



EDUCATION, EMPLOYMENT AND TRAINING COMMITTEE

Members present:

Ms KE Richards MP—Chair
Mr JP Lister MP
Mr MA Boothman MP
Mr N Dametto MP
Mr BL O'Rourke MP
Mr JA Sullivan MP

Staff present:

Mr R Hansen—Committee Secretary
Dr S Dodsworth—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO THE BETTING TAX AND OTHER LEGISLATION AMENDMENT BILL 2022

TRANSCRIPT OF PROCEEDINGS

MONDAY, 24 OCTOBER 2022

Brisbane

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The committee met at 10.00 am.

CHAIR: The committee will now hold a public hearing to hear from stakeholders affected by the bill. Were there any declarations of conflict of interest?

Mr SULLIVAN: I should just declare that I have had a professional working relationship with some stakeholders in this space in my former role as the chief of staff to the then attorney-general but nothing that would preclude me from participating today.

PARNELL, Mr Brendan, Chief Executive Officer, Racing Queensland

CHAIR: Good morning and thank you for agreeing to appear before the committee today. I invite you to make some opening comments, after which the committee will have questions for you.

Mr Parnell: Thank you, Chair, and thank you also to the committee for the opportunity to address you and take questions regarding the very important Betting Tax and Other Legislation Amendment Bill we are here to discuss this morning.

I would like to begin by saying that Racing Queensland welcomes the proposed reforms to the Betting Tax Act and the certainty, which is really important, that will flow from that long-term sustainability of the racing industry here in the Sunshine State. The legislated return of 80 per cent of the betting tax revenue to the racing industry enables industry to benefit directly from what we create, and Racing Queensland supports the proposed amendments which are outlined in the legislation.

As we have outlined in our submission to the committee, Racing Queensland supports that overarching intention of the bill to incorporate free bets when calculating a wagering operator's betting tax liability. It is our view that to achieve this the bill should remove the ability for betting operators to use free bets to reduce their taxable wagering revenue for totalisator bets. This is materially the same change as is already proposed in the bill for Queensland general bets. Removing the ability for betting operators to reduce their taxable wagering revenue for Queensland totalisator bets will result in a higher taxable wagering revenue being calculated and consequently a higher quantum of betting tax being raised for the state.

With race meetings in more than 110 towns around the Sunshine State, the benefits of a well-funded racing industry, as some of the members of the committee know, flow through to support local economies, sustaining local jobs—the member for Rockhampton recently witnessed the launch of new female expanded jockey rooms and the member for Southern Downs the same at the Warwick racetrack—and a vibrant future for social events, which are really important in the community. For so many communities across Queensland it is the biggest or second biggest event that the town comes together for.

Certainty of funding is critically important for our industry to thrive and is the basis upon which we can create long-term strategies which will grow the industry and can be developed and implemented. As the committee may have noticed in our submission, it is our view that the ability to adjust the taxing rate through regulatory change rather than legislative amendment, as provided in the proposed definition of 'taxing rate' in schedule 1, does diminish to an extent that certainty, and the removal of that ability would be beneficial to our industry's funding future.

Overall, Racing Queensland supports the replacement of current short-term government funding arrangements, and there are three of those, including that provided under the Country Racing Program. In this morning's earlier committee hearing I understand it was explained that that would move from \$17.6 million a year to a minimum of \$20 million with an inflator. That certainty would not only provide for an enduring revenue stream but also support the move away from a reliance on the Queensland TAB and level the playing field while securing funding for Queensland communities, infrastructure—which is very important—as well as major and regional events which, of course, create lots of jobs right throughout the Sunshine State. I will finish my opening address there and answer any questions that the committee may have.

Mr LISTER: Can I ask you for a bit of background to the dispute that the government had with Tabcorp regarding their payment of betting tax revenues? What was the agreement reached and what is the likely difference in revenue raised from Tabcorp between the two conditions?

Mr Parnell: The dispute was between Racing Queensland and Tabcorp over its view on the application of the point-of-consumption wagering tax, a view which we challenged in the court. That was a matter before the Supreme Court. Tabcorp, in its annual statements—and there are business representatives to talk to the committee later on this—did state in their half- and full-year results the potential liability that it faced. However, in moving forward with these betting tax and other amendments, we will see the end of our exclusive wagering arrangements between Racing Queensland and Tabcorp and move to a fully level playing field where Tabcorp will, like every bookmaker, pay the same amount of betting tax and race field fees back to the government and to us as an industry. That litigation was settled as part of that process in moving to this new secure funding model for the industry in Queensland.

Mr LISTER: Are you in a position to appreciate what the difference in revenue will be on the basis of the agreement that has been reached with Tabcorp?

Mr Parnell: If I unpack the different elements, first of all, Tabcorp will now have to start paying the betting tax in Queensland. To date it has not been. Our view was that it was using our arrangements with government and not paying that, but that matter has now been settled. It was before the courts. The incremental amount of fees they will pay for PoC is in the order of \$8 million a year for race fields and then there is a point-of-consumption amount. Point-of-consumption tax revenue will depend on how each betting operator, such as Tabcorp, uses free bets and markets and promotes betting in Queensland. We have estimates. We rely on Treasury's estimates for those. I will defer that answer to Adam Rytenskild from Tabcorp to see their view on what PoC's impact will be in Queensland. Our view from a racing perspective—we have rolled three current funding streams into one and we believe we will have revenue growth which will then be able to be reinvested into the industry.

