

**JOINT STANDING COMMITTEE ON THE
REVIEW OF THE RACING AND WAGERING WESTERN
AUSTRALIA ACTS**

**INQUIRY INTO THE RACING AND WAGERING WESTERN AUSTRALIA
ACTS**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
MONDAY, 8 MARCH 2010**

SESSION TWO

Members

**Mr John McGrath (Chairman)
Hon Max Trenorden (Deputy Chairman)
Hon Matt Benson-Lidholm
Mr John Bowler
Hon Alyssa Hayden
Mr Peter Watson**

Hearing commenced at 11. 53 am**BARNES, MR TIMOTHY DAVID****Financial Adviser, Baywealth Financial Group,****Company Director, Senrab Holdings Pty Ltd, T/A Agency 65 Morley TAB,****examined:****BARNES, MR WAYNE****TAB Assistant,****Morley TAB,****examined:**

The CHAIRMAN: Thanks for coming in today. On behalf of the Joint Standing Committee on the Review of the Racing and Wagering WA Acts, I would like to thank you for appearance before us today. The purpose of this hearing is to assist the committee in its inquiry into the Racing and Wagering Western Australia acts. You would have seen a copy of the committee's specific terms of reference. For the benefit of Hansard and those observing, I would like to introduce myself and the other members of the committee present today. I am John McGrath, the Chairman; and on my left are John Bowler, MLA; Peter Watson, MLA; and Matt Benson-Lidholm, MLC. This committee is a joint standing committee of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing and Hansard will be making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you could provide the full title for the record.

Before we proceed, I also need to ask you a series of questions. Have you completed the "Details of Witness" form?

The Witnesses: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

The Witnesses: Yes.

The CHAIRMAN: Did you receive and read the information for witnesses briefing sheet provided with the "Details of Witness" form today?

The Witnesses: Yes.

The CHAIRMAN: Do you have any questions in relation to being a witness at today's hearing?

Mr T. Barnes: Yes, we do. We come here as representing our own individual agency. We wish to make it clear and stated that we are not talking about any particular individual. We just want to ask your committee whether you feel like we ought to be talking in a sense where we can express our thoughts. Everything that is in writing here is pretty much all that we have to say and put to you. But we do not want to cop any retribution from the RWWA hierarchy. That is all. We do not have any gripe with any particular individual. We see ourselves here speaking just about the system and the process, pretty much, of what we are dealing with.

The CHAIRMAN: Today's hearing is an open hearing, and your evidence today is open evidence, so it will be on the public record. If you have any issue about something that you might like to refer to becoming public knowledge, you need to raise that with us. As far as you are concerned, you have already said that you will be discussing what you have given to us in your submission.

Mr T. Barnes: Yes. In principle we do not have any issue with anything we have written here. We just want to say we hope it does not result in —

Mr W. Barnes: Any retribution.

Mr T. Barnes: Yes — any untoward treatment to us as agents in dealing with the hierarchy.

The CHAIRMAN: You have made that point, so that has been noted.

Mr J.J.M. BOWLER: Certainly if that ever happened we would be very concerned and I am sure both houses of Parliament would be very concerned.

The CHAIRMAN: Would you please state your full name and the capacity in which you appear before the committee today.

Mr W. Barnes: My full name is Wayne David Barnes. I am a member of a family company that owns a half-share in the Morley TAB, TAB No 65.

Mr T. Barnes: My full name is Timothy David Barnes. I am a director of our private family company, which is Senrab Holdings Pty Ltd. I sit here speaking on behalf of our family. We own a half-share in the Morley TAB, which is known as agency 65.

Mr W. Barnes: Excuse me for breaking in here, but our partners, Hans and Vicki Gisler, are fully aware of this submission and support it 100 per cent.

The CHAIRMAN: Yes; you make that point in your submission.

Thank you for your submission to this inquiry. Together with the information that you provide today, your submission will form part of the evidence to this inquiry and may be made public. Are there any amendments that you would like to make to your submission? We have a series of questions to ask you today, but, before we do that, do you wish to provide the committee with any additional information or make an opening statement?

Mr T. Barnes: We do not wish to add any additional information to what is in our submission dated 27 November 2009. As for an opening statement, we do not have anything prepared in that regard, other than that we are intending to talk to the document that we have submitted.

The CHAIRMAN: You have given us a bit of your background. You run a TAB business. You are partners in TAB agency No 65. Your submission suggests that RWWA, while being an arbiter for TAB agencies, is also a competitor. Can you please elaborate on what you mean by that?

Mr T. Barnes: Yes. Ultimately, with the involvement of RWWA coming in and taking over from what was known as the TAB, RWWA is in the TAB agents' minds pretty much the parent or principal, and in a principal-agent relationship, that is obvious. So we work as agent for the principal. In that respect, we are pretty much controlled by our principal. A result of that, that extends to the policies and procedures that we have to carry out, and also our commission arrangement. What is slightly different in our principal-agent relationship is that TAB agents need to buy their entitlement to the business. They pay generally a large sum of money, often in the vicinity of \$500 000 to \$750 000, just for a half-share in a TAB, depending on the turnover. That is not insignificant in itself. Ultimately, they pay for goodwill only, because they do not own the premises—either RWWA owns the premises, or in many respect it leases them from independent shopping centres or the like. So TAB agents outlay a large capital sum. They are controlled in how they run their business. More importantly, they are controlled generally on the revenue side of things. So RWWA can make decisions where we do not ultimately have any say—well, we do have a say through the agents' association committee, of which I am a member. I am one of four

