

**TAB (DISPOSAL) BILL 2019**

*Consideration in Detail*

Resumed from 11 June.

**Clause 27: Racing Infrastructure Fund —**

Debate was adjourned after clause 26 had been agreed to.

**Mr V.A. CATANIA:** The Racing Infrastructure Fund must be administered by Racing and Wagering Western Australia. I assume that the board of RWWA administers the Racing Infrastructure Fund or is the custodian of it; is that correct?

**Mr B.S. WYATT:** Yes, it will be the board that is responsible for the fund.

**Mr V.A. CATANIA:** Who chooses the RWWA board? Is it the Treasurer, the Minister for Racing and Gaming or cabinet?

**Mr B.S. WYATT:** No changes are being made to how the RWWA board is constituted. It is constituted under section 8 of the Racing and Wagering Western Australia Act 2003, and, as I said, none of that is being changed. That section states —

- (1) The board of directors is to be constituted by the following directors —
  - (a) the chairperson of the board;
  - (b) one person nominated by eligible thoroughbred racing bodies;
  - (c) one person nominated by eligible harness racing bodies;
  - (d) one person nominated by eligible greyhound racing bodies;
  - (e) 4 persons selected for their expertise in management, finance, business, commerce or information technology.

**Mr V.A. CATANIA:** The Treasurer has outlined the make-up of the RWWA board based on the current legislation. I believe that not having 100 per cent of the proceeds of the sale going towards industry will hurt the industry. I make it quite clear that that will damage racing. The first lot of clubs to be hit, if this legislation goes through, will be regional races on the back of putting only 35 per cent of the proceeds into an infrastructure fund. Will the make-up of the RWWA board change to have some representation from regional racing? That is, will the Country Racing Association of Western Australia have a representative on the RWWA board? A measly 35 per cent will go into the infrastructure fund. If the interest of the \$100 million were used, we would be looking at something less than \$3 million; therefore, 2.5 per cent of that, \$2.5 million dollars, would be for all codes across the whole of Western Australia. We can see how difficult it will be for the standalone clubs, such as Meekatharra, Mt Magnet and Gascoyne Junction, and smaller clubs, such as Carnarvon and Toodyay, to float to the top when infrastructure is being considered across all codes. If they do not have someone on the RWWA board representing country racing, that will potentially impact its ability to access that small amount of money a year—\$2.5 million to \$3 million a year—going back into all racing codes across Western Australia. Regional clubs are concerned about that. Earlier this morning we spoke about how the industries agreed to the 35 per cent. I made phone calls all morning to racing clubs across regional Western Australia and not one of them knows about the 35 per cent. They are very concerned about prize money and any infrastructure in the future. Is there any way of guaranteeing a representative on the RWWA board to at least have some hope of accessing potentially \$2.5 million to \$3 million a year? That is what racing across Western Australia will get. The first part of the industry, country racing, will find it difficult to access that money when it is competing against the Belmont and Ascot racecourses or the dogs at Cannington. It will not get a look in. Can the Treasurer perhaps enlighten me on how regional relations are going to get their fair share out of that measly \$2.5 million? Will there be a Country Racing Association of Western Australia person on the Racing and Wagering Western Australia board?

**Mr B.S. WYATT:** I appreciate that the member is defending the status quo so strongly. We are not changing the status quo in the government's arrangement. Eligible thoroughbred racing bodies have country members. Eligible harness racing bodies have country members. Eligible greyhound racing bodies have country members. Those organisations constitute the board of directors of RWWA, and we are not changing that. That is section 8 of the Racing and Wagering Western Australia Act 2003. We are also not changing section 35(1)(b) of that act, which gives the function of RWWA—Racing WA in due course—which reads —

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- (b) to foster the development, promote the welfare and ensure the integrity of metropolitan and country thoroughbred racing, harness racing and greyhound racing, in the interests of the long term viability of the racing industry in Western Australia; ...

We are not changing any of the current structures around country representation. That is why, as I advised the member for South Perth, after three years, we will have a review of the government structure. If there are any problems in due course, they will be dealt with in that review.

**Mr V.A. CATANIA:** I am not supporting the status quo. The Treasurer is trying to intimate that we are not supporting the sale of TAB. We support the sale of TAB, but we support 100 per cent of that sale going back into racing. Let me make that quite clear.

**Mr J.E. McGrath:** You said that yesterday.

**Mr V.A. CATANIA:** Yes. The Treasurer just said that I support the status quo. I do not support the status quo, and I do not support the 35 per cent. I want to make that clear for *Hansard*. Yes, I suppose those codes have the opportunity of putting someone from country racing forward, but there is no spot on the RRWA board for country racing specifically. That is the point I am trying to make. I am trying to say that 35 per cent of the \$2.5 million or thereabouts that can potentially be distributed across the whole of the racing codes in Western Australia is not going to go very far in regional racing, if they get a look-in. The point I am trying to make is that the RWWA board is made up of those who dominate the industry, who are often the people from those codes based here in Perth. That is the problem. That \$2.5 million will not go very far across all codes in the whole of Western Australia. How can the Treasurer guarantee that regional racing or country racing will get its fair share, or even a look-in—not its fair share—to ensure that it can get some of that action? As I said, there is potentially a measly \$2.5 million from that \$200 million going into a fund. How is country racing going to get a look-in if it does not have a dedicated representative on the RWWA board with an influence on that racing infrastructure fund, which is dominated entirely by Perth racing?

**Mr J.E. McGRATH:** I am a bit concerned about the view that only the money earned in interest from the infrastructure fund will be spent. There is nothing in the legislation that says that, is there? I have been a proponent of an infrastructure fund for 10 years. Racing and Wagering Western Australia has already used the infrastructure fund to fund the development of a new track at Bunbury and new stalls at Pinjarra Harness Racing Club. That funding takes place all the time. My view is that this fund should be for infrastructure that will help the industry into the future. Is the Treasurer insisting that it will have to be invested, and only the interest on that investment can be spent? As the member said, that would be \$2.5 million. That is going to go nowhere. That will not work. I am interested in the Treasurer's view on that.

**Mr B.S. WYATT:** In trying to be helpful last night, I gave an example of how trying to be helpful can create the wrong impression. To be honest, how it looks is not part of my interest. It is up to RWWA to decide how the money is utilised. It might want to spend the \$100 million in year 1, doing a huge spend on backlog. If it wants to do that, go for it—it will end up relying on the revenue coming to industry through the point-of-consumption tax et cetera, and the guarantees we get from the new operator. It is up to RWWA how it will be done and distributed. I do not intend to dictate how it is going to look; that is up to RWWA. That is why we are creating this capacity here—actually, it was created already. Racing and Wagering Western Australia can do what it likes with that money—it is RWWA's money. It is the industry's money to spend however it likes and to prioritise however it likes. I am not going to prioritise how that money is spent.

**Mr J.E. McGRATH:** We were given an indication at the briefing that whatever infrastructure was spent during the year, there would have to be a report to Parliament or to someone. Racing and Wagering Western Australia would need to report and make the spend public, either through the Minister for Racing and Gaming or someone else, but there would be a requirement that that spend be recorded somewhere. At the end of the day, it is public money.

