

**TAB (DISPOSAL) BILL 2019**  
**BETTING CONTROL AMENDMENT (TAXING) BILL 2019**

*Cognate Debate*

Leave granted for the TAB (Disposal) Bill 2019 and the Betting Control Amendment (Taxing) Bill 2019 to be considered cognately.

*Second Reading — Cognate Debate*

Resumed from 25 June.

**HON DR STEVE THOMAS (South West)** [2.15 pm]: It is my pleasure to be the opposition's lead speaker on these bills. Before I start, can I pass on my best wishes to the Minister for Regional Development on her current battle and wish her well. She is a worthy opponent and I look forward to further debates in the future.

These are interesting bills, which we will spend a little bit of time on, because we need to ask a couple of key questions as part of the process. At the end of this part of the debate, I hope that we will come up with answers to the questions: What on earth is the government doing running a gambling den, anyway? How did we get to this particular set of circumstances? Is it appropriate that the government continues to do so, or is it more appropriate that it should divest itself? At the end of this process, we will get to the circumstances in which that should be best done.

The racing industry has a very, very long history, but most of it has been rather disorganised. I looked for the first records of horseraces to find some evidence of how far back it goes. Horseracing was being done on an ad hoc basis back at the dawn of time and the beginnings of history. Records of it probably go back to the 1500s. I note with interest that Henry VIII, that famous English king, who was rather more famous for other things, was also famous for keeping a set of racing stables, which he quite enjoyed. Of course, in those days, there were no occupational health and safety requirements. Henry VIII was particularly famous for making sure that his jockeys were smaller and lighter than those of his opponents, and therefore was quite famous for putting small children on the backs of his racehorses and sending them out on the track. That had a certain attrition rate; not all of those small jockeys survived the process.

Horseracing has a very, very long and interesting history. I will declare something of a vested interest. I had a look at my Australian Stud Book—appointed veterinarian card to see whether there was a date on it to work out how long I had been working in the industry. This card must be about 30 years old, so I have been an approved veterinarian in the system for about 30 years, which is probably not as long as some members have been involved in the racing industry. Every time I have a conversation with the good member for South Perth from the other place, I think that his history in the racing industry might exceed mine, but I have been around the system for some time. I have to say that in the years that I have been involved with the racing industry, it has changed significantly, as have many industries when confronted with a change of societal structure, in particular, the introduction of high technology, which has changed the racing industry immeasurably from the one that I remember when I was young.

When I was a child, the racing industry was an immensely exciting weekend activity. It was one of those family activities that, particularly in regional areas, everybody knew somebody who had a racehorse. In regional areas, the more well-off people, such as the local doctors, dentists and lawyers, more often than not had a racehorse. In fact, in some areas —

**Hon Alannah MacTiernan:** Some of which they treated in the hospital—Wayne Bradshaw brought his horse into Harvey Hospital!

**Hon Dr STEVE THOMAS:** That was not supposed to occur, minister, and veterinarians were never supposed to treat humans either. I said to somebody before we started this debate that we might go into some areas that we should not talk about in great detail. We certainly will not be naming any names as we go forward in the debate, because the racing industry has had its seedy side. It has not always been the virtue of paragon that we might consider the sport of kings, which perhaps takes us back to Henry VIII, who was probably not a virtue of paragon either. I mean a paragon of virtue—there are some spoonerisms going on here. We have come full circle. The racing industry has had something of a chequered past, and we will talk about that in a little detail as well, because that is the reason that the TAB ultimately came to exist.

The racing industry for country people in particular throughout not only Australia, but also the Western world was a place of great excitement and weekend adventure. This was in the days before the internet, mobile phones and all the games that my children play constantly these days. It was when young people generally, and older people for that matter, were forced to find their own entertainment from the things around them. A day out at the races was actually a pretty big and exciting event, whether it was the professional thoroughbred races, picnic races or amateur races. It was effectively a day out and for that reason it attracted a crowd. Obviously, the human instinct to have a little flutter on the outcome of a race started very, very early in history. The first recorded event I could come up with was a horserace in France in around 1650, but racing has been going now for several hundred years

at least. I would imagine the history of having a flutter on the outcome of a race is probably far older than that. I mean Australians have a reputation for this, do we not? We were famous in World War II for being happy to bet on two flies crawling up a window. We do have something of a national character association with gambling and perhaps that is why we sometimes behave in a somewhat more risky manner than other inhabitants of the world.

Gambling on the racing industry, although very common and having started very early in history, took a long time to get organised. The first people to organise gambling were not the authorities. It was not those in charge of governance; instead, an illegal gambling system blossomed around racing, particularly among the seedier side of society, because great profits could be made. Interestingly, although individuals were more likely to take very large bets on the outcome of a particular race, the organisation of gambling took part often in very poor communities where people were probably unlikely to attend racecourses but would bet on the outcome of the races for entertainment. What happened? The first instigation of technology in any significant way into the racing industry was radio broadcasting of horseraces. It really took off early in the twentieth century.

**Hon Matthew Swinbourn:** It was ticker tape, surely.

**Hon Dr STEVE THOMAS:** It would have been very hard to get ticker tape and the telegraph to give a blow-by-blow description of a horserace, whereas radio brought the race to people live—almost as it was happening. When racing started to be broadcast significantly in areas and across populations, it opened the door for gambling. Suddenly there was an unknown outcome with the prospect of wagering. Members have properly seen or read about some of the early gambling revenues collected during the mafia era in America, the roaring 1920s and 30s, and through to the 1950s and 60s, when this sort of activity really took off and it was common for people to run numbers on street corners. The bets were very small. They were nickel-and-dime bets in America and pennies, farthings and shillings in Australia. Small bets were laid, but people were starting to make significant amounts of money off a large number of small bets.

Of course, none of that money was ever registered. No government or the racing industry ever got a share. Ultimately, that kept the revenues available for racing fairly small. In those early days, it was not unusual for people of modest means—not poor—to be able to afford to buy a racehorse and run it at a regional racing event. As a child, I remember the neighbours doing this. My neighbours were not doctors or lawyers who could afford it a bit more easily; these were dairy or beef farmers who as a hobby or a sideline had racehorses because that was their interest. The whole community would go out to watch the particular racehorse run and everybody would have a personal investment in it. It was an industry based on large numbers of small investments, and because there was not a lot of money in one particular place, it allowed a large number of people to access it, but technology changed that. As, firstly, the radio marketplace and, ultimately, the television marketplace expanded, racing reached a lot more people. These people were not attending racecourses and supporting the bookies who were always on the racecourses, as those who have visited racecourses would remember; they were in the greater community and would simply listen to the races and use this entertainment as a form of gambling.

As I say, the world is full of gambling. I will go into a bit more detail about whether this is any better or worse than any other form of gambling, but the reality is this technology reached out and took this form of gambling to a significant number of people, and it changed the industry at that particular point. The government decided, as governments quite rightly should, that there came a point at which the illegal, or unmanaged, proliferation of gambling whereby a small number of people became very wealthy by fleecing a large number of people who were for the most part betting pretty small amounts, needed to change. At that point around the world—a bit earlier in the United States and some other countries—and in the 1960s in Australia, which followed suit, governments started to regulate gambling so that it was better managed and government and industry could get some return from the process.

There is an argument in Australian history about whether this process was initiated by the racing industry or by government. I am happy to take on board the views of those members of the racing industry who feel quite proprietary about the TAB, because in their view the TAB was a government response to an industry initiative and industry drove the need to manage this gambling component of the racing industry. Therefore, some in the racing industry think of the TAB as their baby and wonder why we are having this debate at all and whether we should simply gift the TAB back to the racing industry. But the reality is that government is required to manage these things and it would never be the case that government would simply hand over the regulation of a gambling environment to the people who have a vested interest in it. That was never going to occur. Whoever had the initial idea—did it come from government or industry?—is rather a moot point, because where we got to in the process, which was government managing the gambling of a largely privately run industry, was the only possible outcome that made this process work. That is why the government effectively runs a gambling den. If the government did not run a gambling den, gambling would simply occur on an ad hoc basis. I will come back to this idea down the track when we face the question: is it our job to keep people from gambling or to prevent gambling from being available? That question needs to be part of the debate in the house over the course of today and perhaps a little longer—that is, whether the government should be involved. When I looked at this legislation, one of my first

questions was: why is the government running a gambling den in the first place? But that is the reason, and, in my view, it was unavoidable that we would get to that situation.

Of course, technology did not stand still, as the government and the racing industry did. Before I move on to that, there were some changes within the racing industry that I think contributed to the situation in which we find ourselves and the economic problems that the industry faces. I will cover that in more detail. A couple of weeks ago, I attended a Racing and Wagering Western Australia briefing for members of the south west racing industry, which was held at the Bunbury Turf Club, a place I have not infrequently been to over many years. In my view, it is an absolute truth that the biggest issues of the racing industry have nothing to do with the bill before the house today. I include all three industries—galloping, trots, and greyhound racing. I listened for a few hours to the community consulting with the head of Racing and Wagering Western Australia about the bill. Racing and Wagering Western Australia obviously supports the bill. I did not get the exact number of how many people attended, but there were somewhere between 50 and 100 representatives of the racing industry in the south west. Their feedback was very much about the issues of the racing industry in the south west and the difficulties it finds itself in. Almost none related in the slightest to the sale of the TAB. Although I know the bill before the house is specifically about the sale of the TAB, we need to discuss some of the racing industry's issues so that we are aware of why there is, in my view, more concern about racing than about the sale of the TAB.

