

**Racing and Wagering Western Australia —**

Ms S.E. Winton, Chair.

Mr P. Papalia, Minister for Racing and Gaming.

Mr R.A. Burt, Chief Executive Officer.

Ms E.L. Roebuck, Senior Policy Adviser.

[Witnesses introduced.]

**The CHAIR:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide, and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for South Perth.

**Mr J.E. McGRATH:** I refer to page 261, which encompasses everything to do with Racing and Wagering Western Australia. The Treasurer indicated in the budget speech that with the imminent sale of the TAB and the enabling legislation to come before Parliament in the next few weeks, Racing and Wagering Western Australia was making certain changes because it will be significant for the operation of Racing and Wagering Western Australia if the TAB goes into private hands. Can the minister advise the committee what those changes are? There was something about an agreement with the staff. Could we have some details on that, please?

**Mr P. PAPALIA:** There are two matters: the bill has been read in and it indicates that we are going to create a new principal racing authority called Racing Western Australia, which will come into operation at the time of the transfer of control of the TAB. At that time, the previous body will relinquish control of the TAB and the new operator will take it up. Racing Western Australia will retain all responsibility for governance matters—integrity, welfare, and all the same responsibilities around infrastructure and support of the industry. It will also take responsibility for the management of the infrastructure fund, which will not just be getting doled out. I heard another story on the ABC today from misinformed individuals who suggested that there will not be enough money because it will be spent on different projects around the state. That is not the intent of the infrastructure fund. The intent is to have a body of money that will be there largely into the future to enable the spend of interest or additional funds it generates on infrastructure, so there is a source of funding over time. There might be some larger disbursements, but it will mostly be sustained or retained as a larger body of money. It is not the intent that everyone will get a little portion of the hundred million dollars at the outset; that is not going to happen. Racing Western Australia will be responsible for acting in the best interests of all of racing in the same way that Racing and Wagering Western Australia currently is.

**Mr J.E. McGRATH:** Will the minister of the day have to sign-off on any funding approvals?

**Mr P. PAPALIA:** Yes. An annual strategic development plan from the principal racing authority will go to the minister in Treasury, and whoever that is will have to support that plan. So, yes, it will be authorised and endorsed by the government. The other part of it is staffing. I think the member was referring to the enterprise bargaining agreement that was recently negotiated that accommodated the fact that a sale process is underway and there will subsequently be a potential reduction in the workforce. I might get the CEO to give the member a little insight into what that process involved. That is not part of the bill introduced to Parliament. It is separate. The staff have done the negotiations in the full knowledge that there is a sale underway and it will possibly impact on some people.

**Mr J.E. McGRATH:** Could Mr Burt, through the minister, tell us how many staff are employed at racing and wagering?

**Mr P. PAPALIA:** Yes. Mr Burt could give an insight into all of those sorts of thing.

**Mr R.A. Burt:** Thank you. First, the number of people employed under the general staff agreement is approximately 450 people. Other people are employed under a general contract or through the Media, Entertainment and Arts Alliance through TABradio. The general staff agreement that was in place expired just under 12 months ago. We have been in negotiation with unions and the staff. The new agreement was put in place just over a month ago. It contemplates the privatisation of the TAB. We have made sure that entitlements to staff have been improved, but it does not contemplate who and how many will be impacted, because that will be something that will come out as detail as part of the transaction.

**Mr J.E. McGRATH:** We were talking earlier about the infrastructure fund, and this is very important. Under the Barnett government, an offer was made to the industry of an infrastructure fund. The McGowan government is continuing with the commitment of 35 per cent of the net TAB sale proceeds going into this infrastructure fund. A lot of varying opinions are held on the infrastructure needs of the industry—everything between \$100 million and \$170 million. We know that the industry needs infrastructure renewal continually, because it is a big industry with a lot of racetracks and things like that. Can Mr Burt give us an idea of the most important infrastructure needs that might be dealt with by this fund?

