 2010, Vol 3, pp 130-134*);
  - c. Factors impacting on the ongoing profitability of Tasracing; and
  - d. Review of the respective roles of the Department of Infrastructure, Energy and Resources (DIER) and Tasracing in relation to the administration of the Tasmanian racing industry.
4. In commencing the Inquiry, the Committee was concerned about the funding model that had been established for Tasracing to efficiently undertake its administrative functions within the Tasmanian racing industry and whether the model was sustainable. This followed concerns raised with Members of the Committee by stakeholders within the industry about the operations of Tasracing.
5. Tasracing is funded by appropriations of \$27 million per annum by Deed of Agreement between Tasracing and the Crown for the life of the Deed. The Deed provides funding for a 20 year period with a CPI increase less 1% over that time.

6. The Committee had noted the comments of the Auditor-General in his 2010 Annual Report on the performance of Government Business Enterprises and State Owned Companies, which placed into question the ongoing viability of Tasracing under the model of funding that had been established.
7. Following the failure to sell TOTE Tasmania and the subsequent withdrawal from the market, resulting in the agreed \$40 million grant to Tasracing for capital works, Tasracing was provided with a \$40 million debt facility through TASCORP.
8. Access to this debt facility was subject to a business case being accepted by the Department of Treasury and Finance. The redevelopment of the Spreyton racecourse was funded through funds drawn down from this debt facility. The Department of Treasury and Finance advised that the proposal would not generate a commercial return but did have broader industry benefits. This position was underpinned by a report prepared by an external consultant, Wise Lord & Ferguson.
9. The Inquiry sought to gain a broad understanding of the reforms and initiatives within the Tasmanian racing industry under the strategic direction of Tasracing.
10. This included the benefits and challenges associated with the strategies that were being implemented and to better understand how Tasracing might overcome the concerns of the Auditor-General in relation to the factors impacting upon the ongoing viability of the organisation.
11. The Committee also sought to clarify the newly created industry structure that was established as part of the Government reforms, which had separated integrity (Racing Services) from racing administration (Tasracing). Committee Members had received anecdotal information from industry stakeholders that had questioned whether this model was working efficiently.

12. Oral and written evidence was received from a range of witnesses during the course of the Inquiry, which included the Department of Infrastructure, Energy and Resources (DIER), Racing Services, Tasracing and interstate jurisdictions. The Committee also received evidence from a range of participants within the three racing codes.
13. A full list of the written submissions and other documents that were received can be found at **APPENDIX A**.
14. A full list of witnesses can be found at **APPENDIX B**.
15. There were some challenges associated with the Inquiry in relation to industry code participation. It quickly became apparent to the Committee that the Tasmanian racing industry is largely fragmented. This posed significant challenges when the Committee sought to engage with the industry stakeholder groups.
16. The Committee was encouraged that the Thoroughbred and Greyhound racing codes were able to each provide an agreed representative group to attend hearings in addition to the written submissions that were received.
17. The Harness racing code was also requested to nominate up to four representatives to attend a hearing. This would have required that the code resolve the attendees amongst themselves. The Harness racing code could not agree on a representative group and did not give evidence as part of the hearings. The Committee was therefore reliant upon the written submissions from participants within the Harness racing code.
18. Consultation is required between Tasracing and the racing clubs and industry associations under section 11(12) of the *Racing Regulation Act 2004*. Given the level of Government funding received by the industry for the benefit of the three racing codes, and in light of the ongoing reforms taking place within the racing

industry that requires direct engagement between Tasracing and the key stakeholders, the Committee noted the importance of the codes maintaining or establishing productive representative stakeholder groups into the future.

19. This engagement had been inadequate in the view of many key stakeholders despite the legislative requirements established under the *Racing Regulation Act 2004*. The Greyhound code appeared to have had an appropriate level of engagement with Tasracing.
20. With the exception of the Greyhound code, the Committee also noted with concern that code participants were not unified and in some cases, in major disagreement with each other about the future direction of their codes. The relationship between many of the code participants and Tasracing was also found to be strained.
21. The viability of the model of funding for Tasracing was of primary concern to the Committee due to the reliance on Government funding by way of the funding deed providing \$27 million per annum indexed to CPI, less 1% over 20 years.
22. Tasracing has no expectation of becoming profitable or of generating their own revenue to meet operational costs in the foreseeable future, having reported total comprehensive losses for the last two financial years and expecting accounting losses in their five year financial projections for each of the financial years.
23. Although Tasracing had incurred ongoing losses, the Committee noted that the Chief Executive Officer of Tasracing had received a performance payment as part of his 2010 annual review, despite ongoing concerns in relation to the viability of Tasracing. The Committee was concerned about the appropriateness of a performance payment being received under these circumstances.
24. Following the failure to sell TOTE Tasmania in 2009, Tasracing, under a Deed of Variation (capital funding facility), has access to a \$40 million debt facility through TASCORP for capital works expenditure that is underwritten by the Crown. Whilst

Tasracing is responsible for paying the principal, interest and guarantee fees associated with the debt facility, the Government has undertaken to provide funding for these obligations, should Tasracing be unable to meet them, upon justification to the satisfaction of the Treasurer.

25. Tasracing's strategic priority of growing its off-course wagering product, particularly associated with new and emerging overseas markets, as well as the development of new racing time slots for the three codes, was found to be an innovative strategy, but one that carried inherent risks.
26. Tasracing provided little evidence of entry into new markets at the time of the Inquiry, although an announcement by Tasracing on 14 February 2012 in relation to new access arrangements to the French Thoroughbred wagering market was an encouraging late development.
27. The advantage of the Tasmanian racing product, as advocated by Tasracing, was stated to be in the ability of the Tasmanian racing industry to deliver a niche product to meet the needs of customers within their preferred broadcasting time slots, and to quickly adapt to changing customer expectations and requirements as necessary.
28. The domestic market was found to be saturated with product and, apart from the focus of developing new time slots, did not appear to be the primary focus of revenue growth opportunities for Tasracing.
29. It was noted that the emphasis on moving to a night racing product rather than the traditional weekend race meetings was in support of the domestic and overseas strategies but that the jockeys were not generally supportive of night racing, particularly in winter, due to safety concerns.
30. There was also a variety of concerns raised in relation to the challenges associated with broadcasting arrangements and the ability of Tasracing to negotiate favourable terms for the Tasmanian product.

31. Unless there was significant progress towards market and revenue growth associated with the strategies advocated by Tasracing, the Government could face an ongoing and significant burden in funding the Tasmanian racing industry beyond the current term of the 20 year funding deed. The recent sale of TOTE Tasmania has eliminated any option for an alternative industry-driven funding stream.
32. The Committee was particularly concerned that this may place the industry in jeopardy as it was difficult to predict the level of funding that the Government would be able to commit to into the future.
33. In addition, the Committee was concerned that the relationship between Tasracing and the Director of Racing was strained. This appeared to have been caused in part by disagreement over their functions and responsibilities under the *Racing Regulations Act 2004*, as well as a lack of communication between the parties.
34. The separation of probity and administration is largely inconsistent with national standards and has created additional cost burdens in the administration of the industry. Although the size of the State and industry was cited as a risk related to potential conflicts of interest, an appropriate corporate governance framework could mitigate these challenges.
35. Without industry leadership being able to strengthen the working relationships between all racing stakeholders as a matter of priority, the Committee could not see any real prospect of the industry being able to grow the Tasmanian racing product in line with Tasracing's strategic direction. In these circumstances, it was evident that a higher priority needed to be given to establishing the necessary working relationships in the first instance, before the growth strategies could have any real prospect of materialising.

## **THE BACKGROUND OF TASRACING AND THE TASMANIAN RACING**

### **INDUSTRY**

36. Tasmania's racing industry has a long history, most of which has been financially supported by the Government of the day. The TAB, which was established in 1975, ran into financial difficulties in the late 1990's and was running at a significant loss.<sup>1</sup>
37. A review of the racing industry was conducted in 1999, with options for an industry restructure presented to the Minister for Racing and Gaming. The *Racing Amendments (Restructuring) Bill 1999* was passed on 26 November 1999.<sup>2</sup>
38. As a result, Racing Services was established within the Department of Infrastructure, Energy and Resources and the TAB was corporatised, to take over the functions of Racing Tasmania and was rebranded as TOTE Tasmania.<sup>3</sup>
39. The Thoroughbred and Greyhound Racing Councils continued and Harness Racing Tasmania was appointed the principal Harness club. The Thoroughbred Council was also moved to Hobart.<sup>4</sup>
40. By 2004, there was concern within the Government that the commercial and integrity functions should be separated.<sup>5</sup> The *Racing Regulation Act 2004* and *TOTE Tasmania (Racing Regulation) Act 2004* were passed in November 2004. This gave Racing Services Tasmania within the Department of Infrastructure,

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<sup>1</sup> Options Report Tasmanian Racing Industry, April 1999 p. 19

<sup>2</sup> Options Report Tasmanian Racing Industry, April 1999 p. 33

<sup>3</sup> Press Release by Hon Paul Lennon MHA 15 October 1999

<sup>4</sup> Press Release by Hon Paul Lennon MHA 15 October 1999

<sup>5</sup> House of Assembly Hansard, Tuesday 16 November 2004 – Part 2

Energy and Resources (DIER) responsibility for integrity issues, while TOTE Tasmania retained control over commercial functions.<sup>6</sup>

41. Further amendments in 2008 under the *Racing Regulation Amendment (Governance Reform) Act 2008* established TasRacing as an over-arching administrative body for the racing industry.<sup>7</sup> TasRacing took over the governance and administration functions from TOTE Tasmania commencing on 1 January 2009.<sup>8</sup>
42. The Tasmanian Racing Board fulfilled the functions of Tasracing prior to their establishment.
43. TasRacing Pty Ltd, trading as TasRacing, was established as a State Owned company with two shareholder Ministers, the Minister for Infrastructure and the Treasurer. Tasracing commenced trading on 1 July 2009 as a company in its own right in accordance with the *Racing (Tasracing) Act 2009*.<sup>9</sup>
44. The change in governance structure that separated TOTE Tasmania from Tasracing, allowed provision for TOTE Tasmania to be sold. TOTE Tasmania was listed for sale in January 2009 and withdrawn in December 2009 as a successful purchaser was not found.<sup>10</sup>
45. The racing industry was originally entitled to \$40 million from the sale of TOTE Tasmania.<sup>11</sup> This was later changed to a \$40 million debt facility (also referred in evidence as a line of credit or loan facility) through the Deed of Variation.