individuals representing TAB agents. That committee is elected by the agents. So we do have a say. But if there is anything that we find contentious, there is no right of appeal. Now, that is getting onto another point further on. In principle, RWWA controls our revenue and our actions. At the same time, where the competition comes in is that they run a separate business, in our eyes, which is phone and internet betting. The only link that we have there is that agents are paid an account opening fee when someone walks into a TAB agency. Their only other avenue for opening an account is to go direct to Osborne Park and open an account there. The agents' biggest gripe as far as commission goes is that if there was some revenue share on the turnover that is bet on those phones accounts and they were aligned to an agency, there would not be so much angst between agents and an us-and-them mentality.

The CHAIRMAN: Are you saying that if a person pays the money in at your agency, or registers a phone account through your agency, there should be some commission?

Mr T. Barnes: Yes. It is not effectively an ongoing running cost of ours—RWWA runs that—but because it is so much in direct competition with us, a lot of the marketing—it is wrong to say all—seems highly motivated towards internet and phone betting, in an effort to compete with the large corporates, generally Northern Territory-based corporates.

[11.50 am]

Every time we see marketing or advertising or listen to racing radio, where it is most commonly put out there, quite often TAB agents are not mentioned, so we continually feel like we are competing with our parent or our principal. How you could alleviate all of that would be to look at some form of revenue sharing, where if an individual comes into our agency and opens an account, it is aligned with that particular agency, whether it is a PubTAB or whoever. We do not make the point just for our type of agency, which is known as a SL1, or a type of full-time agency.

The CHAIRMAN: Can individual agents advertise? Can you advertise your agency individually?

Mr T. Barnes: Yes, we can. For example, if we wanted to, we can go into the *Community* newspaper and try to get a local feel. But just as a matter of courtesy, if it was our agency, we would more than likely check with our own association first. It is almost cost-prohibitive for the dollars. TAB agents in really raw terms pretty much pay large sums of money to buy a job and have some flexibility. Most of them are owned in 50 per cent partnership. They tend to do one week on and one off. The agents' average age is probably about 50 years of age.

Mr J.J.M. BOWLER: You mentioned the internet. What about having an internet booth or a capacity to put an internet booth into your agency, so that if someone comes into the TAB, who normally bets on the internet and would normally wait until they went home to bet on the internet, if you had, say, one or two screens in your place, you would then get that commission from terminal?

Mr T. Barnes: Yes, we would be interested in any forms of options. However, my concern, and what I would say there, is that if you allow punters to log on in your agency, and we do not offer the most competitive prices, you are going to find that you are basically opening your door to allow people to come in to use the computer and go and punt through Darwin, for example.

Mr J.J.M. BOWLER: Unless your terminal was hardwired through to the WATAB service and they could only bet on that.

Mr T. Barnes: I agree with you there. If it could only go through the TABozBet locally online, then, yes, that would be more open for sure. It does not necessarily address the phone account betters and that sort of thing, but it goes some way.

Mr J.J.M. BOWLER: Mobile phones.

Mr T. Barnes: Ultimately, I do not see; through the Betfair scenario, competition is open, in my layman's terms. That leads into another point we have got here about RWWA wanting to flood Western Australia. In our eyes there is only so much of the gambling dollar that is available, and by

putting what they call SL3 or self-service terminals in sporting clubs or other pubs and that, I think it is just a method of slowly strangling everyone, including RWWA, by flooding the market. My understanding is that RWWA's objective there was to try to make it more difficult for the competition to come into Western Australia and offer outlets.

The CHAIRMAN: That leads to the issue of territorial rights. Do you believe that agencies, given the high cost that people are paying to buy these businesses, should have some territorial rights? Do you see any formula whereby agencies could maybe share commission with some of these terminals that are placed in sporting clubs and pubs?

Mr T. Barnes: Absolutely. That has been one of our desires, not just as individual agents. I also talk now on behalf the committees I have been on in the past. I have been the vice-president representing the agents, and that is on a separate committee to the AAC. The AAC, the agents association committee, is four-member body that pretty much talks to RWWA about 10 times a year and deals with the nitty-gritty, if you like. The other committee is pretty much a go-between. It normally has about 10 members each year and it reports to the AAC members and then they speak direct to RWWA. Territorial rights have always been a key issue for all agents. We have been owners in three different TABs now over the last 10 years. We started at Carlisle, went to Midland and now we are at Morley. I was involved as one of six individuals negotiating the previous 10-year contract, known as the ABL. Territorial rights were one of the most critical and important factors. It has pretty much been handed down, almost as a legacy, that agencies will not have ongoing territorial rights. In their previous 10-year agreement, prior to the current one we are in, which started in 2006, there used to be some form of territorial rights, where if competition was opened up within close proximity—I think it was about within two kilometres—of your agency, you would be paid compensation according to the turnover that might be.

Mr J.J.M. BOWLER: For the first two years then?

Mr T. Barnes: Two to three years, yes. That is correct. In the year, we put three years. I am not certain whether it is two or three, but it was for a period of time. To answer your question, Mr McGrath, yes, we are fully in favour of territorial rights, and we would like to see that worked on. Lots of different issues impact on that; they primarily link back to commission and how we get paid.