Mr BOOTHMAN: My question is similar to the original question I asked the department, and it was about incentives when it comes to the bigger agencies and Queensland. Has that changed since the tax increased? Is there more incentive now or less incentive from these larger organisations?

Mr Parnell: It has been an interesting market dynamic to watch. We are not a wagering operator, but as an observer, and for those in our Racing Queensland team that analyse the wagering market, it has certainly been a vibrant market. Recently members may have seen an organisation called betr, a new entrant to the market, offer some quite substantial incentives or free bets to customers. Members from Tabcorp and Responsible Wagering Australia can give specific examples. However, we are seeing quite a lot of incentives being offered. However, when the tax was first announced some of the corporate bookmakers elected to punish Queensland Racing and deprioritise it in their customer offer, which did not impact government revenues; it impacted Racing Queensland's direct revenues from wagering operators. It will be a market in which we watch. The point-of-consumption tax changes that have taken place in New South Wales and in other jurisdictions such as the ACT have caused some changes in incentive behaviour from bookmakers, but that is an answer I would defer to the bookmakers.

Mr DAMETTO: My question is in regard to the revenue proposed to be raised through the new bill and the taxing scheme and what is going to be returned to country racing. I believe I have my figures right from speaking to Treasury five minutes ago. Of the extra \$30 million that will be raised in revenue going back to Racing Queensland, \$2.4 million will be going into country racing to bump us up from \$17.6 million a year to \$20 million, increasing that two per cent year on year. Given that two per cent is not in line with inflation and \$2.4 million out of \$30 million seems a small amount compared to what will go into racing in the more metropolitan areas, do you think that is a fair amount of money going back into Racing Queensland country racing?

Mr Parnell: Our annual report for Racing Queensland details our contribution to the Country Racing Program. To date the government's contribution has been \$17.6 million per annum and the new floor of \$20 million will be a part of this. However, Racing Queensland invests substantially more than that into the country racing sector. We already spend more than \$20 million per annum and will continue to invest in the country circuit.

As I mentioned, there are several members who have what were known as non-TAB race meetings or non-public betting meetings around regional Queensland. They are huge events in those communities and we have already topped up prize money for those, and our aim will be to increase the investment in infrastructure at those events. We are funding a number of track renovations through Racing Queensland funding, in addition to the government's Country Racing Program. Other examples of further investment into that country racing sector are the non-TAB to TAB conversions, and some of the venues in your electorate, and particularly out in regional areas, most recently Brisbane

Cloncurry and Longreach cups, are now telecast nationally and internationally—all by virtue of Racing Queensland's additional investment into those. We are giving international exposure to the outback in addition to the extra money we are investing. All of that will continue to be detailed in our annual report and that will remain a priority for our investments.

Mr DAMETTO: It is great to see that international viewers are seeing Racing Queensland's offerings in places like Cloncurry.

CHAIR: I cannot believe Facebook is televising race meets. It is the first I have heard of it.

Mr DAMETTO: I think it is absolutely brilliant.

Mr SULLIVAN: We had a brief discussion with the department in the previous session in terms of the definition of country racing. You have pointed out the reach of Tabcorp and others in terms of what is broadcast nationally and internationally. In terms of the definition, is it almost a self-identification in terms of country racing? When it comes to the \$20 million floor, what areas are we talking about and what is your understanding of what that geographical area includes?

Mr Parnell: I thank the member for Stafford and my local member for the question. The definition of country racing has been muted somewhat by the development of technology—the fact that you can watch races on phones and on TV, wagering can take place anywhere at any time. They were previously known as non-TABs because there was no off-course wagering. That has now been rendered rather pointless by technology. However, we run a calendar each year and within that will be identified country TAB and country meetings which will then be the beneficiary of this prize money.

As I mentioned to the member for Hinchinbrook, Racing Queensland does top up that prize money, so we will be spending more than that \$20 million. It will continue to evolve. We want to put more of regional Queensland on the international map. There are plans to expand the non-TAB conversions this year. We have added Chinchilla, Thangool and Ewan. That is three townships that would not have had that national exposure, but they will still be part of the former non-TAB calendar which is effectively part of our overall racing calendar.

Mr O'ROURKE: I am curious as to how Racing Queensland prioritises the requests for funding.

Mr Parnell: We run decision frameworks which effectively look through the lens of safety and risk, animal care, commercial and strategic, and they have weightings applied to those. As you well know, most recently the Treasurer and yourself announced a large investment in Callaghan Park at Rockhampton for expanded female jockey facilities and also flood resilience, with the river going up there quite often. That follows the year prior, when we invested with the club to support on-course stabling to help out with racing sustainability. All of those went through that same decision process. Then we have a steering committee internally which assesses and approves or declines those funding requests.

In the country racing sector, the beneficiaries of the current Country Racing Program, a very similar process is undertaken. For the benefit of the member for Rockhampton, that also includes our Country Racing Advisory Panel, which provides its input to that program. We will make recommendations and they will then import into that. That is the process. All expenditure over \$1 million comes back to Minister Grace for approval, as is a requirement under our ministerial approvals. Anything like the recent Rockhampton one, if it is not a club grant, will go through for ministerial approval. I hope that answers your question adequately.

Mr O'ROURKE: When we do put in that bid for the longest straight for Rockhampton's Callaghan Park, I am sure you will look after us.

CHAIR: Member for Rockhampton, I think I will have to rule that question out of order.

Mr Parnell: It will go through the same process, Chair, I can assure you.