I will get to the technological changes in a minute, but I think racing changed in the 1980s, and even more so in the early 1990s, when it became more professionalised. I saw a shift from the 1970s, when racing was a day out for people, and racetracks were far better attended than they are today. Attendance numbers are down and it is no longer a family outing. I know that families are much busier at the moment and do not tend to go on family outings, as they did when we were younger. Some of us are still young. I am talking about myself.

**Hon Stephen Dawson:** Less young!

**Hon Dr STEVE THOMAS:** Less young. Let us not be ageist!

It is not the family day out that it used to be. Families are busier and have less time than they used to. Everybody is more entertained by everything else. As soon as Netflix and the internet came along, teenagers, who probably did not speak much anyway, became pretty much silent. There are too many alternative entertainment mechanisms for racing to appeal to them. In particular, it is because of the structure of a race card. I do not know whether any members have not been to a race day, but in dealing with this bill, perhaps it would be interesting for them to go along at some point. It does not matter what sort of racing it is. All three operate on a similar basis; that is, there are 10 cards —

**Hon Stephen Dawson:** It's the Broome Cup this weekend.

**Hon Dr STEVE THOMAS:** Are you going to the Broome Cup, Hon Ken Travers?

Hon Ken Travers will be representing the opposition at the Broome Cup.

**Hon Stephen Dawson:** Hon Ken Baston!

**Hon Dr STEVE THOMAS:** Did I say Travers again?

**The PRESIDENT:** I am sure Hon Ken Travers would have loved to have gone to the Broome Cup, but it might be Hon Ken Baston.

**Hon Dr STEVE THOMAS:** I was reading one of the other one's online posts and it has infected me. Sorry, Hon Ken Baston.

Hon Ken Baston will be representing the opposition at the Broome Cup, and perhaps not wagering. We will see how it goes. Have you got any good tips?

**Hon Ken Baston** interjected.

**Hon Dr STEVE THOMAS:** I will let the honourable member make his own contribution in a bit and we will see whether he has a good tip for us.

If honourable members get the chance to go to a racecourse, they will understand why younger people today have less enthusiasm for attending them. It all comes back to how it is structured. A racecourse may have a 10-race card and, depending on their length, each of those races may be 10 to 15 minutes apart, so the 10 races take two to three hours, or a little longer, to be run. Each race lasts a couple of minutes. When people went to a racecourse in the old days, it was as much about the socialising as it was about the horses running. People went to meet and talk to people, have lunch, and consume the occasional hotdog in America or meat pie in Australia, and have a drink with it. In between, there would be a race every 15 minutes or so. The modern generation gets immensely bored with the bits in between. The problem is that if there are 10 races that last three minutes each, there are 30 minutes of fiery action and horses galloping down the track with jockeys on their backs—a bit of excitement—and then there are two and a half hours of standing around in between.

**Hon Adele Farina:** But they just get on their phones.

**Hon Dr STEVE THOMAS:** That is the problem, Hon Adele Farina. They get on their phones at home. They can watch the race if they really want to. Dad can watch the race at home and the kids can stay on their phones. They do not have to be disturbed by the horses galloping down the track. That is part of the problem. The format makes it very difficult. Television shows and movies made for young people today have constant action. I am getting to an age at which I struggle to keep up, which I find quite scary. It all happens too fast. My children tell me to keep up and that I have fallen behind the eight ball—and I have! Unless young people are getting a constant bombardment on their attention by whatever it is, they are not interested. Everything comes in in three-second soundbites. In three seconds they move on to the next thing. Members can imagine what two minutes followed by 15 minutes followed by two minutes and then another 15 minutes is like for young people.

The racing industry struggles to get crowds in. For many years, the racing industry has become a little clever about this, because it provides alternative entertainment, such as “Fashions on the Field” and other bits and pieces. Unfortunately, at the bigger events, my experience has been that most of the entertainment revolves around marquee tents and people drinking themselves into a stupor. That is an unfortunate outcome of all the spare time between races. If the races happened more consistently, people would probably put down their glasses and concentrate a bit more on what is happening with the horses. But that is not the modern reality. I note that the racing industry has some ads out at the moment with the slogan “It’s more exciting with horses.” I think it is an odd slogan, to be honest, but that is what the industry is saying.

There is something a little iconic about horse ownership. In the veterinary game, people go up the hierarchy of pets, and horse owners believe they are at the apex of the hierarchy. There has always been something iconic and romantic about horse ownership and being involved in the horse industry and maybe some of that holds over to today.

The racing industry’s problem is that it failed to move into the high-tech IT lifestyle we now find ourselves in. Racetracks today still have the same problem. There has to be a gap between horseraces, which the younger generation struggles with. If this industry wants crowds to turn up like they used to, it has to find an alternative way to attract people to racecourses. In my view, simply providing food and beverages will not do it, because people can go anywhere for that. Something will have to boost that activity.

I will divert a little. I managed to get to Optus Stadium this year for the State of Origin game. It is a very good stadium, I have to say; it is very nice. I note with interest that its biggest crowds so far have been for rugby union and rugby league, but I do not want to rub that in too much to the minister, because the Dockers might not make the same crowd numbers! However, it was very nice to see the game that is played in heaven top the rankings. But even at this brand-new stadium, it is not enough to go there and watch a game of football, because there has to be lights flashing and bits of flame popping up. Our attention spans are so short now that even during football, which does not stop for 80 per cent of the time like horseracing does, it is not enough to watch a high-quality game of people expressing this talent that they have. We have to add to it, boost it up and speed it up so that the next generation retains interest in it. It is very hard to do that in the racing industry. I do not know what to do to change that back, and we probably cannot. That is why the racing industry has changed to the extent that it has—that is, that it is difficult to maintain crowd numbers and interest. Unfortunately for us, honourable members, what has changed is the people in attendance and the reduction of crowds and people invested in racing, which is why the racing industry has found itself struggling a little. What has not necessarily changed is the gambling component. Racing is still attractive to gamblers, and people can gamble repeatedly and quickly. People cannot watch a lot of races in a rush, necessarily—certainly not if they are there live. They have to go to the track and try to watch where the TAB is running all the interstate and occasionally overseas races, but we cannot keep that same turnover of activity happening as we can with the gambling component, which is why it has changed.

The other thing that has changed in the racing industry, and what contributed to the reduction of people turning up, is professionalism. It became very expensive to have a competitive horse in the racing industry. In the 1960s, 1970s, and into the 1980s, a local businessperson could afford to buy a horse that would be competitive, even in a regional racing centre. Those days are largely gone. In those days when the average wage might have been \$400 a week, people could buy a racehorse for \$2 000 and keep it in a stables and in training for a few thousand more. People who were better off than average could afford to do that. But to now buy a horse that is competitive on a racetrack and that is likely to provide them with any kind of prize money will probably cost \$100 000, plus purchase price. Horseracing became far more professional, and it got to the point that individuals stopped buying racehorses unless they were quite wealthy. Then we got into syndicates purchasing racehorses. If a person could not afford to buy a racehorse, they just bought part of one. It is not quite the same thing. When a family owned a racehorse, the family used to watch it race. But when a person owns one tenth or one one-hundredth of a racehorse, they might go occasionally, but there is not the same incentive to turn up and watch their horse race, because they own only the back hoof, a bit of a tail or maybe one of the ears. That is their bit. Hopefully the ears —

**Hon Darren West:** What about the nose? Because you can win by a nose!

**Hon Dr STEVE THOMAS:** Yes, people would want the nose bit. That is the bit that comes across first. They are always the winner if they have the nose.

From a perspective of a veterinarian who worked in the industry, syndicates were a bit of a nightmare, because it was very easy for them to say, “We need some veterinary work done, but the syndicate has to pay, so someone in the syndicate has to go around and try to collect the \$100 from each of the various syndicate owners to pay the bill.” Oftentimes the trainer would call the veterinarian and the vet would say, “This horse has colic; we will treat him for colic.” He would send the trainer the bill and they would say, “No, you have to send it to all the different syndicate members. I tell you what: I’ll give you the names of the hundred syndicate members, and you can send your invoices out.” That was a very interesting prospect. I did not do as much racing work as a lot of other veterinarians around the state, but it also amused me that on a monthly basis I might carry anywhere from \$30 000 to \$50 000 owing, because those were the days when people put things on an account and paid it at the end of the month. I am probably dating myself. Everybody uses cards now, but in those days people would put it on an account. Vets who worked full time in the racing industry at any one time would be carrying hundreds of thousands of dollars in outstanding debts that they would have to chase up. I always thought it was immensely brave of them, because even the bit that I had always made me immensely nervous. But that was the other part about syndication: the feed bill had to be split. If they all got on very well, that was great, but sometimes even family members have a bit of a dust-up, and then the problematic question is: who is paying for the racehorse that is not winning? It is always good when it is winning; everyone loves a winner. When a horse is on the top of a table or near to it, everybody is pretty happy to put their hand in their pocket, jump on board and be a supporter, but not too many racehorses end up in that position.