**Mr P. PAPALIA:** I will ask Mr Burt to respond in a minute. The thing to remember is that there will still be disbursements from the operation of racing under the new arrangements. Money will still be disbursed to clubs and the industry. Outside the infrastructure fund, there will still be disbursements. The management of its infrastructure is still an obligation that the industry will confront. I am trying to convey to the industry that the intent is not that we get whatever amount of money for the infrastructure fund, and it can spend it in the first year and every club will get a certain amount to cover off on the latest problem it is dealing with—that would be a bad use of the money. The intent is to create a fund to be managed in the interests of all racing by the new principal racing authority, Racing Western Australia. That is the intent. There is a little bit of mischief-making going on at the moment with some of these numbers being thrown around. But I think it is in the best interests of all racing to have an authority that cares for everybody, and that sometimes means making some tough calls; we have witnessed that. That is because it is not in the interests of everyone that funding is directed to activities that are not going to work as a result of changing demographics, betting habits, technologies or whatever is going on at the time. The best thing for all racing, including regional and country racing, is that the authority retains the role that it has at the moment. Everyone will complain because no-one will get everything they want, but they know there is an authority that cares for the whole of racing, at the behest of the government, which is what both sides of politics want. I might ask Mr Burt to respond to the member as well.

[12.30 pm]

**Mr J.E. McGRATH:** Before Mr Burt speaks, I think that this infrastructure fund should not be used for providing the running rail at a track or something like that. It has to be used for significant work for the industry.

**The CHAIR:** I give the call to Mr Burt.

**Mr R.A. Burt:** First of all I might cover the wider question of the TAB sale and the racing industry's support for it. The industry, through detailed consultation at varying levels and most recently through the racing committees having quite confidential information around the deal, is supportive of the transaction. The thoroughbred, harness and greyhound codes are universally supportive of the proposed funding package, particularly based on the draft legislation, because it will provide a future for racing that is better than what the capacity of the current TAB can deliver. Racing and Wagering Western Australia, which operates the TAB together with running racing, is comfortable to support it in addition to the racing industry because of the same outcome. Apart from the rhetoric in the media around the adequacy of funding, it is more than our current capacity can provide. Our reserves can deal with projects such as the ones we have committed to in Pinjarra and Bunbury, which are major projects—unlike running rails and minor projects. We have already committed to those projects and we will still have working capital left over. However, this infrastructure fund, which we believe will be significant, will last over a long period and make the industry better off. I will not speculate on the exact number, if I may, because when we put requests out to clubs or other racing people, we end up with a wish list. RWWA is already actioning what it has identified as necessary projects, and it believes that the infrastructure fund will provide good funding for the industry going forward. It is certainly better than the base case if RWWA were to continue running the TAB.

**Mr P.J. RUNDLE:** It was only this morning that I heard someone from Albany Racing Club bemoaning the situation that they are looking for around \$5 million. Can the minister explain how regional racing clubs of all descriptions will be impacted by the potential sale and how this program will be rolled out?

**Mr P. PAPALIA:** I urge the people in Albany and everywhere around the state to remember that discussions around this sale were not conducted in isolation. They were conducted in parallel with discussions around disbursement from the point-of-consumption tax. We have the most generous distribution of proceeds from the point-of-consumption tax to the racing industry in the country. If we couple that with a commitment to give 35 per cent of net sale proceeds of the TAB to an infrastructure fund for the industry, and all the additional certainties around disbursement of funds and support of the industry in the years after the sale, as a package it is easily far better than “no worse off”, and that is why the consultative committees of the industry have embraced it—it is not one thing or another; it is significantly more support in terms of the point-of-consumption tax. The point-of-consumption tax not only provided a revenue stream, but also tackled the biggest threat to the TAB in the form of online bookmakers establishing themselves in a jurisdiction that did not apply tax. This is creating a response right around the country that is more uniform and will result in a better outcome for everybody.