The CHAIRMAN: The SL3 we see as going to be a bit of an issue, because obviously RWWA would like it in as many places as they can. A bit like when companies used to put pool tables into sporting clubs, and they would manage them and maintain them, is there a way that agents could be involved, do you think, in the expansion of the industry outside of your agency?

[12.10 pm]

Mr T. Barnes: Yes; we definitely believe there is. However, there are 83 SL1 outlets and in the vicinity of 300 PubTABs. In our eyes, pushing our own cart, yes we would love to be offering the service of going around to the sporting clubs in our area and topping up the cash. If there are any errors or whatever, we are the point of contact. We could act almost as a true agent for RWWA so that we service it but also get a share of what is bet through there.

Mr P.B. WATSON: I know they can put the SL3s in PubTABs, but does there have to be a certain distance between TABs as there does with Lotto agents?

Mr T. Barnes: No, and not like the situation with pharmacies; nothing like that at all. In this current agreement, there are trade-offs when you go to negotiate. They wanted more flexibility. One of the benefits we got in the current agreement is a guarantee buy-out clause. With just a fixed-term contract, one of the fears is that, if someone stumps up half a million dollars for half a TAB, and at the end of the 10 years, potential buyers are practically scared off because there is commentary from RWWA—trying to cover its backside too—saying, “I understand this is a fixed-term contract”, and there is no guarantee. That affects the prices of businesses, in particular the past one

to two years, as you near the end of a contract. There is only an obligation by both parties to act in good faith but there are never any guarantees. That is a lot of capital potentially at risk. One of the key things we got into the current agreement was this buy-out at a factor of two and a half times net earnings before interest and tax and the ability to trade for up to another year. In effect, that almost gives protection to existing agents of being guaranteed three and a half times. That is why most TABs nowadays pay on a multiple of about three and half times. It is standard.

Mr J.J.M. BOWLER: For goodwill?

Mr T. Barnes: Yes. For the business.

Mr J.J.M. BOWLER: That is generally an industry standard in that range is it not?

Mr T. Barnes: It is now. Ten to 15 years ago, the multiple was normally about three times, but that was with no guarantee at all. When this came into being, it helped increase that multiple if you like, and it gives a bit of protection as an agent. It also gave RWWA flexibility to close down an agency and move it anywhere within 40 kilometres. In some cases that will help the agent if it is in an area that changes demographics or is slowly dying. Usually the more affluent suburbs do not have masses of punters, but low to more middle-class suburbs do. Some agencies have dwindling turnover and they have the flexibility to be moved. It is not all bad. That was how some of the things changed in this current agreement. The 10-year term is a concern. When I was on our committee negotiating the 2006 ABL agreement, one of my thoughts was: why does it have to be a fixed term; why can't it be like a post office, and perpetual in nature with the principal able to vary and change it?

Mr P.B. WATSON: I notice there are now a lot more overseas races in places such as South Africa, England, Hong Kong and Singapore. Is that a bonus to you given most of them operate in the evening?

Mr T. Barnes: That is a key factor. It depends what time they are on. Also RWWA being in our eyes a quasi government body—obviously not a full government body but “quasi government” is probably in our words the best way to describe it—it does not always have a focus on profitability for the small business proprietor. There are agents in small business that have to look at the bottom dollar because they have to pay staff and running costs but the turnover is minute in the last few hours. In a week most agents have about 80 hours of opening time. A husband and wife might be running that business but a lot of TABs need only one person during various times of the week. But quite often you need two on Thursday, Friday and Saturday. Most other days you can get by with one. It is a huge impost on anyone's standard of living, that is for sure. When you are standing there between 7.00 and 8.00 pm and a \$1 punter is there, you are thinking, “Heavens above, this is just not profitable.” It is a big issue. With regard to international racing and the offering there, I think the attitude is the more races you put on, the more opportunity there is for punters to bet. In my eyes people have only so many dollars to bet. If another 100 races are put on over the next five hours, it will not necessarily generate the same multiple of turnover, which is what we get paid on.

The CHAIRMAN: I think you mentioned credit banning in your submission. Do you have a view?

Mr T. Barnes: Yes. We understand the principles of agents being precluded from betting because they risk their capital investment. That is a given now anyway. My understanding of how that came into being was probably because they found some employees of agents intended to hit the toe and might have bet a large amount of money during the week and at the end when it comes to settlement time, there was no money to settle and the employee had taken off. I understand the need for protection; we have insurance for that, which we pay for.

I mentioned the credit betting issue in our submission. One thing that has always seemed odd to me is that agents are not permitted to have an EFTPOS or credit facility in the agency, yet some pubs can do. There are almost inequalities there. For a phone account, you can ring up, open an account

and deposit money via a credit card and have a bet almost in the same call, at the very latest, a couple of minutes apart. I personally find that quite odd.

Mr J.J.M. BOWLER: You would take the risk if you trusted a punter and you knew it was up to you individually to assess —

Mr T. Barnes: In our proposal we said we would like the ability to hold the cash, for example. In our business, if we have the capacity to say, “John Smith has left us with \$1 000 and wishes to ring our agency because we offer good service and he likes us, so we should be able to take \$200 out of his \$1 000, put it in our till and put his \$200 bet on.” That is considered to be credit betting, and we are not allowed to take bets over the phone. On-course bookmakers are, of course and off-course bookmakers are.