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<sup>6</sup> Second Reading Speech, *Racing Regulations Bill 2004* (No. 75) – House of Assembly Hansard, Tuesday 16 November 2004 – Part 2

<sup>7</sup> Second Reading Speech, *Racing Regulation Amendment (Governance Reform) Bill 2008*, House of Assembly Hansard, Wednesday 19 November 2008 – Part 2

<sup>8</sup> [www.http://www.tasracing.com.au/uploaded/237/12905413\\_11whoistasracingfactsheet.pdf](http://www.tasracing.com.au/uploaded/237/12905413_11whoistasracingfactsheet.pdf)

<sup>9</sup> [www.http://www.tasracing.com.au/uploaded/237/12905413\\_11whoistasracingfactsheet.pdf](http://www.tasracing.com.au/uploaded/237/12905413_11whoistasracingfactsheet.pdf)

<sup>10</sup> Treasurer media releases of 8 January 2009 and 3 December 2009

<sup>11</sup> Media Release by Hon David Bartlett, MP 3 February 2010

46. The Deputy Premier announced on 1 December 2011 that a sale of TOTE Tasmania had been negotiated.<sup>12</sup> Under the *TOTE Tasmania Sale Act* the sale is subject to review by the Auditor-General.<sup>13</sup>

## Funding

47. Tasracing is funded by appropriations of \$27 million per annum by Deed of Agreement between Tasracing and the Government for the life of the Deed. The Deed was signed in 2009 and provides funding for a 20 year period with a CPI increase less 1% over that time.<sup>14</sup>
48. The Auditor-General noted in 2010 that while enjoying secure funding from revenue and the Government appropriations as well as funding from TOTE Tasmania, Tasracing's financial statements reflected a net loss.<sup>15</sup>
49. A further Deed with the racing industry was signed in 2010 to ensure that in the event that TOTE Tasmania was sold, funding to the industry would continue. In the event of TOTE Tasmania being sold, Tasracing would continue to receive \$27 million per annum, indexed to CPI less a 1% efficiency dividend, plus \$40 million from the proceeds of any sale of TOTE Tasmania.
50. In February 2010, following the failed sale of TOTE Tasmania and after significant pressure from the industry, the Government compromised on the deal and provided a \$40 million debt facility through TASCORP.<sup>16</sup>

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<sup>12</sup> Media Release Bryan Green Deputy Premier 1 December 2011

<sup>13</sup> Media Release Bryan Green Deputy Premier 1 December 2011

<sup>14</sup> Auditor-General Report Volume 3 - Government Business Enterprises, State Owned Companies and Superannuation Funds 2009-10

<sup>15</sup> Auditor-General Report Volume 3 - Government Business Enterprises, State Owned Companies and Superannuation Funds 2009-10

<sup>16</sup> Media release, Hon David Bartlett, MP, 3 February 2010

## Responsibilities within the Current Structure

51. Tasracing is the responsible entity for governance and administration of the industry. This includes development of racing and breeding, race club funding, provision of stakes and management of venues.
52. Racing Services Tasmania, operating through DIER, is responsible for the probity and integrity of the industry.
53. TOTE Tasmania is a State Owned company licensed under the *Gaming Control Act 1993*. TOTE Tasmania is responsible for the whole industry betting in addition to other sports betting. It provides a domestic and international wagering platform. The sale of TOTE Tasmania was announced by the Premier on 1 December 2011 and later announced as having been finalised on Monday 26 March 2012.
54. The Tasmanian Racing Appeal Board is an independent body under Section 23 of *Racing Regulation Act 2004*. All industry appeals are dealt with through this body (See **APPENDIX D**).

## **FINDINGS**

55. The Committee has considered a range of factors that are associated with the funding model for the racing industry and the sustainability of the model that was put in place through Tasracing.
56. The Committee has found that in 2009, the Government originally proposed the sale of TOTE Tasmania. The Treasurer at the time noted in relation to the proposed sale under the *Tote Tasmania (Sale) Bill 2009*, that it was '*critical to the continued successful operation of the racing industry*' and that '*There will not be a provision of \$40 million capital for the racing industry unless TOTE is sold. That is very clear*'.<sup>17</sup>
57. At the time the Government introduced the legislation, it was argued that this was the best way forward in order to provide long term financial certainty for the industry.
58. The Committee has found that circumstances changed significantly when TOTE Tasmania was originally withdrawn from sale, leading to a Deed of Variation for capital works funding as an alternative to being derived from the sale proceeds.
59. The Government position at the time of the proposed sale in 2009 has been found by the Committee to have been premature, ill-considered and potentially misleading as there appeared to be no contingency plan in the event that TOTE Tasmania did not sell.
60. Furthermore, as the sale of TOTE Tasmania has now been finalised, the ongoing and future funding of the operational and capital expenditure liabilities of the racing industry rests with the State.

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<sup>17</sup> Legislative Council Hansard, Second Reading Speech for *TOTE Tasmania Sale Bill (No. 17)*.

61. As a result of the change in circumstances, the funding model that is now in place has raised a number of questions in relation to the sustainability of the funding model and the future viability of the racing industry in Tasmania:
- a. The decision to amend the funding model for the Tasmanian racing industry to the Deed arrangement was ill-considered and has now left the Crown with a significant and ongoing cost burden into the future following the sale of TOTE Tasmania.
  - b. The ongoing indexed \$27 million funding model fails to tie funding to performance and is irrespective of revenue earned.
  - c. The failure of TOTE Tasmania to sell in 2009 resulted in the racing industry not receiving a \$40 million grant for capital works as part of the sale agreement. The racing industry will not receive any capital funding from the sale of TOTE Tasmania and therefore under the Deed of Variation will continue to rely on a \$40 million debt facility guaranteed by the Crown.
  - d. Access to the \$40 million debt facility is subject to a business case being accepted by the Department of Treasury and Finance. The redevelopment of the Spreyton racecourse demonstrates that any proposal to access this debt facility does not require the business case to provide evidence that it will generate a commercial return.
  - e. Tasracing is currently not meeting its obligations under Section 6 (a) of the *Racing (Tasracing PTY LTD) Act 2009* that prescribes the principle objectives *‘to perform its functions and exercise its powers so as to be a successful business by operating in accordance with sound commercial practice as efficiently and effectively as possible’*.
  - f. Tasracing has no foreseeable prospect of returning any dividend or tax equivalent to the Government.
  - g. Funding within the industry is not allocated according to return on investment.

- h. The restructure of the industry appears to be unsustainable unless Tasracing can generate sufficient additional revenues.
- i. Tasracing is only able to prepare financial statements reflecting that it is a going concern on the basis of the ongoing financial support from Government. If this support was withdrawn, Tasracing's assets would be required to be tested for impairment.
- j. Tasracing has reported comprehensive losses each year since its establishment, recording a loss of \$3.607 million in the 2010/11 financial year.
- k. Tasracing has budgeted for an accounting loss each financial year in its five year financial forecast to 2014/15, with the accounting losses to be covered by non-cash charges.
- l. Tasracing also reported reduced cash flows from operations since its establishment, with negative operating cash flows reported in the 2010/11 financial year.
- m. Tasracing has the capacity to increase the race field fees to generate some additional revenue.
- n. Tasracing has a 'stretch goal' to achieve an additional \$5.25 million in revenue by 2015.
- o. The racing industry model that has been established in Tasmania is a unique model whereby the Government funds the industry through Deed arrangements regardless of industry performance rather than through revenue that is largely generated from within the industry.
- p. The sale of TOTE Tasmania was advanced on the premise that Government should not be involved in a wagering business.

- q. The sale of TOTE Tasmania does not remove the Government's broad involvement in a wagering business as a result of its ongoing financial support of the racing industry.
- r. Tasracing is facing a number of challenges to the growth of the business including; the current economic environment, a variety of non-commercial community responsibilities, environmental and animal welfare responsibilities, changing societal, cultural and generational expectations and emerging technology uses and trends.
- s. The development of new markets and off-track wagering products is necessary to support revenue growth.
- t. The corporate strategy of growing international markets to increase revenues as part of the Tasracing Corporate Plan is high risk. The announcement on 14 February 2012 of access arrangements to the French Thoroughbred wagering market is a positive outcome.
- u. Given that the Tasmania racing industry produces a niche product, it could be well placed to take advantage of emerging opportunities in new markets and timeslots.
- v. Sky Channel is of the view that the consolidation of the three codes, Thoroughbred, Harness and Greyhounds, under one corporate entity has created efficiencies and a more co-ordinated approach to marketing and enhanced access to Sky Channel.
- w. The separation of integrity, wagering and administration functions under separate organisations is largely inconsistent with the model in other jurisdictions and has created additional costs within the Tasmanian industry.
- x. Tasracing and the Director of Racing have divergent views with regard to their respective roles and responsibilities as prescribed under the *Racing Regulation Act 2004*.

- y. The size of the State and industry was cited as a risk related to potential conflicts of interest if administrative/commercial and integrity/enforcement functions were to be managed under one organisation.
- z. There was no evidence that the separation of integrity and administration is necessary if an appropriate corporate governance framework is in place.
- aa. Efficiencies may be achieved through a merger of administrative and integrity services.
- bb. Tasracing is unhappy with the way the *Racing Regulation Act 2004* defines the roles and responsibilities of Tasracing and the Director of Racing.
- cc. The industry has generally not adapted to the changes being advocated by Tasracing under its Corporate Plan.
- dd. Tasracing has failed to effectively engage with the racing industry in order to meet its corporate objectives.
- ee. The lack of recognised peak bodies across all three codes is impacting upon the ability of the industry to meet the rapid changes taking place within the industry.
- ff. The terms of funding under the Deed fails to provide an incentive to improve performance.
- gg. The Board of Tasracing has approved the payment of performance based bonuses to the Chief Executive Officer of Tasracing, using a methodology that does not limit bonus payments to significant performance based outcomes.

hh. The racing industry must adapt to changing market conditions and the new and differing expectations of its customer demographics.

ii. Tasracing has not substantially grown its sponsorship revenues.