**Mr B.S. WYATT:** The minister still has the role of signing off those recommendations. That is not being removed.

**Mr D.C. Nalder:** That is clause 3.

**Mr B.S. WYATT:** Yes, we dealt with that a while ago, last night. That is still there; that is not being removed.

**Mr J.E. McGRATH:** Will the minister report that in Parliament?

**Mr B.S. WYATT:** There are still the corporate intent processes that will highlight where the money is being spent each year, yes.

**Mr J.E. McGRATH:** That would have to be included in that, yes.

**Mr D.C. NALDER:** Proposed clause 27(3) states —

**Extract from Hansard**

[ASSEMBLY — Wednesday, 12 June 2019]

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Moneys standing to the credit of the Racing Infrastructure Fund may, with the approval of the Minister, be applied for providing and improving infrastructure for the State's racing industry.

I think that answers the member for South Perth's question, and it is still in this clause of this bill.

Further to that clause 27, I am taking a little bit of a leap here. Based on what the member for North West Central said, I imagine the RWWA board would be making the recommendation back to the minister. My first question is can the Treasurer confirm that is the case?

My second question is about the make-up of the RWWA board, because there is a bit of an intrigue here. I understand that country members make up each of the membership groups, but how is the RWWA board made up? I want to understand that, to ensure there is the appropriate mix there. Can the Treasurer give us an understanding of how the RWWA board is made up so that we understand how this infrastructure spend will occur? I imagine there are some independent directors, and some representatives of the different bodies, being dog racing, harness racing and the gallops. I am wondering whether or not there is a regional representation, given that there are so many courses out there, or whether it would be prudent for the government to take that into consideration for this bill. I am framing that as a genuine question. Given that there are so many race tracks, whether it be dogs, horses or harnesses, would it not be appropriate to ensure that they have appropriate representation on the RWWA board, particularly in relation to how the capital spending occurs within the infrastructure fund?

**Mr B.S. WYATT:** Again, I refer to section 8 of the Racing and Wagering Western Australia Act 2003, which states —

- (1) The board of directors is to be constituted by the following directors —
  - (a) the chairperson of the board;
  - (b) one person nominated by eligible thoroughbred racing bodies;
  - (c) one person nominated by eligible harness racing bodies;
  - (d) one person nominated by eligible greyhound racing bodies;
  - (e) 4 persons selected for their expertise in management, finance, business, commerce or information technology.

The RWWA website lists the existing board members. I will pull one up now. Ms Kirrilee Warr is listed as —

...broad acre agricultural enterprise and operates as administration manager for the business. Currently Kirrilee is a board member for the Mid West Development Commission, and Regional Development ...

Clearly, it is putting up regional members. We are not going to amend that now because of a specific request to have the governance structure separated from the TAB reform due to a lot of views on the make-up of Racing and Wagering Western Australia's board. The best example I can give is that during the time of the previous government there were similar views around, for example, the make-up of the Pastoral Lands Board. There is a lot of emotion and interest around this decision, so that is why this issue was separated to have a review three years after the new regime is in place. Perhaps at that point it will be appropriate, and the review will say that X members should be based in regional Western Australia. However, I do not know what that review is going to show or say and that is why this matter was separated.

**Dr M.D. NAHAN:** As the member for South Perth said, he has pursued this infrastructure fund issue for 10 years. It was a major issue during our term of government. Clearly, one reason is that over time, the flow of money to the racing industry has been inadequate to maintain its infrastructure. Substantial capital investment and a rationalisation of the industry was required, and the previous Premier was really keen on this. The industry is now going through a one-off change. Every year RWWA has allocated money from its ongoing operating revenue to its capital projects. This is different. This is a one-off lump sum of about \$100 million. Has the Treasurer considered using this chance to really help transform the industry? This industry needs that one-off investment. I am not saying where that money should be spent—whether it should be on rural or urban facilities, or at Belmont or Ascot; that is for others to determine. The sale of the TAB, apart from achieving many things, was about getting capital to revitalise the industry. A lot of the industry's infrastructure is very tired, which reduces its ability to raise money and be competitive. People might as well go to a pub like the Rivo next to my electorate, which is really clean and brand new, and the food is good, and place a bet on their phone rather than go to a TAB outlet or indeed a racecourse. It seems to me that this whole sale was about not only giving RWWA \$100 million to meet its ongoing capital expenditures, but also transforming the industry. Did the Treasurer give some thought to that? It would take some leadership from government because government is actually giving the money to the industry. When we were in government, it was definitely our intent to give the industry the responsibility and a choice of where to spend that money, but we would provide leadership on the transformation of the industry so that it enhances its competitiveness going forward. Did the Treasurer give that some thought? He seems to be giving

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RWWA \$100 million or thereabouts, and then taking his hands off: “You can do what you like with it.” I think that would be a big opportunity lost.

**Mr B.S. WYATT:** As the Leader of the Opposition knows, the strategic development plan and the statement of corporate intent processes both have ministerial involvement around prioritising. What that money will be used for is exactly the same as the former government intended, but I will not dictate to the industry. If I were to do that, this would fall over and I would pull the bill. If either the Minister for Racing and Gaming or I dictate where industry spends the money, it would no longer support the bill. It is up to the industry. The member is right; it will clear the backlog. The industry has always experienced underinvestment because it has relied on ad hoc grants. This provides the industry with a sum of money to clear the backlog. We keep talking about \$100 million, but hopefully it will be more. The point-of-consumption tax reform will provide it with ongoing revenue to do what it likes. I expect that it will be used for future issues that the industry has, but this one-off capital payment allows industry to clear that backlog. How it does that and how it prioritises the spending is up to the industry. The industry has clearly said that it wants to be the body that makes those decisions.

**Dr M.D. NAHAN:** This is a big transition. The point-of-consumption tax will provide a good flow of income and then there will be other flows of income. But this is a time for the potential transformation of the industry. The injection of \$100 million is a lot of money for this industry—it could probably use more. Has the Treasurer thought about sitting down with the industry and coming up with a strategic plan? It has been working through the typical Treasury planning processes for a year in an interactive manner—fair enough, they exist; RWWA has those and I have seen some of them. But this is a time of transformation. This one-off injection of \$100 million of new and unexpected money into industry cannot just be thrown in and used to fund the ongoing activities of repair, maintenance and upkeep. This is a time to transform the industry. I know that it is a difficult process, but government is difficult. It seems to me that the government should sit down with the industry before it gives it the money and say, “Come up with a strategic plan. Here is \$100 million, and perhaps you might get some additional money, but what are you going to do with this?” That can be done as a parallel process.

From my experience as Treasurer and under our watch, industry was really involved in this process. I sat down at many meetings—the member for South Perth led some of those—and asked industry representatives what they were going to do. It was always a crucial part of convincing them of the efficacy of the TAB. The Treasurer would be letting the industry down if all he said to the RWWA board was, “Here is \$100 million. We are washing our hands of it. You go and spend it how you wish.” Often that board has not been united. It was actually dominated by its CEO for a long time, and it might still be. We think that some strategy is required but it is up to government—one cannot govern from opposition. It seems to me that one would want to use that \$100 million to help transform the industry.