The CHAIRMAN: Are you saying that, when you take a bet over the phone he can leave the money with you in deposit, but you cannot put the bet on for him if he calls you and asks you to?

Mr T. Barnes: Yes; we are not allowed to.

Mr W. Barnes: We are restricted with the current rules. I personally believe it is totally unfair. From my years here in WA I know a number of very close friends of mine, quite substantial punters, who would bet through our agency and keep the money in WA, even excepting the lower prices they receive from fixed-odds gambling, whether it be general sport or races. They are loyal people and they would keep the money here. Now they do not do that. I can tell you now that they ring over east with Betfair, with Darwin and with Centrebet in Alice Springs, without naming the others in Sydney.

Mr P.B. WATSON: Do they offer better odds?

The CHAIRMAN: Yes.

Mr W. Barnes: Their odds are so much better, Mr Watson. Do not take this as a given, but roughly, we—when I say we, I mean the TAB—employed Centrebet to set the book and they pay Centrebet to do that. The prices at Centrebet give us here roughly 10c less than what it bets itself on the same bet. A punter came into my agency the final day of the golf tournament in Melbourne when Tiger Woods was here who wanted to bet \$2 000 on Tiger Woods.

[12.20 pm]

He could get \$1.24 in Centrebet and he could get \$1.08 here. You know where the \$2 000 went. If he could have bet with us—he would not because the difference was just too substantial, of course—but if he was allowed and he had money in reserve and rang me up, I would have told him what his price was and because of his loyalty and friendship and all those things, he would have had to bet with us and the money would have stayed here in Western Australia. Tiger happened to win, so it would have been a losing bet.

Mr P.B. WATSON: He had too many cents!

Mr W. Barnes: You are right. The percentages are, as everyone knows —

The CHAIRMAN: Can you get back to the credit betting side of it? Under the law at the moment, RWWA cannot offer credit but people can get on the internet and open an account and put money on it from their credit card. Offering credit means that a valued client of yours who is on the golf course and who does not have money in deposit with you could ring you and say that he wanted to put \$500 on a horse. Do you think that is something that we should be looking at? What is your view about credit betting? Bookmakers are allowed to offer credit betting. I am told that the betting corporate bookmakers in the Northern Territory often offer credit betting to big clients. Do you think there is any way that TAB agents could go into that area as a private business by offering credit like the bookmakers do, or is that too difficult?

Mr T. Barnes: It ought to be a level playing field. If anyone is offering credit betting, then you personally take the risk of that person not paying. Ultimately, if it is not someone else who is responsible, whoever took on that risk —

The CHAIRMAN: The money would have to be put in for the ticket to be processed.

Mr T. Barnes: Absolutely.

Mr J.J.M. BOWLER: Your association is opposed to such a move, by the way.

Mr W. Barnes: That does not surprise me.

Mr P.B. WATSON: Their point was that someone will use credit at one TAB and go to the next one and the next one.

Mr J.J.M. BOWLER: Because even if he intended to pay you, he might be embarrassed to come back to you and bet again because he is on the limit, so you would lose that business for the next month.

Mr T. Barnes: That is more than possible.

Mr J.J.M. BOWLER: That is the risk that you would take.

Mr T. Barnes: Absolutely.

Mr W. Barnes: As you said earlier, Mr Bowler—I think you are on the right track—the responsibility lies with each TAB operator. This is a hypothetical case but I might get to know you very well over many years. You might come in and say, “Wayne, look, I don’t have any dough with me. I left my wallet at home and I want to have a bet of \$2 000 on so and so.” You might want to bet only \$200. I might say, “I am sorry, Mr Bowler, but \$2 000 is a bit steep. Are you happy with \$1 000?” You might say, “Thanks very much. I will take the grand and be back later to give you the grand.” I would put the \$1 000 on for you, but at the end of the week it is my responsibility to put that money in. It is my responsibility to hop on the phone and ring you and say, “Mr Bowler, remember you walked into the TAB—you are on the video camera—and I put that \$1 000 on for you.” I can understand where the association is coming from when it talks about people moving around. I do not totally disagree with that point of view, but if I did not know you and you walked into my TAB or your jumped on the telephone and said, “So and so gave me this telephone number. I want to have a bet of \$500”, I would not touch your money. I would not want your bet.

The CHAIRMAN: Is there any fund or insurance to protect agents? What if an agent was doing the wrong thing and was taking credit bets and one day when it was time for him to put the money in at the end of the week he had a shortfall? The bookmakers have a fidelity fund.

Mr T. Barnes: We have a fidelity insurance that covers staff. As far as the protection goes for an agent who was caught in a bind and was doing something he should not have been doing, effectively, the security or protection is the value of the business. RWWA has the ability to call that a fundamental breach of the contract and can therefore immediately suspend the agent, take over control of the business or offer it to the other partner, if the other partner wants it. If RWWA is in control, it effectively has the right to sell the half-share of the business. The only time that would be a massive issue is if it was more than what the half-share of the business was worth. There would still be a right to pursue the individual.

Mr W. Barnes: There is a reasonably recent example of that, which, as I understand, occurred at the Ballajura Tavern. They had a quite substantial TAB agency that was very nicely fitted out. The people who had the licence failed to meet their settlement on the due date and so RWWA was forced to do something about it. RWWA closed it down immediately. I do not know how RWWA got on for the settlement or what amount of money was involved but I do not think it was a massive amount in today’s terms. I do not think it was anything like \$50 000 or \$100 000.