We used to have this rule of thumb for those who got involved in the breeding of racehorses—which is an even more honourable profession than that of racing them, because it is a hard process—on the inheritance of running fast. Somebody did this work; it was quite interesting. The inheritance of running fast is somewhere between 10 per cent and 15 per cent. If a horse runs fast and a person breeds it, they have a 10 per cent to 15 per cent chance that the offspring will run fast. That 10 per cent or 15 per cent is better than zero, which happens if their horse does not run fast, but it is not a strong inheritance. That is why the breeding of racehorses to run fast is so complex. Imagine that it was as easy as getting the best mare and the best stallion, breeding those and assuming that they would win every race from then onwards forever more. But because the inheritance of running fast, in thoroughbreds in particular, is so low, it is not so easy. It is a difficult industry to be in. We used to have this theory in the game that said that of those racehorses that get bred, about one in 10 will make it into an actual race. A bit more than that will time trial at some point—probably at least half of them will get into training at some point—but about one in 10 will race. Of that, about one in 10 will win a race. Those are obviously very round figures, but those numbers are probably reasonably accurate. Someone who breeds a racehorse probably has about a one per cent chance of them winning a race. One of the first things we need to know is that the biggest gamblers in this entire debate are those who breed racehorses and try to win something, because it is not an easy process. If the experts struggle at it, it is no wonder that amateurs find it very difficult.

It is hard to get a racehorse, and the racing industry continues to struggle because, as I said, it is also hard to get a significant number of people attending racetracks. The stuff that generates income is people turning up at racetracks—bringing a crowd in. Just like in politics, numbers count. It is difficult for the racing industry to compete with things that are a much more rapid-fire amusement than the racing industry, which is why gambling becomes an ever more important component of the process. Getting those people onto racecourses to do other things that include racing is a really difficult process, because everything has to be stopped every 15 minutes and the centre of attention has to be whatever animal is around a track. It is difficult then to put other things in there to focus on. It is difficult to do.

I have great sympathy for the racing industry and great concern for its future. I particularly have great concern for those parts of the racing industry that are a bit less glamorous. The thoroughbred industry has probably been the king of kings, as it were, and it has obviously tended to receive the lion’s share of the revenue, because it has been the biggest part of the industry. However, let it not be said that the thoroughbred industry has not subsidised both the trotting and greyhound industries over time. There is no doubt that the revenue from the thoroughbred industry has been distributed to look after those other sectors of the racing sector. That will become important when we consider some of the things that will be discussed in this debate. The thoroughbred industry is the big dog in the hunt, and it will remain so. However, even the thoroughbred racing industry is finding it difficult to maintain its turnover and revenue.

That brings us to the intention of this government, as it was the intention of the previous government, to divest itself of the physical asset of the TAB. Again, I have some sympathy for the argument that government should not run the TAB if it does not need to do so. In my view, it is not the core business of government. The TAB came into existence because of the need to manage the uncontrolled gambling that was occurring at a micro level across

all nations. At this point, the question that remains is whether the state government need to be involved in the TAB; and, if so, to what degree.

The proposed sale of the TAB has a long history. The first discussion about the sale of the TAB goes back to 2014, when the previous government looked at the parameters under which it might sell the TAB. I suspect that Hon Colin Holt will have some history under his belt, having been the responsible minister at the time, and I will discuss that in more detail. The previous government looked at this matter and determined that the TAB was not the core business of government. The current Labor government has made that same decision. Therefore, I think we find ourselves in agreement that it is not the core business of government to run a gambling house if it does not need to. That being the case, the question is under what circumstances would it be reasonable for the government to divest itself of the TAB, and under what circumstances would someone want to pick it up. I will explain shortly why that will become increasingly important.

The racing industry obviously has a large vested interest in receiving income from the TAB and has done so pretty much exclusively for a very long time. The profits made by the TAB have been reinvested in the racing industry, and that has helped maintain the racing industry. There is no doubt that the racing industry would be a shadow of its current self were it not for that investment from the TAB. I am pleased that both the former government and the current government have acknowledged that it is critical that that investment continue. A critical component of the bill that we are contemplating today is the continuation of funding for the racing industry. The bill provides that the new operator will need to sign a racing distribution agreement. That will ensure a continuation of funding for the racing industry through what is currently Racing and Wagering Western Australia but which, when the wagering part is pulled out, will become Racing Western Australia. That is a good and absolutely sensible outcome to enable the process to move forward.

The minister's second reading speech and the explanatory memorandum provide that if the TAB is sold, the racing industry shall be no worse off. I guess that is up to a point. We find ourselves in an interesting set of circumstances. The government intends to sell an asset. The prospective purchasers of that asset have been told that the current profit from that asset will still effectively go to the racing industry. Therefore, unless the purchaser changes their business model, there will effectively be no profit from the sale that is proposed in this bill. A person who pays the purchase price suggested by the government but does not change their business model will effectively make zero money, and pay the government for that privilege. I have some questions about how effective that might be. The exception is that a prospective purchaser would have two options: reduce their costs, or increase their market share. The costs to the purchaser will be relatively secure, because they will be based on a percentage of profit. Therefore, that will be difficult to change. The purchaser will need to make a significant impact on either its cost of doing business or its potential expansion into the marketplace. The cost is an interesting component. It has been said that part of the savings that will be made by the purchaser will involve cost cutting and the loss of jobs. I accept that. I support the sale of the TAB, knowing that there is likely to be some loss of jobs in the process. I am not certain of the exact number. I do not know whether the minister has an indication. It is a bit nebulous. There is no doubt in my mind that it will involve the loss of existing jobs within the TAB.

**The PRESIDENT:** Members, there is a lot of noise bubbling along, and I am finding it difficult to hear the member clearly. If members really need to have an extended conversation, they might want to step outside for a moment so that Hansard can hear the member on his feet.

**Hon Dr STEVE THOMAS:** I accept that there will be a loss of jobs. However, that is not a reason not to support the bill. We cannot run policy on that basis. We certainly need to acknowledge, and it should also be acknowledged by the government, that it most likely will involve a loss of jobs. It will also involve some savings, if the purchaser is able to streamline their operations. If that also involves the loss of jobs, we should acknowledge that and move on. As I have said, government should not be in the business of running a gambling den. It is unfortunate that job losses may occur in that process, and that may be sad, and perhaps devastating, for those individuals. I accept that job losses is one of the issues the government will face with the transfer of the TAB to another operator.

The operator will also have the option of expanding their market share. That will be incredibly difficult. Another reason that the government should sell the TAB—apart from the fact that I do not think government should run a gambling operation—is that it is a declining asset that is struggling in an incredibly competitive marketplace. Members have probably seen on television the plethora of betting options that is available to the general public. I forget which member of the Waterhouse family started their betting operation—I think it was Rob—but they sold it for hundreds of millions of dollars. For a time, Tasmania and the Northern Territory were a mecca for internet gambling. It probably will not be long before Sportsbet puts up odds at the next state election, seat by seat, and members can wager on themselves. I am not sure how legal that will be—that may be something for the Electoral Commission to look at—but we could potentially fund our own campaign by betting on ourselves.

**Hon Darren West:** Which state will you be running in?

**Hon Dr STEVE THOMAS:** The same one—this one.

**Hon Darren West** interjected.

**Hon Dr STEVE THOMAS:** The member has distracted me now.

**Hon Simon O'Brien:** You might have to start again.

**Hon Dr STEVE THOMAS:** Yes, I might have to start over.

There is a plethora of alternative betting mechanisms these days. This is an immensely competitive marketplace. In my view, the TAB operating as a solo unit in Western Australia, isolated as it is and based effectively on its limited number of products, has no long-term future in the current marketplace. I do not have specific figures to quote exactly what I think that decline has been and what it looks like in the future. The minister may have slightly better figures than mine. The reality is that this is one of those great inevitabilities of modern technology.

The TAB based on weekend racing is a dinosaur; it just does not know it yet. Although there may be some difficulties with the sale, the reality is that it is a bit like some of the other things I have talked about selling over the years. If we do not sell it now, there will be nothing to sell in the not-too-distant future and it will be left to wander back to its own death over time. Selling the TAB now—perhaps even a little while ago—makes sense, but then we have to find a buyer. I am pleased to see that the “no worse off” clause will become part of the legislation, but we have to find a buyer that is prepared to take on and run with that risk. It is an odd situation when we put something on the market and unless we make significant changes to it, at best we will break even, or possibly lose our money. That is why I find it difficult to get a sense of the value of the sale price of this particular entity. The TAB will possibly be a difficult sale, unless a buyer comes in with a set agenda in mind. That may be the case. I think there is a frontrunner in the process. It is an interesting prospect to put in the marketplace. I have no doubt that in the end we will probably see a combination of the two things occurring. There could be cost cutting and some expansion in the marketplace, albeit perhaps a shared marketplace with other parts of gambling taken over by the purchasing entity.

In the meantime, the racing industry should be assured that at least in the short term, for the first three years, its income is guaranteed and after that it will be based upon the turnover of the TAB, as it is right now. There should be no significant change to the income of the racing industry, unless the TAB in its new form under its new purchaser collapses because it is poorly run. There is a risk in the long term that if it is poorly run, the racing industry’s income has the capacity to collapse. It can go down because it is based on a percentage, and that is a risk that the industry will have to face. We balance that risk with the fact that it may potentially happen anyway. That risk already exists. The government running that particular entity does not significantly reduce the risk of it losing market share. I am prepared to accept that argument. I am prepared to accept that the government is no better at running it than the private sector would be.