The one thing that any individual in racing across Western Australia can rely upon after the sale with respect to how they will be treated and the fairness of that post-sale environment, is that Racing Western Australia, which will essentially be Racing and Wagering Western Australia in a new form without the TAB operation, will act on behalf of all the industry. That is absolutely the best guarantee and outcome that we can provide. It means that no vested interests in any one code or location will drive the agenda. On behalf of the government and the industry, one agency will pursue the best interests of the whole industry. That is the best thing that we can do for everybody. Speculating on how much an infrastructure fund might need to have in it or whatever is a pointless activity. The money will not all be doled out in the first year by the authority to individual clubs that put up their hands—that will not happen. The authority will manage infrastructure needs over time with priority going to appropriate, strategically large and significant investments that are needed.

**Mr P.J. RUNDLE:** Is the minister saying that there is no set formula or consideration—not that there is no consideration—that will take into account regional racetracks et cetera? Will the new entity—Racing WA—formulate that as it goes along and will there be no set program for that entity to allocate a percentage of funds to regional racetracks and clubs et cetera?

**Mr P. PAPALIA:** No, and that would not be right. It is not currently the case and it will not be the case in the future. It would not be the right thing to do. The right thing to do is to take the industry's asset in terms of the infrastructure fund and manage it in a dispassionate manner on behalf of the whole industry. The priorities for the industry will be determined by the principal racing authority and advice to government, and then they will be funded. The member is almost suggesting that there should be a separate racing authority for country racing or something like that. If that were the case, it would not make much money. Most of the revenue generated from racing comes from metropolitan racing, and because of the presence and existence of Racing and Wagering Western Australia at the moment, and in the future Racing WA, everyone is supported. If we gave the people who generate the most revenue the opportunity to control all that money, not much money would be going into country racing. I am defending all the racing codes. On behalf of the government and the people, we see the industry as a valuable part of the community and we want it to be as sustainable as we can make it. I am very grateful that we have a really professional Racing and Wagering Western Australia authority and I look forward to having a Racing Western Australia authority with the same professionalism, delivering on everything it does now, with the exception of operating the TAB and a few other tasks, because it will get new jobs in terms of its management.

**Mr P.J. RUNDLE:** I hear what the minister is saying—that is what we think in regional WA, where a lot of the state's wealth is generated.

**Mr P. PAPALIA:** That is the flip side of the argument, is it not?

**Mr P.J. RUNDLE:** Further to the member for South Perth's question, is the minister concerned that Tabcorp has received an inside track to the sale of the asset? Does the minister expect any other competitor to make a serious bid for the TAB?

**Mr P. PAPALIA:** I could be cheeky and say that the member should talk to the Treasurer because the sale of the TAB is his responsibility, but I do not think so because I am aware that every potential proponent has been given the same access to information and provided with the same source of advice from the consultants, the Department of Treasury and RWWA. No special access or opportunity has been provided to any one proponent, and there are other players who have expressed interest to date to the extent that they are getting all the information. Depending on how far through the process a proponent goes, it will get access to information. It is guarded to the extent that it needs to be, but, ultimately, people who will end up paying for it—putting the money on the table—will get best access.

[12.40 pm]

**Mr J.E. McGRATH:** We are talking about the sale of the TAB, and I guess it is one of the most important things that will happen in this place in the next year or two.

**Mr P. PAPALIA:** Yes.

**Mr J.E. McGRATH:** I get a lot of questions from people asking about Racing and Wagering Western Australia's assets, how many TAB agencies there are, how many are owned by Racing and Wagering Western Australia and, as part of this process, what will happen to the headquarters at Osborne Park?

**Mr P. PAPALIA:** I might ask Mr Burt to answer that.

**Mr R.A. Burt:** This is one of the reasons we believe the package is attractive. Effectively, all the undistributed profits over many years, since 1960, that have gone into more invisible assets, if you like, such as head office, TAB agencies, will transfer over to Racing WA. If we think about the funding package, it is much greater than an infrastructure fund or no-worse-off funding. It includes all assets that, over decades, have been acquired through undistributed profits to racing—the entity—and will be transferred to the new entity. The balance sheet of RWWA

will include in the new entity, RWA, all the residual cash and all the property assets bought over those years and will exclude only those limited wagering assets that are truly wagering.