The CHAIRMAN: This is an open hearing, Mr Barnes, so whatever you say will be recorded.

Mr W. Barnes: RWWA did what it had to do. It closed down the agency and, to my knowledge, apparently the tavern has changed hands and the new licence is being issued and away it will go.

The CHAIRMAN: You mentioned in your submission the need for greater capital expenditure on TAB agencies. Can you elaborate on that?

Mr T. Barnes: That is a fairly simple matter to address. Many agencies are quite dated in appearance and could do with some money being spent on them.

Mr P.B. WATSON: For security?

Mr T. Barnes: Security is a separate issue, which is primarily for the safety of the agents, but also potentially for the safety of the customers. If it is less of a target in a criminal's mind, he is less likely to go into a TAB and cause grief. It works both ways. RWWA had a profitability issue, as we understand it, last year. It had difficult times and a large amount of capital expenditure was spent, primarily on the new bet engine. Many agents believed that that money ought to have been set aside progressively since the last system came in. Like this one now, they ought to be pretty much operating a sinking fund to allow for ongoing maintenance of the current system or for its replacement in 15 years or whenever.

Hon MATT BENSON-LIDHOLM: How are decisions made in respect of those refurbishments?

Mr T. Barnes: They are pretty much made by RWWA management. Whoever sits in the chair of operations —

Hon MATT BENSON-LIDHOLM: What I mean by that is: do the TAB agents make applications to RWWA and, if there is a security issue, do you draw that to the attention of RWWA, or does the board determine it?

Mr T. Barnes: Anything that is a major item or issue that affects more than one agent is normally addressed by the committee representing all agents. The security issue was spoken about since 2004, which was two years prior to the 2006 ABL agreement. RWWA committed to doing a security review within 12 months but it took about 24 months, at least, to do that review. The review found that security should be implemented, normally in the form of a series of wires, like at the banks, across each bench top. Because of the lack of funding—that is pretty much my words—it has been put on hold until RWWA tries to get through to a new financial year so that at 1 August RWWA can reallocate funds to budget for security. On a number of occasions we have put to RWWA at our AAC meetings the concern we have about security and are merely hopeful that nothing terrible happens to any agent or a member of the public. That is still a concern.

[12.30 pm]

To get back to your point: if it is something minor that applies just to an individual agent's outlet, they tend to ring the maintenance area in RWWA—and that is quite minor. If it is to do with signage, upgrades of carpet, changing how the wallboards are inside—the interior—because RWWA either owns or the premises or leases them, they are fully responsible for that. We do not get to say, "We want to spend \$600 to do whatever", whatever the amount is. We do not have any impact there. We can request it. They have an undisclosed intent as far as forward planning; in RWWA's minds they might have five agencies that are under the microscope to be closed or moved, and if that is the case, I understand that. They do not want to waste capital on something that is not going to be there. But it is not fully disclosed to agents at any level about what their plans are. On the current refurbishment schedule, with the number that are being done at the moment, on our estimate it would take about 15 years to get through and do all the ones that are not relatively current.

The CHAIRMAN: On that subject, or on a similar line: do you think there needs to be a greater prescription within the Racing and Wagering Western Australia Act with regard to the operation of TAB agencies?

Mr T. Barnes: Yes.

The CHAIRMAN: Do you think there needs to be more definition of the role you play, and maybe representation on the board? What views do you have on that?

Mr T. Barnes: In our submission we put in a point about how it would be good if we had more of a voice, such as a seat at the board or whatever. But we also stated quite clearly that we were cognisant of the fact that large boards are sometimes cumbersome and unworkable.

Mr J.J.M. BOWLER: I think you say you think RWWA has generally done a good job.

Mr T. Barnes: Yes; in principle, it has.

Mr J.J.M. BOWLER: Because of its independence.

Mr T. Barnes: In principle, it has, yes.

Mr P.B. WATSON: What about consultation? Do you think they consult you enough when they make decisions?

Mr T. Barnes: There is ample scope for it, but if there is any particular critical issue that we vehemently oppose, we just get railroaded; it does not matter.

Mr P.B. WATSON: You do not have a voice?

Mr T. Barnes: No.

The CHAIRMAN: Do you have any appeal process?

Mr T. Barnes: No.

Mr J.J.M. BOWLER: Just going back to the security aspect: if you do not own the premises, do you think you should be given the flexibility to install some of that security yourself, and maybe, over a period of time, you would recoup that off RWWA?

Mr T. Barnes: That has been proposed.

Mr J.J.M. BOWLER: What have they said to that?

Mr T. Barnes: They have said they were prepared to install 10 agencies in the current year that we are in, out of approximately 60 that need to be done. They will do 10, or, alternatively, they will do 20 if the agents' association will fund half the cost and RWWA fund half, and then you pay it back. It has been proposed. To my way of thinking, it is such an issue that they ought to be addressing the full 60, not just 10 or 20. What happens to the other 40?

The CHAIRMAN: What do you think is the biggest issue facing the viability of full-time TAB agencies going into the future?

Mr T. Barnes: It is competition, primarily through the Player offering, and the lack of prices, and the loss of revenue—the gambling dollar—interstate or elsewhere.

