

Racing and Wagering Western Australia —

Mr T.J. Healy, Chair.

Mr P. Papalia, Minister for Racing and Gaming.

Mr R. Burt, Chief Executive Officer.

Ms E. 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, 29 September 2017.

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 553 of budget paper No 2. This is a general inquiry on the wagering side of Racing and Wagering Western Australia. Given there has been a lot of discussion about the future of the TAB and whether the government will decide to privatise it, I noticed that the Federal Court today quashed the approval for an \$11 billion merger between Tabcorp and Tatts Group. Does the minister think this decision, which means the matter must be referred back to the Australian Competition Tribunal for consideration, will have any impact on decisions that might be made by this government going forward, or indeed any possible plans to privatise the TAB?

Mr P. PAPALIA: The member is aware that the Treasurer announced in his budget speech—I think I prefaced or pre-empted that with a brief ministerial statement—that Treasury is conducting due diligence on the TAB, but we are not doing that with the expectation or otherwise of selling the TAB. We are conducting that process, and I am sure that situation will be considered as part of due diligence.

Mr J.E. McGRATH: If there is not a merger between Tabcorp and Tatts, how might this impact on the future operation of the Western Australian TAB if Western Australia remains as the third major player in the wagering system in Australia?

Mr P. PAPALIA: I would be speculating. I stated earlier, and as the Treasurer indicated, that Treasury has engaged consultants to conduct due diligence on its behalf. I am sure they will take into account the situation with regard to any potential merger. Clearly, I will have to consider that. The consultants will report, and we will then be in a position to know the situation.

Mr J.E. McGRATH: Might it be possible to get a comment from Mr Burt on this matter? I believe that during the process, Racing and Wagering Western Australia took an official position and supported the merger. The merger might be good for the Australian racing industry. It is a matter of public interest, and it is on the record that RWWA put in a letter of support for the merger. Would it be possible for the minister or chief executive officer of RWWA to inform us why a merger between Tabcorp and Tatts might be better for the landscape of wagering in Australia?

Mr P. PAPALIA: No, because this is an estimates process that relates to the budget we handed down. I repeat that the member knows the situation with the TAB as stated in the budget, and that question is unrelated. The member is again asking for speculation on what might or might not happen with regard to a merger, and that is not relevant to the budget.

Mr J.E. McGRATH: I refer to a statement made earlier this year by RWWA about the distribution to the WA racing industry.

Mr P. PAPALIA: Sorry; what part of the budget is the member referring to?

Mr J.E. McGRATH: I refer to page 553 of budget paper No 2, "Racing and Wagering Western Australia".

Mr P. PAPALIA: Which part?

Mr J.E. McGRATH: The heading “Racing and Wagering Western Australia”. The minister has given me carte blanche to ask questions on one item that we can all quite easily identify in the budget—it is about the only one I can! We need to —

Mr P. PAPALIA: Within reason.

Mr J.E. McGRATH: Within reason, and I am a reasonable person. The minister knows that.

Mr P. PAPALIA: It is about the budget; it is estimates. It is not about someone’s opinion about what might or might not happen.

Mr J.E. McGRATH: No, it is not opinions, minister.

The CHAIR: We are off-budget; this is within the realm. If you can finish the question, the minister can respond.

Mr J.E. McGRATH: Okay. The statement of Racing and Wagering Western Australia made the point that the distribution and club subsidies will total \$152.2 million in 2017–18, which is an increase of 4.1 per cent from 2016–17. The \$6.1 million increase has been attributed to business cost-cutting, an aggressive sports wagering campaign, a boost in race fields income and good risk management on fixed-odds betting, which is a good result for everyone. An additional \$4 million in grant funding for essential infrastructure projects meant that each of WA’s 51 racing, pacing and chasing clubs will receive a minimum of \$10 000, which is also good. In the same report, RWWA said that the number of bets placed with the TAB in the past year had increased, but there had been a fall in their total value. As a result, wagering tax to the state government will fall by \$1.4 million to \$40.5 million. Can the minister inform the committee how much the wagering revenue dropped, and the possible reason for that?

[8.40 pm]

Mr P. PAPALIA: I will ask the CEO to respond to that question.

Mr R. Burt: Thank you, and good evening. The margin after tax reduced 4.5 per cent, which, in the scheme of the market in which we operate with a high exposure to Western Australia, we find quite a credible result because the majority of the economic indicators that we measure against, which are relevant to wagering turnover and consumer confidence, have dropped significantly more than that number, so we find a 4.5 per cent reduction in the margin after tax to be acceptable. Interestingly, betting volumes—as in, the number of tickets, whether they are account or cash retail—increased by just over two per cent but the value was down about seven per cent; hence the comments I made in the report the member referred to.

