

**TAB — PRIVATISATION**

*Motion*

**HON COLIN HOLT (South West)** [3.13 pm]: I move —

That this house calls on the McGowan government to immediately test the market for the sale of the Western Australian TAB and, if favourable to the industry, proceed with the sale and ensure all proceeds of the sale are returned to the racing industry.

This motion clearly has two parts. The first part is about testing the market to see what a privatised model of the Western Australia Totalisator Agency Board would deliver for the industry. That could be assessed by government and the industry to see whether it would be better off. The second part of the motion recognises that the Western Australian TAB exists as a wagering operator purely for the benefit of the industry—it was established as such—and that therefore all proceeds of the sale should be returned to the industry.

I was part of the government that had to deal with the potential sale of the WA TAB over the past two years. There has been plenty of opposition from within the industry. When I first heard about the potential sale of the TAB, even I was worried about the potential impacts on the racing industry, particularly in regional Western Australia where it is an important economic and social driver. I was concerned about the continued sustainability and support of local racing, harness racing and greyhound clubs and operations in regional Western Australia. I came from the viewpoint of cautiousness almost to the point, in the early stages, of some opposition. I know that many in the industry held the same view, because when I became then Minister for Racing and Gaming I fronted the industry and took it upon myself to be informed on the way forward for the industry in Western Australia. I fronted most of the participants in the industry across the state and got plenty of feedback that said, “We don’t want to sell it. We cannot see any real outcome for the racing industry in Western Australia if we sell the WA TAB.” I was told to look at what had happened in other states after privatisation and that the industry in other states was in tatters and had been ruined by the privatisation of state-owned wagering operations and businesses.

When I became minister, I took it upon myself to find out if those stories held any truth, because why would we sell the WA TAB if it was going to harm the industry? We would not. As the responsible minister for the industry, I wanted to make sure that we were doing the right thing by the industry. I visited some jurisdictions and found that some issues had arisen after those jurisdictions had privatised their TABs. However, I also found many, many other mitigating factors, and I want to go through the detail of them to set some context.

I went to South Australia and found that its racing industry is a shadow of its former self. A major reason for that is that jurisdiction’s close proximity to the eastern seaboard. Victoria is the jewel in the crown of racing in Australia. Racing is really competitive on the east coast and not only does South Australia have to compete with Victoria, but so does New South Wales and other states on the eastern seaboard, mainly on the performance of runners, racers and the performance of their TABs. A lot of that has to do with stakes money, big race days and the return to industry participants. A lot of the major players in the South Australian racing industry are drawn into Victoria and New South Wales because that is where the greatest returns are, and that has left the South Australian industry worse off.

The Australian wagering market is very complex and interesting. It relies on punters following some of the best races. Although I do not completely understand it all, I took it upon myself to inform myself as much as possible to learn about the dynamics of it. I found that punters generally follow good horses and good races, and that they like to bet on good races because that is where the greatest returns are. When the industry is struggling for runners in a race or quality thoroughbreds, harness horses or dogs, wagering tends to drop off. South Australia had to struggle against that competition.

Problems were also created when South Australia privatised its wagering operation. About 10 or 15 years ago, the then South Australian Labor government privatised the industry and it did a dud deal for the industry. It did not have the industry in mind when it sold the asset. It was worried about the return to its coffers instead of thinking about the best outcome for the state’s racing industry. The wagering operator existed to support SA’s local racing industry. Not only did the South Australian government not think of the racing industry in the pure sense of how it would support a potential sale, it gave the TAB a debt that it had to start paying it off as a result of the sale. That has been paid off only recently, so maybe now the industry will have some spare funds to address bigger concerns. When I talked to people in the industry in WA, one of the things they said was that South Australia’s industry is much worse off because of the privatisation of its wagerer, and that is correct. However, there are some reasons for it and we need to learn from those lessons.

About two years ago, Queensland's racing industry came out with a \$36 million loss; that was also blamed on privatisation of its wagering asset, which happened 15 years earlier. The opposition spokesperson at the time, Mick Murray, suggested that this is a warning: be careful or we will end up like Queensland. This article was in the *Kalamunda Reporter*, but it turned up in many, many papers around Western Australia. It states —

### **Calls for Govt to retain TAB**

#### **MPS AND INDUSTRY FEAR IMPACTS OF SELLING BETTING AGENCY**

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But Opposition spokesman for racing and gaming Mick Murray said the Government needed to heed warnings from Queensland about the condition of its racing industry under a privatised TAB.

