



NSW Legislative Council Hansard

Totalizator Legislation Amendment (Inter-Jurisdictional Processing of Bets) Bill

Extract from NSW Legislative Council Hansard and Papers Wednesday 24 May 2006.

Second Reading

The Hon. IAN MACDONALD (Minister for Natural Resources, Minister for Primary Industries, and Minister for Mineral Resources) [11.26 a.m.]: I move:

That this bill be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

Leave granted.

The Totalizator Legislation Amendment (Inter-jurisdictional Processing of Bets) Bill 2006 amends the Totalizator Act 1997 and the Unlawful Gambling Act 1998 to allow Tabcorp to integrate its New South Wales and Victorian wagering operations.

Tabcorp's integration process will lead to major capital investment in Western Sydney and create 300 new jobs. It will be of enormous benefit to the state's racing industry and the New South Wales economy.

The Government is continuing to work with Tabcorp and their investment in New South Wales will:

Establish a head office for Tabcorp's wagering businesses and associated management personnel ... for both New South Wales and Victoria ... in Ultimo, New South Wales.

Close Tabcorp's Box Hill call centre in Victoria and see the relocation of the Victorian telephone betting operation to Granville, New South Wales.

Create 300 additional jobs at the Call Centre in Granville, New South Wales.

Relocate the Victorian Sports Betting management from Victoria to New South Wales.

Integrate Tabcorp's fixed odds wagering systems with national TAB fixed odds race and sports betting managed from Ultimo, New South Wales.

Lead to synergy savings that will benefit the racing industry after integration has commenced.

Tabcorp's technical integration, that is, their back-of-office integration, will:

Create a common wagering system operating platform for both the New South Wales and Victorian TAB—providing New South Wales with state-of-the-art wagering software systems.

Share Tabcorp's betting systems, that is computer infrastructure, so that all bets received by Tabcorp can be processed in both New South Wales and Victoria.

Allow Tabcorp to process bets through their computers located in New South Wales. For example this will now allow a punter betting on the Victorian tote in Victoria to have their bet processed by Tabcorp computers in New South Wales.

Create a far more cost-effective and efficient means of processing bets.

It is very important to understand that this integration proposal does not involve the merging of New South Wales totalisator pools with totalisator pools in other jurisdictions.

Under this integration proposal, New South Wales pools and SuperTAB pools will remain separate.

In December last year the Government decided, responsibly, not to approve of merged pools on the basis that there was no guarantee there would be a benefit to the racing industry and the people of New South Wales.

However, this issue is very much alive and the Government will continue to work with Tabcorp to ensure any change to tote pools will benefit the entire racing industry and the people of New South Wales.

By way of background:

In 1998 the New South Wales TAB was privatised, with licences for the conduct of both on-course and off-course totalisator betting in New South Wales issued to TAB Limited.

The totalisator licence is for a 99-year term. In the case of TAB Limited's off-course totalisator licence, it includes an exclusivity period of 15 years.

TAB Limited also holds an approval to conduct fixed odds betting in New South Wales on a limited number of racing events and prescribed sporting events.

By way of clarification I will outline the distinction between totalisator betting and fixed odds betting.

Totalisator betting involves money bet on a particular outcome in an event being placed in a common investment pool. Following the deduction of an amount as commission from the investment pool, the remaining dividend pool is divided among winning punters proportional to the amount bet.

In practice, this involves the declaration of a dividend payable for each \$1 bet on the winning outcome.

Fixed odds betting is essentially a bookmaker type operation where a set price and a guaranteed return on successful bets is offered to punters. Unlike totalisator betting where a profit is assured, fixed odds betting involves a level of risk.

The profits from Tabcorp's New South Wales based wagering operations are shared between the New South Wales racing industry, the State Government in the form of betting tax, the Federal Government in the form of GST and the TAB.

In July 2004 TAB Limited was acquired by the Victorian-based company Tabcorp Holdings Limited and is now a wholly owned subsidiary of that company. Tabcorp holds a licence issued by the Victorian Government to conduct totalisator betting in that State.

Under its Victorian licence, Tabcorp operates a merged totalisator pool, known as SuperTAB, which combines investments from the TABs in Victoria, Western Australia, Tasmania and the Australian Capital Territory.

Tabcorp also holds Victorian Government approval to conduct fixed odds racing and fixed odds sports betting. Its Victorian-based fixed odds operation incorporates investments from all Australian jurisdictions apart from New South Wales.

In 2005 Tabcorp approached the Government with its plans for the technical integration of its wagering businesses in New South Wales and Victoria.

I will now refer to just some of the important detail regarding the key elements of Tabcorp's integration proposal.

The first is the establishment of the head office for Tabcorp's wagering businesses and associated management and personnel for both New South Wales and Victoria at Tabcorp's New South Wales base at Ultimo.

Tabcorp will replace the now ageing New South Wales betting computer systems and create common wagering system operating platforms for both the New South Wales and Victorian TABs.

This will provide New South Wales with a state-of-the-art wagering systems.

This Bill will allow Tabcorp will to locate separate totalisator wagering computer systems in New South Wales and Victoria.

Each system will be capable of operating the entire Tabcorp New South Wales and Victorian totalisator betting networks. At any one point in time, one system will be the primary host system processing all transactions for both States and the other will act as a back-up system in the event of a system failure.

The existing Melbourne and Sydney based computer centres, where computer equipment and technical staff are located, will be capable of supporting the combined wagering operations of New South Wales and Victoria, as well as the interstate totalisator and fixed odds betting functions.

