

**Racing and Wagering Western Australia —**

Mr I.C. Blayney, Chairman.

Mr D.T. Redman, Minister for Regional Development representing the Minister for Racing and Gaming.

Mr R. Burt, Chief Executive Officer.

Mr B. Killigrew, Chief of Staff, Office of the Minister for Racing and Gaming.

Mr B.A. Sargeant, Director General, Department of Racing, Gaming and Liquor.

[Witnesses introduced]

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

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I call on the member for Collie–Preston.

**Mr M.P. MURRAY:** I refer to the second paragraph on page 806 and ask about the strategic development plan for the privatisation of the TAB. What expenditure has Racing and Wagering Western Australia spent on the investigation of the privatisation of the TAB?

**Mr R. Burt:** The majority of the work that we have undertaken has been using internal resources. We have had very little consultancy helping with scope or giving input into government in that process.

**Mr M.P. MURRAY:** I missed that last bit.

**Mr R. Burt:** We have done the majority of the work internally, so very little money has been spent by Racing and Wagering on consultants.

**Mr M.P. MURRAY:** In conjunction, has the department had any discussions about the TAB privatisation with any of the other lobbyists—I use the term “lobbyist” broadly—such as Perth Racing or the racing reference group?

**Mr D.T. REDMAN:** Is the member specifically asking whether RWWA has had those conversations or is he asking whether the government has?

**Mr M.P. MURRAY:** I am asking whether it has had conversations or contributed.

**Mr D.T. REDMAN:** Does the member mean has RWWA had conversations?

**Mr M.P. MURRAY:** Yes.

[9.30 pm]

**Mr R. Burt:** Yes, we have.

**Mr M.P. MURRAY:** The last part of the question was, “And have you contributed?”

**Mr D.T. REDMAN:** Do you mean in a financial way to those groups?

**Mr M.P. MURRAY:** Yes.

**Mr R. Burt:** Yes, we have.

**Mr M.P. MURRAY:** To what extent?

**Mr R. Burt:** We have made a contribution to the Western Australian Racing Representative Group otherwise known as WARRG to the tune of about \$120 000, I think about six months ago.

**Mr M.P. MURRAY:** Was anything given to Perth Racing at all?

**Mr D.T. REDMAN:** Member, can you direct your question through the minister?

**Mr M.P. MURRAY:** I knew you were a schoolteacher! Has any contribution been made to Perth Racing at all in this investigation into the privatisation of the TAB?

**Mr R. Burt:** No.

**Mr P. PAPALIA:** I refer to the same paragraph on page 806 of the *Budget Statements* and to page 6 of the budget speech, where the Treasurer states —

The Government is also engaged in productive discussions with the racing industry to progress the sale of the TAB.

I contrasting that with the paragraph to which the member for Collie–Preston referred, which states —

The current 2015–16 Strategic Development Plan was prepared on a business as usual basis and includes limited assumptions in regards to the privatisation of the Totalisator Agency Board.

What is it? Are the TAB sale discussions progressing well or are we assuming it will not be sold?

**Mr D.T. REDMAN:** Mr Sargeant might correct me if I am wrong, but the sale process is a government decision process and I imagine that the expectation is that agencies carry on business as usual until we reach a point where a sale does or does not happen.

**Mr P. PAPALIA:** A strategic development plan is referred to. What sort of strategy can an agency develop if it does not know whether the entire asset will be sold out from underneath it?

**Mr D.T. REDMAN:** We expect a strategic development plan to be put in place given a business-as-usual scenario.

**Mr P. PAPALIA:** That is not a strategy.

**The CHAIRMAN:** Member for Warnbro, I want to hear the minister out, please.

**Mr P. PAPALIA:** That is not a strategy.

**The CHAIRMAN:** Member for Warnbro, I will call you if I have to. I want to hear the minister.

**Mr D.T. REDMAN:** We would expect an agency to develop a strategic development plan in the interests of the normal business that the agency does. We do not want that agency second-guessing a government decision or the capacity for a government decision as the government works through any deliberations in and around the sale. We would not expect a strategic development plan in an organisation to be second-guessing a sale at a point in time of that organisation and, therefore, what it should be doing.