Mr Murray said Racing Queensland recently announced it was burdened with “mounting and unsustainable losses”. He said there was no clearer warning about where the WA racing would be in 10 or 15 years if it were sold. “The numbers don't lie and Queensland's Racing and Gaming Minister has had to intervene to try to restore some sort of workable future for their industry,” he said.

I wonder whether Hon Mick Murray did any research to back up those comments, because I certainly did. I do not think he has done himself any justice in those comments and he certainly did not do the industry any justice. He should have been looking at what that means for the Queensland industry and what lessons we can learn. Did the privatisation of the TAB in that state lead to that outcome? I also went to Queensland because I wanted to find out the true story. I can tell members that a very different story came from the mouths of people in the racing industry there. I met with the governing body, which at the time was going through a fair bit of change. It seems to happen a lot in Queensland; it changes the administration of its racing industry a lot. There is a great deal of support for the government in that industry because it is politically pressurised to protect it. I found out that, yes, the racing industry had a \$36 million debt, but it was not because of the decreased revenue into the racing industry; it was because the increased costs were driving the industry to the brink of being unsustainable.

Some of the things I found out include that on any given Saturday the racing industry can support up to 12 race meetings across the state. I was told stories about 300 jockeys being flown around the state on any given weekend to make sure that there were jockeys at all these race meetings. There is something like 300 race clubs in Queensland. Western Australia has 55 race clubs. Queensland has 300 race clubs to support the industry. Queensland also has a lot of community clubs. Of 12 race meetings, there may be only three TAB-supported meetings, but all the other little race clubs have their Saturday race meetings and their picnic races that rely on tote wagering, which is wagering oncourse, for those who do not understand it. The money from wagering oncourse flows back to the clubs, but that is decreasing because of the Uberisation of the wagering market with the corporate bookmakers and the use of online applications and platforms. A lot of political pressure came from those race clubs. There are 300 race clubs in Queensland and there are marginal seats in regional Queensland, so the government knew it had to respond. In response to Hon Mick Murray's comments about the Minister for Racing and Gaming having to step in, it was not because of the performance or the privatisation of the Queensland TAB; it was because the operating model made it very challenging to make the budgets work. More recently, not long after that visit, the prize money for races in Queensland was decreased across the board. That will have a dramatic effect on the viability of Queensland race clubs, because there will be a migration of horses and trainers across the border to New South Wales, and that will stretch the scenario even further. That has nothing to do with the privatisation of the TAB, which took place 15 years earlier.

During the consultation process, I heard stories about what Jeff Kennett had said. This was often quoted to me from newspaper articles. I was told that Jeff Kennett had said that the worst thing he ever did was sell the Victorian TAB. I therefore decided to meet Jeff Kennett and—pardon the pun—get direct from the horse's mouth what he had actually said. He told me he was shocked that he was being held up in this state as anti-privatisation. He said, in much more colourful language than I am allowed to use in this house, that he had actually said that he would not hesitate to sell the Victorian TAB again tomorrow. He told me that the reason he made that comment was that at the time the deal was struck it allowed for the expansion of poker machines into race clubs in Victoria, and that enabled those race clubs to make a lot of revenue from non-wagering and non-horseracing and harness racing activities. Jeff Kennett told me that racing got the best out of the deal, and the government, which was cash-strapped at the time and thought it would get a financial injection into its coffers, did not do so well out of the deal. He said that he would sell the Victorian TAB again tomorrow, but he would do it differently and not allow the race clubs to get the best out of the deal.

I have to say that most of the opposition that I got to the sale of the TAB was not from the leadership of the industry and the representative body of the industry, but from people who have trained one or two horses or are members of a small race or harness club in regional Western Australia or a provincial racetrack. Their opposition comes from a position of caution, and rightly so, but also from a position of not being completely informed of the bigger