I am intrigued to see the purchasers that might be in the marketplace. It has been put that Tabcorp is the most likely purchaser, and certainly in an open bid, it will be competitive. It is interesting that, particularly with racing gambling, there is a concentration of that particular industry if Tabcorp is the purchaser. The government will have to watch the impacts of that concentration fairly carefully. On the other hand, internet gambling will continue to expand. That is the natural other side of that argument—internet gambling on racing will probably counterbalance the fact that if Tabcorp is the purchaser, there will be a concentration in the Australian marketplace specifically based on the providers associated with the racing industry. It is something that we will need to keep a fairly close eye on over time.

The bills before the house look at a fairly long-term contract. The original discussions were around a 25 or 30-year contract. A 40-year contract is very long and will theoretically provide some certainty over time. Because the revenue returning to the racing industry is based on a percentage, it is likely that that may slip over time. I am interested to hear from the minister in his reply what that threat might look like, and perhaps he can take some advice in the intervening period. I have no doubt that the government is unlikely to leave the racing industry completely in the lurch, but there is a risk that that may have an impact. By having such a long period in the agreement, if there is a slippage—a reduction of turnover—it will probably take a long time before government could make some sort of correction.

I am pleased to see that initially the industry will be no worse off. A couple of interesting and critical things will happen. Let us address some of the more contentious parts of the bill. The government intends to put the TAB on the market, effectively take the equivalent revenue that we have now, quarantine that for the racing industry and tell the purchaser that they have to either reduce costs or increase activity—make their money that way—and receive a capital payment for that. Thirty-five per cent of that capital payment will go into an infrastructure fund for the racing industry. I am aware that people have discussed whether 35 per cent of the capital fund is an adequate investment in the racing industry. I suspect that over time we will debate whether that percentage should be much higher or whether all the proceeds from the sale of the TAB should be returned to the racing industry. Certainly, those more life experienced members of the racing industry have put to me that because the TAB was developed by the racing industry, it should receive the proceeds in return. My view is that the greater community and the

government representing the greater community should get something out of the deal. From a government perspective, there would be no point selling the TAB, simply handing everything over to the racing industry and then demanding of the purchaser that the profits effectively go there as well. It does not change the outcome. There would be no incentive for any change. I think that is an important part of the debate.

I am happy to discuss whether 35 per cent, 40 per cent or 50 per cent is better. I have looked at that figure and discussed it for some time. My view is that it is about what the revenue is spent on as much as how much specifically goes to the racing industry. It is not my intent to either debate whether the percentage should be changed or support attempts to change that percentage, because we have to have something for the wider community as part of this process, and I am prepared to accept that.

The government has said that the remainder of the sale price will go towards the new children's hospital.

**Hon Stephen Dawson:** The women's and babies hospital.

**Hon Dr STEVE THOMAS:** Sorry; the women's and children's hospital. The minister is quite right. When he responds, I will ask him to put on the record that it is not a specific amount or up to a specific amount, but, as has been stated, the remainder of the purchase price would go towards that hospital. We obviously know that we can play a few games with the budget process. When we say that money is coming out of a pot and going into a particular project, it generally means that it is coming into government and government will spend money on a project but it is not necessarily a linear relationship. We cannot generally sell one asset and plonk it over there. As members would remember from last week's debate on the debt reduction fund, debt reduction is not necessarily debt reduction. It may be so-called taking this money and spending it so we do not have to borrow it from another pot. The same sort of thing applies to this matter. Revenue will be raised. It is a clever commitment of the government to say that 65 per cent of revenue from the sale of the TAB would be specifically directed to the women's and children's hospital, and it is a worthy cause.

In my view, if we did not sell the TAB, I suspect that the government would find the money anyway. It is generally coming out of government coffers. This is one way of making the sale a little more palatable, but it is a good way. I congratulate the government on—I would not go as far as to say perhaps a clever artifice, but I think it is a good stretching of the economic rules to say that it is going deliberately into this new development, but it is a worthy development. By doing so, it suggests that the greater community of Western Australia will receive some benefit from that process. I might beat other members to the punch on this: just before anyone suggests that this is an example of taking the government's general revenue and putting it into an asset in the metropolitan area, I asked the people in the briefing about that. I thank the various ministers who provided staff for those briefings; they were very, very good. There were additional briefings specifically for the upper house from the Minister for Racing and Gaming, the Treasurer and somebody else. There were more ministerial advisers than MPs present. It was lovely. I asked for this information in case there was an indication of a cross-subsidy. Indications are that the TAB revenue from the metropolitan area is slightly higher—55 per cent compared with 45 per cent—but 58 per cent of the subsidies and grants it hands out goes to the non-metropolitan area. There is something of a reverse cross-subsidy in the regional areas. I add that, obviously, regional families would also make use of the women's and children's hospital. During the briefing process, I went to the extent of asking for a bit of information on that. Regional births comprise about 12 per cent of births, which is about the population percentage I would have suggested. We are an immensely urbanised population and we are about averagely represented. We make use of those facilities and I have no doubt that we will continue to make use of the upgraded facilities when they are built. For those reasons, ultimately, even though there is some elasticity in the equation that says that money will be going directly from the sale of TAB into the women and children's hospital, it is probably a fair enough line to call. I think that is a reasonable benefit and one that I think we can support.

I would like to come to the, I think, probably most controversial component of the bill before the house and that is what I like to call the sweetener of the deal. If it were simply a case of selling the TAB, it doing exactly what it does now and reaping the rewards, that would be one argument, but as we have discussed—we have not really discussed; I have spoken and, hopefully, members have listened—the deal is problematic in that it is not automatically a great money maker for the purchaser. Governments—both this one and the previous one—have added sweeteners to the deal to make it a little more attractive to the marketplace. The previous government did that.

Other members, particularly Hon Colin Holt, talked in some detail about the potential of putting a process similar to keno into the sale. The now Premier responded to that quite vigorously, suggesting that that was the introduction of pokies by stealth. I am sure that some quotes precisely about those things will come forward in the house in the not-too-distant future, but the then opposition leader and now Premier was quite outraged that the then government suggested we might have to add a sweetener to a difficult deal to allow it to sell. Lo and behold, the bill before the house today must have a sweetener as well; it is a slightly different sweetener, but really not all that far apart. We now have, as part of the bill before the house, a proposal to allow what I like to call artificial racing, on top of horses and dogs running down a track. Whether we call it Trackside or whatever else we want to call it, it is an interesting prospect. From an old purist who has lived and breathed and loved the racing industry, from a personal

perspective, I cannot believe that someone would wager money on a cartoon race, which is effectively, in my view, what it is. Just think of the Road Runner's little legs doing this—meep, meep, meep. The computer will decide which one wins at the time. I cannot do the tongue thing. The Road Runner was quite hilarious. I can do the “meep, meep” bit. That is about as far as I go. From someone who loves racehorses running down a track, be that pacing, trotting or dogs—I have been to them all over the years—I cannot take watching a cartoon race on a screen seriously. But I accept that the deal needs a sweetener of some sort. We have to put some sugar on top. I accept that this will require some form of flexibility on behalf of the house to let this through. Whether keno was a better choice than Trackside, I am not certain, but this is my suspicion. I have looked into this to some degree. I do not like most of the TV that my kids watch either, but occasionally I keep an eye on it to see what they are watching and what I am missing. I have looked a bit at Trackside and what it does. It is effectively on one of those big, long TV screens. It is pumping coins into the front of a machine. I do not consider it the same as pokies. I am pleased we do not, and will not, have poker machines. I do not consider Trackside real horseracing. I think it is cartoon stuff. It is *The Simpsons* of the horseracing world, but it is, in my view, a much gentler alternative to some of the others that might be considered.

Members have to remember that the TAB as a trading entity has changed considerably from the days I remember of many years ago. People who went into TABs in the 1970s and 1980s generally saw a group of men with cigarettes hanging out of their mouths, in shorts and T-shirts, avidly staring at races, in a separate building—they were a square box. Half of them did not have windows. TABs had glass front doors and were basically square boxes. When people walked through the doors, all they saw were walls that were covered in racing slips. Going to a TAB was never a day out for anyone not avidly addicted to horseracing. People who wanted to spend the day out and who loved horseracing went to the damn track where at least they could watch horses, wander about a bit and maybe go to the bar! In my view, standalone TABs are immensely uninteresting places. However, we have seen that starting to happen at hotels with TAB outlets—that is, PubTABs. Growth in the industry has been in PubTABs and racing is now only a small part of the experience.

I have come full circle in my conversation about how racing has changed; that is, the experience that occurs 15 minutes apart is not getting the crowd in anymore, even with more races appearing on a screen. I have not been in a TAB for a while because I lost interest in them many years ago, but I imagine they are now smoke-free and that people still go into them to watch horses because they can bet more. But people are now demanding more of an experience, and this is where I think Trackside comes in, although I do not think it is a very big component of either the sale or the industry going forward. When people go for a night out to a PubTAB or to a hotel with a PubTAB, gambling will occur. There will always be a group of people who although they may not be interested in horseracing, will be amused when family members put on the occasional bet, and they will be interested in the cartoon version of horseracing. I think that that will occur. I think that people who do not have an avid interest in horseracing—dare I say younger people potentially; I am cautious about being ageist here because I have already walked a fine line so far—are probably more likely than the older generation to be bored between drinks and make use of cartoon horseracing.