**Mr P. PAPALIA:** What time frame does the strategic development plan encompass? Is it next week or until the election on 11 March? Is that the time frame?

**Mr D.T. REDMAN:** My understanding is that it is a five-year strategic development plan.

**Mr P. PAPALIA:** Repeatedly in the house, even in his own speech, the Treasurer has referred to the sale of the TAB, yet the minister is constraining the agency responsible for the TAB to developing a strategy that extends for only eight months.

**Mr D.T. REDMAN:** I am making a point that if an agency puts together a strategic development plan, we expect it to do that under a business-as-usual scenario. Quite separate from that, government would make decisions in and around the sale process. Is there anything Mr Sargeant would add to that? No.

**Mr P. PAPALIA:** This confirms an awful lot about why the state's finances are in such a parlous position. The minister is talking about a strategic plan over five years for an agency when he is going to sell its assets.

**Mr D.T. REDMAN:** Agencies are responsible for putting in place —

**The CHAIRMAN:** Minister! I would rather hear the minister by himself. Discussion can go quite happily to and fro, but I do not want people talking at the same time.

**Mr J.E. McGRATH:** Further to that question —

**Mr P. PAPALIA:** Are you still here?

**Mr J.E. McGRATH:** I am keeping an eye on you!

**The CHAIRMAN:** The minister was answering your last question, member for Warnbro.

**Mr D.T. REDMAN:** I think I have responded to that.

**Mr J.E. McGRATH:** The member for Warnbro talked about the strategic development plan, which is an important plan for the industry. Maybe Mr Burt can give us some information on it. An industry asset review is being undertaken by Racing and Wagering Western Australia, which is very important because it refers to the future of the industry assets.

**Mr P. PAPALIA:** What page is that on?

**Mr J.E. McGRATH:** It is on page 806—the strategic development plan.

**Mr P. PAPALIA:** Where is the asset review?

**Mr J.E. McGRATH:** This is part of the strategic development plan.

**Mr P. PAPALIA:** Is it a secret asset plan?

**Mr J.E. McGRATH:** No; it is not. I would like some information for the committee on how that asset review was formed and what progress has been made in that direction.

[9.40 pm]

**Mr R. Burt:** The metropolitan equine asset review task force—otherwise known as MEART—was put in place by Racing and Wagering Western Australia because independent of privatisation, we wanted to make sure that for the bigger assets that undertook racing, particularly metropolitan and inner provincial racing for thoroughbred and harness, an independent study was done on the utilisation of the assets. It did not include greyhounds because we were progressing the facility at Cannington, but it took into account harness and thoroughbred assets. That review was undertaken by specialist consultants GHD Group. The RWWA board has received its recommendations and is yet to make its final findings.

**Mr J.E. McGRATH:** Is Byford Trotting Training Complex Inc one of the assets that will be looked at, and has any consideration been given to one day finding another site for harness racing and training, with the possibility of maybe moving down to Pinjarra?

**Mr R. Burt:** In short, yes. There is a belief from GHD that the site is going to be relevant for up to 50 years, recognising the infill of domestic housing around the area. Our contingency strategy, if you like, if that asset is built in on and becomes too valuable for harness training, is that we would potentially relocate training, together with stabling, to Pinjarra Harness Racing Club.

**Mr J.E. McGRATH:** Is it a fact that the number of full-time professional trainers using the facility at Byford has dropped off in recent times? Could the minister give us some idea what it costs RWWA to maintain the Byford trotting complex?

**Mr R. Burt:** The participation numbers are actually not too bad; they are reasonably stable. Byford is singularly the most important facility, similar to Ascot, for thoroughbreds, and Lark Hill a little less so. Byford is a relatively inexpensive venue to maintain. It is very cost-effective and costs approximately \$250 000 a year.