**Mr B.S. Wyatt:** Yes, the Leader of the Opposition is right.

**Mr D.T. REDMAN:** Clause 27 refers to a fund that it is speculated will receive \$100 million to do so much for industry. There is some conjecture between our view and the government’s view about how much of industry’s needs that will cover off on and just how far it will go into the future. This industry has 1 426 trainers and 860 breeders. It produces 2 250 foals and pups every year, it has 13 000 owners and syndicate members, and 147 jockeys. It is a pretty significant industry. Although I assume that the Treasurer landed on 35 per cent and the funding arrangements in consultation with industry, I suspect that outside some of the bigger groups that consultation might have been pretty light on. Given the scale of the sector and the importance of this decision at this point in time, I assume that the Treasurer did a level of modelling to understand the impact of his decisions to see whether it is likely that some meets will close or stop. There are some significant risk thresholds with infrastructure; therefore, the obvious decision in some cases might be to close that infrastructure, given the new funding arrangements. Given that this bill enables significant decisions to be made, I assume that a level of modelling was done to fully appreciate its likely impacts. Has that modelling been done; and, if so, will the Treasurer table it?

**Mr B.S. WYATT:** No; that is RWWA’s role. RWWA has done that work. The member should know that he can put that question to RWWA. The consultation was quite extensive around regional WA as well as metropolitan Perth. Everybody has been consulted on this matter. In terms of race meets closing or I think the member said “reducing”, that is up to RWWA and the industry, and it is happening now. Why is that happening now? Because even though the member read out some significant numbers, particularly around horses, their numbers are in decline. They are becoming more expensive to run and people are not travelling to as many race meets, including the big one at Kalgoorlie–Boulder. People have had to reshuffle how they attend their race meets. That is the existing environment we are in, but, again, RWWA will manage that process as it has always done.

**Mr D.T. REDMAN:** Further to that, the minister highlighted that, but that is Racing and Wagering Western Australia’s job, and it is what it has done. Even if it is RWWA doing the work, I assume the government, in making these decisions, would want to have visibility of that and have an understanding of the impacts that RWWA has

identified as being the issues emerging in the sector. The government would not go into this blind, at arm's length, saying, "They're doing that. They've done that. But by the way, we are going to impose these changes on the sector." Government, surely, is not going into that process blind. What we have seen so far does not give us confidence that that level of interrogation has been done in order to give confidence in the decision that the settings being imposed here legislatively will maintain and support a sector that is worth a significant amount to Western Australia and has a significant number of jobs attached to it. The government went to the last election with a mantra on jobs, and it reminds us every day of that position. This legislation is not insignificant. If RWWA had done and is out there doing that work, that should be significant to government decision-making. Has government done the work, because the Treasurer has not said that is the case, to interrogate that and appreciate the implications of these decisions? I imagine there might be significant implications from these decisions, particularly in regional Western Australia, where the maintenance of those meets and infrastructure is challenging. Certainly, changes are occurring in the sector that will make that challenging. There are also some pretty significant investments in metropolitan Perth that need the support of infrastructure investment and the like to maintain the sector going forward. My question is about understanding the implications of these decisions. The Treasurer said that the government has not done any modelling on the impact of the legislation.

**Mr B.S. Wyatt:** That's not true.

**Mr D.T. REDMAN:** I said "modelling" and the Treasurer said no; that was his answer. If RWWA has done that work, has the government taken into account the implications of that; and, if there are implications, what are they?

**Mr B.S. WYATT:** I think the modelling, which has been provided to the three committees and RWWA, highlights that for not only the three-year guarantee, but also the sale—remember that this is a package and we have to consider this with the point-of-consumption tax that is now in place—that going forward, the revenue for industry will be able to provide that support. We provided that modelling to the three subcommittees and to RWWA.

**Mr D.T. REDMAN:** Further to that, the Treasurer said that the fund will be able to provide that support, but will there be implications? Will sites close? Will the number of meets reduce? We can say that it will meet the industry's needs, but there might be implications of that which are accepted by RWWA but which might not be accepted by the broader industry. I know that if there are implications in little regional communities, it certainly will not be accepted by them. That was a question, by the way.

**Mr J.E. McGRATH:** I want to make a couple of points. The Leader of the Opposition was on the money when he said that this is a crucial time for the racing industry. We have an industry suffering from decreasing attendances. I covered harness racing in the 1970s and 1980s when great champion horses such as Pure Steel and Mt Eden were racing and they built grandstand after grandstand at Gloucester Park. Now, there are grandstands along the length of the straight. Do members know how many people sit in those grandstands? None. When racing gets this funding—I hope it is \$100 million—it has to be spent on what racing will look like in the future. We have spoken about people sitting at home on a wet, miserable day, watching the races on Sky channel and betting on their phone. Why would they go out to the track? That is happening around the world; it is not just in Western Australia. Flemington Racecourse on a Saturday in the middle of winter might have 5 000 people, and that is in a big city. On Melbourne Cup Day, there are 100 000 people. Flemington makes all its revenue in four days of the year; the rest of the year, it struggles. That happens with regional clubs, too. The Kalgoorlie–Boulder Racing Club has always relied on the Kalgoorlie Cup, Boulder Cup and Hannans Handicap meetings to sustain it for the year, and they barely do.

Yesterday, we spoke about the Western Australian Racing Representative Group's report "...Racing Towards the 2017 State Election..." that was sent to all parties. It went to the Labor Party, to our party and I gather it would have gone to the Nationals WA, because Colin Holt was the minister at the time. The group said that to support the privatisation of the TAB, it needed this guarantee of an infrastructure fund of at least \$100 million from the privatisation process. The report states that the money should be used for —

Racing infrastructure across the three codes and >50 clubs is ageing and requires the establishment of a significant infrastructure fund managed by the racing industry to;

- Ensure each race track is in a suitable condition for racing so as to meet product supply commitments to an acquirer

In other words, it is so the clubs can put on quality meetings so that whoever acquires the TAB can have people from around Australia and overseas betting on those meetings, because they are racing on a good track, with good quality fields and fair barriers, and so turnover will lift.

The second recommendation is that the money should be used to —

- Repair and maintain assets which are broken or past their useful life

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That is fair enough. The third recommendation is interesting —

- Renew assets such as amenities for patrons to bring to a contemporary standard

The old days of courses having grandstands where people would sit in the stand with a pair of binoculars does not happen anymore; people stay inside and watch the race on TV even if they are at the track. They might watch the mounting yard. The report states there is a need to bring these tracks up to a contemporary standard. That is what I would like to see this money spent on, because RWWA has \$40 million in cash reserves and it is already going to spend money to fix up Bunbury —

**Mr B.S. Wyatt:** On that, by the way, it's \$76 million in cash reserves and that transfers, too.

**Mr J.E. McGRATH:** If it has \$76 million and then gets \$100 million, it will have \$176 million. This has to be an opportunity for racing to reset itself, because the days of old punters turning up with their binoculars around the neck are gone.