**Hon Darren West:** They'll be those people on these.

**Hon Dr STEVE THOMAS:** I have not mentioned mobile phones yet, but I will come to that in a bit, Hon Darren West.

I think the most likely outcome for Trackside is that it will become a sideline amusement, but it will play a role. I think it is a clever move. I think that the operators of PubTABs will have looked at this and thought that Trackside will more than likely broadly appeal to those people who do not care about how fast a horse or dog can go, what the track looks like or the history of the racing animals. I think that they have been clever. I think it will have a small impact on revenue. I do not consider that the cartoon racetrack is anything like the gambling risk of the more obvious dangerous versions of gambling—that is, poker machines at which people sit, poking in dollar coins or 20¢ pieces and either pulling an arm or, as happens in Australia, hitting a button—chunk, hit; chunk, hit. That is constant turnover and that is not what Trackside is. It is not a constant turnover. There is a gap. It is still, theoretically, a horserace, but it is a cartoon horserace—an artificial horserace. I imagine the computer is designed to make sure that the house gets a reasonable cut, because that is what poker machines do. Gambling is not gambling in the pokies world; it is purely mathematics. The house takes its percentage and as people go through the process, it rolls out a certain amount to those who bet. Will Trackside end up being calculated the same way? It is only programming. No horse will be having an off-day and no jockey will have a hangover or be feeling faint because they are underweight and have not eaten for a couple of days. There will not be a trainer who will stop along the way to the race to intubate a horse to put in a little bit of bicarbonate of soda to make sure that its pH levels are such that it can run further. I will not even talk about substances like elephant juice and the speed at which they can make us all go, just simply to say that I suspect that if we added a touch of that in the Council's afternoon tea, we could get through the Voluntary Assisted Dying Bill 2019 in about an hour and a half! Those products change outcomes.

**Hon Stephen Dawson:** Don't give us ideas!

**Hon Dr STEVE THOMAS:** You have to be careful with some of those, minister. That particular product was quite famous for horses dropping dead at the end of a race. That was not uncommon.

**Hon Stephen Dawson:** We don't want that.

**Hon Dr STEVE THOMAS:** We do not want to demonstrate euthanasia in action as part of that process. We will not be going down that path.

Although cartoon horseraces seem, in my view, from a purist's perspective, quite ridiculous, I also understand why the government wants to go down the same path as the previous government to provide a sweetener—that is, through the keno pathway. Trackside is currently available only through the casino, so I sought information on the kind of turnovers that could be earned. I was provided with information—again I thank those people who came to that briefing—that Trackside's turnover at the casino in the 2014–15 financial year was \$950 000 and that it had dropped to \$370 000 in 2017–18. I would say that the glamour of the cartoon race has faded a little over that time.

It is interesting that the principal bill provides for the casino to receive compensation for the removal of its exclusive rights to Trackside. The casino will probably get three times the amount of turnover it is currently getting in a financial year. I could argue the point, but I do not think that the exact numbers are that significant. However, it does show that the arguments about Trackside are far more ideological than they are economic; that is, the impact of the bill is not as significant as my inbox and the campaign that has been run would lead me to believe. That is not to say that gambling and gambling addiction are not important issues, that the impacts of gambling are not significant and that the damage it does to people and families is not major, because they certainly are. However, I am not convinced that the product called Trackside is a significant contributor to that damage. If the focus is on making sure that damage does not occur, the bills before the house would be about not simply selling the TAB but shutting it down and ending it. I can tell members that far more money is gambled on racehorses, gallopers, trotters, pacers and greyhounds than Trackside. If the argument is that this one particular component of the bills before the house—that is, cartoon races—is the bit that will prevent us from proceeding, I do not think that will have any validity. As I say, the impact of problem gambling is significant, and I do not want to diminish that. It decimates people and it destroys families. It does all those horrendously negative things.

I understand the ideological argument—it is an ideological argument—that any potential increase in gambling therefore is to be opposed. We find that frequently when any potentially negative impact is to be imposed. Let us call it a “precautionary social principle” as opposed to an environmental one. But, in this case, the reality is that the risks are remarkably small. I think Trackside will be a PubTAB attractant for people to come in. If there is a hidden evil in the Trackside approach, it is not that it in itself will be a major source of gambling revenue and therefore a source of gambling problems; it will attract a more family-based dynamic into the hotel that is operating a PubTAB. I am of the view that it is good to have a more diverse, family-oriented dynamic, instead of the TAB of old where a bunch of—God bless me!—middle-aged men stand around gambling repeatedly. It was quite unusual when I was young to see a lady in a TAB. The argument probably is that ladies had far too much sense, and that may be the case. Perhaps pokies are a greater risk to them. The reality is that it will create a much more interesting family dynamic, in my view, which is perhaps the hidden evil in the process in that more people will be exposed to the gambling process. Whether people go to the pub for Trackside or simply turn up to the pub because it is a pleasant experience, and one small component of that is this cartoon race, is a completely different argument. For that reason, I am not of the view that Trackside is significantly dangerous to warrant its removal from the bills before the house. I am of the view that, unfortunately, it is a required sweetener—I wish it was not—to allow the government to proceed with the sale of the TAB to get out of the gambling industry. For that reason, my considered view on that matter is that the house should allow that process to continue.

There are a couple of other specific issues to address on the principal bill. Obviously, a new owner of the TAB will have to set up their own business model. We have discussed the potential loss of jobs and we accept that that is one of the risks. Another issue is that the business model may rationalise, shall we say, the number of TAB outlets and where they are situated. Obviously, a mechanism will need to be in place to make sure that those who have invested in the system are looked after in the process. In the second reading speech, the minister talked about the requirement to offer termination payments to agencies identified for closure. In his reply to the second reading debate, I would like the minister to expand a little more on how we make sure that somebody who has invested in the system is not left significantly worse off. I accept that there will probably be people who will not necessarily be worse off due to the purchase price, but whose ambitions for future income may, as part of this process, be curtailed somewhat. I am not suggesting that the government has to guarantee that future income for a certain period is a requirement for what we do going forward, but I would like a more enhanced explanation on whether operators who might be squeezed out of the system will have an appeals process available to them. If those operators are removed from the system, what method of appeal will they have to seek compensation? Is it only ultimately before the courts? Will the bill before the house remove any capacity for them to be compensated outside of what is included in the bill? That is a small addition that might be added into the debate.

As I conclude speaking on the key issues that I wanted to raise, my intention is to support the bills. The opposition supports the passage of the bills. I suspect it will involve some interesting opinions. We need to understand what the potential impacts will be to the operators of TAB outlets, the wider public and those who are damaged by problem gambling. We need to be open, up-front and not afraid to raise these issues as a part of the debate.

I will finish on a word of caution about being high and mighty about opposing what governments might like to put forward. The Premier was quite scathing of the previous government and its attempt to sell the TAB. I will use just one quote because others will do this in far more detail, which will be quite interesting and I do not want to steal their thunder. In reference to applying the equivalence of keno as the sweetener for the sale of the TAB, the now Premier said this of the previous government —

Now the Government is talking about expanding gaming machines out into the broader community. All that will mean, is more people pour their money into those machines, more people particularly those on pensions, and those who can least afford it, will lose money ... It is a very, very disturbing development and I oppose it absolutely.

That is a great quote from the then Leader of the Opposition and current Premier. I see very little difference between his sweetener of keno and the sweetener of Trackside. It pleases me that the opposition has put aside what could be indignity and outrage at the immense double standard portrayed by the Premier. It recognises the need for the sweetener to make sure that the sale, in my view, causes minimal damage—I think the keno option is equivalent to what is proposed—and to be prepared to support the bills before the house despite the foolish comments that members have just heard. For those reasons, I and the opposition will be supporting the bills, but we will have a frank debate in committee on some of the more technical aspects.

**HON COLIN HOLT (South West)** [3.38 pm]: It seems to me that we have arrived at this point, finally, after many, many years of discussing it. For a start, I want to put on the record that the Nationals WA will be supporting the TAB (Disposal) Bill 2019. In 2017, I brought a motion to this house to have a debate about getting on with the job of testing the market for the potential sale of the TAB. If I remember rightly, this house agreed to it, with the opposition and crossbenchers voting for that motion, while the government members voted against it. Although we support these bills, we do not necessarily 100 per cent agree with what is in them. We will come to some of those things later in detail during the Committee of the Whole process. Members should realise and understand that this is enabling legislation only. It will not show the construct of any future deal; it is enabling legislation to show the transfer of that licence under agreement to another operator of the Western Australian TAB. I think it was always going to get to this point—a leap of faith by this house that we need to enable some legislation to go through so that we can go and test the market in a full sense.

I think there are some encouraging safeguards in the principal bill that we need to talk about a bit more, such as the racing distribution agreement with the industry. Although this is enabling legislation, this house should realise and understand that it does not mean the TAB could be sold or the licence transferred, because if the industry turns around tomorrow or in six months' time when there is a deal on the table and says, "Actually, we don't agree to this RDA", the sale will not happen. Then all the things that have been talked about that may or may not occur will not occur at all, including any distribution to a mothers and infants hospital—all that will go by the wayside. The government will then have the dilemma of how to fund that in the future.

I want to continue by giving a brief history and putting on the record some of my role in that history. I think it is important. Some of it has been taken out of context in recent commentary. I want to take the opportunity—probably the only opportunity I will have—to put that on the record.