CHAIR: Thank you, Mr Parnell. In terms of the way revenue will be generated, your view is that this will make a more sustainable racing industry for Queensland and create a circular economy, where what you generate is what you benefit from?

Mr Parnell: I think that is correct. Over the last five years we have created over 4,000 jobs in Queensland through our investments. This will give us an opportunity—instead of coming to government every two years for renewals of three different funding agreements, we will have the long-term certainty to be able to provide an investment program for our clubs for infrastructure and major events. So instead of looking just over the horizon, we will be able to give Queensland a plan for the next decade. That is the exciting thing—not only securing jobs, but also securing major events. It is such a big part of the Queensland economy, so thank you for the question.

Mr SULLIVAN: This is more a comment than a question. Although my previous questions were around country racing, obviously as a north side resident, my interests are in Eagle Farm and Doomben. I am sure that Racing Queensland will continue to work on that, as well, member for Rockhampton.

CHAIR: Don't forget the Capalaba greyhound track! Thank you very much, Mr Parnell for your time today, we really appreciate it.

Mr Parnell: Thank you.

CHAIR: No questions were taken on notice. Thank you.

RYTENSKILD, Mr Adam, Managing Director and Chief Executive Officer, Tabcorp

CHAIR: I now welcome Mr Adam Rytenskild, Managing Director and Chief Executive from Tabcorp. Thank you for agreeing to appear before the committee today. I invite you to make some opening comments, after which the committee will have some questions for you.

Mr Rytenskild: Thank you for the invitation to appear here today before the committee. I really appreciate it. I am grateful you are taking the time to hear me speak and to ask some questions. Thank you for your consideration.

Firstly, let me say that Tabcorp is strongly supportive of these reforms. As the only licenced and regulated wagering provider in Queensland we have a unique perspective on these changes, and any government decisions that immediately impact the industry. Tabcorp stands for a sustainable and well-funded Queensland racing industry, with vibrant local pubs and community clubs and a well-regulated gambling sector with a strong commitment to minimising gambling harm. We employ over 3,000 people in Australia and 650 people in Queensland are directly employed by Tabcorp.

We firmly believe the reforms that are contemplated in this legislation are fair and reasonable. They ensure all bookmakers pay their fair share of wagering taxes and fees. This legislation supports Queensland jobs, local pubs and clubs and creates additional funding for the Queensland racing industry. Unlike Tabcorp and our Queensland wagering brand TAB, our competitors are foreign-owned bookmakers who are licenced in the Northern Territory. Sportsbet and Ladbrokes are owned by large multinational corporations. For example, while Tabcorp is the local Australian-owned operator, Sportsbet's parent company Flutter Entertainment are a \$30 billion global company that is 15 times the size of Tabcorp.

The Northern Territory licenced bookmakers are domiciled in tax havens such as Dublin and the Isle of Man to minimise their tax liability. Prior to the introduction of these reforms, racing in Queensland got most of their funding—around 50 per cent—from Tabcorp's wagering turnover. Since 2014, there has been an explosion of foreign-owned Northern Territory-licenced online bookies operating in Queensland, but taking advantage of a favourable regulatory environment in the Northern Territory. They have rapidly grown their market share and currently, they capture about 75 per cent of Queensland's digital wagering market. Yet, they do not pay their fair share of tax to ensure a sustainable and well-funded Queensland racing industry. This has left the Queensland racing industry underfunded.

Queensland's regulatory framework has not kept pace with these underlying structural changes. Foreign-owned bookies are now shipping record profits offshore. Last year, whilst many Queensland businesses suffered through COVID, foreign-owned bookies like Sportsbet and Ladbrokes shipped more than half a billion dollars of profits out of Australia. It is, in part, because foreign-owned bookmakers paid less tax. This money should be going back into Queensland jobs, industries and communities.

In addition to the challenges the racing industry is facing, pubs and clubs are also missing out. The wagering infrastructure in Queensland pubs, clubs and tabs such as Sky Racing and the fit-out that the pubs invest in their venues, is licenced, regulated and paid for by Australian pubs, clubs and tabs. However, 63 per cent of people who bet in one of these pubs or clubs are betting on a mobile device with a foreign-owned bookie. This means that foreign-owned bookies like Sportsbet and Ladbrokes are benefiting from the wagering facilities that are installed at venues such as these fit-outs and Sky Racing, and they are benefiting from it at no cost. This, in turn, allows them to profit and to increase gambling advertising.

The lack of wagering tax paid by foreign-owned online bookmakers means the Queensland racing industry is underfunded. This legislation addresses the funding shortfall in the industry. Queensland racing should receive its fair share of tax from foreign online bookmakers. We firmly believe that this bill, and the resultant reforms, will provide certainty for racing going forward and will directly benefit pubs, clubs and race tracks across Queensland, especially in regional and remote areas.

I have been in this industry for more than 20 years and this is the biggest cash injection for the racing industry that I have ever seen. In relative forms, this will make Queensland the best funded racing industry in the country. Thank you again for the opportunity to address the committee today. Let me say again that Tabcorp strongly supports these reforms and firmly believes they are in the best interests of the Queensland racing industry and Queensland pubs and clubs.

This legislation will ensure a well-funded racing industry and a sustainable regulatory framework for local pubs and clubs. All bookies should pay their fair share of wagering tax and fees, and that is good for Queenslanders. The legislation is fair and ensures a level playing field where all operators pay their fair share. Most importantly, it provides a sustainable long-term funding model for racing in Queensland, along with local pubs and clubs. Thank you. I welcome your questions.