**Mr J.E. McGRATH:** That will be the machinery for the operation of the TAB computers and all that sort of stuff. Can the minister give us an idea of what those assets are worth?

**Mr R.A. Burt:** Without becoming a property valuer, the assets include the TAB head office, which has a circa valuation of \$8 million—do not hold me to the exact amount—which is a realistic property valuation. We also own upwards of 20 properties that are either TAB outlets or other land and buildings, which I said previously will transfer over. They are also in excess of \$10 million. Then there is the net cash, which according to RWWA’s balance sheet—current assets minus current liabilities—has working capital of what has been \$40 million, I think, on the last annual report. All that residual cash will transfer over as well. The majority of RWWA’s balance sheet will transfer to RWA.

**Mr P.J. RUNDLE:** I refer to Racing and Wagering Western Australia and the line item “Direct Grants—Various Racing Funding” on page 274 in the *Economic and Fiscal Outlook*, budget paper No 3. Why is the 2019–20 figure almost \$10 million lower than the actual 2018–19 figure?

**Mr R.A. Burt:** These are grants that we receive for race field income that is received by the Gaming and Wagering Commission and remitted to Racing and Wagering Western Australia. They are grants from government. It is money that would otherwise come directly to the principal racing authority but, as we have a TAB, RWWA has to receive it via the Gaming and Wagering Commission. The original budget was different from what is a revised forecast because, first, a conservative estimate was being used and, with the introduction of the point-of-consumption tax, we expected a potential reduction in race field income from corporate bookmakers having to accommodate 15 per cent of gross revenue tax to government.

**Mr P.J. RUNDLE:** Does the minister have a breakdown of the \$71.9 million figure? Could that be supplied?

**Mr P. PAPALIA:** No; it is just one item.

**Mr P.J. RUNDLE:** Is it just one budget; one item?

**Mr R.A. Burt:** It is people betting on Western Australian racing thoroughbreds.

**Mr P. PAPALIA:** Go through me.

**Mr R.A. Burt:** Sorry.

**Mr J.E. McGRATH:** I refer to “Item 114 Racing and Wagering Western Australia” on page 140 of budget paper No 2. It shows in the 2019–20 budget estimate an amount of \$148 000 going to Racing and Wagering Western Australia. Can the minister provide details of what that amount is for?

**Mr R.A. Burt:** That one amount of \$148 000 involves the transfer of the Mandurah greyhound land asset from the Western Australian Greyhound Racing Association to RWWA and the corresponding stamp duty we paid to government and that we are seeking reimbursement for. It is a government-to-government transfer, so we had to pay it, and the budget entry of \$148 000 allows for the reimbursement to RWWA.

**Mr J.E. McGRATH:** I have a general question because we are talking about general issues. I want to talk about Sky Racing, which is owned by Tabcorp. Some of my friends who watch races and, I think, sometimes bet on races —

**Mr P. PAPALIA:** Sometimes?

**Mr J.E. McGRATH:** — say to me that often Western Australian racing suffers because if the race is running a bit late, it gets transferred to Sky channel 2, the second channel. Are the deals with Sky channel done between RWWA and Sky channel or the clubs with Sky channel—like Perth Racing and Sky channel? If, by chance, Tabcorp is the new owner and operator of the Western Australian TAB, would it be better for Western Australian racing to come to some arrangement whereby we could stay on that prime channel for our racing?

**Mr R.A. Burt:** The principal racing authority, Racing and Wagering Western Australia, on behalf of the three codes of racing has various media agreements with Sky channel; Sky channel being owned by Tabcorp. Some of our racing jumps from Sky 1 to Sky 2 or, in fact, there are late crosses to WA racing that we feel are not necessarily in the interests of WA racing. As the member will be aware, the longer the lead time into a WA race, the more betting can occur on it. Late crossing to WA racing leads to lower wagering turnover, which is less desirable. The media agreement with RWWA is a constant source of negotiation. We appreciate that Sky channel has a difficult job trying to fit in wall-to-wall racing for all states, territories and international jurisdictions, but we feel that WA does not get what it deserves or what it should get and is regularly either given a split screen, bumped to Sky 2, or has inadequate lead-in times to our racing. I would have to agree with the member. One of my jobs and my team’s jobs is managing that.