**The DEPUTY PRESIDENT:** Member, are you the designated lead speaker for your party?

**Hon COLIN HOLT:** Indeed.

**The DEPUTY PRESIDENT:** I will have the clock adjusted accordingly.

**Hon COLIN HOLT:** Thank you. I probably should have said that at the beginning. Just before I start, I would like to thank the minister responsible for the bills in this house for holding off the debate so that I could be here. I really appreciate it. My approach, not only as the lead speaker but also as someone who is involved in the issue, is that it is important for me to have the opportunity to put some things on the record. The minister held off for me, and my commitment to him was that I will not hold up the debate or the bills unnecessarily. I will make my points. I think I have always approached legislation in that way. I will not drag out the debate unnecessarily, but I will certainly ask a number of questions on things that need some clarification and commitment.

I want to go back, just to put on the record some of where this all started. I believe it was way back in 2014 that the previous government first floated the idea of selling the Western Australian TAB. At the time, I was a little sceptical. People jump to the conclusion that this is the body that funds the racing industry, and ask: What are going to be some of the dangers in transferring the licence? Does that mean that the funding arrangement changes?

I think many people in this house took the same approach. In fact, it was not long after the announcement that Racing and Wagering Western Australia itself said that it would not look at that, so there is no point.

There was a really important article in *The West Australian* of 15 February 2014, titled “Racing chiefs to fight TAB sale”. The article is written by Steve Butler, who is also a good friend of RWWA. In the opening paragraph, it states —

WA racing chiefs are preparing a pre-emptive strike against any plans to privatise the TAB, claiming financial figures prove the utility should remain the long-term lifeblood of the State’s three codes.

When this discussion began, that was a very significant starting point for the industry. The government-recognised industry leaders at RWWA, the consultative body, were saying, “We are actually not going to sell it. We are against selling the TAB, selling the asset, because we think we are going to be worse off.” That is a significant starting point for any conversation around the potential sale of the TAB. Not long after that, a number of debates occurred within both houses of Parliament backing up what the RWWA executive and board were saying: “We are backing this view of the world as well.” I will refer to a couple of debates. I think it is important, because some key things were said in those debates that will lead into what I have to offer a little bit later on.

On 20 August 2014, in the Legislative Assembly, the member for Collie-Preston moved the motion —

That this house condemns the Barnett government for breaking its word in relation to the privatisation of the TAB.

A whole debate ensued, basically backing up the RWWA view of the world. Of course, out of that debate, there were the undoubted press releases that came out from the opposition—that is why we do it—but I think it is important to put these on the record, because I want to come back to them.

A press release of 16 September 2015 headed “Nationals fail to oppose plan to sell off TAB” attributed these comments to Mick Murray, then shadow Minister for Regional Roads; Racing and Gaming; Forestry; South West; Agriculture and Food —

“The WA National Party clearly doesn’t care about country communities and the thousands of jobs in the racing industry.

“Not one National MP had the courage on the floor of the Legislative Assembly to stand up and support our racing industry.

“Terry Redman and the National Party have failed once again to stand up against the Barnett Government and support regional WA.

“Selling off the TAB will mean country towns will suffer as the racing industry will no longer be supported.

“The performance today by the National Party is a slap in the face to struggling country race clubs in regional WA.”

That came from the viewpoint at the time that that is all they knew, backing up the views that were espoused by the racing industry itself.

There was also an earlier release from the shadow Minister for Racing and Gaming on 16 June 2014 titled “Barnett must listen to industry concern over TAB privatisation.” Again, comments were attributed to Hon Mick Murray —

“There may be grounds to examine how Racing and Wagering WA is run and to look at ways to reduce costs in that area. However, the privatisation of the TAB would not be in the best interests of racing in WA.

“The TAB gives the government a guaranteed income stream and some of that funding gets put back into industry improvements. It doesn’t make sense to sell off an asset that is providing income and supporting its base at the same time.”

Again, those comments are important because some of them need to be taken into account when we get to the point of asking what should be going back to the industry to ensure that it is successful in the future.

There was another motion in the Legislative Assembly on 16 September 2015, which reads —

That the house opposes the sale of the Western Australian TAB.

There was a whole range of commentary by contributing members, including the now Premier and the now Minister for Racing and Gaming. The Premier’s comments included —

... shareholders will come first and the racing industry will come second ... Jobs could very well be lost. Actually, let us be frank: they will be lost if the TAB is sold.

The now Minister for Racing and Gaming, Hon Paul Papalia, commented —

Once it has been sold, we will lose control.

This really is about the one opportunity the racing industry has to see some value-add of the WA TAB asset. Of course, we had debates in this house during the term of the previous government, as Hon Darren West would know. He moved a motion here on 18 September 2014, which reads —

That this house calls on the government to rule out any proposed privatisation of the TAB due to the —

- (a) adverse implications for regional and metropolitan racing, pacing and greyhound clubs;
- (b) adverse implications for community sport and recreation organisations; and
- (c) money being wasted investigating such a clearly flawed action.

That motion was debated in this house and I responded on behalf of the Nationals. I must have been a parliamentary secretary at that time. There are some interesting quotes in *Hansard* from other members and I want to read them in. I think there is a request from industry to those who debated the issue so hard. That includes Hon Samantha Rowe, who has been heavily involved in the industry in her role representing the East Metropolitan Region. She said that the industry is too important and we need to keep it. There are comments from Hon Darren West, as I mentioned. Hon Adele Farina also contributed to that debate. I want to refer to one section of her contribution to the debate on that day. She said —

There is ageing infrastructure in regional WA racing clubs and insufficient investment is currently going into racing in Western Australia under the current model. If the TAB were to withdraw the funding it provides to the industry, it would have a devastating impact on racing in regional WA and there would be many job losses as a result.

In 2014, Hon Adele Farina's contribution to the debate was around ageing infrastructure and that the current model would not fix it. I think they are important points to make because when we consider the contribution back to industry, we should take some note of what those contributions do. Not long after that I was appointed Minister for Racing and Gaming. Until that point, not a lot of progress had been made on what a potential sale would look like or even on communication and consultation with industry. As I said, at first I was sceptical about the potential sale of the TAB. As the responsible minister, I decided that I needed to educate myself much more on what a sale would mean, because it was clear to me at that time that the leadership of the racing industry was not pursuing the issue in terms of what it might mean for the industry or the potential threats to it.

At about the same time, the Western Australian Racing Representative Group delivered a report by Ray Gunston. WARRG had employed Mr Gunston to help investigate what a potential sale could look like. That was before I became minister. The industry established the Western Australian Racing Representative Group outside the auspices of Racing and Wagering Western Australia. I have often wondered why the industry did that. I would say that it was because some of the leaders in the industry could read what was happening in the wagering market. At that time, all the threats to the industry were coming from interstate wagering operators and people starting to bet on their phones more and more, which meant that they did not have to go into a retail shop to have a wager. People were betting on their phones more and there were some really big threats from corporate bookmakers, mostly licensed in the Northern Territory, but also in Victoria and New South Wales. I would say that that group was established because its members could see what the existing leadership in the racing industry was doing about the perceived risks. As part of that process, when I came into the ministry, maybe a month after the Western Australian Racing Representative Group delivered the Gunston report, I ensured that I got a full briefing from the group. It showed me that there were some really serious threats to how the WA TAB was operating and how it was going to continue to deliver the outcomes we expect into the racing industry. It was a really well run TAB. I have always said that Richard Burt, as CEO, runs a fantastic wagering business. In fact, it was competing well and truly above its means. The WA TAB has about seven per cent of the wagering market in Australia, yet it really does a fantastic job to keep ahead of the curve not to be out-competed. But, in the end, it is fighting an uphill battle against some of the corporate behemoths running wagering in other states.

I educated myself on what was happening in the wagering market. I visited most other jurisdictions to talk to people about what had happened since the privatisation of their TAB because all these myths were being thrown about not only by industry, but also opposition members of Parliament—and even government members at the time—about the state of affairs in other states with privatised TABs. Luckily, I had the means to investigate what it would mean for our industry. I educated myself, including going to Queensland and South Australia where it was a disaster, apparently. It probably was a bit of a disaster in South Australia, because the government took all the money and gave nothing back to the industry. I also looked at what was occurring in other states, including the big states of New South Wales and Victoria. Another myth that was flying around—this comes up in the debate, if members are interested in reading some of the *Hansard*—was about Jeff Kennett's so-called comments that the worst thing he ever did was to sell the TAB. I met with him face to face and suggested that he was being misquoted. He agreed but said it in much more colourful language. He told me that he would sell the Victorian TAB tomorrow, but he would get a better deal for the government out of it. Those were his comments, but they get misconstrued.

I ensured that I tried to gather as many facts as I could and then went to the industry and started to have public forums and meetings. I invited industry members along and told them what I had learnt about the potential risks to the TAB that the industry needed to consider and that not only should they consider what a sale means, but also the proceeds, or base case, that they expected from any potential sale. I did that in good faith because I really wanted the industry to understand the issues completely. Remember, at that time Racing and Wagering Western Australia was saying that it was going to have a pre-emptive strike against any plans to privatise the TAB. That was the atmosphere at the time. I have to say that I stood up in front of some fairly hostile crowds at some of the meetings, including contributions from Hon Darren West. He would remember well that he stood up and defended his position to the utmost.