**Mrs G.J. GODFREY:** The minister says that it is business as usual, but there has been a decision in the papers given to us that money is coming out of the infrastructure fund for an upgrade of the racecourses, yet there is a huge increase out of the available pool that is going into the retail wagering systems. I would like an explanation.

**Mr D.T. REDMAN:** My comment about “business as usual” was in response to the member for Warnbro. I was making the point that in a five-year strategic development planning process, he believes there should be provision for the sale of the TAB. I am saying that until government gets to that decision, it would not be appropriate to have provision made; it is its business to get on with planning. That was the context of that decision, but if there is a particular comment the member has about funding, I am happy to put it to Mr Burt.

**Mrs G.J. GODFREY:** I would like an explanation. If that is the case, why is there a huge amount of \$30 million going into the development of new assets that could possibly be sold in two years, whereas the racecourses are going to be left with the huge deficit in funding through the reduction of the infrastructure grants program?

**Mr R. Burt:** We are actually doing both. We are investing in racecourses and, in fact, we have paid for and built the Cannington venue, as the member will be aware, and we are making a number of investments in technology at race clubs, semaphore boards, Racewalls and a lot of racing and training infrastructure. The reason we are investing in our retail business is that it is cashflow positive, particularly in the pubs and clubs, within 24 months, so it is a highly accretive investment. We have to run the business on a business-as-usual basis to continue to generate benefit for the racing industry and to continue to invest in the wagering licence in the event that it was sold. If we believe in the business, and the business is not sold, we can imagine the outcome: it is bad for racing, it is bad for government. We need to make wise decisions over the next five years and do the sorts of investments that one would expect, where there are immediate rates of return. Fortunately, the marketplace is most competitive in the digital environment, using mobiles, and that is very cash-accretive to investing, so we are pouring a lot of investment in that plus looking after our retail network, where we get very quick rates of return. Under either scenario—sale or no sale—it is still positive for government in the development of the value of the asset, as well as a return for racing.

**Mrs G.J. GODFREY:** My question is about what Mr Burt just said. Does RWWA buy back the unviable TAB outlets?

**Mr R. Burt:** We have done some in the past.

**Mrs G.J. GODFREY:** Will it in the future?

**Mr R. Burt:** At the moment we are negotiating what is known as an assignable business license agreement, affecting 63 agents, and that is one of the issues that are in negotiation, so the current agreement, which is typically a 10-year agreement, is up for negotiation at the moment. In fact, I think it expires at the end of July and we are dealing with those sorts of agency buybacks as one of those items.

**Mr M.P. MURRAY:** Further to that question, how many TAB licences in recent times or in the last five years have been revoked, and why?

**Mr R. Burt:** I can give an estimate, unless the member would like specifics, as in an exact number; I can get that for him on notice.

**Mr M.P. MURRAY:** Yes, please.

**Mr R. Burt:** Does the member want an estimate or a specific number?

**Mr M.P. MURRAY:** I want a specific number.

**Mr R. Burt:** I cannot provide that number right now.

**Mr M.P. MURRAY:** Can I have that as supplementary information, please, minister?

**Mr D.T. REDMAN:** Yes. For my benefit, can the member clarify exactly what he is after?

**Mr M.P. MURRAY:** I am after how many TAB licences have been revoked, and why.

**Mr D.T. REDMAN:** In what time frame?

**Mr M.P. MURRAY:** In the last five years.

**Mr D.T. REDMAN:** I am happy to provide by way of supplementary information the number of TAB licences that have been revoked in the last five years, and the reasons why.

*[Supplementary Information No B64.]*

**Mr P. PAPALIA:** Has RWWA been approached by government for advice on how to deal with the TAB licensees in the event of the sale of the TAB?

**Mr R. Burt:** No.

**Mr P. PAPALIA:** Has any analysis been done of the experience in other states when like agencies have been sold by licensees, like TAB licensees in Western Australia, in order to project the impact on them?

**Mr R. Burt:** That is a very easy question to answer. There are no other assignable licences, if you like, like we have in WA in any other state, so I cannot draw parallels or examples from other states.

**Mr P. PAPALIA:** Were there any at the time of the sale of those other agencies, or did they just never have TAB licensees or franchisees?