picture. I completely understand that. At this point in time, we have heard only one side of the picture. We do not know what a privatised WA TAB model can deliver for the industry. That has never been explored to its fullest extent. The market has never been tested to see what it can deliver for the industry compared with what Racing and Wagering Western Australia can deliver through its TAB operations in this state. We need to get to that point. RWWA during its industry engagement has talked about the performance of RWWA. However, RWWA has never fully informed people about the performance of the Western Australian TAB. It is a complex story and difficult to understand, and perhaps RWWA is dumbing it down a bit to make it easier for people to understand. The revenue for the racing industry does not come solely from the Western Australian TAB; other revenue comes in. In my opinion, RWWA has never fully explained the associated risks of running the TAB business in Western Australia and how the competition in the wagering market has changed dramatically over the last five years, and particularly the last two to three years. I think it has done a disservice to itself and the industry. It should have pushed hard to inform the industry that it may also be time to look at a new model. I was mainly opposed by members of Parliament who were representing their constituents. They represented constituents who told them they did not want to sell the TAB. I can completely understand that. The former member for Murray–Wellington certainly took that view. In fact, he took it so far that he decided to print stickers that said “Don’t sell the WA TAB”. I remember seeing them in the car park on quite a number of cars. As the minister responsible at that time, I thought we should take much broader responsibility and ask, “I understand what the constituents are saying but what is the best outcome for the industry?” That is why I pursued the idea further, beyond the political storm that was happening. I got plenty of criticism from all and sundry but I thought it was important to make sure that we put all the cards on the table for the racing industry to see what was the best way forward. That was a harder way to go but, in my opinion, it was the right way to go.

We are now at a point at which the new government needs to show some leadership on this issue. The racing industry is especially asking for leadership in its industry, which I will expand on in a minute. It is asking for the new government to look at ways of supporting this industry into the future because it is facing some real issues. The industry is facing a downturn. Participation rates are declining in all aspects of the industry. Fewer racegoers are going to the races and there is less betting at the totes at racing clubs on the course, which, in turn, means less revenue for racing clubs. Every racing club in Western Australia—city or regional—would be finding it very difficult to balance the budget and will be struggling to make ends meet. They want a new model to help deliver some of the things that they require. There are fewer horses and less breeding. Fewer new trainers, jockeys and support staff are being attracted to the industry and there are fewer owners in the system. As Fred Kersley keeps saying, two things drive the industry: the punter and the punter dollar; and owners and ownership who are willing to invest their money on the one in a hundred chance of getting a return from owning a horse. I think the racing clubs are the third component of that. They hold the events. They put the races on and put the product together for people to wager on.

To reiterate that point I will quote some statistics from the “Industry Status Report 2014–15”. I know it is a year or so old, but we are yet to see the industry status report for 2015–16—at least, it is not on the Racing and Wagering Western Australia website. These statistics certainly give us an idea of some of the trends. I will break down the breeding that is occurring within the industry into three codes. For thoroughbreds in 2010–11, 1 698 animals were born and there has been a steady decline every year to 2014–15, when 1 231 animals were born. That is a reduction of about 25 per cent, which will have dramatic effects throughout the racing industry and wagering business as fewer animals get to the races. I know not everyone is interested in racing but if they are, they can look at how many horses are running around in Kalgoorlie on a Friday or a Sunday afternoon and how many races there are. They sometimes have only six races and they used to have eight races. They used to have 10 horses in a race and now they have six horses. In 2010–11, 642 animals were bred for harness racing, and in 2014–15 it was 426 animals. That is a reduction of about 30 per cent. For greyhounds, in 2010–11, 615 animals were born, and in 2014–15 it was 587.

Greyhound racing is a unique industry, as we have discussed in this house in previous Parliaments. There is a lot of pressure from animal welfare and it is really quite a constrained industry in Western Australia. We have only three tracks, which are tightly controlled, and all the breeding is very, very tightly controlled. If members talk to industry participants and the breeders’ associations, they will tell members that these figures represent an alarming trend within the racing industry.

Just to keep referring to that document, with regard to registered persons within the industry—this shows participation—in 2010–11 there were 706 thoroughbred trainers, and in 2014–15 that figure had reduced to 577. I know that stats do not tell the whole story because we need to interrogate them, but I think in this case we can clearly see that that number has been reduced quite a bit. In 2010–11 there were 92 jockeys; there are now 53. The number of apprentices has remained just about static. I think that is a good signal. That is some of the space that Racing and Wagering Western Australia needs to put more of its resources into—attracting new participants into the industry. The number of harness trainers has gone from 270 to 227 over the same time frame. Driver trainers

have gone from 429 to 299 over the same time frame, and drivers have gone from 68 to 52 over the same time frame. There are few participants in the industry.

Members may have received an email dated 13 July from Mr John Biggs, the chief executive officer of the Country Racing Association. There are three tiers of thoroughbred racing in Western Australia: city racing; provincial tracks, like Bunbury, Albany and Northam; and the Country Racing Association guys, who run things like Mt Magnet, Yalgoo, the Pilbara cups and some of the ones further up north.