**Dr M.D. Nahan:** You still go—don't you?

**Mr J.E. McGRATH:** I do not use binoculars. I do not go to the races much; I am too busy in South Perth working for my constituents.

I think that is what we all want to see from this infrastructure fund so that the money is well used. I agree with what the member for North West Central says about a country representative; it is important. If country people did not have a say in this process, I would be very disappointed. I do not think that will happen. I would not like to see that happen.

**Mr B.S. WYATT:** I think we are all in furious agreement about how we would like to see that money used. There has been no change in view with the change of government about how we see that money being used by industry. The member is right; as he pointed out, we would not go off and build more grandstands at Gloucester Park. To be honest, on the rare times that I go to the track, I do not spend a lot of time looking at horses. I am usually there for another social event et cetera. I suspect it is about making those facilities contemporary so that the assets can be used on other days and not just on race days. I think we are all in furious agreement on that. To hopefully assuage concern that there is still ministerial involvement, we are not removing that, and there are still requirements around the strategic development plan and the statement of corporate intent, and that is where the government of the day will influence that outcome.

**Mr J.E. McGrath:** It's something like my question; it's futuristic.

**Mr B.S. WYATT:** Yes, exactly. To a certain extent, there is both. Yes, government will set its view. I think the member mentioned last night that the former Premier had a view on merging Ascot Racecourse and Belmont Park. Again, I have to say, I have often wondered about that. Of course, that requires industry to also understand that it cannot expect the fund to keep doing what it has been doing; the industry actually has to be a bit more strategic in how it invests that money. To be honest, the industry is not silly; it is sophisticated enough to understand the point the member makes that very few people are going to the track anymore except for those big days, so it is maintaining a facility for two days a year. Maybe the industry needs to think about how it could use its assets a bit better, and that is where government can have an influence, and the Leader of the Opposition is right in that government should have an influence.

**Dr M.D. NAHAN:** Just one clarification: the Treasurer said that about 35 per cent of the asset sale will go into this fund. Are there any other sources of money for the fund? The Treasurer mentioned some \$70 million of cash balances that are in Racing and Wagering Western Australia's hands now. Are any other sources of funds going into that?

**Mr B.S. WYATT:** Just to clarify, the \$76 million goes to the new body, Racing Western Australia, for its use. I apologise for that confusion. It goes for Racing WA's use. The point I am making is that we are not harvesting that. Really, it is the ongoing revenue source at point of consumption that, in my view, provides the ongoing benefit into the future.

**Dr M.D. NAHAN:** Is the \$76 million coming out of cash balances in the TAB prior to the sale, or is it money that is in RWWA's hands now?

**Mr B.S. WYATT:** It is the cash at bank in RWWA now, which follows to Racing WA—cash and cash equivalents.

**Dr M.D. NAHAN:** I assume the TAB business has cash in hand also. It might be a small amount; there would have to be some kind of working capital. Will the government strip that out before the sale; and, if so, what is it going to do with it?

**Mr B.S. WYATT:** Because it is not a separate entity at the moment, the cash is effectively part of the \$76 million. The point was made to me that there might be cash in tills at TABs et cetera, but it is not a separate entity at this point.

**Dr M.D. Nahan:** Really?

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**Mr B.S. WYATT:** Yes.

**Dr M.D. NAHAN:** Just as a side point, if that is the case, will the government have to set up a corporate structure to deal with that separately from RWWA? This sounds like the way one runs a farm—“All money is ours.” One of the issues is that it will have to be set up as a separate, standalone entity, or maybe the government can just allow the buyer to do that.

**Mr B.S. WYATT:** Potentially, yes. We dealt with a clause last night that allows for that to happen.

**Mr D.T. REDMAN:** I have just one quick question. Do the funds in the infrastructure account come off the state’s net debt position?

**Mr B.S. WYATT:** Yes.

**Clause put and passed.**

**Clause 28: Provision by State of indemnities and guarantees —**

**Mr D.C. NALDER:** Clause 28(1) states —

The Treasurer may, in the name and on behalf of the State, give an indemnity or guarantee in respect of a matter related to —

- (a) a section 8 disposal; or
- (b) the action (whether under a transfer order or otherwise) by which anything is disposed of in connection with a section 8 disposal.

I imagine this is pretty much a standard clause, but I would just like to understand how this could be applied practically. What could happen in the sale process for the state to want to consider indemnity or guarantee? I am not sure why this clause is in the bill.

**Mr B.S. WYATT:** The answer is that I do not know, because nothing specific has been contemplated. It is a standard clause, as the member quite correctly points out, but nothing particular is being contemplated at this point. It is just in case such an indemnity is needed around a particular clause of concern as we move through the process.

**Dr D.J. HONEY:** I want to dwell on that for a little while, and I will ask the same questions on the next part of that clause when we get to it. Although the Treasurer said that he has not contemplated anything in particular, he must have some idea of an example he can give to provide some illumination on this matter. What is the transparency of that process? If the Treasurer gives an indemnity under this clause, which we see later is an indemnity that may, in fact, create a financial liability for the state, what transparency is there in that indemnity process?

**Mr B.S. WYATT:** Clause 28(4) makes provision for the budget process, under which payments are charged to the consolidated account, and any liabilities will still be captured by the Financial Management Act.

**Dr D.J. HONEY:** Just to follow up on that, that is not entirely clear, Treasurer. There is a general bucket of money, if you like, in the consolidated account, but how would members of this Parliament become aware that the Treasurer had provided an indemnity under subclause (1) or (2)? Subclause (1) is vague and general, but subclause (2) refers to giving an indemnity to an individual, including any civil liability under the Corporations Act. That seems to be taking it to the next level of the government indemnifying an individual against, I assume, a wrongdoing, if it is going to be a civil liability under the Corporations Act. How would we, as members of Parliament, become aware of that if it were to occur, and the detail of what had occurred?

**Mr B.S. WYATT:** To answer the first part of the member’s question about subclause (2), a possible example of an indemnity granted under this provision would be an indemnity for directors of RWWA or a corporate vehicle covering any personal liability they incur in good faith for breaches of their directors’ duties in connection with a section 8 disposal. Again, that is not unusual; they are the sorts of indemnities provided by the state. I am just getting some information on the reporting requirements; we have three screens being furiously worked on here.

**The ACTING SPEAKER:** Would you like to come back to that particular point? We will expect an answer. Leader of the Opposition.

**Dr M.D. NAHAN:** Clause 28(2) basically indemnifies the members, directors, or officers of RWWA or a corporate vehicle, but it does not relate back to section 8. I can understand why we have to indemnify for a section 8 transaction. An officer working on behalf of the state has to back up the decisions made; I understand that. But this one is wider and does not necessarily relate to the disposal process. Is that an omission, or are there other liabilities that will have to be guaranteed? The Treasurer just read off a statement that was almost verbatim, in line with this clause, but it related to section 8—that is, the transaction.