Mr J.E. McGRATH: Could that in part be attributed to the downturn in the economy and the fact that people who work in the mining industry might not have had as many available funds? Obviously, the bet amount dropped; there were more bets, but less revenue.

Mr R. Burt: We expect there to be a high correlation between economic confidence and activity in the state, to which we have a high exposure, and our trading results.

Mr J.E. McGRATH: One of the biggest issues that the industry now faces, which is why the minister’s government is talking about bringing in a point-of-consumption tax, is the impact that corporate bookmakers are having on organisations like the Western Australian TAB. That is why I asked the question before, which I thought might be answered by the department. Where is this wagering funding going that might be being lost in Western Australia? Is there any way in which, through the race fields money that is collected, we could find out who is holding most of that turnover? How big is the hold of corporate bookmakers on Western Australian punters? How much has it grown in the last few years? The race fields money can give us an idea of that—where it is coming from and who is holding all the big money on our races.

Mr R. Burt: Firstly, it is not all doom and gloom in our results. Our profit was up nearly five per cent last year if we look at all variables included. Although wagering revenue was down slightly, if we look at the full impact of our ability to drive performance throughout the business, we were able to extract a profit before the industry funding increase of five per cent. Directly in answer to the member’s question, race fields are unfortunately not an accurate measure of market share shift. If we are down 4.5 per cent in revenue and race fields income is up, that is not a direct, relevant indicator of assuming a shift in market share. The member has to appreciate that, at the moment—this was evidenced literally a week ago when a bill was passed that will provide a national consumer protection framework—credit betting is offered and there are large inducements with quite excessive advertising and sponsorship sorts of activities going on. The economic activity of punters nationally is probably exaggerated through these variables. Because we do not condone a lot of the irresponsible wagering practices of others, we tend to find that the race field income we have at the moment is probably embellished on what it would ordinarily be. In fact, when this national consumer protection framework fully hits, which we think will be in about six months, we will probably find that the race field income will come off a little bit because of the activity by some competitors pulling back. Quite genuinely, we cannot look at race field income as a measure of share alone.

Mr J.E. McGRATH: Would Racing and Wagering Western Australia have any idea how many Western Australian punters now bet with a corporate bookmaker? Is it one in 10 or five in 10, because everywhere I go, I hear people saying they have started up an account with a corporate bookie and they now have a bet on the West Coast Eagles? It seems that a lot of people are, but the CEO of RWWA has indicated that the local TAB product is still standing up pretty well in terms of customers. How big is this trend towards people using their phones to bet with agencies other than the Western Australian TAB?

Mr R. Burt: There is sometimes a little bit of confusion between comparing corporate bookmaker activity and the domestic state TAB operator and its ability to fund the racing industry. The penetration per capita that we have in WA is the highest in Australia for TABs, which, to a small degree, is because of the absence of gaming machines. The return that we distribute back to the racing industry is one of the highest in Australia, so the relative performance of the TAB here on those sorts of metrics, which are of market penetration—effectiveness of being able to market to our domestic state—and of the profits generated and the returns back to the industry are some of the highest in Australia. Regarding the points about competitors being more effective in inducing gambling, they operate to a different rule sheet, if you like. They are more liberal in the sorts of inducements they offer. Regarding taxation obligations, an operator of an equivalent size or larger pays \$575 000 in the Northern Territory. Our gross wagering tax is over \$40 million. Their obligation to racing industries is about 2.3 per cent, on average, in product fees alone. Western Australia's tax is that plus what we fund to the racing industry as our primary purpose, which is over seven per cent. Therefore, we are comparing 9.3 per cent with 2.3 per cent plus the tax, which is not exactly a level playing field.

Mr V.A. CATANIA: If we look over the last 10 years, the number of Western Australian race meetings covered by the WA TAB has increased by probably just three per cent. If we look at the number of non-Western Australian meetings, it has grown by 141 per cent in the same time. If we add this to the declining rate in the number of courses and the number of registered persons who are exiting the industry, does the department concede that the focus of Racing and Wagering Western Australia has been heavily on the wagering side of the business to the detriment of the local racing industry?

Mr P. PAPALIA: Thanks, member. As the member would be aware, we are only just over six months into office, so what the member is talking about was largely an environment that existed under his government. I will ask Mr Burt to respond to the member's specific question.