## **RECOMMENDATIONS**

Given that Tasracing will only remain a going concern on the basis of significant ongoing financial support from Government and that as a State Owned Company it is not meeting its obligations under Section 6 (a) of the *Racing (Tasracing PTY LTD) Act 2009*, which requires it to be ‘a successful business operating in accordance with sound commercial practice’, reconsideration should be given as to the most appropriate model to administer and fund the industry into the future. Regardless of the most efficient model that is settled upon in order to administer and fund the industry into the future, the following additional recommendations are made:

- A. A review of the *Racing Regulations Act 2004* should be completed in light of the disagreement between Tasracing and the Director of Racing about the interpretation of their functions under the Act. The functions of integrity and administration more broadly should also be considered as part of the review, in order to determine whether a potential merger of the functions under the one organisation within a strict governance framework will deliver further efficiencies to the industry;
- B. The *Racing Regulations Act 2004* be amended to prescribe the requirement for each industry code to establish and maintain a peak body to assist Tasracing in meeting its obligations to consult with industry codes. The industry should engage and work cooperatively with Tasracing to grow revenue for the Tasmanian industry having particular regard to the changing customer demographic and highly competitive wagering environment;
- C. The performance payment framework for executive staff of Tasracing be amended to ensure that payments are only applicable when significant defined performance targets are achieved;
- D. A review of the current code funding arrangements be completed, with consideration given to the volume of wagering and the associated return on

investment, in order to achieve greater efficiencies and better outcomes for the industry;

- E. Tasracing give consideration to reporting financial performance by code segment in its external reporting. This information would assist readers to better assess and understand the contribution of each code to the overall company performance;
- F. Tasracing review all opportunities for increasing its revenue raising capacity including but not limited to:
  - a) Racefield fees;
  - b) Racefield size;
  - c) Sponsorship;
  - d) Development of emerging and new wagering markets;
  - e) Consultancies; and
  - f) Training and breeding opportunities.
- G. Tasracing review all areas of operations to identify cost savings measures and reduce expenditure;
- H. The funding arrangements for the industry be reviewed. If Government is to continue with a funding Deed model it should be linked to performance and return on investment.

## **THE FINANCIAL PERFORMANCE OF TASRACING TAKING INTO ACCOUNT ITS HALF YEARLY FINANCIAL POSITION**

62. The viability of the model of funding for Tasracing was of primary concern to the Committee and the half yearly financial position was considered to be an indicator of its performance in that regard.
63. Since the commencement of its operations in 2009, Tasracing had reported total comprehensive losses for the last two financial years.
64. Tasracing confirmed in its written submission to the Inquiry that it had reported a loss of \$414,000 for the year ended 30 June 2010 against a budgeted loss of some \$800,000<sup>18</sup> for the same period.
65. Tasracing also confirmed that it had budgeted for a loss of \$3.239 million for the end of the 2011 financial year.<sup>19</sup> Notwithstanding the estimated loss figure, it was subsequently reported that the 2010/11 actual result was a total comprehensive loss of \$3.607 million.
66. Tasracing also confirmed in their 2010/11 Annual Report that its cash flows had reduced over the same period.<sup>20</sup>
67. Tasracing has failed to grow its revenue stream effectively through the growth and development of the racing product, increased sponsorship or other avenues as was expected by Government when Tasracing was established.
68. Tasracing provided the Committee with a statement of financial performance for the period 1 July 2010 to 31 December 2010. The Committee noted in particular the following points from the explanatory notes associated with the statement:

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<sup>18</sup> Tasracing written submission, p. 3

<sup>19</sup> *Ibid*

<sup>20</sup> Tasracing 2010-11 Annual Report, p28

- Government funding increases each year at CPI minus a 1% efficiency dividend;
- Surplus cash from Government funding is invested in interest bearing accounts at an average rate of 5% per annum;
- Tasracing derives rental income from race clubs for the use of venues and from stables leased to tenants at Brighton and Longford race tracks;
- Sponsorship is largely associated with the summer racing carnival and was budgeted at \$674 thousand for the 2011 financial year;
- Other income is budgeted at \$2.46 million by 30 June 2011;
- There was a negative budget variance in employee benefits expenses due to the commencement of a new enterprise agreement for track staff, additional costs for a Board of Directors and some management inherited from TOTE Tasmania;
- Stakes paid to the industry are required to be maintained in real terms and increased by CPI each year in accordance with the funding Deed;
- A positive budget variance in relation to race day and racing expenses due to a decrease in costs associated with race track maintenance and the purchase of new maintenance machinery.

69. Tasracing informed the Committee that its five year financial forecast had budgeted for an accounting loss for each of the financial years, increasing to a financial loss of \$2.941 million in the 2015/16 financial year. It also advised that the reportable accounting loss was to be covered by non-cash charges (depreciation).<sup>21</sup>

70. The Committee did not receive any other submissions in response to the term of reference.

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<sup>21</sup> Tasracing *op. cit*, p 25-26

**UPDATE OF MATTERS NOTED BY THE AUDITOR-GENERAL (SEE  
REPORT No.2 of 2010, Vol. 3, pp 130-134)**

71. The Auditor-General tables a report in both Houses of Parliament each year in relation to the financial performance of Government Business Enterprises and State Owned Companies.

72. In his 2010 report to the Parliament, the Auditor-General raised concerns in relation to the financial performance of Tasracing and the factors affecting the ongoing viability of the State Owned Enterprise.

*The financial statements were prepared on the basis that Tasracing is a going concern although this is only so due to financial support from the State government. Without this support, it may have been necessary to subject Tasracing's assets to tests for impairment.*<sup>22</sup>

73. The Auditor General also noted:

*The audited financial statements confirm that Tasracing's revenue is dependent on a funding deed with the State government which provides base funding of \$27m per annum plus CPI less 1% over 20 years. This deed also allows for a \$40m debt facility with TASCORP for which Treasury will provide servicing in the form of principle and interest payments, subject to certain conditions. The \$40m debt facility deed was unsigned at the time of finalising the audit.*<sup>23</sup>

74. In consideration of the statements of the Auditor-General, the Committee sought to gain a better understanding of Tasracing's sources of funding and other revenue.

75. Tasracing responded to the concerns of the Auditor-General and those of the Committee. Then Chief Financial Officer Mr Damian Bones stated:

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<sup>22</sup> Auditor-General, *op. cit.* p.130

<sup>23</sup> Auditor-General, *op. cit.* p.131

*I had discussions with the Auditor-General before he wrote his report and his major concern there was that racefield fee legislation had not enabled the collection of fees at that time...But into the future, the fact that the funding deed provides funding that indexed by CPI less 1 per cent and presumably everything else goes up by CPI, including the need to increase our stakes and funding allocations by CPI every year, means that at some stage in the future there will need to be additional revenues other than the base racefield fees that will be provided as were forecast at that time.*

and that

*racefield fees are essential. We need that revenue, otherwise the Auditor-General's concern comes to fruition. That is part of our budget and whilst we were provided with \$27 million plus CPI less 1 per cent, that was on the understanding that at some stage we were going to get racefield fees that we should have been getting.<sup>24</sup>*

76. The Committee also noted Tasracing's advice about the Auditor-General's key assumptions associated with its Corporate Plan:

- Tasracing will incur accounting losses for each of the five years of the plan;
- The losses will be funded by non-cash charges;
- The financial strategy is to operate on a cash neutral basis;
- Treasury will service the \$40 million TASCORP debt;
- Race field fees will be collected from both domestic and international wagering operators.<sup>25</sup>

77. Tasracing confirmed that without the above conditions remaining in place, it would be challenging for the organisation to remain an ongoing concern without significant changes to its business.<sup>26</sup>

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<sup>24</sup> Damien Bones, CFO, *Transcript of Evidence*, 7 June 2011. p, 28-29

<sup>25</sup> Tasracing *op cit*, p, 10-11

<sup>26</sup> Tasracing, *op. cit.* p. 111

78. The Auditor-General supported this position in his report:

*We note that without all of these strategies coming to fruition, there is doubt that Tasracing will be able to continue as a going concern unless it is able to generate income from other sources.*<sup>27</sup>

79. The Committee was concerned that the model of funding that was established was heavily reliant upon ongoing funding from the Government, rather than a model that primarily relied upon commercial activities in order to sustain its operations. The Committee sought to confirm in further detail the model of funding.
80. The Committee received written advice from the Minister for Racing confirming that up until 2009 and the establishment of Tasracing, substantial funding had been received from Betfair in accordance with the *Gaming Control Act 1993* and that the other major component of funding was through TOTE Tasmania.<sup>28</sup>
81. The decision to change the model of funding subsequently transferred the funding burden from industry to the Government, which the Committee noted to be a decision in contradiction with the model of funding found in other jurisdictions.

### **Funding from the Tasmanian Government – The Deed**

82. Tasracing's major source of funding is by means of a Deed between the Crown and Tasracing. The Deed that was originally established with the Tasmanian Racing Board prior to the establishment of Tasracing, provided base funding of \$27 million per annum indexed at a rate of CPI minus a 1% efficiency dividend over the 20 year life of the Deed and subject to a range of other conditions.

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<sup>27</sup> Auditor-General, *op. cit.* p. 131

<sup>28</sup> Correspondence from Minister for Racing dated 11 August 2011

83. Tasracing's position in relation to the Deed was similar to the position expressed by the Auditor-General in his report that without the ongoing Government funding to continue operations '*assets would be subject to impairment testing*'.<sup>29</sup>
84. The Committee also noted references within Tasracing's Corporate Plan to reported challenges associated with the Deed, which included:
- *All expense items are likely to increase by at least CPI each year, subject to market forces; and*
  - *Funding to industry (i.e. stakes) must be maintained in real terms.*<sup>30</sup>
85. The Committee heard from industry witnesses who were also concerned about the viability of Tasracing in respect of the level of funding provided for under the Deed. Some witnesses believed the funding figure was historically up to \$35 million per annum under previous funding models.
86. The Tasmanian Jockey's Association as an example noted:
- How can the industry thrive on this when the Auditor-General states that Tasracing will incur net losses over the next five years mounting to 3.1m to 4.1m. Realistically (for) Tasracing to function properly needs funding of approximately \$36m*<sup>31</sup>
87. These views regarding the level of funding from TOTE Tasmania to the racing industry prior to the structural change were not supported by information contained in TOTE Tasmania's Annual Reports of 2007/08 and 2008/09. These reports stated that the following contributions were made to the racing industry:
- 2009 - \$30,801,917
  - 2008 - \$23,699,874
  - 2007 - \$20,383,156
  - 2006 - \$18,760,873

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<sup>29</sup> Tasracing, *op. cit.* p. 10

<sup>30</sup> Tasracing Corporate Plan, p. 26

<sup>31</sup> Tasmanian Jockey's Association, written submission

- 2005 - \$17,889,538
- 2004 - \$17,594,328<sup>32</sup>

88. The figures contained in TOTE Tasmania's Annual Reports were confirmed in correspondence from the Minister for Racing of 11 August 2011 as outlined in the following table.