CHAIR: Thank you Mr Rytenskild. Member for Southern Downs.

Mr LISTER: Thank you for coming in and for your presentation. You gave what I would describe as a fairly gloomy picture for Tabcorp in the competition stakes with other gambling service providers. You have said that this bill will assist with that, certainly in terms of giving revenue to Racing Queensland. What else could be done to address the imbalances that you face in terms of competing with the other offerings that are based elsewhere, or do not pay tax in one shape or form?

Mr Rytenskild: These arrangements will be the most contemporary in the country. Not only have we reached agreement to pay \$150 million, we have agreed to give up on-course exclusivity. Every club has the ability to negotiate a better agreement either with us, Sportsbet, Ladbrokes or someone else. That will be good for those race tracks, starting with the VRC because their contract is up first—they are open at the moment.

The reality is the market is changing. We are regulated in seven states. Importantly, these are very strong regulators, including in Queensland. We operate a gambling business, as our competitors do, so regulation just outside of the margins should apply to everyone. That is, again, good for the community and that is something we expect and abide by. This goes a long way towards allowing us to compete on level terms and to being able to invest money back into the pubs, clubs and into our promotion for our offering in Queensland, as well.

Mr DAMETTO: Can you give us an idea of how this proposed legislation will even the playing field for Tabcorp here in Queensland, especially when it comes to competing against overseas entities?

Mr Rytenskild: Sure. As I said, today digital disruption has changed everything. We have to invest in our competitive offering. I absolutely committed to us investing in our product and our offering for punters in Queensland. We just have a new app, for example, that is going really well in Queensland. It is an important part of our offering. As I have been saying, we have been fighting with one arm tied behind our back because in round terms we pay double. Every dollar bet with us, we pay double in racing industry fees effectively than all of our competitors do.

That money, with our competitors, either goes offshore or is invested in gambling advertising, which allows them to acquire more customers which then puts more money offshore. This will enable us to give some of this money back to pubs and clubs. It enables a redistribution of the wagering dollar, if you like. A lot is going back to racing and it allows us to provide a better service for our customers, so that they have a choice. They can still bet with whoever they want to bet with, but it will allow us to compete on level terms.

Mr DAMETTO: Excellent. Thank you.

Mr SULLIVAN: When we talk about racing and infrastructure we think of race tracks or change rooms and that sort of thing, but from your background it also includes pubs, clubs and standalone TABs across the state. Do you have figures as to how many clubs and pubs Tabcorp has a presence in?

Mr Rytenskild: There is about just shy of 800 in Queensland right across the state in just about every town throughout the state.

Mr SULLIVAN: Does that include standalone TABs?

Mr Rytenskild: Yes, and we have fewer of those. Most of those are actually pubs and clubs, but the 650 people I mentioned who work for Tabcorp does not include all of the people who work in those pubs and clubs who serve our products.

Mr SULLIVAN: Including the mighty Stafford tavern, I should say.

CHAIR: And the mighty Victoria Point Sharks.

Mr O'ROURKE: Going back to the 800-odd pubs and clubs that you have a presence in, what is the investment there?

Mr Rytenskild: It differs. We do have some standalone shops. I do not have the number on me, but it is less than 100 out of those 800. It really depends on what the pub and club wants it to be and how it fits into their offering but we combine the cash betting, which we have a licence for in the Brisbane

venue, together with digital betting so we are the only operator for a pub and club. I do not have my phone on me—but if you bet with TAB on your phone in a pub, we pay that pub commission. If they sign a customer up, we actually pay them commission on their betting outside of the pub, as well.

It is an integrated offer between what you physically see in the pub—be it Sky Channel, the form guides or the terminals where they are taking cash bets—but increasingly, it is the digital offering where they can earn commission from us. Their concern is because the playing field is not level and the corporate bookies can invest more in free bets for people sitting in their pub. People are sitting in a pub with a blue app or a red app and they are getting no money for that, yet they are putting on the show. They are investing in all the infrastructure and everything else. But to answer your question, it is whatever they want it to be and digital is a key part of that offering, and it will increasingly be so in terms of their partnership with us.

Mr O'ROURKE: With Tabcorp and free bets, is TAB involved in the free bets? What does that mean for our pubs, clubs and TABs?

Mr Rytenskild: We are, to a lesser extent than our competition because we can only afford it up to a level. We call them bonus bets. This is effectively the basis for promotion. For example, on a Saturday if you backed a horse to win and it ran third, if the promotion is running on that race, you will get your money back in the bonus bets that can then be reinvested. That is pretty common across the market. On average on a Saturday, which is where most of these bonus bets are applied by us and our competitors, probably about 3 ½ per cent of turnover is invested in bonus bets on a Saturday which is a significant increase for us over the last few years, just to try to compete. Our competitor is around seven per cent of turnover.

CHAIR: If only my dear dad was alive. He was a mad keen punter—I still remember his TAB phone account number—and he would be delighted with bonus bets for picking a losing nag because it happened regularly on a Saturday afternoon. Thank you very much for joining us today. We are really grateful for your time. There were not any questions taken on notice. Thank you again for your time.

MADDEN, Mr Justin, Chief Executive Officer, Responsible Wagering Australia (via teleconference)

CHAIR: Good morning and thank you for agreeing to appear before the committee today. I invite you to make some opening comments after which the committee members will have some questions for you.