The CHAIRMAN: The point you are making is that the odds that are offered by Player are not competitive with odds in other states.

Mr T. Barnes: They are not.

The CHAIRMAN: How would you like to see that addressed?

Mr T. Barnes: I have listened intently to some of the commentary that has been on TVN and that sort of thing, where there have been interviews with various different parties, whether they were representing New South Wales or various different parties, and it seems to me that it needs to be federally legislated, not state based, or all the states to agree to the same format. A lot of the time that is difficult to get, because you get Betfair closely aligned with the Tasmanian government, and the Northern Territory is happy to have that turnover and to be paid on net figures. For me, as an outsider who understands a reasonable amount about our political ways and that sort of thing, I

think a federal system would work well, but I do not know if the federal side of it would want to take that on.

The CHAIRMAN: You mean to have the same price around Australia.

Mr T. Barnes: The same tax and the same amount contributed to the industry. Because, if, for example —

Mr J.J.M. BOWLER: So just to create level playing field across Australia?

Mr T. Barnes: Absolutely.

The CHAIRMAN: But there are instances where Player is offering a price that is lower than a price offered by TAB Sportsbet, which is the TAB; it is not a corporate bookmaker.

Mr T. Barnes: Many times that is the case.

The CHAIRMAN: Do you think the reason for that is not the fact that that team might have been more heavily backed, but the fact that the taxes are —

Mr T. Barnes: It is because RWWA used to be a margin taker. Whatever turnover was bet, it took a margin out of the pool and the rest was paid out. Now it is operating as a bookmaker, which it has very limited experience and knowledge in, and it is getting burnt at the moment and losing money on Player.

The CHAIRMAN: Do you see Player as losing money?

Mr T. Barnes: I do. I can say openly—only on hearsay, because I have not seen any figures or anything, and on some of the discussions that we have had with people who would know—that that is my belief. Separate to that, even if Player was making money, the simple facts are that it still will offer a lower price than what Centrebet does when it runs the book through, because there has to be a payment to them. I was not privy to the discussions at RWWA's level, and they had a short period of time to negotiate a fix as well in that regard, so I am respectful of that, but I cannot understand why they did not agree to say to Centrebet, or whoever the party was, "Pay us a margin on the turnover that is bet with you and let's use your book", because then they are just a margin taker; they are not running the risk of running a book.

The CHAIRMAN: Do you find it puzzling, given the opposition there is in Western Australia to corporate bookmakers, that RWWA would go to a corporate bookmaker and say, "We will pay you to frame a market for us"? Do you think RWWA would have been better to have run Player in conjunction with another TAB, rather than a corporate bookmaker?

Mr T. Barnes: Possibly. With all due respect, I will almost throw it back and say, if Western Australian gambling was run by private enterprise and not RWWA, then you might find that, at different times, corporate bookmakers will lay off part of their bets. They might offer a price and lay it off elsewhere. It is my understanding, just as a matter of principle, that RWWA will not do that and bet with opposition. Yet, if you are offering worse odds here and you are taking money from public and you can get a better price elsewhere, you can get a guaranteed win.

Hon MATT BENSON-LIDHOLM: You seem to be advocating this privatisation pathway. One of the things —

Mr T. Barnes: Sorry —

Hon MATT BENSON-LIDHOLM: I might have misinterpreted your possible solutions, where you state —

RWWA be disbanded and have the Western Australian Government offer the business for sale. The State Government to simply charge a tax ...

As a member of Parliament with an interest in racing, I am concerned about, with that sort of possible solution, the long-term sustainable future of the racing industry. I just want you to tell me

how that can be guaranteed, if there is such a thing, with that sort of scenario that you have just painted through your solution.

Mr T. Barnes: That would only work if there was a level playing field and all other competitors to RWWA at the moment were forced to contribute to the racing industry as a whole. On that basis, if it is a level playing field, then it would not matter what dollar was bet.

Hon MATT BENSON-LIDHOLM: You are talking about corporate bookmakers; the whole lot?

Mr T. Barnes: Absolutely.

Mr W. Barnes: Just getting back to Player: on 11 February, I had a customer come in and he wanted to place \$800 each way on a fixed-odds bet. The eleventh was a Thursday, and the race was on the Saturday. He started off by putting a ticket in for \$100 each way, and it was knocked back. He worked his way down—\$60, \$50 each way—and he got down and they accepted one bet of \$15 each way. The odds were \$17 a win, and \$3 a place, and the next bet you could have was at \$5 each way.

Mr T. Barnes: That is limiting the book, so the amount they are prepared to lose on any one bet. We have a customer who wants to have \$1 600 on, and he can get \$30 on as his first accepted bet.

[12.40 pm]

The CHAIRMAN: What is the limit with RWWA?

Mr T. Barnes: It depends on the odds of the bet. For example, if you had 100 to one, they might be prepared to stand to lose \$500 on that horse.

Mr J.J.M. BOWLER: It depends on the horse too, does it not?

Mr T. Barnes: It does.

Mr J.J.M. BOWLER: If it is midweek —

Mr T. Barnes: Yes, absolutely.

Mr J.J.M. BOWLER: — a maiden, and the main feature race is on Saturday.

Mr T. Barnes: Our main point is that turnover is trying to be placed and people cannot get on, so they are being forced to bet elsewhere.

Mr P.B. WATSON: Would that be accepted over east?