| TOTE Tasmania sourced funding             | Note | 2004-05       | 2005-06       | 2006-07       | 2007-08       | 2008-09       |
|---|------|---------------|---------------|---------------|---------------|---------------|
|   |      | \$000         | \$000         | \$000         | \$000         | \$000         |
|   |      |               |               |               |               |               |
| Product Fee                               | 1    | 11 713        | 12 017        | 12 212        | 12 839        | 6 573         |
| Incentive Fee                             | 2    | 1 567         | 1 663         | 2 040         | 2 049         | 1 845         |
| Unclaimed Dividends                       | 3    | 731           | 798           | 757           | 770           | 452           |
| Net operating deficit                     | 4    | 846           | 1 158         | 2 190         | 4 703         | 1 354         |
| Licence Fee                               | 5    | 2 000         | 2 000         | 2 000         | 2 000         | 2 000         |
| Commission to clubs                       | 6    | 1 033         | 1 125         | 1 184         | 1 338         | 776           |
| Distribution to Tasmanian Racing Industry | 7    | -             | -             | -             | -             | 18 802        |
| <b>TOTAL</b>                              |      | <b>17 890</b> | <b>18 761</b> | <b>20 383</b> | <b>23 699</b> | <b>30 802</b> |

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|                                     | Note | 2004-05      | 2005-06      | 2006-07      | 2007-08      | 2008-09      |
|-------------------------------------|------|--------------|--------------|--------------|--------------|--------------|
|                                     |      | \$000        | \$000        | \$000        | \$000        | \$000        |
|                                     |      |              |              |              |              |              |
| Grant funding                       | 8    | 1 060        | 1 060        | 1 060        | 1 060        | 530          |
| Betting Exchange Revenue            | 9    | -            | 4 246        | 5 750        | 4 250        | 2 125        |
| Retaining by TOTE Wagering Division |      |              | (150)        | (210)        |              |              |
| <b>TOTAL</b>                        |      | <b>1 060</b> | <b>5 156</b> | <b>6 600</b> | <b>5 310</b> | <b>2 655</b> |
|                                     |      |              |              |              |              |              |
| Capital Allocation                  | 10   | 22 000       |              |              |              |              |

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89. The Committee could not find any evidence of funding in the order of \$35 million as stated by the industry, which included consideration of additional funding sources through grant funding and betting exchange revenue.

<sup>32</sup> TOTE Tasmania Annual Reports 2007-08 & 2008-09

<sup>33</sup> Response from Minister for Racing of 11 August 2011

<sup>34</sup> *Ibid*

90. The Committee noted that Tasracing's current revenue is relatively stable over the term of the 20 year funding Deed but that funding provided for under the Deed was not sufficient to meet its current and future operating requirements without a growth in Tasracing generated operating revenues.

### **The Deed of Variation**

91. In addition to the funding provided for under the original Deed, the Tasmanian Government also established a \$40 million TASCORP debt facility that was underwritten by means of a letter of comfort through the Department of Treasury and Finance under a Deed of Variation (capital funding facility). The debt facility was established after Tasracing had commenced operations following the failure to sell TOTE Tasmania.
92. Of particular concern to the Committee, was the decision for the debt facility to be underwritten by the Crown. The Committee noted the terms of the underwriting arrangement as confirmed in a letter to Tasracing from then Stakeholder Ministers Aird and Sturges and the potential risk this exposed the Crown to in relation to future liabilities in the event that Tasracing is unable to service the loan.<sup>35</sup>

*The Government will only provide support to Tasracing where it is unable to fund the principal, interest and guarantee fee costs itself. We understand that the ability of Tasracing to fund these payments will depend to a large extent on the growth in its interstate and international product fee revenue.*<sup>36</sup>

93. With no expectation of Tasracing performing financially in a position other than cost neutral at best for the period of the forward estimates,<sup>37</sup> the likelihood of Tasracing being able to meet these repayments is limited and unlikely.
94. The Committee noted that access to the debt facility was subject to a business case being accepted by the Department of Treasury and Finance.<sup>38</sup>

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<sup>35</sup> Tasracing, *op. cit.* p. 10

<sup>36</sup> Correspondence from Shareholder Ministers to Tasracing of 23 February 2010

<sup>37</sup> Tasracing, *op. cit.* p. 25

<sup>38</sup> Tasracing, *op. cit.* p. 10

95. The Committee was concerned that there was broad discretion for the Crown to approve an application from Tasracing regardless of the commercial viability of the proposal having been demonstrated under the business case and that social factors appeared to carry significant weight in the approval process.
96. In the case of the Spreyton racecourse redevelopment, the Committee noted the Department of Treasury and Finance advice that '*whilst the proposal did not generate a commercial return, there were a number of broader industry benefits which potentially justified supporting the project*'.<sup>39</sup> This position was underpinned by the consultant report completed by Wise Lord and Ferguson in July 2010 as part of the 'Tasracing Business Case for Spreyton Park Racecourse Redevelopment'.
97. The Committee was unclear as to why the consultant report was commissioned given the decision of the Government to clearly support the project on non-commercial grounds in any case.
98. Tasracing explained their understanding of the Deed of Variation arrangements for the debt facility:
- ... it includes the provision of financial support from Treasury for a \$40 million facility with TASCORP. The deed broadly provides that Treasury will meet principle and interest payments on the debt facility if Tasracing demonstrates the inability to do so each year. In addition to receiving this financial support, Tasracing must provide a detailed business case to Treasury in order to receive approval for draw down of funds for major capital projects of industry initiatives. The business case must address standard Treasury and funding deed requirements, including demonstrating a long term benefit to the racing industry.*<sup>40</sup>

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<sup>39</sup> Department of Treasury and Finance Question Time Briefing on Spreyton Racecourse – 30 September 2011

<sup>40</sup> *Ibid*

99. The Committee noted that the types of projects that would be funded under the debt facility included the redevelopment of the Spreyton racecourse track and the possible redevelopment of the Elwick racecourse track surface in order to meet the requirements of its strategic plan.
100. Some concern was raised by code stakeholders in relation to the debt facility. Ms Denise Fysh from the Greyhound stakeholder group stated
- I think the \$40 million is one of the biggest bugbears. It doesn't give security to the industry about how that will be repaid, and what effect it will have on the industry in the long term.*<sup>41</sup>

### **Racefield Fees**

101. The other major source of funding revenue was noted to be from race field fees, which Tasracing confirmed to be income derived from fees from wagering operators for the publication and use of Tasmanian race field information.<sup>42</sup>
102. Due to the delays in the enactment of the *Racing Regulation Amendment (Race Fields) Act 2011* following the failed sale of TOTE Tasmania during 2009, Tasracing was unable to gain revenue from race field fees upon the commencement of its operations.
103. Tasracing was consistent in its evidence that racefield fees were a critical component of its income.
104. Tasracing advised the Committee that it had budgeted for \$4.8 million in race field fees revenue for the 2010/11 financial year and had later revised the figure down to \$3.2 million.
105. Tasracing did however acknowledge<sup>43</sup> that it had received the equivalent of the budgeted race field fees from TOTE Tasmania for the 2009/10 financial year in

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<sup>41</sup> Ms Denise Fysh, *Transcript of Evidence*, 5 July 2011 p.30

<sup>42</sup> Tasracing, *op. cit.* p. 2

lieu of legislation having been enacted and that the race field fees were backdated to October 2010 following the enactment of legislation.

106. Tasracing noted it faced commercial challenges in relation to the indexation of funding under the Deed being CPI less 1% but noted their ability under the legislation to increase race field fees in the future<sup>44</sup> in order to counter this increasing liability.

### **Other Sources of Revenue**

107. Tasracing referred the Committee to its current Corporate Plan for further information in relation to the strategies being developed to deliver revenue growth.
108. The Committee noted that Tasracing had focused on restructuring its business in order to realise some cost savings and that its 'stretch goal' was to achieve additional revenue of \$5.25 million by 2015. The major projects to be achieved under the Corporate Plan were noted to be:
- Industry Training and Sustainability;
  - Racing Product;
  - Infrastructure;
  - Customers and Markets;
  - Distribution; and
  - Organisational systems and development.
109. Amongst the strategies being developed, the Committee noted the emphasis under the plan of increasing revenue from off course wagering, particularly in international and emerging markets and through new time slots domestically.
110. It was also noted that the plan prioritised meeting the needs of customers through the distribution chain and the associated need to redevelop track infrastructure.

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<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid* p. 11

111. The training and development of the industry was also noted as important in order to professionalise the industry more generally. The move away from a model that was primarily intended to meet the needs of industry to a model that focused on meeting the needs of the customer was also noted.
112. The Committee was unable to evaluate the success or otherwise of the projects being adopted by Tasracing under the Corporate Plan in order to grow revenue due to the plan being in its infancy. The announcement from Tasracing on 14 February 2012 of an agreement for the broadcast of some Tasmanian racing events into the French Thoroughbred racing market through Sky Channel was however noted as some preliminary evidence of the strategy achieving results.
113. The Committee questioned the progress towards the achievement of industry training and sustainability given the range of negative feedback amongst the code stakeholders, which did not show evidence of the industry embracing the Corporate Plan. The Committee concluded that this was indicative of an industry that was not broadly embracing change and lacking confidence in Tasracing.
114. Unless substantial progress was made towards the achievement of the goals set under the Corporate Plan, the concerns of the Auditor-General would remain ongoing.
115. Aside from the Corporate Plan, the Committee noted other revenue sources to include advertising activities and leasing arrangements.
116. The Tasmanian racing industry is in a unique position as a result of the funding arrangements put in place by the Government. No other jurisdiction was found to have such an arrangement in which the industry is guaranteed funding regardless of their performance.

## **FACTORS IMPACTING UPON THE ONGOING PROFITABILITY AND SUSTAINABILITY OF TASRACING**

117. The Committee received a range of evidence in relation to the factors that may impact upon Tasracing's ongoing profitability and sustainability.
118. Evidence was received from Tasracing and a strong response was received from industry code stakeholders.
119. Tasracing noted that it was disappointed with the funding arrangements that were put in place at the commencement of their operations.