Mr Madden: The sound has a bit of an echo, but I think I got the gist of that. It is probably best if I introduce myself and speak briefly and then I am happy to answer any questions if that is suitable. Responsible Wagering Australia is the peak body representing the Australian licensed online wagering industry. Our members include Australia's major wagering service providers: bet365, Betfair, Entain which covers Ladbrokes and Neds—they sit under that table—PointsBet, Sportsbet and Unibet. RWA and its members are committed to ensuring that Australia has the best conducted, socially responsible wagering in the world.

It is a very heavily regulated industry. Australia's online wagering industry is regulated by somewhere in the order of 17,000 pages of state and federal regulation whilst remaining accountable to 26 different regulatory bodies. RWA's members are bound by a code of conduct requiring the maintenance of the highest standards of integrity and probity. Our former codes of conduct have now been implemented by state, territory and Commonwealth acts of parliament and regulations, including prohibitions on payday lending, strong identity verification requirements and reforms regarding the placement of wagering advertising.

We have also been, as an industry organisation, a chief advocate for the National Consumer Protection Framework for Online Wagering in Australia. That is an intergovernmental agreement aiming to reduce problem gambling rates in Australia by introducing nationally consistent minimum protections for consumers of interactive wagering service providers licensed in Australia with national best practice. While most of those national consumer protection frameworks have now been implemented, we are still continuing to work with the state and territory governments with their respective regulators in implementing the remaining measures. We thank you and welcome the opportunity to provide comment as part of the Betting Tax and Other Legislation Amendment Bill. Thank you very much.

Briefly, there are a small but significant number of issues announced by the Queensland government that relate to the industry, both the rate and base of Queensland range of taxes, and the simultaneously dismantling of key industry funding obligations with Tabcorp which is the exclusive retail on-course licence holder. Tabcorp remain deeply troubling for not only the integrity of government decision-making but the future of sustainability of the Queensland racing industry, from my point of view.

As you are aware, the major policy decision was announced without any prior consultation whatsoever with RWA or its members, and followed up, we understand or believe, with 40 meetings between the Queensland government and enacted strategies on behalf of the primary commercial beneficiary of this decision, Tabcorp. I note that the Premier has since banned the principal of Anacta Strategies from further engagement with the Queensland government following the findings of the Coaldrake review. As a consequence of this lack of full consultation with industry, the decision was regrettably taken in absence of key facts about the economics of wagering and racing in Queensland, we believe. Firstly the Queensland government's budget projections on wagering tax revenue, we believe, are inaccurate by about \$50 million, assuming no-cost mitigation is pursued by wagering operators. Secondly, the decision did not appropriately account for measures that individual corporate bookmakers may take in response to the commercial realities of significant increased costs in Queensland and the impact that will have on the Queensland racing industry. I just want to explain that.

Since the Queensland government's announcement, some corporate bookmakers—and I say some—have made the decision unilaterally to respond to the decision by making changes to the Queensland racing product offerings, and those decisions are made individually by bookmakers independent of RWA or any other bookmakers. It is RWA's understanding that amongst those corporate bookmakers who have individually made independent decisions to begin mitigating the cost of this decision, there has been a decline in turnover of Queensland racing of up to 51 per cent year on year, together with 50 per cent reduction in the number of active customers wagering on Queensland race. RWA also understands that the turnover lost on Queensland racing has transferred to racing products in other jurisdictions. Customers did not cease betting as a result of these changes but rather, they substituted Queensland racing with racing products offered by other jurisdictions. It

is also a belief that if all major corporate bookmakers were to make their own decision to fully mitigate the costs of the Queensland government's decision, somewhere in the order of \$1.75 billion in Queensland racing turnover would be lost just in the next two years.

They are the sorts of major issues for us. In terms of the Australian wagering industry, RWA members are significant contributors to the Australian economy through direct taxation revenue collected by governments at both Commonwealth and jurisdictional level as well as through direct and indirect economic contributions to the transport industries and the wider communities. RWA members contributed \$5.8 billion both directly and indirectly into the Australian economy in the financial year ending June 2022 and, during the same period, RWA members sustained over 32,000 jobs as a result of this economic activity.

RWA members also made a significant tax burden, having paid over \$1.9 billion in taxes and levies in the 2022 financial year. 51 cents in every dollar of corporate bookmaking revenue was paid as tax in Australia. This tax burden continues to increase. The total burden of taxes and levies has increased 68 per cent between financial year 2019 and financial year 2022 from \$638 million to \$1.9 billion. Last year, RWA members paid \$650 million directly to the Australian racing industry supporting trainers, jockeys and other participants. Between 2017 and 2018, and 2020 and 2021, RWA members increased their returns to the racing industry by 130 per cent. Analysis prepared for RWA by IER consultants on the assessment of the economic contribution of RWA members estimates that thoroughbred racing is responsible for about 51.6 per cent of taxation footprint generated by RWA members nationally, and 19 per cent of that is in Queensland alone. Greyhound racing is something in the order of 23.4 per cent, sports betting 18.1 per cent, and harness racing 6.9 per cent make up the remainder.

In the financial year 2022, RWA member activity was directly responsible for supporting 32,000 full-time equivalent jobs nationally, 62,701 of those in Queensland, and those jobs were supported by RWA member businesses. RWA's economic contribution in members' contribution in taxation and wider economic factors are significant, given the overall proportion of the Australian wagering landscape. In 2019, estimates of the prevalence of interactive wagering amongst the Australian population was 17.5 per cent, an increase of 8.1 per cent from 2010-11.

