



TASMANIAN PACING CLUB

31 May 2011

Committee Secretary
Mr Stuart Wright
Legislative Council
Email: stuart.wright@parliament.tas.gov.au

Dear Sir

Attached is a submission on behalf of Tasmanian Pacing Club, Light Harness Tasmania and New Norfolk Pacing Club. These three organisations represent almost half of the industry in Tasmania.

There are some issues that we would like to discuss with the committee in camera as they could have consequences for individual and organisations if they were included in public submissions.

We are prepared to assist the committee in any way possible as we believe that this enquiry creates an opportunity for issues of great concern to be considered.

If we are invited to give further verbal submissions we would be represented by Noel Salter, President Tasmanian Pacing Club, Mike Jones, Secretary Light Harness Tasmania and a TPC Committeeman and John Devereux, CEO Tasmanian Pacing Club.

We think it is also pertinent to point out that two of the people on the delegation have a long history of representing Tasmania at the National level of harness racing as far back as 1996. Both Noel and John have served as members of the Australian Harness Racing Council now Harness Racing Australia.

Noel is still a HRA member and its longest serving member. At the start of this year he finished his term as the Tasmanian HRA executive member.

We believe this national experience gives us some real authority when forming a view as to how successful Tasmania may be in getting ahead of the rest of Australia in selling our product overseas while still maintaining our position in the Australian market.

Yours faithfully

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What is the biggest issue currently facing the racing industry in Tasmania

It is its financial viability

Due to the mixture of deceit and incompetence by both the previous Minister (and apparently the current one) and Tasracing, the industry is headed towards an extremely serious financial crisis.

State-wide seminars were held by Tote, Racing Services and the State Government, the purpose of which was to convince the industry to agree to the creation of Tasracing.

At those seminars it was made clear that at least 36 million dollars was required to fund the industry.

Two things were also made very clear –

1. “Nobody would be any worse off under the new structure”
2. “Tote would not be sold”

Immediately the new structure was in place, the Minister announced that Tote was to be sold.

As part of the sale it was promised that the industry would be funded through a 20 year Trust Deed guaranteeing finance for day to day running of the industry.

Additionally 40 million dollars would be provided from the sale of Tote as a direct non-repayable grant for capital works.

Tasracing negotiated a deal via a Trust Deed with the government for 27 million dollars plus race field fees of approximately 5 million PA, plus a 40 million dollar grant from the sale of Tote.

On at least two occasions TPC representatives at meetings with Tasracing at which the Chairman, Board Members and top Tasracing executives were present asked what contingency plan was in place if Tote was not sold.

On each occasion these questions were dismissed with a claim that there was agreement by the government to adequately compensate the industry if this “unlikely” event occurred.

It is now history that the “unlikely” event did occur.

The industry is now left in a totally unacceptable situation.

No 36 million dollars only, only 27 plus a hoped for 5 million from race fees. Mythical claims that product will be sold overseas without one shred of evidence to support it.

Instead of a 40 million grant, a 40 million loan that no matter how they attempt to sugar coat it, the loan at some stage must be repaid.

If a government indulged in such deceitful conduct with some private enterprise company they would undoubtedly be dragged through the courts for breach of contract.

Let's move to the "nobody would be worse off" promise.

The conduct of Tasracing with the apparent support of the Minister on this issue has been just as deceitful as the 40 million sale of Tote issue.

Not once during the seminars and other discussions in the lead up to the creation of Tasracing was there the slightest hint that the percentage funding formula of the three codes would be changed in any way.

Now through the use of smart legal advice that is totally at odds with the intent of the legislation, Tasracing is changing the funding model again apparently with the Minister's blessing.

Tasracing have also change the club funding model in a manner that strips around \$120,000 from harness clubs alone.

We would not argue with a proposal to re-visit the club funding model; however the spirit of the agreement to create Tasracing and the subsequent legislation was that nobody would be worse off and the base income of the 2008/9 year would be the minimum income in any new agreement.

In fact that is what occurred for the first year of operation under Tasracing.

There is no logic in attempting to run the finances of clubs down unless Tasracing is seeking to stifle any independence being exercised by the clubs or for them to question any of Tasracing's operations under threat of financial sanctions.

It is clear that Tasracing has adopted a dictatorial attitude with no interest in consulting with the industry providing any information to the industry or giving any consideration to their concerns or views. Legislation provides for 3 monthly consultations with the industry which apart from a couple of meetings at the start, Tasracing has not complied with this requirement and if they did who would believe them anyway?

Their attitude is clearly one of "the industry exists to pay our salaries, without us there is no industry".

In fact the opposite is true, without the industry there is not one job for these people.

Having expressed our concerns re the ability of Tasracing to operate as a viable financial entity, we would now like to turn to an even more disturbing aspect of the finances.

Under the deed of variation (funding deed) dated 21 April there is an apparent ability for Tasracing to borrow 40 million dollars through Tas. Corporation for capital works. While on the surface this appears to be an opportunity for Tasracing to carry out capital work that would have previously been done with a 40 million grant from the sale of Tote Tasmania. In reality it should set alarm bells ringing for the racing industry.