*Funding commitments provided by the then Treasurer on establishment of Tasracing in 2009 and subsequent provision of a Funding Deed, provided a financial challenge for ongoing future operations.*

and that

*To ensure Tasracing is able to continue to service the racing industry and meet its obligations to all stakeholders, additional revenue will be required to fund operations.<sup>45</sup>*

120. This position was supported by many of the stakeholders who gave evidence to the Inquiry. Mr Neil Herbert from the Thoroughbred racing code stakeholder group noted in relation to this issue that:

*If you look at last year's budget, it was \$35.8 million –what they turned over. If they get their race fields' legislation, and assuming they can sell that to everybody, their own estimates are \$4.3 million, so if you add \$27 million and \$4.3 million you are looking at about \$32 million. If they use the same budget as the year before, they are still \$3 million or \$4 million behind.<sup>46</sup>*

121. Tasracing also confirmed that it would never be in a position to operate without Government financial support:

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<sup>45</sup> *Ibid*, p. 13

<sup>46</sup> Mr Neil Herbert, *Transcript of Evidence*, 5 July 2011, p. 9

*Whilst the racing industry provides significant employment it is not sustainable without extensive Government funding. Through Tasracing, the Government has taken on the responsibility of subsidising the cost of racing for participants and clubs.*

and that

*Tasracing is pursuing opportunities to supplement Government funding through industry generated revenue. This however will not have an immediate impact.*<sup>47</sup>

122. Tasracing also advised the Committee that its strategy to grow revenues involved changing the primary focus on meeting the needs of the stakeholder participants, to one focused more on the needs of wagering customers.<sup>48</sup>

123. Tasracing submitted that its operations were currently impacted upon by the following factors:

- *An uncertain economic environment that directly affects the disposable income of customers of the racing industry;*
- *A statutory responsibility to manage the racing industry whilst at the same time maximising the industry's revenue to reduce its dependence on government funding;*
- *A variety of non-commercial community responsibilities, based on tradition, to provide race days for the community. These 'community' race meetings cannot provide competitive product for off-track wagering customers and the continuation of the community benefits will need to be continually assessed in relation to costs;*
- *Environmental and animal welfare responsibilities that are directly connected to the community perceptions of the racing product;*
- *A changing societal and cultural landscape with generational shifts resulting in changing customer demands. Generation X and Y have 'instant' entertainment requirements that the traditional racing industry is not well positioned to offer;*

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<sup>47</sup> Tasracing, *op. cit.* p. 13

<sup>48</sup> Tasracing, *op. cit.* p. 14

- *Technological trends which present both opportunities in product distribution, but also significant risks by providing more entertainment options (broadcast, wagering or otherwise), to the increasingly mobile customer.*<sup>49</sup>

## **Off-Track Wagering and the development of new markets**

124. The limited size of the Tasmanian wagering market was put forward by Tasracing as a major factor for the development of a strategy that focused on the off track wagering customer market under their Corporate Plan.
125. Tasracing noted that it needed to develop a regular and reliable off-track product rather than the traditional reliance on local on-course wagered events in order to increase revenues and maintain an ongoing viable industry.
126. Tasracing acknowledged the challenges associated with establishing and maintaining international markets. In its opinion, it held a competitive advantage in relation to its ability to maintain outstanding infrastructure that could be adjusted to meet the needs of international customers. Its competitive advantage was noted to be that Tasmania was a niche product.
127. Mr Lottering noted in relation to the development of off-track markets overseas that:

*We have spent some time in Asia talking to racing entities in Singapore and Malaysia, as that is considered to be one of the most effective markets exploiting our night-time product. We have spent some time talking to customers in the UK and France who are, given the time frames that we operate under, potential customers for us in the future. It has been about fact finding.*<sup>50</sup>

and that in relation to demand across the codes that

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<sup>49</sup> Tasracing, *op.cit.*p. 18

<sup>50</sup> Mr Gary Lottering, Tasracing, *Transcript of Evidence*, 7 June 2011, p. 11

*At the moment there is demand for thoroughbred racing. There is no demand in Asia for greyhounds. There is a demand in Europe and probably UK for greyhounds. There is very little demand for harness. New Zealand actually takes our harness product. That is probably one of the predominant markets for that. South Africa, there is some opportunity, but in Europe and the US it is all trotting, which is a different racing experience altogether.*<sup>51</sup>

128. Mr Lottering's position was supported to some extent by Mr Brendan Parnell from Sky Channel, who noted the long term prospects of developing international markets and the likelihood of them remaining a secondary revenue source for Australian racing jurisdictions:

*Yes, it is an opportunity to increase or decrease the reliance on domestic turnover, is the long-term view we have taken. We do not see it becoming the majority funder of racing in the mid to long term. It is probably more like later in this decade before you even think it could be possible, but it would need an awful lot of offshore betting to offset what is earned by racing within Australia.*<sup>52</sup>

129. In relation to access to the Asian market specifically, Mr Parnell noted:

*What I'd do is I'd say that is a mid-term ambition, they should hold onto the short-term ambitions. The Asian market, whilst on the outside it appears lucrative, has a large number of closed markets, so it is illegal to bet on foreign racing in Korea, Japan and a number of other Asian countries. But where they're positioned is to take advantage mid-term of when some of those markets in Singapore, Hong Kong and Macau begin to open up. It has taken something like five years for Macau to take one Australian race and that is a huge gambling market. No-one should kid themselves that there is a honey pot in the short term, yet there is reasonable money at Singapore for some weekend racing, which is good, but it is a mid-term proposition.*<sup>53</sup>

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<sup>51</sup> *Ibid*, p. 14

<sup>52</sup> Mr Brendan Parnell, Sky Channel, *Transcript of Evidence*, 30 March 2012, p. 6

<sup>53</sup> *Ibid*, p, 8

130. In relation to the challenges associated with the introduction of night racing as part of the development of new markets, the Tasmanian Turf Club noted in their written submission that there were a number of impediments to night racing including:
- Inconsistent scheduling of race dates;
  - The refusal of jockeys to ride after 7pm from May to September;
  - A suitable timeslot being secured with Sky Channel.<sup>54</sup>

## Broadcasting

131. The Committee received a range of evidence in relation to the challenges associated with Tasracing's access to broadcast coverage across Australia and internationally through Sky Channel and TVN.

132. The Committee noted that coverage arrangements were a critical factor in growing the off-track wagering market.

133. Mr Lottering said of the relationship with Sky Channel that:

*I think we have a very good relationship with Sky Channel....Because of the wagering environments and the markets that they are in at the moment, I think the relationship that I have with Sky Channel is very good.*<sup>55</sup>

134. Mr Parnell noted the proactive nature of the relationship with Sky Channel:

*We probably meet with them regularly via e-mail and phone and at least quarterly to six-monthly face to face to look at programming opportunities and to review how different slots are performing and that is going quite well. Gary Lottering, their CEO, manages that quite proactively to the extent that he probably gets more air time with Sky than some of the other States do and that is the benefit of having one organisation that manages all three codes of racing.*<sup>56</sup>

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<sup>54</sup> Tasmanian Turf Club, written submission

<sup>55</sup> Mr Gary Lottering, *op.cit.* p. 17

<sup>56</sup> Mr Brendan Parnell, *op cit*, p, 3

135. Tasracing noted that premium slots with Sky Channel were oversubscribed by competing interstate events and that, in its opinion, the main opportunities for Tasmania were in the development of new timeslots, including night racing across the three codes.<sup>57</sup>

136. Further to this point, Mr Lottering noted:

*We have been racing on Sunday afternoons for the last eight or 10 years, that is one of the most competitive slots in the week. If we want to be competitive and try to get ahead we need to be looking at what else is available so we can send our product to be wagered on and that we will get better returns from.*<sup>58</sup>

137. This view was supported by Mr Parnell from Sky Channel who noted the competition across Australian jurisdictions for many of the most popular timeslots:

*Those end-of-week timeslots are quite competitive. I am sure you know the different days that Tasmania races. Most Sundays Tasmanian thoroughbreds race, they have pacing on Sunday evenings, greyhound racing Monday to Thursday nights and Tuesday afternoons. There is competition from Tasmania and all the other States in Australia for those timeslots. Tasmanian thoroughbreds have provided very regular Sunday racing, but when we measure how popular it is with punters compared to New South Wales, Victoria and Queensland thoroughbred meetings on Sundays, it generally sits somewhere between fifth and seventh most popular race meetings on the day in the daytime slot only. Despite efforts, we have worked with Tasracing and they are a very proactive organisation, to fly some interstate jockeys in and grow their field size, the weight of the betting dollars and the viewing eyeball says that on a good day they might be up to fourth or fifth best meeting, but generally they are between fifth and seventh, and quite often around sixth on that timeslot.*<sup>59</sup>

138. Mr Lottering outlined some of the challenges in establishing international broadcasting rights:

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<sup>57</sup> Tasracing, *op. cit.* p. 20

<sup>58</sup> Mr Gary Lottering, *op. cit.* p. 12

<sup>59</sup> Mr Brendan Parnell, *op cit*, p, 2

*We were given to believe it was an opportunity where, if you had the product – for example, night racing – there were opportunities where that product could be exported to. What we found is that we are competing against New South Wales, Victoria and so forth who are looking to compete in the same markets. So now we are looking to see whether we can take the edge on that and saying that we have to be in with the customers and try to establish those relationships in order to get one step ahead of those who are looking to export into the same markets.*<sup>60</sup>

139. Mr Neil Herbert from the Thoroughbred stakeholder group stated in relation to night racing that:

*Originally the Tasmanian Turf Club understood that opening night racing for lighting of the TOTE Racing Centre was being beamed into several overseas jurisdictions. To date this has not occurred and we have no detail from Tasracing, which has been in existence nearly three years now, of any achievement of our racing going global.*<sup>61</sup>

140. In relation to the quality of product provided to Sky Channel, Mr Lottering noted that:

*We need to make sure we have depth among the races, the venues are appropriate assets for them to race on, and that we are looking at what we can do in terms of programming.*<sup>62</sup>

141. As referred to elsewhere in this report, the Committee was encouraged by the recent announcement by Tasracing of a broadcasting arrangement having been secured through Sky Channel into the French Thoroughbred market.

142. Tasracing also advised the Committee that it had inherited an existing long term agreement with Sky Channel that had significant constraints placed upon its