**Mr B.S. WYATT:** The Leader of the Opposition is right; it is a general clause, albeit under a disposal bill. I would not be able to give indemnity for criminal or civil misconduct unrelated to the disposal of the asset; that falls under

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the normal rules of interpretation. Again, this is effectively lifted from other asset disposal bills; the Perth Market and Utah Point bills both had those. We are nearly there with “Treasurer’s Instructions 821”, if the Leader of the Opposition has another question.

**Dr M.D. NAHAN:** One of the concerns with asset sales is that a range of not only directors—which the Treasurer has covered—but also consultants put together valuations and projections on assets. Also, as part of the process in this case the purchaser will undoubtedly be an expert in the industry. The government must also have some clauses, I would think, that delimit its liability. Are they somewhere else? Basically, they are conditions that require the purchaser to be fully knowledgeable about the assets they are buying. There have been some problems in the past in this industry when the turnover forecast was seriously wrong. There have been huge legal liabilities. I will give the Treasurer another example. I think there was a Queensland toll road that haunted the state government of Queensland; I cannot recall the details. The bidder almost went bankrupt or might have gone bankrupt. The projections that had been provided by the state turned out to be seriously wrong.

**Mr J.E. McGrath:** It was the Northern Territory. I think it was Darwin.

**Dr M.D. NAHAN:** Was it?

Basically, the state had to indemnify the losses of the firm. Will that take place in this industry, given the uncertainty of the long-term projections, particularly if a 40-year contract is being signed? That is a long time, and I do not think we have a clue about what is going to happen in the gaming industry in 40 years.

**Mr V.A. Catania:** Most of us won’t be here.

**Dr M.D. NAHAN:** The horses will not either!

Will the government indemnify these things? The other asset sales that we dealt with, such as Utah Point and the Perth Market Authority, were much more definable. The people who bought the market authority had run market authorities interstate. Those were contained and relatively small assets for a defined use. For Utah Point, of course, there was uncertainty about iron ore volumes and sales—and the sale actually did not take place. There must be somewhere that the government delimits or caps the liability of the state, because this could go seriously wrong. I think the sale in Queensland was a 20-year contract. The revenue was not sufficient to meet the requirement that industry be no worse off, so some significant revisions had to be entered into when the 20 years became due.

**Mr J.E. McGrath** interjected.

**Dr M.D. NAHAN:** Yes. They significantly underestimated the need for cash and the volume of cash that came out of the Queensland TAB. Are there any clauses in this legislation that will delimit liability?

**Mr B.S. WYATT:** They will be in the transaction documents. On warranties provided to a potential purchaser, there might be specific warranties around the truth of something, but a general warranty will not be provided. Ultimately, as the Leader of the Opposition said, generally those who purchase this sort of asset know what they are doing and will take their own views on the asset. Warranties will be about the potential truth of matters and not a general warranty.

**Dr M.D. NAHAN:** Treasury usually manages and oversees these types of assets. I do not think that Treasury has any expertise in the TAB or RWWA; therefore, the government will be relying a lot on RWWA negotiations with potential bidders. I am not casting any aspersions on RWWA’s professionalism. To say the least, the CEO is pretty expert in the industry.

**Mr B.S. Wyatt:** We also have commercial advisers.

**Dr M.D. NAHAN:** Okay. But for its own indemnity, I think the government will want to have somebody watching over the process so that things are not said or indications given that might not turn out to be accurate and will come back to haunt it through the courts.

**Mr B.S. WYATT:** That is why the transaction documents need to be good, and why we have commercial and legal advisers.

**Dr M.D. NAHAN:** Will those transaction documents be confidential?

**Mr B.S. WYATT:** Yes, they will be. There is a probity plan with all these things.

On the member for Cottesloe’s question about indemnities and guarantees, “Treasurer’s Instructions 821” deals with these. It states —

In practice the State government, from time to time, enters into legal obligations which will require the payment of money by the State to another person or body outside the State Public sector ...

...



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Government has adopted the policy that the issue of sureties (other than indemnities provided incidental to the performance of another function) is limited to the Treasurer after having been first approved by Cabinet. Premier's Circular 2011/02 also specifies that guarantees, indemnities and sureties whether specifically authorised by statute or not, are not to be issued in respect of moneys to be received from the Commonwealth without the prior approval of the Treasurer.

...

To facilitate the reporting of statutory guarantees, statutory indemnities and sureties in the Annual Report on State Finances it is also necessary for Treasury to maintain a central register of all statutory guarantees, statutory indemnities and sureties, issued or given other than indemnities issued incidental to the performance of another function.

I suspect there is no requirement to table the details of that in Parliament; there does not seem to be in this. I suspect that questions on notice would be the best way.

**Dr D.J. HONEY:** I am not clear that I have had an answer to my original question on this. The original question was about examples of the wrongdoings. That was it primarily. Can the Treasurer give me an example of the likely wrongdoings, please?

**Mr B.S. WYATT:** Nothing specific has been contemplated, so I cannot give the member an example. Effectively, it is there as an option for the Treasurer if needed, but I cannot give the member a specific example because nothing specific has been contemplated.

**Dr D.J. HONEY:** My other question was about the transparency of that: how will we know? I am concerned about this. I appreciate that this might be an uncommon event, but if we go back a relative handful of years, this Parliament saw a massive misuse of public moneys by the Burke Labor government. An enormous effort was made to hide that and it took an enormous amount of personal effort for it to be unravelled. I hold the Treasurer in high regard on the matter of propriety, as I do the shadow Treasurer, and I am not suggesting for a minute that either of them would engage in those practices; however, it is possible that less honourable people could be in those positions in the future. It is important when we are spending public moneys that that is transparent. I am intrigued about what transparency there would be to any indemnities, or the magnitude of any indemnities that are given.

**Mr B.S. WYATT:** They are kept at a central registry, and any details of which, I suspect, subject to any confidentiality, would be provided through the normal processes of Parliament, such as questions in Parliament.

**Dr D.J. HONEY:** I would only know to ask a question if I was aware that it occurred, so the Treasurer can see there is a catch 22. I would only know if I heard a rumour, but outside that, it is something that could fly completely under the radar. I make it clear that I hold the Treasurer in the highest regard, but there may be someone less noble in the future who indemnifies someone for what really is a substantial wrongdoing on their part, not something that would be carried out normally in the course of their duties. How do we become aware of that?

**Mr B.S. WYATT:** Again, there is no specific requirement to report to Parliament; it is dealt centrally with Treasury because the guarantees or indemnities might be given outside Treasury, but there is a requirement that they report on the central registry within Treasury. I am certainly happy to tell the member that if there is a guaranteed indemnity given under this process, I am happy to report that to Parliament.

**Dr D.J. HONEY:** To round this out, who has access to that central registry? Is it only the Treasurer and the shadow Treasurer? Who has access to that central registry?

**Mr B.S. WYATT:** It is managed by the Under Treasurer, the head of Treasury, and I would imagine senior executives in the Department of Treasury. It is not a public register, but it is managed by the bureaucracy.