The second point I think the member made was: would things change if Tabcorp owned the WA TAB? Firstly, as the minister said, an open tender process will take place. It is presumptuous to assume Tabcorp will get it. We are confident there will be open competition for the licence. It is an attractive asset. Theoretically, it should make no difference because the agreement with Sky channel will remain with the racing authority. It is agnostic, really, as to who runs the WA TAB as to the deal we get with Sky channel.

**Mr J.E. McGrath:** At some stage, I think Brisbane might have done a deal with Sky channel, which means they get a bit of extra coverage compared with what Western Australia gets—they get the mounting yard and things like that before races. If the WA industry were prepared to spend more, would it be possible to get a better deal, or is the minister saying that because of the number of races Australia-wide, there would still be time constraints, especially for main city meetings on Saturday?

[12.50 pm]

**Mr P. Papalia:** Mr Burt.

**Mr R.A. Burt:** We should always aim to get a better deal for WA racing. Whatever other states have achieved is up to a negotiation between those states and Sky channel. Together with Perth Racing, we have direct agreements and we have aggregated rights for all race clubs across all codes, other than Perth Racing, and we negotiate directly with Sky channel to get the best deal. We have quite a good deal on our international, digital streaming and domestic broadcast agreements. But people never accept what they have when they go back into contract renegotiation, and we would aim for more. The difficulty is that we have to be pragmatic about how much we can get of mounting yard enclosures, tips and form and other information. As much as we provide that information, it does not always get broadcast, so we need to be innovative and try to get that out digitally in a way that may not be reliant on Sky channel.

**Mr J.E. McGrath:** We are talking about wagering, so this is more a general question. The economy has been down for the last couple of years since the boom. I wonder whether Mr Burt could inform us how wagering is trending at the moment and also about the break-up of wagering using the conventional method at the agencies and the pub TABs compared with digital wagering using apps and the like?

**Mr P. Papalia:** We have turned it around, so I think the economy is getting better. I will ask Mr Burt to respond.

**Mr R.A. Burt:** Our expected wagering turnover will be either equal to or slightly up on last year's. Our wagering revenue is obviously dependent on a couple of factors: our ability to manage fixed-odds yield and what our customers bet on in parimutuel—either win or place or the novelty products, which generate a high margin. We are also now accommodating as a regular feature for customers what are referred to as generosities—value, if you like, or incentives. To the extent that we can do it under regulations both here and interstate, we meet the market and our business is performing quite well. We benchmark financially against the other TAB operator in Australia, which is Tabcorp, particularly because it has similar retail and electronic channels. Our retail comprises about 56 per cent of our core business, excluding our VIP rebate business, and, on that basis, we are competing favourably with Tabcorp's performance. As an ASX company, it has to produce its six-monthly and 12-monthly results, and we are competing favourably with its results year to date.

**Mr J.E. McGrath:** I went to one of Racing and Wagering Western Australia's briefing sessions at Cannington and one of the people in the crowd was a young greyhound trainer who has a TABtouch account. He said that he often cannot bet with TABtouch, but if he goes to the local agency, he can have the same bet. I have heard about that instance a couple of times. A customer with a digital account might have his bet declined, but if he goes to the local agency, he can place the bet. It is an anomaly I find hard to understand, because both bets go into the same pool. Is there any explanation that Mr Burt might be able to offer?