The Account Sales Call Centre located at Box Hill in Victoria will be closed. The Call Centre at Granville in New South Wales will be expanded to service the combined Victorian and New South Wales customer base, supported by the Victorian Bowen Crescent call centre on weekends and public holidays. As the Premier has outlined, this will create 300 new jobs for Western Sydney.

This bill also allows Tabcorp to relocate Victorian Sports Betting management to New South Wales.

The infrastructure to operate Tabcorp's New South Wales and Victorian Internet betting sites will be consolidated into one system located in New South Wales.

The integration project essentially involves a non-New South Wales licensed wagering operator, being the Victorian arm of Tabcorp, forwarding totalisator and fixed odds bets placed with it for processing by computers located in this State.

Similarly, bets placed through the New South Wales totalisator licensee, TAB Limited, may be processed through computers located in another jurisdiction.

Under existing legislation, betting on racing and sporting events may only be conducted in New South Wales by licensed bookmakers while fielding at licensed racecourses and by TAB Limited and race clubs as the holders of Totalisator Licenses issued under the Totalizator Act 1997.

While TAB Limited holds licences to conduct totalisator betting in New South Wales, its parent company Tabcorp does not. Accordingly, there is a need to amend the legislation to facilitate Tabcorp's wagering integration proposals.

The bill amends the Totalizator Act to make provision for a New South Wales totalisator licensee to process in New South Wales bets placed with authorised wagering operators in other jurisdictions on behalf of those other wagering operators.

It also provides for the processing of bets placed with a New South Wales totalisator licence by authorised wagering operators in other jurisdictions. These bets will remain subject to New South Wales legislative and regulatory provisions, including New South Wales betting tax.

It is important to understand that New South Wales bets processed in Victoria will still be subject to New South Wales betting tax.

Equally, Victorian bets processed in New South Wales will be exempt from New South Wales betting tax.

In addition, the bill extends the existing Trade Practices exemptions within the Totalizator Act so as to authorise, for the purposes of the Commonwealth Trade Practices Act 1974 and the Competition Code of New South Wales, the proposed new bet processing arrangements.

An amendment is also made to the Unlawful Gambling Act 1998 so as to make it clear that the processing of bets in accordance with the new arrangements is exempt from the prohibitions in that Act.

This integration process is not in conflict with New South Wales gambling laws. That is, it will allow the Victorian Tabcorp to process bets in New South Wales.

Responsibly, there are important safeguards within the proposed legislation to ensure that appropriate controls are maintained over Tabcorp's integrated wagering operations.

In the case of a New South Wales licensee processing bets on behalf of a wagering operator from another jurisdiction, the Minister for Gaming and Racing must approve of the wagering operator and the method by which the operator processes the bets, for example through a totalisator.

Similarly, in the case of a wagering operator from another jurisdiction processing bets on behalf of a New South Wales licensee, the Minister must firstly nominate the particular wagering operator.

This approval and nomination process is facilitated by the publication of appropriate notices in the *Government Gazette* and the Minister may revoke his authorisations at any time by a further gazettal notice.

The Minister for Gaming and Racing was also happy to answer questions raised by the Legislative Assembly Legislation Review Committee regarding the level of administrative power the Minister has to nominate and appoint approved persons.

To summarise the Minister's reply—it is consistent with the objects of the Unlawful Gambling Act, The Racing Administration Act and the Totalizator Act, and with existing provisions relating to the issuing of licences and authorities relating to the conduct of betting, that the Minister be given the broad power to approve of any non-New South Wales licensed wagering operator that will effectively be undertaking bet processing operations which are currently restricted to licensees under the Totalizator Act.

This will enable the Minister to ensure that any integrated bet processing arrangement does not conflict with the

objects of New South Wales wagering legislation and importantly, is not detrimental to the interests of the New South Wales betting public and the New South Wales racing industry.

The Office of Liquor, Gaming and Racing regulates Tabcorp's betting operations in New South Wales through a comprehensive inspection program designed to respect and protect the interests of punters and ensure the New South Wales racing industry receives its fair share of revenue.

This rigorous inspection regime will continue under the proposed new integration arrangements, with the Office of Liquor, Gaming and Racing maintaining access to all records of betting transactions in the New South Wales totalisator and fixed odds systems, irrespective of whether bets are processed in New South Wales or another jurisdiction.

The existing Automated Totalisator Monitoring System, whereby relevant data from the New South Wales totalisator betting system is recorded in a secure data storage "vault", will apply to the new integrated system.

Bets placed with an approved wagering operator in another jurisdiction and processed in New South Wales will be subject to regulation by the appropriate authorities from the other jurisdiction.

Responsibly, the integration of Tabcorp's wagering operations will not involve the redirection of TAB customers from one State to another, and the bill does not provide for an expansion of gambling opportunities for New South Wales residents.

It will merely provide flexibility to Tabcorp to deliver a more cost-effective and efficient means of processing bets.

Importantly, there will be significant economic benefits flowing to New South Wales as a result of this integration.

Tabcorp has indicated that further synergy savings will be delivered to the New South Wales racing industry after integration has commenced.

This legislation is evidence of the overwhelming confidence Tabcorp, a major Australian corporation, has in New South Wales.

This confidence has led to Tabcorp propose this major investment in New South Wales and the Government is moving forward with the necessary changes.

The New South Wales economy will benefit from capital investment and the additional 300 jobs Tabcorp indicates will be created from the expansion of the Granville call centre.

This bill allows this investment and job creation while maintaining important safeguards.

I commend the bill to the House.