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<sup>60</sup> *Ibid*, p. 11

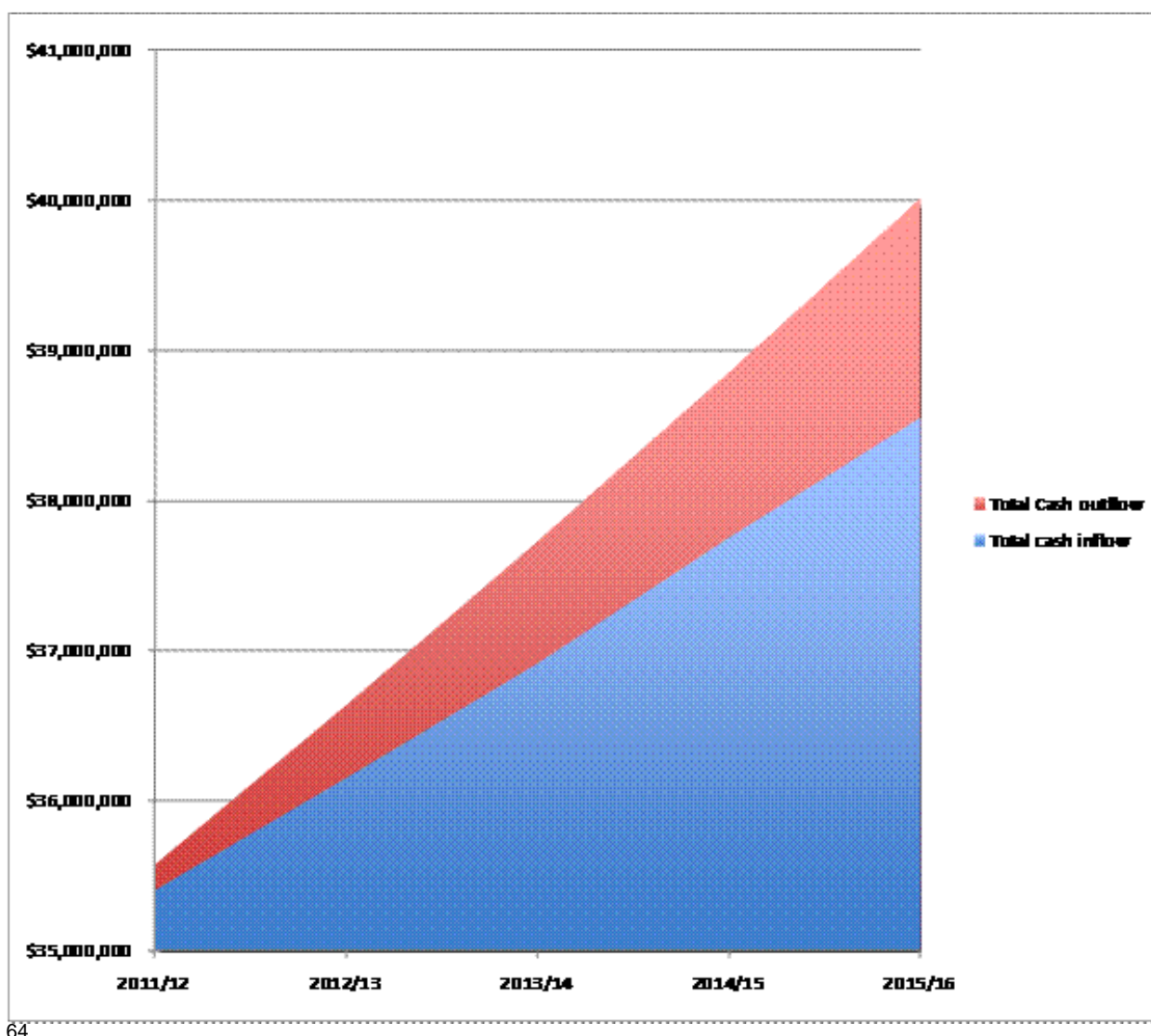
<sup>61</sup> Mr Neil Herbet, *op. cit.* p. 1

<sup>62</sup> Mr Gary Lottering, *op. cit.* p. 17

activities, although the nature of the constraints were not quantified during the Inquiry.<sup>63</sup>

## Funding and Revenue

143. Tasracing provided the Committee with information in relation to the challenges associated with the Deed for its funding arrangements with the Tasmanian Government and provided a chart that outlined the additional funding/revenue it must find over time.



<sup>63</sup> Tasracing, *op. cit.* p. 21

<sup>64</sup> Tasracing, *op cit.* p.22

144. Tasracing noted that in its opinion, funding challenges could be addressed by increases in race field fees, reductions in costs and by additional revenue being generated.
145. Tasracing also provided the Committee with information in relation to its forward estimates for revenue, expenditure, cashflow and other charges.

*Please go to next page*

|                                     | 2011/12            | 2012/13            | 2013/14            | 2014/15            | 2015/16            |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUE</b>                      |                    |                    |                    |                    |                    |
| Government base funding             | 28,060,200         | 28,621,404,        | 29,193,832         | 29,777,709         | 30,373,263         |
| Race field fees                     | 4,877,775          | 5,024,108          | 8,174,831          | 5,330,076          | 5,489,979          |
| Sponsorship revenue                 | 1,110,000          | 1,110,000          | 1,110,000          | 1,165,500          | 1,165,500          |
| Other (rental and publication)      | \$35,222,584       | 35,965,360         | 36,724,806         | 37,556,812         | 38,350,774         |
| <b>OPERATIONAL EXPENDITURE</b>      |                    |                    |                    |                    |                    |
| Asset Maintenance                   | 4,309,876          | 4,439,172          | 4,572,347          | 4,709,518          | 4,850,803          |
| Tasracing operations                | 4,459,654          | 4,593,444          | 4,731,247          | 4,873,185          | 5,019,380          |
| Club funding                        | 1,313,509          | 1,352,914          | 1,393,502          | 1,435,307          | 1,478,366          |
| Marketing                           | 800,000            | 824,000            | 848,720            | 874,182            | 900,407            |
| Stakes                              | 21,589,00          | 22,236,670         | 22,903,770         | 23,590,883         | 24,298,610         |
| Raceday costs                       | 1,720,294          | 1,771,903          | 1,825,060          | 1,879,812          | 1,936,206          |
| <b>Total Cash outflow</b>           | <b>34,192,334</b>  | <b>35,218,104</b>  | <b>36,274,647</b>  | <b>37,362,886</b>  | <b>38,483,773</b>  |
| <b>*Net cash Inflow/(outflow)</b>   | <b>1,030,250</b>   | <b>747,256</b>     | <b>450,160</b>     | <b>193,926</b>     | <b>(132,998)</b>   |
| <b>OTHER CASHFLOWS</b>              |                    |                    |                    |                    |                    |
| Additional loan servicing           | 226,000            | 226,000            | 226,000            | 226,000            | 226,000            |
| Equipment replacement/minor works   | 800,000            | 824,000            | 848,720            | 874,182            | 900,407            |
| <b>** Net cash Inflow/(outflow)</b> | <b>4,250</b>       | <b>39,756</b>      | <b>10,215</b>      | <b>170,563</b>     | <b>484,218</b>     |
| <b>ACCOUNTING/NON CASH CHARGES</b>  |                    |                    |                    |                    |                    |
| Depreciation                        | 2,942,448          | 3,526,048          | 4,226,048          | 4,326,048          | 4,326,048          |
| <b>TOTAL PROFIT/(LOSS)</b>          | <b>(2,138,198)</b> | <b>(2,662,292)</b> | <b>(3,367,113)</b> | <b>(3,281,304)</b> | <b>(2,941,423)</b> |

65

In particular, the Committee noted its forward estimates from international or emerging markets were forecast to increase to \$2 million over the 5 year forward projections.

<sup>65</sup> Tasracing, *op cit*, p.25

146. The Committee noted that revenue growth through increased wagering turnover appeared to be the major strategic area of focus for Tasracing in order to achieve any significant growth in revenue.
147. As part of the update provided by Tasracing in its correspondence of 24 April 2012, it included confirmation of the revenue derived from each of the three codes.

| <b>Total revenue</b>                    | <b>Company</b> | <b>Thoroughbred</b> | <b>Harness</b> | <b>Greyhound</b> | <b>Total</b>      |
|---|----------------|---------------------|----------------|------------------|-------------------|
| <b>FY10 (12 months)</b>                 | 33,742,201     | 1,207,437           | 130,783        | 296,500          | <b>35,376,921</b> |
| <b>FY11 (12 months)</b>                 | 28,919,131     | 2,638,904           | 805,815        | 1,543,123        | <b>33,906,973</b> |
| <b>FY12 Year to date<br/>(9 months)</b> | 29,318,985     | 1,830,064           | 840,556        | 1,350,600        | <b>33,640,204</b> |

<sup>66</sup>

148. Tasracing provided the following notes in relation to the tables in its response:

Notes to Table:

- \$5.1m was received in FY10 from Tote for operational funding – this has not been attributed to the Codes. Race field revenue replaced this operational funding from Tote however the race field legislation only applied from November 2010 hence the reduction in revenue from FY10 to FY11 (\$3.2m of race field revenue generated in FY11).
- FY11 includes \$0.72m of income from Clubs (\$0.45m from Thoroughbred and \$0.27m from Greyhound) which ceased at 30 June 2011 when the new Club Funding model was introduced. The financial impact in FY12 is offset by an equivalent reduction in Club Funding payments in FY12.
- FY12 Race field revenue has been allocated to Codes on latest information available and will be reassessed once all operators have reported for FY12.
- Trends in race field revenue generation to December 2011 (up 1.48% over FY11) compare favourably to industry trends (e.g. Tabcorp's first half results show a like decline of 6.5% in Totalisator revenue in FY12).<sup>67</sup>

<sup>66</sup> Tasracing response to Committee of 23 April 2012

149. The Committee noted the contribution of the Harness racing code to total revenue in comparison with the other codes and that this might require further consideration.
150. Tasracing advised that it had been focusing on the following areas of their operation in order to deliver cost efficiencies:
- Race day costs;
  - Marketing;
  - Assets;
  - Labour and administration expenses.<sup>68</sup>

### **Industry Stakeholders**

151. The Committee noted the broad range of racing clubs that Tasracing must liaise with and provide funding to as part of its operation and sought to gain further information in relation to the efficiencies being delivered within the industry.
152. Tasracing confirmed that there are fifteen racing clubs in Tasmania and that they ranged from volunteer organisations to larger organisations employing staff. Tasracing advised that the racing clubs were independent bodies that had no direct accountability to Government, Tasracing or other industry stakeholders. It was noted that there were also a number of other industry stakeholders across the three codes.
153. Tasracing advised the Committee that the role of the clubs was in relation to:
- Membership support;
  - The provision of casual race day staff;
  - The promotion of on-course attendance;

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<sup>67</sup> *Ibid*

<sup>68</sup> Tasracing, *op.cit.* p. 24

- Sourcing sponsorship; and
- Providing hospitality facilities.

154. The role of Tasracing was noted to include responsibility for:

- Ongoing maintenance of racing assets and infrastructure (country clubs are responsible for the maintenance of their own facilities);
- Providing prize money (stakes);
- The management of vision and broadcast arrangements with Sky Channel;
- Race programming (the provision of fields);
- Marketing;
- Management of insurance covers and
- Occupational Health and Safety compliance.<sup>69</sup>

155. Tasracing advised the Committee that the current model had developed over time as the move to off course wagering activity developed, which in their opinion, was compatible with an efficient centralised platform.<sup>70</sup>

156. Mr Lottering stated that:

*I think the consolidation of the three codes under one corporate entity makes a lot of efficiencies....Trying to look at three codes of racing will always be challenging because you are looking at three different types of markets and three different types of stakeholders, but I think bringing it all together under one roof we can see that where we can actually try to maximise one to benefit the other.<sup>71</sup>*

and that

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<sup>69</sup> Tasracing, *op. cit.* p. 27

<sup>70</sup> *Ibid*, p. 27

<sup>71</sup> Mr Gary Lottering, *op. cit.* p. 7

*As a result of the colocation we can speak as one for all three codes with regard to Sky Channel, with regard to maintaining our assets and with regard to any number of things that we talk about which gives: (a) economy of scale, (b) continuity of expertise to the codes that they didn't have in the past.<sup>72</sup>*

157. Mr Lottering also noted in relation to the history of racing in Tasmania and the challenges associated with the current change within the racing industry that:

*I think the challenge is about change. We find that in industry, and especially in racing industries worldwide, there is a reluctance to change. We have had the status quo and it has worked for us for a long time.<sup>73</sup>*

158. The Committee also heard from a range of industry stakeholders and they described challenges associated with remaining viable. The most significant issue raised apart from the perceived relationship with Tasracing was the issue of prize money and the number of races.