**Hon Darren West:** I felt bad for you.

**Hon COLIN HOLT:** The member defended his position well, and he should continue to defend it well, because I have some questions for him later. The former member for Murray–Wellington —

**Hon Stephen Dawson:** You don't get to ask him questions.

**Hon COLIN HOLT:** I will ask some rhetorical questions. I remember the member for Murray–Wellington stood up at one of the meetings and said, "You're trying to soften us up for a potential sale." It was a real battle to get the industry from saying that we should never ever sell the TAB to where we are now. It was quite a journey and it took longer than I would have liked. We now have the government standing up and saying that the industry has agreed to these terms and has come along from saying we should never ever sell the TAB to, "Can you please sell it and we want some of the proceeds." There has been a debate and it has taken some time for the industry to come along with it. At one point, there were stickers—members may even have one—on the back of cars in the car park that said, "Do not sell the WA TAB". I think that was instigated by the member for Murray–Wellington. If I remember rightly, Hon Darren West suggested to the Geraldton Turf Club that we should have a "Do not sell the TAB" stakes. He wanted to get into the headlines that we should not sell the TAB by having the industry put on the "Do not sell the TAB" stakes. I think the club sensibly said, "Do not make a political football out of your comments."

**Hon Darren West:** RWWA said no.

**Hon COLIN HOLT:** I am sure it did. It did not want to make a political football out of the issue.

There has been commentary on how the previous government made a complete shambles of the process and could not get an agreement.

**Hon Dr Steve Thomas:** It's even in the second reading speech.

**Hon COLIN HOLT:** It probably is. I think some of that commentary is true, because I certainly would have liked to have reached a point at which we were potentially talking about the sale of the TAB in our term of government, but it did not happen. I take up the comments of Hon Dr Steve Thomas. He talked about Trackside and keno being part of the potential deal. However, the previous government did not get to the point of even discussing that. Some commentary came out around that time. It would be interesting to find out how it came out. It should probably be a question for someone at some time. I was asked about it at the time and I think I said the industry and the government should consider that if a sale were to occur, an acquirer could ask that Trackside or keno be included. It was not driven by the government. It was driven by thinking about what would happen if the acquirer asked for it to be included in the deal and what it would mean. Of course, it turned into a massive series of misinformation about poker machines in every pub and club. Would we have liked to have got to this point two years ago? Absolutely. But, again, we are here now and we need to keep working towards it. That is why we are supporting these bills.

I want to get back to the Western Australian Racing Representative Group. Racing and Wagering Western Australia held an industry forum not long after the Gunston report was delivered and I became the minister. I think it was at the Crown complex and was a fairly large forum. The potential sale of the TAB was one of the major topics. In my first address to the industry I asked who it wanted the government to liaise and consult with. In my view, the obvious choice was the RWWA board and executive and the industry bodies it represents as recognised under the act. To my surprise—maybe it was not to my surprise—at that meeting the industry said that it would like the government to continue talking to the Western Australian Racing Representative Group. The industry established WARRG as the go-to group to talk about the position it would like to see itself in with the potential privatisation of the TAB. WARRG had some very eminent members, such as Fred Kersley, Ron Sayers, David Simonette and Kevin Jeavons, to name just a few. They did a lot of work on behalf of the industry. WARRG presented a second report, which was a needs analysis of what the industry should require. It was a confidential report, which not many people saw, and was really extensive. Some information from it has probably been alluded to in other debates. Very comprehensive work was done by that industry group.

When the new government came in, the Minister for Racing and Gaming decided that the government would move away from the Western Australian Racing Representative Group and talk to just Racing and Wagering

Western Australia as its consultative group. To my mind, that is a missed opportunity. The government put its faith in a certain group—one that had set itself up as being completely against the sale. I am not sure it always represented the whole industry in that sense. That was the choice made by the current minister and most of the government’s argument about industry agreement with the current bills and the current deal on the table is because that is what RWWA as the representative body agreed to. That is fine, but there might be some gaps in that thinking. I have probably spent a bit more time on that than was necessary, but I really want to point out that there has been a complete change in the government’s attitude to the TAB.

**Hon Dr Steve Thomas:** Another backflip!

**Hon COLIN HOLT:** I was not going to say that, but it could be said.

**Hon Charles Smith:** Amazing hypocrisy!

**Hon COLIN HOLT:** I am happy to take those interjections, members.

I think the Labor Party’s attitude was born from political opportunism—“Let’s just give the government a bash.” Oppositions do that, but members have to stand by their words in debates. This is not only a complete reversal of its position, but also an abandonment of some of its sentiments. During the debate, the Labor Party said that there was ageing infrastructure in the bush and that a new model was needed so that it could be fixed. It said that selling the TAB would lead to the complete demise of country racing clubs. I put to members that 35 per cent of the proceeds, whatever amount that may be, is an abandonment of the industry. The government should contribute much more than 35 per cent to the industry. I will spend some time on this because, to my mind, some things do not add up with what the industry and the government are saying has been agreed to.

In June 2018, the Department of Treasury put out a discussion paper titled “Future of the Western Australian TAB”, which I think was a really good starting point for discussion. I think the department did a good job of putting it together, but there are some things that I want to point out. Page 1 talks about —

**Hon Charles Smith** interjected.

**Hon COLIN HOLT:** Is Hon Charles Smith going to talk about this? Good on him. Hopefully Hon Charles Smith can back up some of my argument.

As stated on page 1, the purpose of the discussion paper was —

The local racing industry relies heavily on the Western Australian TAB for funding. However, the TAB faces a number of challenges, including intense competition from larger operators, growth in online betting, and customer preferences shifting from the TAB’s traditional strengths.

The Government recognises the importance of achieving the long-term sustainability of the racing industry in a fast-changing landscape.

To this end, the Government is working constructively with the racing industry to inform a sensible and responsible decision on the future of the TAB. Importantly, a decision to sell the TAB will only be made if it is in the best interests of the State and the racing industry.

This document provides an overview of how a potential sale of the TAB could —

And I say “could” —

be structured to benefit the racing industry in Western Australia. Its purpose is to facilitate discussion and analysis of the key issues and enable the racing industry and other ... stakeholders to provide input and feedback.

The Government has engaged constructively with racing industry representatives to-date and is committed to consulting with the broader industry prior to making a final decision about the future of the TAB.

That is the purpose of this document. This was a starting point for future negotiation and discussion of what a sale of the TAB could involve. The discussion paper refers to the contribution of the racing industry and the recent debate. It states that on 8 May 2014, the then state Treasurer, Hon Dr Mike Nahan, announced the potential sale of the TAB in the budget speech. It continues —

Since that time, there has been an ongoing debate amongst the racing industry and broader community about the merits of a sale and the conditions upon which it could be supported. The local racing industry has actively participated in the discussion, notably forming the Western Australian Racing Representative Group (WARRG) and commissioning a report on the potential sale of the TAB prepared by Ray Gunston in November 2014 (the Gunston report).

Some people say that it is the “Colin Holt WARR Group”. I can tell them it ain’t.

**Hon Alison Xamon:** The what?

**Hon COLIN HOLT:** Sorry, WARRG is an acronym for the Western Australian Racing Representative Group. People keep saying it is the “Colin Holt Western Australian Racing Representative Group”, but it is not. It was established by the industry way before I was the minister.

The discussion paper continues under the heading “The Case for Selling the TAB” —

Finally, a sale of the TAB is an opportunity for the racing industry and the State to realise the value it has together built in this business.

I repeat —

... the ... industry and the State to realise the value it has together built in this business.

It continues —

With the racing industry set to share in the sales proceeds of the TAB via the establishment of a racing infrastructure fund, a sale provides an opportunity for the industry to access significant additional funding.

I have read this out because it states that the state will realise the value that it has built, together with the industry, in this business. This is a question for the minister, really. My viewpoint is that the WA TAB has been built by the industry. I do not know that the state government put too much money into building that asset. Perhaps the minister can explain to the house how the state has been involved in building that asset, because as far as I know, all the reinvestment into building that asset—into the agencies, the software behind it, all the betting options, the software platform, the computers, the television screens, the people and everything else in that business—has been done by the industry through the TAB.

**Hon Dr Steve Thomas:** I think you’d probably have to go back to the 1960s and the original setting up of the thing.

**Hon COLIN HOLT:** I am happy to hear that if the government uses that argument in the debate.

The point is that I would really like to know, as I am sure members of the house would like to know, who has really contributed the most to this asset. I argue that most of the asset has been built by the industry itself. In my view, it is getting short-changed on the 35 per cent return. It should absolutely be asking for a greater return, because it is an asset that it has built. I made this argument quite often when I was minister; I said that I believed that it is the industry’s asset and that it should be getting more out of the sale.

I will keep going with the discussion paper. It talks about a proposed framework and the key objectives. Again, it states —

- **Optimise value for both the State and the racing industry**

A sale should be structured in a way to realise optimal value, with the ... proceeds to be shared between the State and the racing industry.

In this discussion paper, the government is really setting up the industry and stating that it is giving the industry a lot less than it wants. Everywhere we go it says, “We’re going to share in the returns.” Even though it is a discussion document and a starting point, the government is saying, “We’re going to share in the profits; don’t you worry about that!”

The discussion paper goes on to outline potential racing industry funding models. One of these models is used in the bill. The contractual model is the preferred one. I probably agree in that sense, having done the work, because I think it is much more collaborative. We can probably get some of the stuff in the contract carried into the future to give some certainty to the industry.