**Mr P. Papalia:** I will ask Mr Burt to answer.

**Mr R.A. Burt:** It is very easy to answer. We run both a retail and a digital business. A digital customer has to have an account. When a customer has an account with us, we can see their betting history and we can work out whether they are a customer we want or, potentially, are a customer we are less likely to want. Without naming the customer the member is talking about—I was not at that briefing, but I know whom the member is talking about—he is regarded as a tough customer for betting on greyhound racing. Being a greyhound trainer, he has inside information. In a digital environment, when we know who the customer is, we manage that client so that we can generate a profit and fund racing in WA; otherwise, we would make a loss and could not fund it. In a retail environment, the customer is more anonymous, of course. When we have, to some extent, the ability to manage tough business in retail, we have absolute transparency with the account, hence why the member may hear, "I can get my bet on in retail, but I can't in digital environments." In the retail environment, we tend to manage the risk by either reducing the amount we accept or changing the price, which the member would also hear. But in the account environment,

we either accept or decline the bet, and it is so that we can make an acceptable return to racing and balance that with the customer offer that we have to be competitive in the market.

**Mr J.E. McGRATH:** Would it be uncommon in the wagering world for operators to decline bets?

**Mr P. PAPALIA:** I could guess, but I might ask Mr Burt to answer.

**Mr R.A. Burt:** It is highly common.

**Mr P.J. RUNDLE:** I refer to the subheading “Racing Bets Levy” on page 108 of budget paper No 3. Can the minister explain why racing bets levy payments have been revised down by \$14 million over the forward estimates?

**Mr P. PAPALIA:** I will get Mr Burt to give the member a more comprehensive answer.

**Mr R.A. Burt:** The reason the number has been revised down is that the budget papers refer to the 2019 strategic development plan versus the 2018 strategic development plan. As I mentioned previously, we have taken a conservative approach to what the receipts will be from corporate bookmakers, particularly in light of the impending—as it was when the numbers were put in—introduction of the point-of-consumption tax. We have a more conservative outlook, if you like, for the 2019–20 financial year compared with that for the 2018–19 financial year; hence, the number was revised down. As is transpiring, that number will not occur; in fact, there has been an increase.

**Mr P.J. RUNDLE:** The paragraph below indicates that the stakemoney and trophy payments to the Western Australian Greyhound Racing Association have been revised down by \$24 million, but then it goes on to state —

The revised estimates are fully offset by a corresponding decrease in distributions ...

Is that meant to be an increase or am I misinterpreting it?

**Mr P. PAPALIA:** I will get Mr Burt to answer.

**Mr R.A. Burt:** The comment in the budget papers about stakemoney and trophy payments and distribution being revised down is an administrative error; it is not correct. The reason this has occurred is that when we put in our 2018–19 financial year distribution, which is a holistic number for all three codes and not limited to the greyhound code, I imagine that someone has had a number in there and when we revised that number in our 2019–20 financial year distribution, which was a five-year projection at that point, it may have been a different number and they have simply used different numbers and ended up with a revision down. In fact, our redistribution to the greyhound code in either overall distribution or specific prize money and trophy payments has gone up each year and is projected to go up next year as well.

**Mr P.J. RUNDLE:** So Mr Burt is saying that there is an error in this section; is that what he is confirming?

**Mr P. PAPALIA:** As I understand it, it is based on the previous budget, which was a five-year projection. It is more like an administrative process rather than an error, because, realistically speaking, the number published in the previous budget must have been \$24 million higher. I will ask Mr Burt to confirm it.

**Mr R.A. Burt:** I think what has happened is that someone has entered one number into the Treasury strategic information management system and entered a different number in the revised SDP. Our overall distributions in the 2018–19 financial year are around \$160 million. In the prior year, they were \$154 million. The number has not gone down. I think they have taken an entry specific to an area and used a different one in the subsequent one. It is more an administrative process. What I am giving assurance around is that the overall distribution number in the 2018–19 financial year has gone up. It has gone up in the 2019–20 financial year and will, in fact, go up in the 2020–21 financial year, as we will release shortly.

**Mr P. PAPALIA:** The main thing is that the dogs will still get more money. That is the ultimate end point of whatever is written on this page of the budget papers. The distribution of the funds is the most interesting thing for the industry, and that has gone up.

**The CHAIR:** That completes the examination of Racing and Wagering Western Australia.

*Meeting suspended from 1.00 to 2.00 pm*