The CEO of Tasracing has admitted that under the current circumstances Tasracing does not have the ability to finance any borrowings.

The new deed of variation as we understand it has been agreed to by Tasracing and the Minister. The deed was signed on 21 April a long time after the commencement of work on the Spreyton project. It also seems that at this point in time, Treasury has not approved the loan facility until certain conditions identified in clause 3.2 are satisfied.

Clause 3.2 (a) indicates that apparently Tasracing has obtained a debt facility from the Tasmanian Public Finance Corporation.

If this is true and the statements made by Tasracing CEO that Tasracing could not finance a loan facility are true then it would appear that Tasracing is operating in a very risky manner.

Tasracing commenced work on 11 million dollar project at Spreyton obviously without any capacity to pay for the work or at best using loan money that it cannot finance.

Under current financial circumstances, it is hard to imagine that the state government is likely to agree to totally pick up the 40 million plus cost if Tasracing cannot meet its obligations.

Therefore the big risk is that the money would have to be found elsewhere.

That elsewhere can only mean one thing, dramatic cut in stakes funding and a disaster for all concerned.

The difference in performance of the two organisations could not be more stark.

During the course of the state-wide seminars held to inform the industry on the benefits of creating Tasracing and breaking the nexus with Tote plans re the future were put by both of these proposed groups.

An additional and extremely important similarity was the Director of Racing DIER and the ultimate CEO of Tasracing G Lottering both have been involved ultimately in leadership roles for about the same time.

With regard to DIER we believe that virtually every undertaking given was implemented within the first 12 months. Information provided to the industry was always provided in a transparent manner.

In contrast after almost 2 ½ years Tasracing cannot lay claim to having achieved anything of note. What we have seen is a constant stream of consultants, regular departures of senior staff and a total reluctance to provide any information to the industry on just what Tasracing is doing.

One very pertinent question arises “what value has Tasracing added to the Tasracing industry in 2 ½ years”, the answer is zero.

In desperation over the past couple of months, they decided to change the stake allocation to the codes. Not one valid reason has been put forward to support this change. The formula does not stand up to scrutiny and any questions raised are answered by stating “your figures are wrong” without producing one shred of credible evidence to support their own case.

When the seminars were held it was stated on a number of occasions that Tasmania was going to get its product beamed into Asia and other countries. We were led to believe this was well advanced. The key we were told was these countries demanded that racing integrity was paramount. Therefore there had to be a total separation between administration of the racing product and stewarding.

Nothing has changed except Tasracing are now attempting to disguise their lack of performance by blaming Racing Services.

In our view it is essential that the separation remains. Any change to combine the two would undoubtedly lead to Racing Services being dragged down to Tasracing’s level.

As indicated in our covering letter we would like to elaborate on this issue in camera.

One constant refrain throughout industry meetings with Tote Tasmania and Tasracing has been ‘we must leave the baggage of the past behind us’.

This is impossible to do for the following reasons.

From the days of transferring from the Showgrounds to the present, the industry has been provided information by Tote Tasmania and Tasracing and asked to make decisions as to the future of the industry, based upon that information.

Subsequently, when the information is found to be erroneous or the original intention is changed without any consultation, the industry is told it has to move on.

Any sane and reasonable person cannot expect the industry to fully embrace any more promises of what Tasracing will do based upon the past and particularly given that throughout the establishment of Tote Tasmania and Tasracing; the one constant was, Gary Lottering, the current CEO's involvement in the executive management of both organisations.

This was reinforced at a meeting between the Racing Minister, Bryan Green and Tasracing and industry members, where Gary Lottering confirmed that he had stated at industry meetings that "no-one would be worse off" under the funding deed.

He then claimed that the legislation was drafted, without his knowledge, in such a way as to allow a different interpretation to that originally communicated. This is somewhat surprising, given that the funding deed is signed by the then Board Chairman, Don Abell and the then Company Secretary, Graham Marshall.

It beggars belief that as the CEO of Tasracing, he was unaware of the content of the Funding Deed at the time of its signing.

To summarise our position and issues of concern

- Tasracing has been a complete failure
- It is now obvious that it was created to attempt to sell Tote as a means of averting the now evident budgeting crisis that the government faces
- The claims during the process to convince the industry to support the creation of Tasracing that the sales of our product to overseas countries was well advanced have proven to be fabrications. Obviously there never was and still isn't any real prospect of this occurring.
- The financial situation for the industry is a long way short of the rosy picture that was painted during the process leading up to the creation of Tasracing.
- The club funding model will over the next 3 years or so destroy the financial viability of most clubs and has the potential to destroy a whole network of volunteers who are essential to this industry.
- The Tasracing Board and structure has created a top heavy extremely expensive body. In total Tasmania runs about 310 race meetings per year. In harness racing alone in Victoria there are 10 race meetings each week. Tasmania over the three codes runs six.
- It is illogical to assume that a state that runs so little racing is going to get ahead of the rest of Australia in providing product to overseas markets.
- In 2 ½ years despite opportunities being created by other sections of the industry to provide training avenues into the industry for "new" people not on whom progress has been made in this area.