Of all wagering activities, legally in Australia, lotteries remain the most prevalent form, followed closely by Keno and electronic gaming machines, and noting that the vast majority of Australian gambling spend is associated with poker machines, accounting for 56.3 per cent of overall gambling losses, whilst 16.7 per cent is associated with casino gambling.

The last point I want to make is that in terms of the impact and the proposed risk by illegal offshore operators. RWA supports the development of policies that encourage data-driven and tailored approaches to problem gambling intervention rather than generalised restrictions with little empirical evidence, based on their effectiveness. Whilst regulation is an important aspect of the onshore market, overly stringent regulations and restrictions that impact on the customer experience may make the offshore products unattractive compared to services offered by illegal offshore operators. Overarching restrictions with little evidence based on the supported effectiveness will only destabilise the regulatory environment, resulting in customers using illegal offshore wagering with less restrictive platforms.

In addition to not offering any consumer protection to Australian consumers, illegal offshore operators do not pay Commonwealth, state or territory taxes or product fees to Australian racing or sporting industry bodies, and the significant presence of illegal offshore operators in Australian markets still remains a risks to consumers, despite attempts to block access to such work sites by ACMA. Key drivers bringing consumers to these products include better pricing and lack of product restrictions which are particularly effective when such restrictions are applied to domestic operators through a broad approach to regulation. It is estimated that about 42 per cent of the Australian wagering market existed through illegal offshore platforms, evidently producing greater risk to Australian consumers through the lack of consumer protections prior to this market as compared to licensed offshore operators—

CHAIR: Mr Madden?

Mr Madden:— it is in the best interests that governments and industry maintain protections here. Just to finish, RWA members take the matters raised as part of the inquiry extremely seriously. We welcome the opportunity to provide comment and we appreciate the opportunity and look forward to answering any questions.

CHAIR: Thank you, Mr Madden. Can you hear me?

Mr Madden: There is still a bit of echo in the room.

CHAIR: Unfortunately our proceedings are within our Legislative Chamber which is very much an echoing space, but we will do our best to proceed with some questions.

Mr LISTER: Thank you very much for your appearance today, Mr Madden. During the statement offered by the CEO of Tabcorp just before your appearance, he was at pains to emphasise that your members, some or all of them perhaps, are in the habit of using international tax havens and so forth as a way of evading the taxes that a state-based organisation such as Tabcorp has to pay. Do you have anything to say about that yourself?

Mr Madden: I would just say that, as I have mentioned in our presentation, our operators pay a significant amount of tax in this country because of the regulations and controls established in this country and like any other company established in Australia are covered under Australian law and relevant jurisdictional law. My only comment in relation to Tabcorp's comments would be that it is probably worth scrutinising their major shareholders and where they are located, or the structures of those companies as well, to be sure that there is not an exaggeration from Tabcorp in relation to what they believe we do or what they believe might be their sanctimonious view of the world.

CHAIR: I might follow on from that question. In your opening statement you provided a lot of information around taxation paid. I was wondering if you could speak a little bit about your member organisations and their profitability and where those profits are maintained. Are they maintained in Australia or are they sent offshore?

Mr Madden: I missed some of that because it is echoing in the room. I understand you are asking questions in relation to the company structures, is that correct?

CHAIR: More so in terms of what your member's profitability looks like and are those funds maintained in Australia or are profits sent offshore?

Mr Madden: I could not answer specifically in relation to each of our members and, of course, I am sure even individually our members would not share with our other members, if that makes sense, and probably not necessarily would share that directly with us. We can ask the question of our members to see if they are willing to provide some of that detail, and I am happy to endeavour to seek that information.

CHAIR: That would be terrific, if you could take that on notice.

Mr BOOTHMAN: My question is very similar to one I have asked before. It is a bit of a groundhog day for me. I am going to ask about incentives when it comes to betting in jurisdictions. Is there any disparity with incentives between other jurisdictions in Australia and Queensland when it comes to your members? Are they more focused in other states than Queensland? I just want to know if there is any disparity in how the incentives are portrayed when it comes to your betting.

Mr Madden: I do not think I got all of the question detail, but I think the question was in relation to the comparisons to other jurisdictions and the costs or the taxation in other jurisdictions. If I have not got that right please let me know. The point of consumption tax is significantly different in jurisdictions. In some states it is 10 per cent, in other states it is 15 per cent, but not with the betting levy that is being proposed for this legislation.

There are two issues here predominantly. One is the level of taxation and then the other one is that we do not believe there was a sufficient process involved in examining the issue. In other jurisdictions where the rate of consumption tax has been raised to 15 per cent, some of those jurisdictions have gone through a process of consultation with our members. This was not the case in Queensland, it has been the case in New South Wales, and we are disappointed that it did not seem to be a process that our members could contribute to in the development of this policy position. Because of that, that is a major concern, and whilst Tabcorp was seen to be consulted, our members were not.

As mentioned in my presentation, the major beneficiary of the decisions seems to be Tabcorp. Understandably from our members' point of view they are aggrieved in two ways: one is a significant increase without consultation, but then also a significant increase that is not necessarily imposed in the same way. The major beneficiary was probably the major competitor to our operators which is Tabcorp. We are significantly disappointed, our members are significantly disappointed, because of that.

Mr DAMETTO: My question is in regard to the legislative changes that this bill seeks to implement. Your members through RWA, will they survive such a tax increase or is this something that may drive them out of the Queensland industry?