**Dr D.J. HONEY:** In that case, if I was to make an inquiry today to say that I wish to see what liabilities have been recorded on that central register, would I be able to see that through freedom of information or through an inquiry to the Treasurer?

**Mr B.S. WYATT:** It would be subject to each one, because I will suspect there will be some confidentiality issues with some of them. I am thinking this through now, but I will find out what level of information can be provided from them and how much confidentiality applies. I do not know—there may be many of them on the register. I do not have the answer to that, but I will find out what can be provided externally to members. It might just be numbers and potential exposure of the indemnities, but I will find that out.

**Dr M.D. NAHAN:** The business Racing and Wagering Western Australia now exists, and Tabcorp is basically integral to RWWA; it is not a separate corporation. I thought it was, but it is not. Because it is a state-owned entity under the existing operation of RWWA, the state will basically underwrite any problems with the TAB and indemnify it. Let us come up with an example in which the TAB was involved in maleficent misrepresentation of

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results and totalise that. The state, probably in existing RWWA legislation, indemnifies the board and public servants against that and is therefore responsible for it.

**Mr B.S. Wyatt:** Not against maleficence, we do not; it is still subject to its own civil and criminal prosecution.

**Dr M.D. NAHAN:** I guess my point is that this is now a state-owned business and the government will transfer it to a private one. In this process, has the Treasurer gone out and delineated in that transition, and made it clear in RWWA's legislation that once it has sold its responsibilities, the operation of that business is more limited?

**Mr B.S. WYATT:** The Leader of the Opposition is correct. Yes, it is completely delineated, because the wagering distance is separating completely from RWWA.

**Dr M.D. NAHAN:** What about things that come up before the sale? The business will be sold off to the private sector and the process ensures that it will be responsible for the operation of that business. There could be a residual action taken prior to the sale. I assume that that is covered in the existing RWWA legislation and, therefore, its past actions will be the responsibility of the state to the extent they are until after the sale.

**Mr B.S. Wyatt:** Yes.

**Clause put and passed.**

**Clause 29: Takeover by State of certain obligations —**

**Mr D.T. REDMAN:** I want to get some clarity of the scope of this clause. I take it that it refers to the state picking up any obligations as part of any disposal, as distinct from any new entity. Along the lines of the point made by the member for Cottesloe on the last clause, if the state is picking up any obligations in a section 8 disposal and pays out moneys and has any change in liabilities to the state, what is the process for informing the public and/or Parliament about that happening?

**Mr B.S. WYATT:** We will certainly see it in the statement of corporate intent, but this is again a template provision, exactly the same as the Utah Point and Perth Market legislation. We are not anticipating using this clause, but it has been included in the bill as a template provision on the basis that we cannot exclude the possibility that there might be something that will not be transferred because of various obligations. Again, like previous asset disposal bills, it creates flexibility in the process of sale and transfer.

**Dr D.J. HONEY:** I am intrigued by the wording of this clause that states —

... agree to take over an obligation in connection with a section 8 disposal.

For example, what if there was an obligation around remediation of a contaminated site that happened to be associated with that location? Does it extend to that? What is an obligation, because that is really potentially giving government an enormous scope, if you like, to pick up something that could oblige significant public funds to be spent.

**Mr B.S. WYATT:** If we are selling land that is contaminated, currently that obligation exists on the state. I suspect if we are trying to sell a piece of land that is contaminated, we are unlikely to sell the obligation to fix the contamination to a third party. The obligation is there now if the state has contaminated a piece of land. I suspect it would be a very foolish third party that would take on the requirements of contamination when it has not contaminated the site.

**Dr D.J. HONEY:** Fair enough, Treasurer; I appreciate that case. I was pulling an example out of the air. There could be many other obligations. I was trying to illicit the nature of those obligations, because otherwise it is a very broad church. We come back to the other issue and perhaps the Treasurer could enlighten us about how we know this has occurred, because that obligation could involve some significant amounts of moneys and we may not be aware at all as a Parliament or members of Parliament. Is that something that is also included in a registry inside Treasury, or is it something that becomes public knowledge?

**Mr B.S. WYATT:** No, it is subject to registry. It is something that will be reported back upon the execution of the sale when I report back to Parliament. The member is right, it is broad, and necessarily so to keep that flexibility.

**Dr D.J. HONEY:** I refer to subclause (4), which states in part —

The Treasurer may authorise the payment of money to discharge an obligation ...

I am not trying to be obtuse, but would the fact that the Treasurer may authorise the payment of moneys also be a fact that would be made known to Parliament?

**Mr B.S. WYATT:** Ultimately, once the transaction is complete, I will give a statement to Parliament about the completion of the transaction, and I will ensure that that picks up any obligation that the state is taking on as a result of that transaction.

**Dr D.J. HONEY:** Thank you.

**Clause put and passed.**

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**Clause 30 put and passed.**

**Clause 31: Acquirer's powers and duties —**

**Dr D.J. HONEY:** I am trying to probe the extent of the rights and obligations of the acquirer. If, or when, this bill goes through, could a third party acquire all the TAB agencies, shut them down and decide to turn them into Airbnb hotels, to give an extreme example? Is that something they could do, or will there be some constraints on what they can do with that property?

**Mr B.S. WYATT:** This clause is in part 4 of the bill, "Provisions relating to corporate vehicles". We discussed this last night. In the event that we create a corporate vehicle into which we put the asset for sale—we sell the shares in that asset and off it goes—that would enable us to create regulations to ensure that that corporate vehicle can still be a TAB and operate as a TAB pending the sale of the corporate vehicle. It is at that sort of interim corporate vehicle stage, which may or may not be utilised.

**Dr D.J. HONEY:** Just to go a bit further and clarify that, my concern is about whether this might affect the industry, if you like, by suddenly changing the role of those assets. However, I take it from what the Treasurer has said that this will be purely in the transactional phase. Thank you.

**Dr M.D. NAHAN:** On some of the other assets sales—for example, the Perth Market Authority—restrictions were placed on the future use of that asset. It had to remain an open market, under certain conditions, for a certain period of time. I assume that has been done also in respect of this asset. We would not think that someone would buy an asset and turn it into a massive Airbnb. However, the acquirer could strip out all the assets and all the land. I am not sure what the asset base of the TAB is. Businesses often go through periods in which they decide not to be their own landlord and flog off their building. Banks do that. It causes politicians a lot of headaches when their local TAB is affected. Have any caveats been placed on the behaviour of the purchaser? RWWA is a government entity. We can hypothesise that if it did certain things, the state government would say, "Don't do that." Will some restrictions be placed on the purchaser to ensure that the TAB will continue to have a footprint of a certain degree and dimension, and would some operating procedures apply if RWWA were to still manage it?

**Mr B.S. WYATT:** The licence is contingent upon the successful negotiation of the racing distribution agreement. That racing distribution agreement will be made with Racing WA; and, as we have discussed before, we know what will make up Racing WA. That is how we will limit that. The licence is dependent upon that agreement being executed. The Leader of the Opposition is right. The purchaser would not be able to do something as dramatic as that. That is how the government will have influence as well.