**Mr R. Burt:** The original TAB licences, I understand, were issued by the TAB in the 1980s. Unlike many businesses, as the member is probably aware, in the retail sector—whether it is shopping centre operators issuing property premises to occupy or Hungry Jacks or McDonald’s-type franchises—we issue assignable tenure to these agents. If we look at the recent past, we see that we have issued at least two 10-year terms under which they have the ability to buy and sell their agencies, and we do not seek a licensing fee, a contribution towards marketing or anything like that. They are not franchises; they are assignable licences and the only benefit we derive is from training new agents coming in, and that is a subsidised service, if you like, which we partly subsidise, and the incoming or outgoing agent also contributes.

[9.50 pm]

**Mr P. PAPALIA:** It would be a fair thing then to assume that in the event of a sale of the TAB, those licensees would be valueless to the purchaser.

**Mr R. Burt:** Not necessarily; it is something that is obviously top of mind if we are currently negotiating within two months of the current expiry. At the moment we are building into the recitals we would seek in this

agreement that we entering into with 68 agents, many of them partnerships, so in excess of 120 families, if you like, with superannuation and other things around these licences, that the licence be on it, if there was a sale of the WA TAB. There is a need to buy out the agents by the government, similar to the issue of taxis. In the event the government does not want to do that, I believe we are adequately addressing the continuity of licence by issuing and negotiating a new tenure agreement, the remuneration rate which is the most generous in Australia and the terms are possibly the best in Australia. It is a very positive agreement for agents. We have just got to get it over the line.

**Mr M.P. MURRAY:** Minister, what is the process when a TAB agency gets into financial difficulty? Is the licence revoked or is it on-sold by Racing and Wagering Western Australia? How is that managed if a person is not able to fulfil their commitments?

**Mr R. Burt:** The exact example the member has given has rarely occurred when an agency gets into financial difficulty. If we have other issues whereby they are either terminated through betting on duty, serving minors and other breaches of their agreement—in fact, breaches of the legislation—or they carry out some conduct that is a material breach, we typically terminate the agency, assign it to an incoming agent and we pass the benefit to the remaining agent. That is what we have done historically.

**Mr M.P. MURRAY:** Would that person walk out with nothing?

**Mr R. Burt:** No, not in all the cases that we have had until about 12 months ago. At the moment with privatisation, together with an agreement that is about to expire, there is no liquidity in the market for incoming buyers to buy existing agencies. I want to come back to the member with the exact number, because we have terminated a number of licences for agents who have misbehaved in running or conducting the agency and we are unable to sell those to incoming agents because there is a very limited pool of people who want to buy in the current market.

**Mr M.P. MURRAY:** Is there no contingency fund from previous sales within the TAB's ability to pay out before they would be on-sold?

**Mr R. Burt:** Typically what happens with these assignable licences, putting aside specific numbers, if an agency is bought for a sum of money and the agent is terminated by us, we take over the operation, manage it for a period of time and then put it on to the market. Assuming there is a liquidity of buyers and sellers, we sell it to a buyer. That money then goes back to the existing agent, so they do walk away with some money, and they have done so historically. At the moment there is no liquidity for the reasons I have stated.

**Mr J.E. McGRATH:** Minister, we live in a time of changing technology, as Mr Burt has mentioned. Some of the agents have mentioned to us that under the current system they receive commission on bets that are placed in their agency, but if they have a regular customer who also has an account with the TAB who places a bet on their mobile phone, either in the agency or when they walk across the road to the shop or the local hotel, they do not get commission on that bet. Is there any way, with tracking and such things, that that can be done with mobile phones and they could set up an area around an agency where, for someone having a bet within that zone, the agent could receive a commission? Has that been raised with RWWA?