Mr R. Burt: I take the member's point that we are in a complex business that has four parts. We run three racing codes together with the TAB, and there are racing stakeholders who, at times, believe we put a lot of emphasis onto the wagering side of our business. The feedback I would offer is simply: I find it a lot more difficult making money than spending money and if we do not make money, we do not have it to spend on the racing industry and we treat the spending of it very carefully. In fact, if the member looks at whichever code—thoroughbreds, harness or greyhounds—the metrics that we have in Western Australia are comparable to national metrics. If the member looks at thoroughbreds in New South Wales, Victoria and Queensland, the participation numbers and the horse foaling crop reductions are very consistent. I take the member's point that we have a challenge to reverse generational interest in racing, but, if members look at the construction of our business, it is a business that enjoys scale by being the composite of four organisations in one. It is a highly effective organisation and, repeating the sort of metrics that I raised, is a very efficient organisation at making money for racing. Our participation numbers are consistent with those nationally. In fact, if the member looks at figures for greyhound and harness racing, it is probably superior.

Mr P. PAPALIA: Can I add that from the government's perspective, and as I acknowledged at the outset, it is early days as far as our government having oversight of the portfolio, but I am increasingly of the view that we are very fortunate to have an authority of the nature of RWWA to ensure there is advocacy on behalf of all the codes and all participants in the industry with the objective, on behalf of the taxpayer, of ensuring the industry is sustainable and robust in the future. We should benefit from the existence of not only the agency but also the CEO and the board. It has my great confidence in fulfilling that role of acting on behalf of the industry, advising government on behalf of the industry and pursuing the best outcomes for the industry and the taxpayer.

[8.50 pm]

Mr V.A. CATANIA: On page 553, under the heading "Asset Investment Program" is the line item "Retail Outlet Upgrade Program". Why has \$7 million been allocated when the government is exploring the possible sale of the WA TAB? Please outline what this money is being spent on.

Mr P. PAPALIA: It is for the completion of the program that was initiated under the previous government and that allocation is the final year of the allocation towards that program.

Mr V.A. CATANIA: In the line item “Wagering Systems and Products”, \$22 million will be spent over the next four years. If government were to sell the TAB to a new operator such as Tabcorp, which utilises its own system, would that money not be wasted?

Mr P. PAPALIA: No. As I have indicated a number of times, the government has not committed to selling the TAB. We have undertaken to complete due diligence—Treasury is leading that process—which will provide information to the government. We have committed to not sell the TAB unless it is in the interests of the industry, the government and the state. If the member is suggesting that were we to decide to sell the TAB, we should immediately cease all investment in being competitive in the meantime, I would suggest that would be a bad decision and would not be in the interests of the taxpayer, because it would have an immediate consequence for revenue generation. It would not be beneficial from the point of view of selling the TAB were we to decide to sell it, and neither would it be beneficial in sustaining revenue streams to the government in the meantime. As the member has heard, we get just over \$40 million in tax from that organisation, and impacting that in a negative way by reducing investment in that competitive process is not a good thing.

Mr V.A. CATANIA: The minister mentioned Treasury is conducting a review.

Mr P. PAPALIA: It will do due diligence.

Mr V.A. CATANIA: Is that on whether the TAB should be sold?

Mr P. PAPALIA: A consultant has been engaged by Treasury to do due diligence on the TAB with a view to whether it is in the interests of the industry and the government to sell it.

Mr V.A. CATANIA: When does the minister expect that review to be completed?

Mr P. PAPALIA: I am not leading that process, but I understand that it will be completed early in the new year.

Mr V.A. CATANIA: Minister, a review has already been done—the Ray Gunston report, which is pretty detailed and brutal about the industry. Why is Treasury conducting another review through a third party? If early next year it will hand down another report, why is the organisation still spending \$22 million? It seems as though the government should wait until the point of deciding whether to sell the TAB, because whoever is interested in the TAB would have a different system. Why would the government spend that money? Would the government not wait for the report to state whether industry is interested in selling it and whether it is beneficial for the state to sell it? Would it not be better to wait?

Mr P. PAPALIA: As far as I can ascertain, the member is pursuing a couple of different angles. One is why we did not employ the review of the racing industry conducted under the auspices of the Western Australian Racing Representative Group under the previous government. The answer is that we are not the previous government. We are the current government. Circumstances have changed considerably and the environment is different. The member would be aware that a point-of-consumption tax is likely to be imposed and that would dramatically shift the environment in which a sale was made, if a sale was pursued. Clearly, we need a review that we initiate under the auspices of our government in light of the current circumstances. That is why we are not using that previous review. It is dated and is no longer the latest information available.