Mr W. Barnes: The corporate bookmakers would have knocked you down to take it. The horse ran third.

Mr T. Barnes: It does not matter where it ran.

Mr W. Barnes: No, but it did. It could have run last. That is your business. That is what you are in business for.

Mr T. Barnes: And a lot of agents have concern about that point: if you are offering the odds and you are running a book, take the bet. If you do not like how much is being bet, lay it off. How you get around that when you are running a book is, like they do in Darwin: in some races they have the right to close betting off a minute before it jumps. They will lay off whatever they need elsewhere.

The CHAIRMAN: Your submission says that RWWA should look to charge Centrebet a tax or a commission on sports betting and let the same odds be offered to all punters in the TABs.

Mr T. Barnes: Yes.

The CHAIRMAN: How could that happen if RWWA has to pay a lot more tax than Centrebet does?

Mr T. Barnes: Once again, getting back to —

The CHAIRMAN: Centrebet is not going to pay a tax if the money is coming through the Western Australian TAB.

Mr T. Barnes: What would stop RWWA opening its own corporate account base and licence in the Northern Territory, and competing with them full on? Other than being quasi-government and not wanting to —

The CHAIRMAN: Victoria has done that, have they not?

Mr T. Barnes: Yes.

The CHAIRMAN: Victoria has a sports betting agency licence in the Northern Territory.

Mr T. Barnes: Yes.

The CHAIRMAN: Do you think RWWA, our industry and our betting model —

Mr T. Barnes: More proactive and less reactive, yes.

Hon MATT BENSON-LIDHOLM: That relates to product diversification, which is something that we have heard before. Is that what you are saying? Sorry, Mr Chairman, for butting in there. That point has been made abundantly clear in a few submissions.

Mr T. Barnes: Offer more options for people, and, ideally in a competitive environment, at a similar price. That is not saying we need to offer the best price on every option. That will not be the case. But, because of sheer weight of money, you might find there is naturally a shorter price on one particular option. Whether it is a sport or a horse, it does not matter.

The CHAIRMAN: RWWA has at times offered special bonuses or prices —

Mr T. Barnes: Phone or internet.

The CHAIRMAN: For example, with Makybe Diva to win the third Melbourne Cup, with any bet up to \$50 they would guarantee you a certain price — \$10 or something.

Mr T. Barnes: Not if you bet in the agency; only if you bet on the phone or internet, which is competition to us.

The CHAIRMAN: I thought you could get those bets on the agency.

Mr T. Barnes: No, which we feel again is —

Mr W. Barnes: It is counterproductive.

Mr T. Barnes: If we were paid a minute part of that turnover—it does not have to be the same rate we get paid when people come through our agency—we would feel, “Go for it!”

The CHAIRMAN: Are you allowed to offer incentives to punters to bet in your agencies?

Mr T. Barnes: No way! We can offer a barbecue in a prize or something like that, but we cannot say that for everyone who bets on Makybe Diva in the next race and wins, we will pay five cents more than what it paid—no way!

Mr W. Barnes: Excuse me for breaking in and going backwards a bit. The example I gave you just then of that bet where they could only get on for \$15, every TAB agent in this state would have 20 examples of that.

The CHAIRMAN: Of people beating the Player?

Mr T. Barnes: Where they cannot get a bet.

Mr W. Barnes: Where they just cannot get on.

Mr T. Barnes: And lost turnover.

Mr W. Barnes: I speak to a number of other agents, and this is a bone of contention with all of them. I am trying to say, do not think that is an isolated case; it is not.

The CHAIRMAN: Are there any other issues you feel we have not touched on that were part of your submission that you would like to add to?

Mr T. Barnes: I will skim through my dot points. We have covered most of them, and in reality most of the major ones. Just then, Mr McGrath, you raised the point about incentives offered by RWWA. One thing I note is point 8 on our letter dated 27 November that spoke about special rebates being offered to internet and phone account customers. This all harks back to us feeling like our arbiter is also a direct competitor in the fact that phone and internet gamblers are invited to attend special functions to which our customers—who might be a large customer, or a small customer but very loyal and worthwhile—do not get invited, like a trip to the Kalgoorlie round. We have put more detailed comment in our submission, but that all harks back to the marketing spend, which seems unjust and —

The CHAIRMAN: It excludes agents —

Mr T. Barnes: It does.

The CHAIRMAN: — to a great extent.

Mr T. Barnes: “Exclude” is too strong a word, but it does not offer the same benefits. In some respects, you could find a representative of RWWA saying, no, that agents are included here because the offer is that you can apply to join this competition via text or internet or at your local TAB. But there are some competitions that they run, which you can only join via text message from your phone or over the internet.

Mr J.J.M. BOWLER: Rather than that, I can imagine that they know now, by going onto those phone or internet accounts, exactly how much Joe Blow bets —

Mr T. Barnes: Correct.

Mr J.J.M. BOWLER: — whereas they would assume that you do not. Do you suspect, say, that Bill Smith is your biggest punter, but you do not keep an accurate day-to-day account of what he bets?

Mr T. Barnes: That is true.

Mr J.J.M. BOWLER: But, to overcome that, do you think that, maybe, if they said to each agent, “There is a free trip to the Kalgoorlie round or to Bunbury when they go to a TAB tent, for one of your customers”, obviously, you would give it to one of your bigger customers?

