



Totalizator Legislation Amendment Bill.

Second Reading

Mr GRANT McBRIDE (The Entrance—Minister for Gaming and Racing) [4.36 p.m.]: I move:

That this bill be now read a second time.

The main purpose of the Totalizator Legislation Amendment Bill is to amend the TAB Ltd shareholding provisions in the Totalizator Agency Board Privatisation Act 1997 and the Totalizator Act 1997. The bill also removes the current prohibitions in the Totalizator Act, which prevent a licensee from being associated with a casino. This action will in turn allow TAB Ltd shareholders to consider offers from the Queensland-based UNITAB and the Victorian-based TABCORP. Honourable members will recall that the New South Wales Totalizator Agency Board was privatised in late 1997 and listed on the Australian Stock Exchange. At the same time the new company, TAB Ltd, was issued with exclusive licences to conduct on- and off-course totalisator betting and limited forms of gaming.

To date, the Carr Government's initiative in privatising the TAB has been a resounding success and the taxpayers of New South Wales and the thousands of participants in the racing industry have been the main beneficiaries. Initially a 5 per cent shareholding limit was imposed under the legislation as part of the Government's policy to ensure that TAB Ltd shares were held widely and to prevent any individual shareholder or group of shareholders obtaining control of, or a significant influence over, the company. Following approaches from TAB Ltd and a review of these provisions, the legislation was amended in 2000 to increase the maximum shareholding restrictions to 10 per cent. Honourable members will no doubt be aware from recent press coverage that UNITAB and TABCORP have made rival bids to acquire an interest in TAB Ltd. The Government takes the view that it is a matter for shareholders in TAB Ltd to decide the future of the company. The Government has no preference for one proposal or the other.

Irrespective of the ownership and management structure of TAB Ltd, the wagering and gaming licences would remain with that body and would be regulated by the Minister for Gaming and Racing and his department. In addition, commercial arrangements with the New South Wales racing industry would remain unchanged. There is of course always scope for the parties to negotiate new commercial arrangements. There is no doubt that either proposal would envisage the merging of New South Wales totalisator pools with those sourced from other States and Territories. Before any approval can be considered for such a merging of pools, a number of issues would need to be resolved. These include the protection of government and racing industry revenue, effective control and monitoring of totalisator operations at least equal to those currently applying in New South Wales, and consistent totalisator rules.

Although the initial stage of the restructure proposals would not bring any financial benefits to New South Wales taxpayers, it would have immediate benefits for the New South Wales racing industry. In this regard, the restructuring would allow corporate expenses to be distributed across several jurisdictions, thereby increasing the net wagering and gaming profits of TAB. As a 25 per cent beneficiary of these profits, the industry would receive a significant injection of additional revenue. Nevertheless, although the Government is not opposed to either proposal we would still wish to preserve our policy of limiting the ability of any individual shareholder or group of shareholders obtaining control or a significant influence over TAB Ltd. Under legislation in their home States, a 10 per cent limit is imposed on any individual shareholding in UNITAB and TABCORP. This bill requires that both companies must maintain their 10 per cent shareholding limits and that each must remain listed on the Australian Stock Exchange.

The bill was amended in the upper House last night to accommodate the possibility that either TABCORP or UNITAB proceed to merge with or acquire TAB Ltd through wholly owned subsidiary companies. The amendments are designed to reflect the true corporate environment in which takeovers or acquisitions occur. In addition, the Government will make the 10 per cent shareholding restriction a condition of the New South Wales totalisator licence and UNITAB or TABCORP will be required to sign a contract with the Government to maintain their shareholding caps. Additional restrictions would apply to the TABCORP proposal.

TABCORP would have to divest the TAB Ltd Central Monitoring System business within 18 months of any purchase of TAB Ltd. This will remove any potential conflicts of interest, as the centralised monitoring system [CMS] links all gaming machines in clubs and hotels, and provides daily data on the usage and turnover of each machine. This system is the basis for monitoring gaming machines and the collection of tax by the Government. TABCORP currently owns and operates poker machines at Star City Casino. TAB Ltd currently holds a licence to own gaming machines and operate them in hotels and share profits with hoteliers. This licence will be withdrawn, subject to TABCORP being allowed to complete its contractual obligations with respect to machines—around 100—already in hotels.

TAB Ltd also holds an exclusive licence to develop a statewide linked jackpot system, which relies on data from the central monitoring system. The Government would consider whether TABCORP should be required to divest this business. The Government also needs to be satisfied that the New South Wales racing industry is no worse off under

either proposal. Accordingly, the legislation contains a provision that requires the successful bidder to enter into commercial arrangements with the racing industry, which will protect the rights and benefits enjoyed by the industry under its current arrangements.

In regard to the issues raised with me by the shadow Minister for Gaming and Racing, I respond in the following terms. While the racing industry will have to negotiate an agreement with the ultimate buyer of TAB, the Government will not proclaim the legislation until TAB Ltd, the nominated company and the racing industry negotiate reasonable commercial arrangements. This will allow the Government to ensure that the reasonable concerns of all parties are addressed. I commend the bill to the House.

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