



Totalizator Legislation Amendment Bill.

Second Reading

The Hon. TONY KELLY (Minister for Rural Affairs, Minister for Local Government, Minister for Emergency Services, and Minister Assisting the Minister for Natural Resources (Lands)) [8.00 p.m.]: I move:

That this bill be now read a second time.

In recent weeks two proposals for the future of TAB Ltd have been made public. The first is a proposal to merge TAB Ltd with UniTAB, the former Queensland TAB. The other is a plan advanced by TABCORP, a Victorian wagering and gaming company, to buy TAB Ltd. The Government takes the view that it is a matter for the shareholders in TAB Ltd, of which there are nearly 200,000 in New South Wales, to decide the future of their company. We have no preference for one proposal or the other. However, wagering and gaming are highly regulated industries and a change to legislation is required for either proposal. The Government has determined that there is no sound reason why policy should not be adjusted to enable the owners of TAB Ltd to determine their own future, subject to some strict conditions.

The bill amends the Totalizator Agency Board Privatisation Act 1997 and the Totalizator Act 1997 to allow either of the bids for TAB Ltd to proceed. The changes required are an exemption from the 10 per cent shareholding restriction and the prohibition on a totalisator licensee also having a casino licence in New South Wales. This is necessary as TABCORP is the licensee of the Star City Casino. The prohibitions will be removed for whichever of these companies is ultimately successful in acquiring the shares.

Honourable members would recall that the New South Wales Totalizator Agency Board was sold by public float 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. The sale was part of a larger reform of the Government's relationship with the racing, wagering and gaming industries in New South Wales. The objectives were to put the racing industry on a sound financial footing and to create a strong New South Wales based wagering and gaming business, TAB Ltd, capable of dealing with the rigors of national and international competition.

The Government put a 5 per cent limit on the size of shareholdings in the company to ensure that shares were widely held and to prevent anyone from obtaining control of or a significant influence over TAB Ltd. The shareholding limit, which was enshrined in the Totalizator Agency Board Privatisation Act 1997 and the Totalizator Act 1997, was reviewed in 2002 upon application by TAB Ltd. It was raised to 10 per cent, keeping in mind the initial policy objectives of the sale. Five years after it was floated TAB Ltd is a successful business and the amount it provides each year to the New South Wales racing industry has increased by 24 per cent—or \$40 million—to \$202 million.

Honourable members would no doubt be aware from recent press coverage that an in-principle agreement has been reached between the boards of TAB Ltd and the Queensland-based UNiTAB Ltd to merge their respective companies. In essence, the proposal involves a reverse takeover. The company will retain the name of UNiTAB. This company will acquire the holdings of current TAB Ltd shareholders by the issue of shares in the merged company. TAB Ltd will then be delisted and become a wholly owned subsidiary of UNiTAB. TABCORP has subsequently made a bid for TAB Ltd that, if successful, would result in TAB Ltd becoming a fully owned subsidiary of TABCORP and being delisted.

While TAB Ltd has achieved growth in New South Wales, further growth can only come from expanding into new markets. Either one of the proposals would create the largest wagering company in the Australia and should deliver strong growth and increased revenues. That would be good not only for shareholders, but also for the New South Wales racing industry, which shares in wagering revenue and takes a quarter of TAB Ltd's profits.

It is very important that the ownership of wagering in New South Wales is widely dispersed and not under the control of a small group of people. A 10 per cent limit is imposed on any individual shareholding in UniTAB and TABCORP under legislation in their home States. This bill requires that either company enter into an agreement with New South Wales Government to maintain their 10 per cent shareholding limits and that each must remain listed on the Australian Stock Exchange. The successful bidder must at all times hold 100 per cent of TAB Ltd shares and effectively control TAB Ltd. 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 have to sign and 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 Central Monitoring System links all gaming machines in clubs and hotels, providing 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 that 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. While the racing industry will have to negotiate an agreement with the ultimate buyer of TAB Ltd, the Government will not proclaim the legislation until the racing industry's reasonable concerns have been addressed.

The Government is aware that, whichever bid is ultimately successful, the new company will be looking to merge the totalisator pools across State borders. Any merger of totalisator pools is a separate issue to the ownership of TAB Ltd and would proceed only if New South Wales wagering tax revenues were protected. It is not a part of the current amendments. The bill allows both proposals to be formally put to shareholders for their consideration, subject to the conditions I have outlined. Of course neither bid can proceed without the approval of the Australian Competition and Consumer Commission. I commend the bill to the House.

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