Mr Madden: As I mentioned in my presentation, some of the operators we understand have individually decided that rather than promote product to the extent that they might have in Queensland, it would appear that some of them who have made this decision unilaterally, individually, Brisbane

are promoting product into other jurisdictions. The impact there is that that may have a significant effect and impact on racing in Queensland to the benefit of racing in other jurisdictions. That is probably more likely to be the case. That is at one level. Then potentially beyond that, as I have mentioned, illegal offshore operators may be able to offer a less costly product and attract people to their offerings. Even though that is illegal and is supposedly banned that cannot be guaranteed in terms of the way in which this technology operates. What that does is leaves those who decide to engage in offshore operations by placing bets with them exposed and also with money spent offshore there is no tax or protections that go with those operations.

Mr SULLIVAN: Of your members, how many are licensed through the Northern Territory?

Mr Madden: I do not presume to know the exact establishment details, but I think the vast majority of them would be operating through a Northern Territory licence.

Mr SULLIVAN: In terms of infrastructure in clubs and pubs across Queensland, do any of your members sustain or invest in infrastructure in community clubs or sporting organisations and hotels?

Mr Madden: I think the major issue here is that the members of RWA as operators pay significant product fees and that is as well as the taxes that we have discussed or talked about.

Mr SULLIVAN: They pay fees to clubs and pubs, do they, Mr Madden?

Mr Madden: Those product fees go directly to racing or sports.

Mr SULLIVAN: Sorry, my question was explicitly in terms of pubs and clubs across Queensland. Do any of your members have infrastructure or pay fees to clubs and pubs in Queensland?

Mr Madden: Sorry, I just missed that last bit about the pubs and clubs.

Mr SULLIVAN: That is exactly what I am asking about: do any of your members have infrastructure or pay fees to clubs and pubs across Queensland?

Mr Madden: No, I do not believe so. I think you will find that the reason why that is not the case is that Tabcorp have the retail exclusivity in terms of a shopfront or the equivalent of a shopfront that our members are not entitled to and they are not licensed to have that and because of that Tabcorp have the exclusive operational licence, I understand, for that. So understandably Tabcorp will invest in that, but because our operators do not have that, nor are they able to access that generally, they have not made that investment, I understand.

Mr SULLIVAN: In your opening statement you said you were concerned about the sustainability of racing, I think was the phrase you used. Do you concede that providers such as Tabcorp, who are licensed in this state, provide more investment and taxation to the racing industry than your members?

Mr Madden: Just that last little comment you made about industry or something, I missed that.

Mr SULLIVAN: Do you concede that a Queensland based company like Tabcorp pays more taxes and invests in Racing Queensland more than your members under the current regime?

Mr Madden: I think Tabcorp are the beneficiary of some exclusive arrangements that our members do not have access to—that is, retail opportunities and on-course exclusivity that our members do not have opportunity to access because of the licensing arrangements, nor do our members have the opportunity for the exclusivity sense of the totalisation operation that Tabcorp have. Whilst Tabcorp may potentially invest more than our operators, it is because they have, in a sense, a real footprint, a real, live infrastructure footprint that they invest in for their own business. Some would argue that they may not have invested enough in that to make their operations a well-resourced, continually going concern and hence have suffered because of that. They have not been sufficiently effective to make the most of the opportunities they have got, some would say that, and I believe our members would probably say it.

CHAIR: Thank you, Mr Madden. That concludes our session with you. I note that there have been a number of questions taken on notice with regards to your member organisations: A, their profitability; B, profits, whether they are retained in Australia or sent offshore and; C, the licensing jurisdiction of your members. If we could get the responses to those questions taken on notice by Thursday, 27 October 2022 so that we can include those in our deliberations we would be grateful. Thank you for your persistence with a dodgy phone line and the echoing. We are very grateful for your time today. Thank you, Mr Madden.

Mr MADDEN: Thank you to all the committee members. Much appreciated.

LAIRD, Mr Peter, Chief Executive Officer, BetGold Racing and Sports

CHAIR: Good morning, Mr Laird. Thank you for appearing before the committee. If you would like to make a brief opening statement, then the committee will have some questions for you.

Mr Laird: I am Peter Laird. I have been a licensed Queensland bookmaker since 1974, I think it was, and continually since that time. I have worked on course in Queensland all that time for many, many years and collected millions and millions of dollars by way of turnover taxes and things for the Queensland government. The landscape has changed over many years with the introduction of technology and the internet. Over the last few years I was fortunate to gain a licence through the Queensland government, regulated by the Queensland Racing Integrity Commission, to operate an online licence, which I kicked off in May this year. I am also in my ninth year as president of the Queensland Bookmakers' Association, so we keep the ball rolling there in that respect. I think we had 13 bookmakers operating at Stanthorpe last Saturday week, so we are very proud of that.

I have put in a submission which I believe was reasonably easy to understand. I think the committee, having read it, would understand the complexities of taxing and what happens when turnover is suppressed and as a result revenue is driven down or turnover—in other words, betting—is driven away from licensed operators. I think that is a very serious issue that could escalate going forward. I think the previous speaker mentioned illegal overseas operators. We do not want that situation to escalate in Australia, although I am sure it happens.