I hope members have read his letter, but if not, I am going to read it to them now. It states —

**The Western Australia Racing Industry requires urgent Government assistance to ensure the viability of the industry in the future and we make this plea to the Minister for Racing and Gaming the Honourable Paul Papalia and follow Politicians to save the WA Racing Industry.**

The Western Australian Racing industry is the 3<sup>rd</sup> largest employer in Western Australia and contributes \$821 million to the WA economy a year. However our industry is shrinking at a very fast rate.

Our industry relies on revenue from our WA TAB for stakes and infrastructure. The revenue from the WA TAB is falling due to the depressed WA economy and the competition from Eastern States betting agencies and corporate bookmakers. TAB operators and racing clubs in the other states also have the advantage of generating income from other products that are not available in the WA TAB. The industry is in urgent need for reform and this can only start with a reduction in the tax rate which would allow the TAB business to grow its market share and return more funding to race clubs. The WA TAB tax rate is the highest being paid by any betting agencies in Australia and a 1% reduction would result in an estimated \$18 million additional funding to WA racing industry which could be allocated to infrastructure funding.

Due to the lack of confidence the WA Thoroughbred industry the breeding industry is declining at a very fast since 08–09 the number of foals born in WA has fallen 49.97% and the projections are that they will fall a further 13% over the next 4 years. The full impact of the declining confidence is just starting to affect the industry, particularly in the country where horse participation numbers are starting to have a major impact on race fields at our country clubs. We have owners, trainers, breeders walking away from our industry at an alarming rate, we have race clubs that facilities don't meet the industry and public expectations however they are unable to carry out improvements due to lack of industry funding for infrastructure.

The industry has previously conditionally supported that the WA TAB should be sold on the proviso that our racing industry would be better off. The racing industry through the Western Australian Racing Representative Group (WARRG) in the last 12 months spent large amounts of money to engage some of the best consultants in Australia to assist our industry in the best way to ensure that our racing in WA is sustainable; however this information appears to be completely ignored by the government.

The WA Racing industry makes this urgent plea to you and your government to act immediately to save the WA Racing industry from collapse.

I strongly urge all race clubs, owners, trainers, breeders, jockey's and industry participants to endeavour to get this urgent message to all members of parliament and the Minister for Racing and Gaming to take urgent action to save the WA Racing industry.

That email is dated 13 July this year. Obviously Mr Biggs has some ideas about how we can support the industry in the future. Tax breaks is one idea. I think we need to do that, but I do not think that it will necessarily be a panacea that will make the Western Australian TAB more competitive. The email refers to a backlog of infrastructure. It is estimated there is a \$150 million backlog of infrastructure costs. Racing and Wagering Western Australia admits that under the current model it cannot deliver that sort of capital expenditure into race clubs. I have said that before, but this is in an email directly from a stakeholder in the industry who represents a fair chunk of the industry asking for the same things I have been highlighting in this chamber.

There is support to find out at least what a different model for the wagering operation can deliver. The email I received from Mr John Biggs refers to the Western Australian Racing Representative Group. I will use the acronym WARRG. The group was established when I first became a minister. I saw that the privatisation of the TAB would be an issue for the industry, and I wanted the industry to come with a united voice to say what the industry needs. I put that idea to a summit held by Racing and Wagering Western Australia, and out of that summit WARRG was formed. WARRG is a representative group of the industry. It was voted for by members at that forum and it is clear in my mind that it represents a significant part of the industry. The membership of WARRG includes David Simonetti, Kevin Jeavons, Ron Sayers, Fred Kersley and Michael Grant. I think that is it; I hope I have not missed anyone off that list. They are really upstanding people within the industry who have done the right thing. They are people who represent the industry and want to find out about the proposed sale of the TAB, because they are passionate about and want to do the right thing by the industry. They have invested their time to find out the best ways forward, and I think that we should support them in that.

Fred Kersley is a member of WARRG. From time to time opponents of the sale of the TAB have held up Fred Kersley. They say, “Not even Fred Kersley wants to sell the WA TAB.” The now Premier said during a debate in the other house last year that Fred Kersley does not want to sell the TAB. I can tell members that Fred Kersley participates in WARRG and the group clearly indicates that it thinks that it is worthwhile to test the market for the sale of the TAB. There is plenty of opposition to the sale, but a lot of it is not founded on truth or on facts. I think if Fred Kersley were sitting in the gallery—I would not want to put words into his mouth—he would say that it is time to test the market to see what the potential sale of the TAB could deliver to the racing industry in this state.

Debate adjourned, pursuant to standing orders.