159. Mr David Adams from the Thoroughbred code noted in relation to the general perception of the industry's relationship with Tasracing that:

*There seems to be a lack of confidence in the way Tasracing is handling the industry. As Neil alluded to earlier, there is no transparency, we do not have any consistency in programming and so looking to the future, the way things are at the present time from an owner's perspective, we just do not see any.<sup>74</sup>*

160. Mr Adams also noted in relation to the income derived from the industry by stakeholders that:

*A substantial component of your funding goes to prize money. Prize money has not increased for probably four or five years. In that time, costs have increased by about 40 per cent. That is the problem that we are running into now.<sup>75</sup>*

and that

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<sup>72</sup> *Ibid*, p. 9

<sup>73</sup> *Ibid*, p. 13

<sup>74</sup> Mr David Adams, *Transcript of Evidence*, 5 July 2011, p. 2

<sup>75</sup> *Ibid*, p. 11

*The only reason that the prize money level is staying is that they have reduced the number of races from 90 to 68. That is the only way that the prize money is really staying around where it is. If we had stayed with the 98 race meetings, or thereabouts, we would be broke.*

161. Mr Philip Swinton from the Thoroughbred code provided a different perspective in relation to this point:

*Obviously a larger funding pool would be a great option but, notwithstanding that, more race meetings are vital to the industry to sustain jockeys, to sustain owners and to sustain trainers.<sup>76</sup>*

162. The Jockey's Association also raised similar issues in its written submission:

*Nothing has changed in the department of stakes money and the number of race meetings. The local jockeys are barely surviving especially in light of the amount of race meetings in Tasmania. There are only 68 race meetings in Tasmania compared with 95 meetings in the late 1990s. ...Tasmanian Racing is the only Thoroughbred Racing Industry in Australia that has decreased their race meetings as compared to other States and Territories.<sup>77</sup>*

163. At the hearing, Mr Kevin Ring from the Jockey's Association noted with concern some of the issues associated with the industry:

*There is no programming. No one knows from every few months what is going on as far as the next programming system is concerned.....We are the only State in Australia that has decreased race meetings whereas all the other States, including South Australia and Western Australia, which only used to have a couple of TAB meetings a week, have increased all their race meetings. We have decreased. That just shows how the industry is doing.<sup>78</sup>*

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<sup>76</sup> Mr Philip Swinton, *Transcript of Evidence*, 5 July 2011, p. 12

<sup>77</sup> Tasmanian Jockey's Association, *op. cit.* p. ?

<sup>78</sup> Mr Kevin Ring, *Transcript of Evidence*, 5 July 2011, p. 3

164. Mr Walter McShane from the Thoroughbred code also noted from the perspective of thoroughbred racing stock that:

*The view of Tasracing has been to improve the stock...If you get rid of those horses you get rid of their owners too and it puts a very bad taste in their mouth. The idea of Tasracing improving our stock and only racing good horses in fewer races does not work.*<sup>79</sup>

165. Tasracing was requested to provide an update in relation to its progress towards the achievement of its 5 corporate goals (participation, product, customer, organisation and review) under its Corporate Plan by correspondence of 2 April 2012.
166. In its response of 23 April 2012, Tasracing confirmed that the early implementation of the plan had not yet demonstrated corresponding revenue growth.

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<sup>79</sup> Mr Walter McShane, *Transcript of Evidence*, 5 July 2011, p. 3

## **REVIEW OF THE RESPECTIVE ROLES OF THE DEPARTMENT OF INFRASTRUCTURE, ENERGY AND RESOURCES (DIER) AND TASRACING IN RELATION TO THE ADMINISTRATION OF THE TASMANIAN RACING INDUSTRY**

167. The Committee received evidence concerning the roles of Tasracing and the Department of Infrastructure, Energy and Resources – Racing (DIER) in relation to the administration and probity of the Tasmanian racing industry.
168. Evidence was received from Tasracing, the Director of Racing Services (DIER), industry stakeholders and from interstate jurisdictions.
169. In general, the majority of witnesses were in favour of the current model of operation. The exception to this view was primarily Tasracing, who expressed some concerns in relation to the current model and believed that efficiencies could be gained by the amalgamation of Racing Services and Tasracing under one body.

### **New Model of Operation**

170. It was noted from the outset that the model of operation in Tasmania, which had resulted in the separation of integrity (Racing Services), wagering (TOTE Tasmania) and administration (Tasracing), is, in the same way as the funding arrangements, a unique model in Australia.
171. Tasracing noted in relation to the models of operation within racing jurisdictions, that most jurisdictions had a wagering business that was separate to the administration and integrity management that is under the responsibility of a principal racing authority/s and independent appeals body.<sup>80</sup>

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<sup>80</sup> Tasracing, *op. cit.* p. 35

172. The Western Australian model was noted as an exception, whereby Racing and Wagering Western Australia was established in 2003 as the controlling authority for Thoroughbred, Harness and Greyhound racing as well as having responsibility for off-course TAB wagering.<sup>81</sup>
173. Tasracing noted that in its opinion, the reason for the Government decision to separate integrity and administration functions in Tasmania was due to a perceived conflict of interest between administration and integrity concerns.<sup>82</sup>
174. This position was confirmed by DIER in its written submission, noting that a review was initiated by the Minister for Racing in August 2008 in relation to the governance structures for the Tasmanian racing industry
- In response to concerns expressed by key industry stakeholders that the existing governance structure is unnecessarily cumbersome, confusing and not achieving desired outcomes.*<sup>83</sup>
175. As a result of the review, DIER confirmed that the Director of Racing and the Chief Executive Officer of TOTE Tasmania recommended a number of reforms to the governance model in Tasmania. This led to the Government introducing new legislation, which was passed by the Tasmanian Parliament in November 2008.<sup>84</sup>
176. The model introduced in Tasmania in 2008 and which began operations at the commencement of 2009 was quite different to the previous operating model. Previously, there were three Code Councils that received administrative support from TOTE Tasmania. It was noted that in this way, administration and wagering were previously combined under the one organisation's responsibility and that Racing Services was responsible for integrity services.<sup>85</sup>

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<sup>81</sup> Racing and Wagering Western Australian Annual Report 2010/11, p. 7

<sup>82</sup> *Ibid*,

<sup>83</sup> DIER written submission, p. 1

<sup>84</sup> *Ibid*

<sup>85</sup> Tasracing, *op. cit.* p. 32

177. As part of the reform process, the powers and functions of the existing Code Councils were transferred to a new Tasmanian Racing Board and to the Director of Racing respectively. An Integrity Assurance Board was also established to deal with appeals from decisions of the Director of Racing. After six months of operation, the Tasmanian Racing Board was transformed into Tasracing in mid 2009 under the *Racing (Tasracing) Act 2009*.<sup>86</sup>

178. The Director of Racing, Mr Tony Murray explained the model that was established:

*So you have Tasracing – which undertakes the role of the controlling body, makes rules, makes policies, makes licence requirements – and we are the police of the industry. We independently enforce the rules and the policies and the requirements set by Tasracing.*<sup>87</sup>

179. As a result of the new model being established, TOTE Tasmania was no longer responsible for racing administration in order to focus its attention on wagering operations.

180. Tasracing noted the reasons for the restructure of the industry in 2008 to have included:

- To strengthen the commercial and integrity functions in response to a dynamic and competitive wagering environment;
- To overcome inter-code rivalry;
- A new business and customer focus;
- To develop a better product with greater appeal to wagering customers.<sup>88</sup>

181. Tasracing noted that in its opinion, there were structural weaknesses in the current legislation in respect to the roles of Tasracing and Racing Services. In particular,

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<sup>86</sup> *Ibid*, p. 33

<sup>87</sup> Director of Racing, Mr Tony Murray, *Transcript of Evidence*, 2 August 2011, p. 2

<sup>88</sup> Tasracing, *op. cit.* p. 32

Tasracing was concerned that the weaknesses had the potential to compromise the effective governance of the racing industry.<sup>89</sup>

182. Tasracing believed that the defined responsibilities of the Director of Racing under the *Racing Regulation Act 2004*, which were prescribed to include ‘*regulating and controlling racing to ensure that it is conducted with integrity, researching and investigating racing integrity and related matters and liaising with authorities and persons responsible for racing integrity*’ were too broad.

183. Tasracing also contended that there was overlap in function and powers between the two organisations including issues relating to:

- Integrity;
- Representation;
- The interpretation of ‘control’ for each code.<sup>90</sup>

184. The Director of Racing, Mr Murray did not agree with this position

*we are independent and we can enforce those rules free of any conflicts of interest, free of any commercial considerations – and quite often there is a conflict. When we are enforcing a rule there is a conflict between the integrity and enforcement of that rule and commercial interests.*<sup>91</sup>

and that

*The Tasmanian culture is a smaller pond, if you like, and there are a lot more conflicts of interest, a lot of people who know people, so there is that interaction which does not occur in other States.*<sup>92</sup>

185. Mr Murray was also of the view that there would be negligible cost savings in the merger of operations:

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<sup>89</sup> *Ibid*, p. 34-35

<sup>90</sup> *Ibid*

<sup>91</sup> Mr Tony Murray, *op. cit.* p. 2

<sup>92</sup> *Ibid*, p. 3

*All stewards' functions amount to about 47 per cent of the RST budget. With any merger you couldn't reduce the stewards' part of it. You couldn't have fewer stewards at race meetings, you couldn't take fewer swabs; if anything we should be taking more swabs and have more stewards. So straight away I would say that 47 per cent of our budget is non-negotiable.*<sup>93</sup>

186. The Committee heard from interstate jurisdictions about their models of operation. Mr Terry Arbon from the Office of Racing South Australia noted in relation to their model, that there was not an overarching body but that there was a corporate entity for each of the codes:

*They run their own business and the Government does not, and cannot, seek to intervene in the day-to-day management of the industry. Government's dealing with the racing industry is now at a macro level and revolves around major policy issues.*<sup>94</sup>

187. The Committee noted from the South Australian model that the industry codes were effectively in control of their own commercial operations and in that regard, there was an equivalent of Tasracing for each of the three codes. Of significance, the controlling authorities were noted to be responsible for administration and integrity.

