

**Submission
No 353**

INQUIRY INTO GREYHOUND RACING IN NSW

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The Hon Robert Borsak MLC
Select Committee Chair
Greyhound Racing in NSW
Parliament of NSW

Abuse of Power

I respectfully provide this submission, as it is my belief that GRNSW has abused its power, by unfair use of its particular position under the Act.

The Gardens project started some seven years ago when the NCA, NSW State Government Sports Minister and the GRA (predecessor of GRNSW) came to a unanimous decision that a first class greyhound racing complex in Newcastle was required. This joint group selected the site at Birmingham Gardens. It was understood that while the NCA would be a significant contributor, the project could only proceed with financial assistance. A précis of the agreed funding was reported in the government at the time. However this undertaking was watered down with the change of Minister, the introduction of GRNSW and the subsequent change of board members, leaving the NCA with the a huge loan.

Without the financial support, initially expected, the NCA liquidated all its assets but still struggled to service the interest and principal payments. In January 2012 the outgoing Chairman and Board of GRNSW proposed the removal of all debt from the NCA, which in return, GRNSW received 70% of the Gardens for \$1.2 million. The NCA had invested close to six million dollars into the Gardens Greyhound Racing Complex.

The deal was reluctantly accepted by the NCA, as it had little alternative with large debt that could not be funded by operational profit. The upside was that the NCA would be debt free and able to operate as a profitable race club. Projections and budgets, developed at the time, suggested this was the likely outcome.

With the Chairman and the Board retiring, the deal's implementation was left to GRNSW administration and the incoming Board. The spirit of the deal agreed to, i.e. the NCA to be debt free, fell apart very quickly. GRNSW left the NCA with a hefty Legal bill \$80k. GRNSW asked the NCA to provide a report on its finances claiming there was a '\$500,000 black hole in the accounts' of the NCA. This claim was later proved to be unfounded. The NCA funded an audit by respected financial company, Blackburns of Newcastle. Again NCA was left to fund the GRNSW demanded audit.

The audit quite clearly demonstrated that the NCA finances, while break-even were continuing to improve and that the subsequent six months period after the specified dates of the Audit showed a continuing improvement to the point that by 2014 the NCA would be in a strong financial position.

GRNSW did not accept the Blackburn Report and requested Deloitte conduct a similar audit. The NCA was asked to respond to an edited version of the Deloitte report. Some Sections and appendices were removed from the report; however, it appeared clear that the Deloitte report echoed the Blackburn report. Interestingly Deloitte did discover and confirmed the NCA's understanding that the ongoing funding from GRNSW was not sufficient to meet the running costs of the Gardens complex.

GRNSW then deemed the NCA responses to the Deloitte report as inadequate; however, it is not clear what was inadequate and on what grounds GRNSW took this view. Repeated requests for clarification were not forthcoming from GRNSW.

GRNSW simply stated that its view that the NCA was, or may become non-financial and secondly it was not in the best interest of the Sport to provide a racing licence to the NCA.

My issues are these:

- GRNSW acquired the majority of a developed property as the club was under financial duress caused in the main by the club being left with the debt created by once collaborative parties: However this deal would see the NCA debt free. The GRNSW Chairman released a press release at the time confirming the intention to leave the debt the club debt free.

- GRNSW left the NCA with the NCA's legal cost from the transaction.
- GRNSW demanded an expensive audit, on a concocted premise.
- The audit costs of the Blackburn audit were left with the NCA.
- Before Deloitte had produced the first draft of their report and just after being appointed as administrators of the NCA, GRNSW CEO appeared on national Sky Channel television to publicly attest that the findings would ultimately prove the actions of GRNSW.
- I believe, but cannot prove, that draft Deloitte reports were amended, under instruction from GRNSW CEO if they did not show GRNSW funding model in a good light.
- GRNSW deliberately specified a period for the audit to show the NCA finances in its worst light July 2011 to June 2012 and not the current position as at 31 December 2012.
- The NCA was not provided with sufficient evidence to support the actions of GRNSW.
- The costs of responding to the partial Deloitte audit report supplied to the NCA were borne by the NCA.
- Repeated requests by the NCA for clarification of the actual findings and reasons for GRNSW's actions were never supplied to the NCA.
- GRNSW has further put demands on the NCA to recoup its IFILs. IFILs funds infrastructure on racecourses. In this case, the IFIL funded resources are continuing to be used by the incumbent race club financially supported by GRNSW.
- The Blackburn and Deloitte reports did not suggest the action taken by GRNSW.

This writer believes that GRNSW has manifestly misused its power in the market place; without adequate scrutiny or transparency. It acquired 70% of the Gardens on a promise to remove all debt to the Club. Two reports indicate that the struggling club (pre GRNSW acquisition); was then post acquisition, building on success and all indicators clearly demonstrated a much stronger financial position.

The expenses pushed onto the club were designed to financially weaken the club and the appointment of an administrator, on the flimsiest of pretexts, was designed to destroy the image of club in the eyes of participants, suppliers and sponsors.

The cancelling on the Club's racing licence was not supported by an explanation to the club.

The whole episode is an abuse of power.

Yours sincerely

Richard Zammit