**Dr M.D. NAHAN:** Lotterywest has a big issue about who gets a licence and who does not in shopping centres and otherwise. The allocation of distribution rights is a big issue in some electorates, certainly in mine. I have two people fighting for a new licence, and two people who want to give it up, and I think they are all losing money. However, that is a different issue. The member for South Perth may know this better than I, but I think there will be great deal of rationalisation of TAB outlets. A lot of them are very big and cannot pay the rent. Some are very nice and strategically located. My guess is that people are going more to PubTABs rather than standalones. This could precipitate a rationalisation of the industry. To be honest, we are not interested in anything but the success of this process. We are all committed to the success of the industry and, therefore, the success of whoever purchases this asset. Therefore, we want the transition to be smooth. A large number of concerns have been raised in my electorate about, first, the location of the TAB, its size, and the proposed changes, and also, of course, about Lotterywest. This transaction will need to go through a legal process. However, in the bidding process, there are also quantitative processes whereby the prospective bidder is asked what they intend to do about some of the strategic issues. Could the Treasurer indicate what processes are in place to provide for that?

**Mr B.S. WYATT:** The TAB agents have been given a number of guarantees. At the moment, they have nothing. Last night I went through what we require them to do. One of the main reasons for Trackside is to give TAB agents a revenue source that is not available to their competitors. We initially offered an operator buyout period of three years, at 50 per cent of the previous year's commission. The feedback from the TAB agents was that they were worried that the operator would just wait for three years and then close them down, so they wanted that to be extended. We have extended that to five years and increased the commission to 60 per cent of the previous year's commission. In addition—this proposal was put to us by the TAB agents—in the 12 months following the sale, agents who earn less than \$2 800 commission a week, so the smaller ones, will be able to self-nominate for a buyout. That buyout would be paid at 100 per cent of the previous year's commission. We are giving them the opportunity that if, after 12 months, they want out, they can get out. We are also providing those who want to give it a go a five-year protection period, if you like, during which the operator cannot move against them, if that is what the operator is intending to do. A lot of work has gone into providing TAB agents with, hopefully, a lot more protection, and also protection for smaller agents who want to pull out.

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**Dr M.D. NAHAN:** One of the things that I found out after we lost government was that in August 2016, RWWA renegotiated its contracts with the agents to remove the requirement that it compensate businesses. It altered that agreement without telling the majority of people in government that it had done that. That was an atrocious action by RWWA. I assure members that if I, and, I am sure, the rest of us, had known about that, we would have done something about it. That is a real problem. That should not be allowed to happen again. A monopoly such as the TAB should not have the ability and negotiating strength to force upon individual TAB owners conditions like that that take away rights. It is good that the Treasurer has put in these new changes, which are an improvement. Given that it has happened under the old Racing and Wagering Western Australia, what conditions has the government put in place to make sure that it will not happen under a privatised entity?

**Mr B.S. Wyatt:** Those ones that I just read out.

**Dr M.D. NAHAN:** It is just those. Can it change those?

**Mr B.S. Wyatt:** No. Those are the terms of the transaction.

**Clause put and passed.**

**Clause 32 put and passed.**

**Clause 33: Exemption from State tax —**

**Mr D.C. NALDER:** Clause 33(1) states, in part —

*State tax* includes —

- (a) duty chargeable under the Duties Act 2008; and

Clause 33(2) states, in part —

State tax is not payable in relation to —

- (a) anything that occurs by operation of either or both of Parts 2 and 3;

Parts 2 and 3 are to do with enabling and implementing the disposal. I will just make sure that I am interpreting this right. I imagine that this is a pretty standard clause, but it is saying that any stamp duties that could possibly be triggered as a result of the sale would be waived in this course, which would ultimately, I imagine, be reflected in the asset price either way. We either take it as stamp duty and a lower asset price, or as a higher asset price.

**Mr B.S. Wyatt:** The member has summarised it very well.

**Mr D.C. NALDER:** I wanted to make sure that I had interpreted it correctly. I was seeking confirmation of that.

**Dr M.D. NAHAN:** When we were looking for an asset sale, we had the same clause. I am sure it is almost identical, except that we were informed that under one case there was a possibility one of the purchasers might want to pay the tax because of offsetting liabilities and other issues. Is that a consideration? Also, I do not think it applies, but would the foreign investor levy apply in this case if a foreign entity bought it?

**Mr B.S. WYATT:** No, a foreign investor would not have to pay the levy on this, but clause 33(5) deals with the first point the member made. It states —

- (5) The exemption under subsection (2) does not apply in relation to a thing that occurs or is done if the Minister directs ... that it does not apply ...

**Mr D.C. Nalder:** It gives you the flexibility.

**Mr B.S. WYATT:** It gives us the flexibility.

**Clause put and passed.**

**Clause 34 put and passed.**

**Clause 35: No compensation payable —**

**Dr D.J. HONEY:** I want to clarify what is seen as compensation. We heard that there would be a guarantee of a certain amount of moneys going into a capital fund and, otherwise, operating subsidies. If, for whatever perverse reason, those cannot be achieved, will the government commit to meeting those expected minimum amounts, or would that fall under this clause, “No compensation payable”?

**Mr B.S. WYATT:** No, this clause does not deal with the commitments around the infrastructure fund. When an asset is transferred, we are necessarily dealing with other rights and interests within, usually, government-owned relationships. We are saying that when we do that, as this legislation will authorise us to do, compensation will not be paid as a result. It does not deal with the infrastructure fund.

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**Dr M.D. NAHAN:** I am going back to an issue, just to clarify. Currently, the TAB is owned and operated by a government entity and, therefore, I assume it is exempt from payroll tax and other levies by the state. Will the privatised entity be exempt from that tax?

**Mr B.S. WYATT:** No. The privatised entity will not be exempt from payroll tax. But the member has caused some confusion. We are not sure whether RWWA is exempt or not, but we will find out.

**Dr M.D. Nahan:** It is.

**Mr B.S. WYATT:** Let us assume it is, but the privatised entity will not be exempt, unsurprisingly.

**Dr M.D. NAHAN:** The government has chosen to levy the operating taxes, if you wish, rather than the transaction taxes. It could have exempted them and collected the money up-front if it so wished. Going forward after the transaction, stamp duty and the full bevy of state taxes will be levied on the entity, which will, of course, to some extent reduce its profitability.

**Mr B.S. WYATT:** The answer is yes.

**Clause put and passed.**

**Clause 36: Regulations for the purposes of, or consequential on, section 8 disposals —**

**Dr M.D. NAHAN:** This clause deals with the regulations for the disposal, not of the business going forward. Can the Treasurer give some indication of the extent and nature of the regulations that will follow the act in this transaction?

**Mr B.S. WYATT:** I am advised that at this point no regulations have yet been identified, but there is still a way to go. There may be, but none have been identified at this point.