188. Mr Arbon noted in relation to the success of the model that it was in his opinion 'working well', although there had been some challenges with the Harness racing code due to the common tensions between city and country racing clubs.<sup>95</sup>

189. Mr Arbon also noted that he could not see any benefit in integrity and the administration functions being separate on the proviso that:

*If you have a strong board of directors and they manage the situation, then I do not see a problem. I guess if there were personal conflicts, there may be.*<sup>96</sup>

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<sup>93</sup> *Ibid*, p. 4

<sup>94</sup> Mr Terry Arbon, *Transcript of Evidence*, 26 September 2011, p. 2

<sup>95</sup> *Ibid*, p. 3

<sup>96</sup> *Ibid*, p. 4

190. Mr Arbon was also asked about the benefits of combining administrative and integrity responsibilities, and advised:

*I think it probably cuts down on staffing levels. I think it is probably easier for the chief executive of one to oversee both and that person report to the board rather than two report to the board. In my view, it is easier to manage. I think New South Wales has probably found that too.*<sup>97</sup>

191. Of significance, it was noted that each of the three codes had a professional peak body in the form of the controlling authority that was able to liaise with other stakeholders as required.

192. The Committee also received evidence from Mr Ross Kennedy from Gaming and Racing Victoria who confirmed a similar structure was in place in Victoria:

*The three codes of racing each have individual controlling bodies who are responsible for both the development and regulation of their respective codes. So it is both commercial and integrity assurance.*<sup>98</sup>

and that

*Each of the codes have separate integrity subcommittees in two of the three cases chaired by members who are not members of the controlling body itself. Thoroughbred racing at the moment has not gone that far but it is expected to move in that direction.*<sup>99</sup>

193. In relation to the separation of administration and integrity functions generally Mr Kennedy noted that:

*I think the benefits of separation are in perception. Often there is a perception that a particular decision was taken more because of the commercial imperatives than the integrity considerations in a matter and whether that is right or wrong, that can create some suspicion in the minds of the public and*

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<sup>97</sup> *Ibid*, p. 5

<sup>98</sup> Mr Ross Kennedy, *Transcript of Evidence*, 26 September 2011, p. 8

<sup>99</sup> *Ibid*, p. 10

*having them separate perhaps lessens that perception issue. Having them together means that there is a very broad understanding of the whole of the industry imperatives on the part of the commercial decision makers and those charged with the stewardship of the integrity of the industry so they can have regard to the total picture and not be limited to what they can see.<sup>100</sup>*

194. The Committee also received a written response from the Hon. George Souris MP, Minister for Racing in New South Wales. He confirmed that there was also a controlling body for each of the three codes in New South Wales and that they were responsible for both the regulatory and commercial functions for their respective codes.
195. The Minister also confirmed in his correspondence that, in a similar structure to other jurisdictions, the New South Wales industry was predominantly self-funded through the commercial arrangements with TAB Limited under a racing distribution agreement.

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<sup>100</sup> *Ibid,*

## **APPENDIX A**

### **Submissions received and taken into evidence**

| <i>No.</i> | <i>Description</i>                               | <i>Date</i> |
|------------|--|-------------|
| 1          | Tasmanian Jockey's Association                   | 17/05/11    |
| 2          | Tasmanian Turf Club                              | 20/05/11    |
| 3          | Department of Infrastructure, Energy & Resources | 24/05/11    |
| 4          | Tasmanian Pacing Club*                           | 31/05/11    |
| 5          | Light Harness Tasmania                           | 02/06/11    |
| 6          | North West Greyhound Racing Club                 | 03/06/11    |
| 7          | Tasmanian Racehorse Owners Association           | 03/06/11    |
| 8          | Thoroughbred Consultative Group                  | 03/06/11    |
| 9          | Hobart Greyhound Racing Club                     | 03/06/11    |
| 10         | Tasracing*                                       | 03/06/11    |
| 11         | Tony Jeffries                                    | 03/06/11    |
| 12         | Launceston Greyhound Racing Club                 | 02/06/11    |
| 13         | Tasracing  | 30/06/11    |
| 14         | Northern Tasmania Light Harness                  | 04/07/11    |
| 15         | Devonport Harness racing Club Inc                | 07/07/11    |

\* Supplementary documents provided in addition to major submission.

## **APPENDIX B**

### **Witnesses**

|          |        |   |
|----------|--------|---|
| 07/06/11 | 1.30pm | Parliament House, Hobart<br>Tasracing <ul style="list-style-type: none"><li>- Mr Gary Lottering, CEO</li><li>- Mr Brian Speers, Chairman</li><li>- Mr Damien Bones, CFO</li></ul>   |
| 05/07/11 |        | Parliament House, Hobart<br>Representing the Thoroughbred industry: <ul style="list-style-type: none"><li>- Mr David Adams</li><li>- Mr Philip Swinton</li><li>- Mr Walter McShane</li><li>- Mr Kevin Ring</li><li>- Mr Neil Herbert</li></ul><br>Representing the Greyhound industry: <ul style="list-style-type: none"><li>- Mr John Sidney Newson</li><li>- Mr Richard Stamford</li><li>- Ms Denise Fysh</li></ul> |
| 02/08/11 |        | Parliament House, Hobart<br>Racing Services Tasmania <ul style="list-style-type: none"><li>- Mr Tony Murray, Director of Racing Services</li></ul>  |
| 30/08/11 |        | Parliament House, Hobart<br>Tasracing <ul style="list-style-type: none"><li>- Mr Gary Lottering, CEO</li><li>- Mr Damien Bones, CFO</li><li>- Mr Brian Speers, Chairman</li><li>- Mr Des Gleeson, Director</li></ul>  |
| 26/09/11 |        | Parliament House, Hobart<br>Via teleconference<br>Office of Racing, South Australia <ul style="list-style-type: none"><li>- Mr Phil Dowling</li><li>- Mr Terry Arbon</li></ul><br>Via teleconference<br>Gaming and Racing Victoria <ul style="list-style-type: none"><li>- Mr Ross Kennedy</li></ul>  |
| 30/03/12 |        | Via teleconference<br>Sky Channel <ul style="list-style-type: none"><li>- Mr Brendan Parnell</li></ul>  |

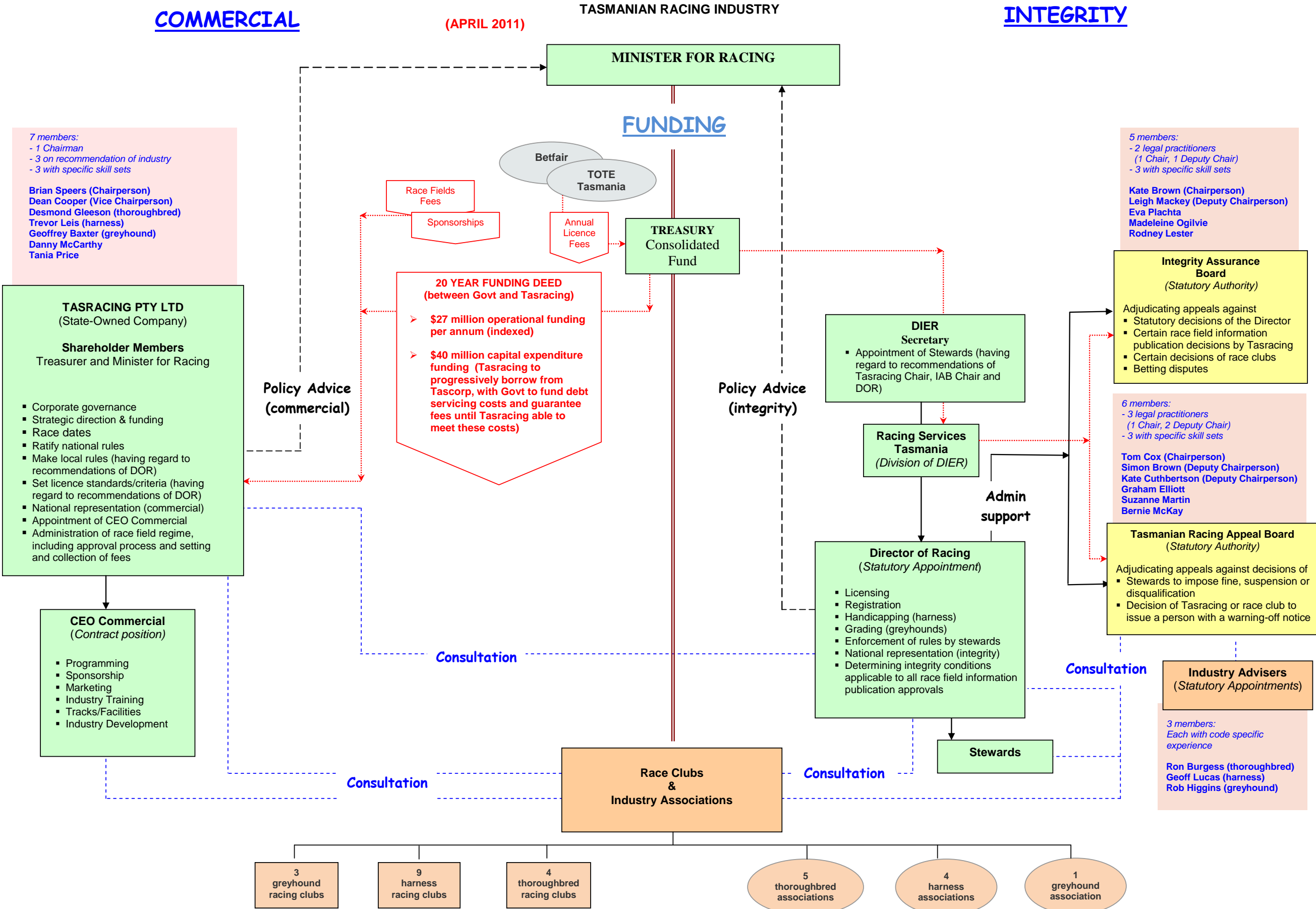
## **APPENDIX C**

### **Transcripts of public hearings**

|                           |  |
|---------------------------|--|
| Tuesday, 7 June 2011      | Committee Room 2, Parliament House, Hobart |
| Tuesday, 5 July 2011      | Committee Room 2, Parliament House, Hobart |
| Tuesday, 2 August 2011    | Committee Room 1, Parliament House, Hobart |
| Tuesday, 30 August 2011   | Committee Room 2, Parliament House, Hobart |
| Monday, 26 September 2011 | Committee Room 2, Parliament House, Hobart |
| Friday, 30 March 2012     | Committee Room 1, Parliament House, Hobart |

APPENDIX D

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<sup>101</sup> Tabled by Department of Industry Energy and Resources on 24 May 2011

Signed this 16<sup>th</sup> day of May two thousand and twelve.

Hon. Ruth Forrest MLC  
Committee Chair