

TOTALIZATOR AMENDMENT BILL 2008**Second Reading**

The Hon. PENNY SHARPE (Parliamentary Secretary) [2.45 p.m.], on behalf of the Hon. Ian Macdonald: I move:
That this bill be now read a second time.

The main purpose of the proposal before the House is to amend the provisions of the Totalizator Act 1997 relating to the limitations placed on the licensee Tabcorp in respect of the commission amounts that may be deducted from totalizator betting pools. The bill will amend section 69 of the Act to delete references to the overall annual commission cap of 16 per cent. These references will be replaced with a requirement for Tabcorp to establish individual product-based caps for each type of totalizator pool conducted.

The intent of these changes is to update the current restrictions on totalizator commission pricing, which are outdated. The restrictions prevent stakeholders, including the racing industry, from achieving revenue growth as punting preferences change over time. The new arrangements have been put forward by the industry and are supported by Tabcorp. The Government is pleased to be able to support their proposal. The arrangements are essentially the same as those approved in Victoria during 2007.

The background to this issue goes back to the privatisation of the New South Wales TAB in 1998. That initiative has been a significant achievement of the New South Wales Labor Government, with New South Wales racing industry revenues from the TAB having escalated by almost \$100 million, or 79 per cent, in the period from 1996-97 to 2006-07. In order to protect TAB punters from inappropriate pricing by the exclusive licence holder, currently Tabcorp, the Government imposed a limit on the amount of total commission, as a proportion of turnover, that the licensee could deduct from totalizator pools during any single financial year. This annual take-out rate was set under the Totalizator Act at 16 per cent. In addition, a further cap was set at 25 per cent for any individual betting pool.

In reality, these two measures allowed the TAB to move individual product rates up and down within the constraints of the annual average limit of 16 per cent and a top rate for any one product of 25 per cent. The proposed changes will continue to protect TAB punters from any form of price gouging. The changes will leave the 25 per cent maximum take-out rate in place, and will replace the 16 per cent annual average cap with a defined cap for each betting pool currently offered by Tabcorp. Those caps will be set at the current rates being charged for each product, which are as follows: win, 14.5 per cent; place, 14.25 per cent; quinella, 14.75 per cent; exacta, 16.5 per cent; trifecta, 21 per cent; duet, 14.5 per cent; doubles, 17 per cent; first four, 22.5 per cent; quadrella, 20 per cent; and FootyTAB, 25 per cent. For clarity, this means that Tabcorp will not be able to raise rates for any existing product. Win betting will be locked in at 14.5 per cent, place betting at 14.25 per cent, trifecta betting at 21 per cent, and so on. These individual rates will be approved by the Minister and published in the TAB Totalizator Betting Rules. Similarly, any new product that Tabcorp wants to introduce will require a new rate to be set by Tabcorp and approved by the Minister, and must fall below the 25 per cent maximum cap.

I stress that these are maximum caps and that Tabcorp will retain the ability to reduce an individual totalizator take-out at any time to enable the running of promotional sales at certain times of the year to stimulate wagering interest. I am informed that the New South Wales TAB shares the lowest take-out rates of any racing totalizator operator in the world. For example, the return to punters in Australia of around 84 per cent of total wagers compares with around 77 per cent in the United Kingdom, 69 per cent in France, 74 per cent in Japan and 79 per cent in the United States.

The reforms will allow new revenue growth to be tapped as punters' betting preferences continue to shift towards the exotic higher take-out betting options, such as first four and quadrella. These relatively new products, together with the longstanding trifecta, are growing in popularity, supported by Tabcorp's innovative flexi-betting option, which allows punters to take percentage bets involving multiple combinations of contestants in any race. The proposed reform of the commission caps relating to totalizator wagering in this State is a responsible move by the Government in response to requests made by the New South Wales racing industry, which is reliant on Totalizator Agency Board revenues for its financial viability. The initiative is timely given the New South Wales racing industry's recent struggle with the impact of the equine influenza outbreak, which has in turn had a drastic effect on its finances.

With the loss of a significant number of thoroughbred and harness race meetings in New South Wales and Queensland and the resultant impact on betting, overall Totalizator Agency Board payments to the racing industry in 2007-08 will be reduced. Based on current forecasts, this proposal is expected to help offset that downturn by generating about \$1.5 million in revenue for the racing industry this financial year, and about \$4.5 million next year. Ultimately, the additional revenue generated by this initiative each year will be dependent upon punter demand for the various betting options. The Government wants to see any new revenues generated

returned to industry participants through prize money. This will assist in maintaining the viability of the New South Wales racing industry, an industry that provides approximately 50,000 persons in this State with part of their livelihood or their entire livelihood. I commend the bill to the House.