**Mr R. Burt:** Yes, to answer the member's question. That is beacon technology, and when a person walks past a particular area, we can send alerts to customers—if their phones are activated for that service—and we can accredit that bet to the agent. In this new agreement that I am talking about we are trying to negotiate a term for users commencing from 1 August 2016 so that not only would they get commissions on cash sales in their agency, whether through operator terminals or self-service terminals that we fund in the agency, but also we are also looking at giving them a trailing commission for accounts they open. If a person walked into a TAB and opened an account in that agency, betting for the life of their account would be accredited at a commission rate back to that agent for opening that account. The reason is that we are trying to grow our account base in the face of competition and to provide a positive experience to our customers. The benefit of this new agreement is that they will be connected to the growth part of the market, which is mobility and transactions on mobile devices.

**The CHAIRMAN:** I will allow the member for Collie–Preston a follow-on question.

**Mr M.P. MURRAY:** Will the minister now agree, after hearing Mr Burt's answers, that the government's indecision on the sale of the TAB in whole is impacting immensely on some of the agencies as well as the industry?

**Mr D.T. REDMAN:** An opinion around that is probably best directed to the minister who has carriage of this.

**Mr M.P. MURRAY:** Is the minister not representing him?

**Mr D.T. REDMAN:** I am today, but the member is asking for an opinion.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE B — Wednesday, 25 May 2016]

p409b-414a

Mr Mick Murray; Mr Terry Redman; Mr Paul Papalia; Mr John McGrath; Mr J.E. Mcgrath;; Mrs Glenys Godfrey

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**Mr M.P. MURRAY:** I would think the minister would have an answer. He is a fair weather sailor when —

**The CHAIRMAN:** Member!

**Mr D.T. REDMAN:** The member is asking me for an opinion in a portfolio that is not my direct responsibility and I am acting tonight on the minister's behalf in the lower house.

**Mr P. PAPALIA:** I refer to page 806 again and generally to the second paragraph. This is through the minister to Mr Burt, probably. Can the minister give us an indication of projections for this financial year of tax to the government, disbursements to industry and any other money flows from the TAB, and then what the projections for those items are in the forward estimates?

**Mr R. Burt:** The various answers, if you like, are that the distributions to government are approximately \$46 million in wagering tax and around \$22 million or \$23 million in GST. In the distributions to industry—the reason I was clearing my throat was that it is very confusing when trying to explain it—we have multiple levels of funding to the industry. I might start at the macro level, if I may, in explaining this. When we talk about funding the industry, it includes funding the functions of racing, such as administration, stewarding, all of the racing systems et cetera, together with straight distributions to stake money, to club and infrastructure grants et cetera. The total benefit, including race field fees—that is, interstate wagering operators betting on WA product last year—came to \$190 million. The actual distribution at the end of last financial year to racing—that is our year ending 31 July 2015—being the component of what we call distribution, which is merely the stake money and club funding within that \$190 million, was \$126 million.

**Mr P. PAPALIA:** What is the projection for the forward estimates?

**Mr R. Burt:** The projections are obviously determined by whether we can grow in a competitive wagering landscape to give us the ability to generate turnover and margin out of our fixed odds and parimutuel business, but we are projecting that that number will increase. The distribution number, for example, would increase if our targets are met to \$150 million from that 2014–15 number that I quoted of \$126 million, and the enlarged macro number to around \$220 million.

**Mr P. PAPALIA:** The government taxes would increase proportionately, I assume.

**Mr R. Burt:** It is envisaged that government taxes would increase.

**Mr P. PAPALIA:** Would the increase to \$150 million incorporate the \$10 million retained from asset investment? Is that part of it?

**Mr R. Burt:** The asset investment is completely separate to that. What we invest into our wagering business, our systems and everything, is behind the scenes, if you like; it is not in that number. They are distributable numbers where the racing industry receives a direct benefit.

**Mr P. PAPALIA:** Is the projection that the TAB is a healthy business right now?

**Mr R. Burt:** The TAB has been and continues to be a good business. Obviously, in order to meet those targets it has to be successful at executing its competitive strategies in a very competitive marketplace.

**The CHAIRMAN:** That completes the examination of Racing and Wagering Western Australia. This committee is adjourned until 9.00 am tomorrow morning.

*Committee adjourned at 10.00 pm*

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