**Dr M.D. NAHAN:** What will they be, just for my information? This should be a clean transaction, but this is a catch-all clause in case something untoward comes up. What will they be like? It is important for us to know because if they do come up, it will not have the scrutiny of Parliament that the whole bill has.

**Mr B.S. WYATT:** It is still subject to the disallowance process, so it will come through Parliament. There will be that scrutiny. At this point I suspect there will not be any, but, as I said, it is still fairly early days. In due course, if we need some, Parliament will see them.

**Dr D.J. HONEY:** On clause 36, when do we expect to see those regulations?

**Mr B.S. WYATT:** Probably not at all, because I am not expecting any at this point. As I was saying to the Leader of the Opposition, there might be a point in time over the next as we work through this that we need some, but at this point, we do not expect any.

**Clause put and passed.**

**Clauses 37 to 39 put and passed.**

**Clause 40: Section 4 amended —**

**Dr D.J. HONEY:** I refer to lines 24, 25 and 26 on page 27, and the definition of “good repute”. Maybe I am looking in the wrong spot, but I could not find the reference to the definition of someone of being of good repute. I wonder whether the Treasurer could clarify that for me, please?

**Mr B.S. WYATT:** The member will see that the definition of “good repute” states —

in relation to an associate of a wagering licensee, means good repute of the associate as determined under section 9(1);

I will ask the member to flip over to page 40 of the bill, where proposed section 9(1) states —

In this Part, a determination of whether someone is, or is not, of *good repute* must be made having regard to the person’s character, honesty and integrity.

**Dr D.J. HONEY:** I thank the Treasurer for pointing those things out to me. Who carries out the determination?

**Mr B.S. WYATT:** The Gaming and Wagering Commissioner.

**Dr M.D. NAHAN:** That has not changed at all?

**Mr B.S. Wyatt:** No.

**Dr M.D. NAHAN:** I go to the definition of “simulated race” on page 28. I want to spend some time on this. I assume this refers to the introduction of Trackside.

**Mr B.S. Wyatt:** It is the definition of it.

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**Dr M.D. NAHAN:** I have a couple of questions. Has this been used in the Betting Control Act before?

**Mr B.S. Wyatt:** No.

**Dr M.D. NAHAN:** So it is new; okay. Various acts control the collection of revenue from gambling that exists now. Trackside, as simulated racing, exists at the casino. How is it defined? Is it defined as electronic gaming under the Casino Control Act?

**Mr B.S. WYATT:** Simulated racing is defined as an authorised gain under the Casino Control Act. The commission then sets out how it is to operate.

**Dr M.D. NAHAN:** How is it going to be levied at the casino? Is it going to be taxed or charged at the TAB as it currently is at the casino?

**Mr B.S. WYATT:** At the casino it is captured at the casino tax rate. At the TAB, it is at the point-of-consumption rate, so the TAB rate is higher than the casino rate.

**Dr M.D. Nahan:** How much higher?

**Mr B.S. WYATT:** I knew that was coming! I will confirm any specifics for the Leader of the Opposition, but the advice is that the tax rate at the casino is about 10 or 11 per cent versus 15 per cent for point-of-consumption tax. I will ask that that be confirmed properly.

**Dr M.D. NAHAN:** If the tax rate at the TAB is higher, are the odds better? The odds can be controlled. If there is a random number generator, the odds can be determined.

**Mr B.S. WYATT:** How the odds are to be calculated has not yet been determined. It is a good question, but it is still to be determined.

**Dr M.D. NAHAN:** Just so I can write this down, what is the TAB tax rate for simulated racing?

**Mr B.S. WYATT:** At the TAB it is the point-of-consumption rate, so 15 per cent. The casino tax rate is 10 or 11 per cent, but I will get that confirmed and give it to the Leader of the Opposition before we finish today.

**Dr M.D. NAHAN:** Just to confirm, work will be done on the odds. By the way, who controls the odds in this game? I assume the casino determines the odds on the machines, but the casino runs under different legislation from the TAB. This is a new type of product for the TAB. I understand that in the casino there were all sorts of regulations in the past about what the odds and payout rates were, and they were regulated. Will this apply to the TAB, and who will do it and oversee it?

**Mr B.S. WYATT:** The Leader of the Opposition is quite correct that at the casino there are pay tables for the odds. The commission will determine the TAB's operation and likely have a pay table as well.

**Dr M.D. NAHAN:** That is not RWWA; that is the commission.

**Mr B.S. Wyatt:** It is the commission.

**Dr M.D. NAHAN:** I assume the commission will determine the pay rates and the odds. Will the commission look to equalise those? Will it compensate for the differential tax rate by equalising the odds between the casino and the TAB? Otherwise, the TAB will be at a disadvantage, basically, because it pays a higher tax rate than the casino.

**Mr B.S. WYATT:** In answer to the Leader of the Opposition's first question, it will not. But the member is right, and that is the legacy of a casino act that sets out different rates from those outside the casino. That is a legacy we have. The commission will not adjust the odds to accommodate the different rates.

**Dr D.J. HONEY:** Yesterday, in my contribution to the second reading debate, I dwelt a little on the issue of how electronic gaming machines work, and Trackside is an electronic gaming machine. I referred to a paper from the Australian Institute of Family Studies, which underlines this issue in some detail. It went through a number of parameters—that is, reinforcement, frequency of reward and structures of reward. For example, electronic gambling machines may offer small rewards that are not a full return on a bet, but a part return. There are other matters also. I want to go through this in some detail. Variable and random rewards are part of it, as are quantum rewards and the like. Will this machine simply pay out a full reward or will the legislation allow machines to pay out a part reward or return of the bet amount even if a punter's horse has not won?

**Mr B.S. WYATT:** It is just like a payout on odds in a normal race. If someone bets on a real horse and it comes in, they get paid out according to the odds, and the same will apply here according to the pay tables.

**Dr D.J. HONEY:** Is the Treasurer sure of that? My understanding is that the structure of these machines is such that sometimes they will give rewards when in fact the horse has not won.

**Extract from *Hansard***

[ASSEMBLY — Wednesday, 12 June 2019]

p4060b-4073a

Mr Vincent Catania; Mr Ben Wyatt; Mr John McGrath; Mr Dean Nalder; Dr Mike Nahan; Mr Terry Redman; Dr David Honey

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**The SPEAKER:** Members, keep the noise down.

**Dr D.J. HONEY:** It is a psychological tool that is used by electronic game manufacturers to keep players interested. Can the Treasurer confirm with his advisers that he is certain that in the same way as a horse race, this will pay out only when a punter's horse has come in at a particular position that gives particular odds and return?

**Mr B.S. WYATT:** I can confirm that. There will be no extra incentives to continue betting, so I can confirm that it will be treated like a normal horse race.

**Dr D.J. HONEY:** Yesterday there was a lot of discussion about how this was somehow not like any other gaming machine, such as a traditional jackpot-type machine, in that the punters would go through the exercise of having a form guide, and they would be able to read that form guide.

Debate interrupted, pursuant to standing orders.

[Continued on page 4119.]