In response to the question that the member has repeated about why we would continue to invest in the wagering systems and products, quite simply, if we do not, there will be an immediate negative impact on the revenue flow to the government from this organisation. The consequences would be twofold, in that it would impact potentially on any sale value were we to undertake a sale, and, secondly, it would result in a negative net impact on the budget in the form of reduced revenues. Those investments are required to remain at the level of competitiveness that we achieve currently. We cannot stand still, because if we are standing still we are going backwards. As I have said, at this stage there is no intention to sell the TAB. There is an intention to work collaboratively with other states and the federal government towards potentially imposing a point-of-consumption tax, but the TAB will be considered through the prism of whether it is in the interests of the industry and government.

Mr V.A. CATANIA: I think the uncertainty that exists in the industry and in RWWA about whether the government will sell it or not is unsettling. Every day that a decision is not made on whether the government will sell it, or another review is undertaken or the racing body comes out and says that it supports the sale, is a day that is costing the industry.

Mr P. PAPALIA: Is there a question here somewhere?

Mr V.A. CATANIA: When we have had report after report handed down, and a process being driven by the previous government that probably also took too long, I just —

Mr P. PAPALIA: What is the question?

Mr V.A. CATANIA: Why is the government having another report done by Treasury through a consultant when it already has a report commissioned by the previous government? Spending another \$22 million is affecting the viability of the racing industry when perhaps that \$22 million could go on regional race clubs such as the Carnarvon Race Club, which would love to have some more money. Why is the government commissioning another report? Why would the government not wait until it has the report handed down early next year to make that \$22 million investment?

Mr P. PAPALIA: Member, the extraordinary barefaced gall of the National Party, which was responsible for the provision of racing and gaming ministers under the previous government, to suggest that somehow after six months this government is responsible for uncertainty in the industry due to speculation around the sale of the TAB, is just amazing.

Mr V.A. CATANIA: Because the government said that it would not sell it and now it is saying that it could sell it.

The CHAIR: You have asked your question; he is just answering it, member.

[9.00 pm]

Mr P. PAPALIA: I cannot believe that the member for North West Central sat on the other side of the chamber and speculated about continued uncertainty when his ministers in the previous government —

Mr V.A. CATANIA: The Labor Party is in government now. The government said it was not going to sell it and now it has commissioned another report and said that potentially it could be sold.

Mr P. PAPALIA: This is estimates. The member has had his say. He made his incredibly —

The CHAIR: The member for North West Central has asked a question and the minister is responding to that question.

Mr P. PAPALIA: I am responding. The member for North West Central made an incredible statement, but consider this: the reason there is uncertainty about the potential sale of the TAB is that the previous Premier, Hon Colin Barnett, some three and half years ago—probably almost four years ago—unilaterally announced that he was going to sell the TAB, and then his ministers, who were to a person National Party members, did nothing to pursue that objective for the subsequent three and a half years of his government.

Mr V.A. CATANIA: The government's election commitment was to sell the TAB if the industry agreed. The industry agrees, so the government is breaking its election commitment.

Mr P. PAPALIA: The member's ridiculous observation suggests that somehow uncertainty is now a concern. It is nice that the member has suddenly arrived at the realisation that the National Party caused uncertainty. We will deal with it in a structured fashion and in appropriate manner with an inquiry and report that has been commissioned by government, not one that was not commissioned by a government.

Mr V.A. CATANIA: If the industry says it wants to sell it, will the government then fulfil its election commitment?

[Ms L.L. Baker took the chair.]

Mr P. PAPALIA: The report to which the member refers —

The CHAIR: Member and minister! This is not a debate; this is a question and answer session. When you are given the call, you have the floor. Do not exchange across the chamber.

Mr P. PAPALIA: Fair enough. I will finish my response so that the member for South Perth can ask a real question.

The report to which the member referred was not commissioned by government. It was conducted by the Western Australian Racing Representative Group, which is not a government agency. We have a government agency that is responsible for advising government on the racing industry, and that is RWWA. The CEO and board of RWWA have my full confidence and the full confidence of the government to advise the government in consultation with the industry. I encourage all players, any interested parties and stakeholders within the three codes to participate in the collaborative and consultative process that has been established by RWWA, which engages with all three codes and enables them to have direct input. With regard to the expenditure, I already answered that question. If we stopped spending on our ability to compete in this competitive environment, we would go backwards and that would have a negative consequence for the potential sale price of the TAB, the revenue streams available to the industry and the taxes available to the government, and it is not going to happen.