Mr T. Barnes: We have a very good idea, in order, of who our top five customers are. Ask us how much to the cent they bet, we could not tell you. I lost my train of thought.

Mr J.J.M. BOWLER: Do you think that is one way of getting around it? They would not give that offer to every agent because some agencies do not have a big better. They would know by the figures.

Mr T. Barnes: The other mindset of RWWA—this is a very generalised comment of mine—seems that they would like to identify every single punter, mainly the larger ones of course, and use that for direct marketing purposes. The comment I make is that a lot of punters want to remain anonymous and they do not want their details known. That is a concern to agents as well, because a lot of the marketing push seems to be, “Give us your name or address, your mobile number or your email address”, and that puts a lot of people offside. Even though we have a principal-agent relationship, to me, it almost that we ought to be RWWA’s customers, and our customers are attached to our agency. We do not care if we do not know half of their first names. If they do not want to tell us, we are happy and friendly. But for those who do, no problem, we do not have an issue with that, but we do not want to get their home phone number and email address.

Mr W. Barnes: I will go back a number of years now when they ran a competition—quite a large number of agents brought this came up at an annual general meeting of the association—and as part

of the competition, participants put in their addresses, telephone numbers and all the rest. As a consequence of that, RWWA—I am going back a number of years—started jumping on the phone ringing them up and trying to get them to bet direct with them because —

Mr J.J.M. BOWLER: They do not have to pay your commission!

Mr W. Barnes: Yes; they do not have to pay our commission. The way I see it, it is denying us natural justice and fairness. It is very hard. We have not even got a voice on the board. There are some people who have been involved with TABs and racing and wagering for a long, long time, and they are pretty shrewd and smart people who know a fair bit about the industry. They are knock-around people who know what goes on and what makes the world tick, and they have a bit of business acumen about them. Surely, when you consider that we present roughly 84 per cent—I think it might be back to 82 per cent or something—of the turnover for RWWA—that is full-time agencies and the PubTABs—and we have not even got a voice on the board. To me that —

[12.50 pm]

Mr J.J.M. BOWLER: That goes against the whole ethos of the new RWWA.

Mr W. Barnes: Yes, it does.

Mr J.J.M. BOWLER: It would not want it to remain if it did not want all these little vested interests having a say, and you lose that anonymity.

Mr W. Barnes: Most of the money for the industry and everything comes through the agencies and we do not even have a voice. It is a bit hard to explain what I am trying to say, to be honest.

The CHAIRMAN: We have picked up that representation on the board or a greater say is something that the agents would like, given the role that you play and that more than 80 per cent of the turnover is bet through the agents.

Mr W. Barnes: It is in all our best interests to run as good a TAB and to have as good a business as we possibly can because our remuneration depends on that. It also benefits RWWA. If we can attract people and build our business, we build RWWA's business.

The CHAIRMAN: Are you saying that you would like a bit more flexibility to market and promote what you do and build your turnover?

Mr W. Barnes: Yes, that is exactly right.

Mr T. Barnes: I did not want to change tack but I wanted to point out—I do not know whether you are aware of this—that our rate of commission is higher than that of PubTABs. In our eyes the level of service you get at our type of agency is better than you get at a PubTAB. Also, for a lot of agents there is a pub over the road with an SL3 or a PubTAB with SL2s—machines operated by the person behind the bar. Because of some hassles where the barperson may not get back to the machine in time and the punters put on a large bet and walk off, a lot of publicans have to carry the can for that. The advent of SL3s probably helps a lot of publicans. There is less risk of being left with an unclaimed bet. Quite often the agents feel that RWWA's view—this is only a perception of agents—is that it is cheaper for it to have the turnover going through the pub rather than the TAB over the road because it does not have to pay as much in commission. Once again, we are seeking a level playing field; we are not asking that our commission be decreased to the level of the PubTABs, but if it was all level, there would not be a big issue. We know that we offer better service and the ability for people to get a bet on. They do not miss out on their bet.

The CHAIRMAN: The issue of the SL3s has been raised with us. Do you have anything else you would like to raise?

Mr T. Barnes: Not really. The only other point we have not spoken about in detail is point 10 of our submission, which relates to the rights or protection of Burswood Casino under the casino legislation whereby any other operations—these are my words—within 200 kilometres of

Burswood cannot offer the same sort of game. That legislation came in in 1995. I believe it extended for 15 years. It got rolled over, as in extended, in 2000. I am not aware of how long it has been extended for but I understand that we are still not allowed to offer a casino game. We need to offer more options for punters to come to a TAB and bet there. It was never more evident than when equine influenza hit and there was a lack of thoroughbred racing. Everyone's turnover around Australia, not just here, was pretty much decimated for two weeks in particular, but they were probably hard hit for a month. If we had the capacity to offer online horseracing or some Swedish things that they offer and things like that, that would have been a good alternative because people could still come to have a bet. We do not have that capacity in Western Australia, a bit like linked keno in some of the eastern states or online Lotto. We are precluded, or excluded, from having that.

The CHAIRMAN: Those issues have been raised with the committee and we will be looking at them.

Mr T. Barnes: Other than that, we do not have any more to add.

The CHAIRMAN: Thank you for appearing before the committee today. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Once again, thank you very much for coming in.

Mr W. Barnes: Thank you for your time.

Hearing concluded at 12.55 pm