In relation to my operation, I believe that an increase in the tax is happening. Specifically I am asking that losses forward be aggregated in profitable months so it could be levelled out. You cop the tax in the profitable months so you do not have to keep paying it when you lose. So you might be square after three months and you have paid all the tax; do you know what I mean? I am asking for the tax to be aggregated in losing months and then worked out or aggregated in profitable months. I am thinking of a situation of three-monthly or six-monthly periods like with BAS statements.

If the committee sees fit, I am also asking that the threshold be increased in Queensland—at present it is \$300,000—to come into line with southern states like New South Wales and Victoria where it is a million. I am asking for it to be increased in Queensland to \$750,000. This would incentivise me to increase or expand my business and the regulators, being Racing Queensland, would receive more in product fees. In other words, you are sort of half the time frightened to take a big bet because you know you might have to pay 20 per cent and then Brendan Parnell loses out. He has gone, has he? So Racing Queensland loses out because they do not get the turnover, the product fees.

I hope the committee understands that when GST was introduced turnover taxes in Queensland were wiped. Product fees were introduced in place thereof after a few years. In other words, GST was introduced and product fees replaced turnover tax. In my little world, in 2014 I was able to engage with Racing Queensland to allow on-course bookmakers the luxury of not paying a fielding fee but just paying product fees, so they pay product fees. There are no fielding fees in Queensland. They pay product fees and they pay their wages and all the other associated expenses.

As for myself, I work seven days a week. I work on course sometimes 120 days a year. I always work at the Gold Coast. I work at Beaudesert on course, and the off-course operation runs separately to that at betgold.com.au. That is a little bit about me and everything that I do and what I would like to see happen. In other words, the basics of it are to incentivise businesses to grow and thereby everybody wins: the government wins, the regulator wins and the industry wins. I should not say everybody wins: there will always be a winner and a loser. I am trying to keep it simple here for the committee. I hope you get the ramifications of what I am trying to say.

CHAIR: We definitely did. Thank you very much, Mr Laird.

Mr LISTER: Mr Laird, thank you very much for coming in. I often find that a study of what has happened in the past can add some context or understanding to what happens now. You said you have been a bookmaker since 1974. For roughly the first 15 years of your time as a bookmaker would it be fair to say that the competition you experienced as a licensed bookmaker against SP bookies in pubs represents, to some extent, the competition you face now with online betting? How do the different contexts appear to you?

Mr Laird: Pretty much what you just said is correct. A lot of things change but everything stays the same. The competition comes from somewhere else. That is basically why I obtained my online presence. To answer your question, I am thinking along the lines that I would rather see product fees slightly increased and no point-of-consumption tax. You asked a question about the racing industry being funded. The racing industry receives that extra funding whereas it does not receive all the returns from the point-of-consumption tax, does it? They are not getting all of it. Some of it is retained

by the government, correct? To answer your question directly, I would say scrub the POC and let the regulators increase their product fees. Basically, you are transferring a federal tax to a state tax. I will just give you an example. Since I have been online, the product fees I pay to Greyhound Racing New South Wales and Victoria have substantially increased. Whereas thoroughbreds, which should be running first, are not running first. I believe that as a result of the taxation situation people have gone to other places. I hope I have answered that question.

CHAIR: We have time for one more question.

Mr O'ROURKE: Mr Laird, I am interested in product fees. Can you explain what that is and how it is worked out?

Mr Laird: I will give you a quick answer: it is a hodgepodge. Every state regulator in Australia is different. I would say that Queensland is possibly the easiest to understand and get through, get all your data out and send it in and that sort of thing. It is based on one per cent of your turnover, so for every \$100 it is a dollar. That goes right up to about 3½ per cent depending on the form of betting it may be, whether it be an exotic bet or whether you have a threshold with your regulator. The regulator might give you a \$3 million threshold where you pay the one per cent and above that you are paying more. It is different right throughout Australia. That is the quick answer.

If you could think of it this way: it is a turnover tax. It is just a tax on your turnover and it varies from one per cent up to about 3.5. If we write a bet at the dogs in England we pay a fee to them. It could be 2½ per cent, it could be 1¾, it could be 1¼. It varies everywhere. There is no standard. I would really love it if there was a standard format for all states throughout Australia. That is the way I see it. I hope that has answered your question. It is basically just a turnover tax and it is from one per cent to 3½ right through, depending on the form of betting.

CHAIR: Your online platform is across all courses around Australia and overseas?

Mr Laird: Yes. You have to get approval to provide their products to bet on. If you did not have their approval they could shut you down or fine you heavily. If you are doing it illegally, if you are displaying their products—for instance, South Australian greyhounds or something—and you did not have their approval, they would track you down.

CHAIR: They would find you.

Mr Laird: They would definitely find you and fine you, I reckon. But you would not want to do it with Racing Queensland because the regulator, Brendan and QIRC, would just be right on top of you.

CHAIR: I am sure they would be. Member for Rockhampton, you are pushing your luck. One very quick question.

Mr O'ROURKE: How many bookmakers are there in Queensland?

Mr Laird: Between 80 and 90, but we have kept 80 pretty much in the last eight or nine years.

CHAIR: Thank you so much for joining us this morning and answering our questions, Mr Laird. The time has now expired for this hearing. Thank you to all of our witnesses for the information provided today. Thank you to the Hansard reporters, the parliamentary broadcast team and our secretariat for their assistance. A transcript of these proceedings will be available in due course. I note there were no questions taken on notice in this session, but a number of questions were taken on notice in previous sessions for which responses are due by close of business Thursday, 27 October 2022. I now declare this hearing closed.

The committee adjourned at 11.15 am.