Mr J.E. McGRATH: Can the minister advise the committee how the investigation by Investec will be funded? Will it come out Treasury funds or industry funds?

Mr P. PAPALIA: I am told Treasury funds.

Mr J.E. McGRATH: Can the minister advise how much has been allocated for the review?

Mr P. PAPALIA: Because I am not the minister responsible, I ask that the member pursue that with the Treasurer. It is not as much as the former government spent on the other review. Considering the scale of work required, it is not an outrageous allocation and it may well be something that the Treasurer can happily tell the member.

Mr J.E. McGRATH: The minister told me during my second reading contribution that I could ask this question.

Mr P. PAPALIA: Let us see how the member asks it!

Mr J.E. McGRATH: I refer to page 553 and the heading in bold print, “Racing and Wagering Western Australia”. We spoke about the point-of-consumption tax, which the government has put forward as something that might happen in Western Australia following what happened in South Australia. I see in the budget estimates that it is predicted to raise over the forward estimates about \$100 million, but it was also pointed out by the Treasurer that other taxes would go. The minister said he would provide details about which taxes will go.

Mr P. PAPALIA: The figure referred to by the member for South Perth does not appear in our budget papers.

Mr J.E. McGRATH: I do not think it was specified in the budget.

Mr P. PAPALIA: There is a reference to it in the budget under the responsibility of the Treasurer. It is not in our part of the budget. What is the member is trying to determine?

Mr J.E. McGRATH: I am trying to put it on the record and perhaps we can chase it up another way. There will be a new point-of-consumption tax, and there will be no other taxes on wagering. I gather that the point-of-consumption tax will raise the equivalent of what the other taxes raise.

Mr P. PAPALIA: Again, this is not my responsibility. The member might have missed the Treasurer but that does not mean he cannot pursue it by putting the question on notice or asking him during a normal parliamentary session. The intent at the very least that I would advocate on behalf of the industry with the Treasurer and Treasury is that we achieve parity with taxation as a baseline objective. That means that in the mix we are not paying a higher rate than other like jurisdictions.

Mr J.E. McGRATH: I pointed out that the South Australian government expected the point-of-consumption tax to raise \$9.1 million in the first year of operation, but there has been no indication of whether any of that money will go to the industry. Will any of the \$100 million that will be raised over four years go back to the industry or will it be retained by Treasury?

Mr P. PAPALIA: I will not refer to a figure because I am not sure which bit the member is referring to. Again, my advocacy would be focused on getting the best deal for the industry within government with the Treasurer. It has been stated by the government before now that in the event that there is a nationwide rollout—because we do not want the potential for some jurisdictions not to participate, resulting in a skewed outcome—we would want to be competitive. I would argue that we have to achieve tax parity to ensure that we are not seen as a more expensive or a more difficult jurisdiction.

Mr J.E. McGRATH: Given that the whole of the Australian racing industry has been very keen for a long time to have a national tote and a national tote pool, which would obviously make it more difficult for bookmakers from other jurisdictions to come into the wagering spectrum in Australia, from the minister’s meetings with other racing ministers, or maybe from Mr Burt’s meetings with other wagering operators, is it an impossible dream that one day we will have a national tote?

Mr P. PAPALIA: I will ask Mr Burt to respond in a second. I have met with wagering ministers. They are not all racing and wagering ministers. There was one racing minister at the wagering ministers meeting, but he also had a wagering minister who was not there. It is an interesting situation. I am fortunate to have both portfolios, as opposed to some of the wagering ministers, who seem to be focused on outcomes that might be deemed important within the harm reduction field of endeavour and are not considering the implications of some of their suggested actions on the racing industry. I was able to consider both of those, as was the other racing minister in the room. That aside, in that particular meeting there were not any discussions, and I have had a phone hook-up for another one and there were no discussions regarding a national tote. Mr Burt can answer with regard to whether he has heard anything.

[9.10 pm]

Mr J.E. McGRATH: Can we ask whether Mr Burt believes that one day Australia might have —

Mr P. PAPALIA: Hang on, let us stick to the question the member asked: has he had any conversations with any other executives; I think that is what the member originally said.

Mr J.E. McGRATH: Yes, okay.

Mr P. PAPALIA: Rather than speculating too much. But Mr Burt can answer himself.

Mr R. Burt: Thank you. If the merger proceeds, I think there is a potential. If the merger does not proceed, I think the potential falls away for a national tote.

Mr J.E. McGRATH: Thank you.

The CHAIR: This is off budget, so that completes the examination of Racing and Wagering Western Australia.