The discussion document outlines the change in role from the old Racing and Wagering Western Australia, which will continue in the important role of the principal racing authority. Again, that is something with which I agree. Importantly, one other concept was about the industry being no worse off in its ongoing funding. The second needs analysis report of the Western Australian Racing Representative Group set out some of those parameters, which I am sure were used as a basis for where we are at today in analysing what the Western Australian TAB gives back to the industry through TAB profits, separate from other revenue sources such as race field fees and the like. There should absolutely be a discussion, as a starting point, about the industry being no worse off in terms of funding and about building in some consumer price index increases or other predictions into the future. Again, that is all considered in this discussion document. It explains current funding arrangements.

The discussion paper also clearly outlines some of the operator obligations. It states —

As outlined above, a new TAB operator would enter into a Racing Distribution Agreement with RWWA as a condition of the wagering licence.

Again, these are some of the safeguards for the industry, knowing that a licence will not be transferred without the industry agreeing to some of the terms in the contract. That is a good thing that should be discussed. I am glad that has been considered and made it into the bill. The discussion paper continues —

The RDA would include a number of protections to ensure that the interests of the local racing industry are protected.

It also explains the contract term being 25 to 30 years, which is fairly long term but probably right. The question to ask about that, which we may well get to in the consideration in detail stage, is: What happens after 25 to 30 years? If a 25-year time frame is agreed to, what happens at the 25-year mark? What happens to the licence? Does it get renegotiated? I know that a clause in the bill says that it does, but at some point, all those options will run out. What will happen when the licence is off the hands of the acquirer and comes back? What is in it for the industry at that point in time?

The discussion paper even outlines the idea that simulated racing could become part of the deal. It also explains the racing infrastructure fund, and states —

The racing industry has previously called for a portion of the sales proceeds from a sale of the TAB to be set aside to establish a racing infrastructure fund.

It absolutely has been doing that, because it sees this as its one opportunity to get a big kick of money to set itself up into the future. It wants the opportunity to get a pot of money to actually fix up all the ageing racing industry infrastructure. I was really interested in the comments of Hon Dr Steve Thomas, who talked about the brand-new football stadium. I wonder whether, when he went to the State of Origin match, he looked across the road at Belmont Park and its ailing infrastructure. It absolutely needs some input. There is no way that Perth Racing is going to be able to fund a development that is worthy of the district we now have there. It has some really hard decisions to make. With something like this, it could have potentially got a nice sum of money. Perth Racing plays a unique and important part in the industry in this state. It is the biggest racing body. It contributes the most to any taxes and wagering generation. Everyone wants to bet on the Perth races, no matter where they are. It is a really important part. I would have thought it would make a really good case to get a good lick of money out of the infrastructure fund. However, we will have a restricted infrastructure fund, which we will get to in a minute.

**Hon Dr Steve Thomas:** In my view, if you made the redevelopment of Belmont Park the critical component, even if you got 100 per cent of the fund, you would still have no money left at the end of it. That's one of the issues for a full redevelopment.

**Hon COLIN HOLT:** It depends how much is there. We will get to what is needed in a minute.

As I was quoting earlier —

The racing industry has previously called for a portion of the sales proceeds from a sale of the TAB to be set aside to establish a racing infrastructure fund. The Government has listened to the industry and has agreed to establish a racing infrastructure fund equal to the amount of 35 percent of the net sale proceeds from the sale of the TAB.

This is a discussion document about what the future could look like with the sale of the TAB. The government has listened to the racing industry, but it decided—someone decided—at the very beginning that 35 per cent is all the racing industry is going to get. It is staggering that that was the starting point, and it has not changed. Remember, this is a document that was put out by Treasury to discuss the future of the Western Australian TAB and to ask for industry feedback. It said, “This is what we think it should look like, but, by the way, you're only going to get 35 per cent of the sale proceeds.”

There is a really interesting letter from the three racing committees in an appendix at the back of this document. These committees were established by RWWA after it got rid of the Western Australian Racing Representative Group. It was its new way of communicating with the industry. The letter is signed by Gary Gliddon, chairman of the Greyhound Racing Committee; Bob Fowler, chairman of the Harness Racing Committee; and Bob Pearson, chairman of the Thoroughbred Racing Committee.

The letter states, in part —

We are pleased to have been actively involved as members of the newly formed Racing Committees under the auspices of Racing and Wagering Western Australia ... in the work undertaken to date.

...

While early in the process and recognising the detail of any potential transaction is yet to be finalised, we are encouraged by the approach being taken and progress reached to date with this important issue.

We look forward to the next phase of determining the commerciality of the transaction and to validate that privatisation will be superior to existing arrangements.

RWWA has come a long way, from saying in 2014 that it would never sell the TAB, to saying in this letter —

We look forward to the next phase of determining the commerciality of the transaction and to validate that privatisation will be superior to existing arrangements.

RWWA does not say that 35 per cent is all it needs. It says only —

While early in the process and recognising the detail of any potential transaction is yet to be finalised ...

I assume that RWWA's expectation is that the feedback from the industry will be that we need to look at this issue more closely.

RWWA then took that discussion document to the industry. As Hon Dr Steve Thomas would know, because he has had some experience with industry meetings, the overarching issues that are raised by the industry are low foal numbers, low returns for owners and low participation rates. That is the sort of stuff that always comes up.

**Hon Dr Steve Thomas:** The issues are between horses and courses.

**Hon COLIN HOLT:** Sure.

I did not go to all the discussion sessions that were held by RWWA. However, I do not recall that 35 per cent was ever agreed to. I would be staggered if the industry had said, "In this discussion document, RWWA has suggested 35 per cent. What a great idea. We'll just take 35 per cent." I would be staggered if someone in the industry had not said that 35 per cent is nowhere near enough. I have not gone through all the submissions that came in as a result of that discussion paper, but I would be staggered if everyone had said, "We're happy with 35 per cent. That's all we want from the sale of our asset." It is clear to me that the government told the industry that it will only get 35 per cent, so it should not bother asking for anything more. That is the position we are in now. If the government really wanted to engage in consultation, it would have worked towards a compromise. However, in my view, all the government has said is, "No. All you're going to get is 35 per cent, so don't bother even providing some feedback on that point." I would be staggered if the new consultative groups would agree to 35 per cent, if that was the unmoveable part of any negotiation, and did not say, "You've told us that we will get only 35 per cent. What does the rest of the bill look like?" If the minister and the government want to prove me wrong with some letters from participating organisations that say they agree with 35 per cent, let us get around the table and see the evidence of that.

I reiterate that this is the one opportunity the industry will have to get a big boost from the sale of its asset. I have talked in the past about the infrastructure needs of the racing industry. No-one has been able to put a finger on the exact amount.

**Hon Colin Tincknell:** Absolutely millions!

**Hon COLIN HOLT:** I will give the member some figures in a moment. The Gunston report in 2014, which is the report that is in the public domain, said that at least \$100 million is required to meet the infrastructure backlog. That is the existing need. I remember clearly that when I was Minister for Racing and Gaming, I had a bit of a watershed moment. I received some correspondence from RWWA, and I also spoke to the director of RWWA, and I made some notes for myself. It seemed to me that since 2013 I had been having an uphill battle in my mind about how I could continue to talk to the industry and give it my viewpoint about the risks, when RWWA was not telling the industry any of that sort of stuff. In about February 2016, when I was still the responsible minister, RWWA finally put to me and its board what it thought about the infrastructure needs of the industry. It said that in order for the sale of the TAB to proceed, RWWA will play a significant role in changing the attitudes of and garnering support from the industry. Even in 2016, RWWA was getting feedback from the industry not to sell our asset—not sell our WA TAB. At that time, I was probably the only one who was shopping around that idea. Leaders in the industry, including the Western Australian Racing Representative Group, were saying that we need to look at this, because there are a lot of risks to our funding model. However, the people in club land or punter land did not understand the issue. The wagering business is a complex issue. That is why I keep saying that Richard Burt has done a great job. My initial reaction way back in 2014 was that it was way too risky to keep the TAB.

At that time, RWWA said that in order for the TAB sale to proceed, we needed to work with industry and bring it along on the ride. RWWA said also that the Western Australian Racing Representative Group, which had done all the background work, would be an important part of the process. RWWA also agreed at that time that the privatisation of the Western Australian TAB, if done in the right way, could set up the industry for the next 50 years. That is why I keep saying that if we do the right job and fix the funding issues, the industry will hopefully be sustainable and able to continue into the future. The government has also said that that is one of its aims.

RWWA also set out the key elements of the funding obligations. The Western Australian Racing Representative Group said that the industry needs \$100 million. RWWA, which audits race clubs all the time and asks them about their needs, came up with an infrastructure backlog of \$150 million. RWWA also raised the key point about whether the industry will get any value out of the licence when it is rolled over in 25 years or 30 years. In the last few years, the Victorian TAB and racing industry have gone through that process. When the Victorian TAB licence

came up for renewal, the contract was renegotiated to enable the industry to get some benefit out of it. This government does not care about what will happen to the industry in 25 years. I am not sure why that was not part of the negotiations, so that when the 25 years is up, the licence could be renegotiated, with a rollover. The government has obviously decided that there will be no benefit to the industry from that asset in 25 years' time. The minister might have some insight into that. As I have said, RWWA said in 2016 that a \$150 million infrastructure fund would be required to fix the backlog and address some of the issues in the industry. It has been interesting to consider the infrastructure fund.

Debate interrupted, pursuant to standing orders.

[Continued on page 5322.]