



Speech by

**Mr D. BRISKEY**

**MEMBER FOR CLEVELAND**

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Hansard 27 August 1999

### **TAB QUEENSLAND LIMITED PRIVATISATION BILL**

**Mr BRISKEY** (Cleveland—ALP) (11.52 a.m.): Today I am pleased to speak in support of the TAB Queensland Limited Privatisation Bill. The decision to privatise the Queensland TAB was not taken lightly by the Beattie Government. Labor Governments generally are more cautious and sceptical about the public benefits of selling Government assets. The Beattie Labor Government is about creating jobs, helping regional and rural Queensland, providing more funds for health, education and social services and providing greater integrity in Government. However, gambling is not an essential service like electricity, water supply or telecommunications. There are questionable arguments about why the Government should retain ownership over a betting shop.

The Beattie Government looks at privatisation issues on a case-by-case basis. In the case of the TABQ the arguments are strongly in favour of this asset sale. The sale of the TAB is good policy. It is good for Queensland taxpayers, who will receive the benefits from the full value of the TAB. It is good for the broader racing industry in the State and the Queensland racing industry. It is good for the TAB's employees and all whose livelihoods depend on a competitive and viable TAB and racing industry. Finally, it is good for punters and racegoers.

There are compelling economic and political reasons to proceed with this sale. I firmly believe that selling the TABQ will help to create jobs and promote job security. If the TABQ were allowed to remain in its present form, a number of jobs in the racing and wagering industry would be lost. It is that simple. Estimates have indicated that up to 5,000 jobs could have been threatened, especially racing jobs in regional and rural areas, if the sale did not proceed. The TABQ is the principal source of funding for the Queensland racing industry. The QRI employs 6,000 Queenslanders directly and up to 25,000 indirectly and contributed \$77m to consolidated revenue in 1996-97. It is Queensland's fourth biggest industry.

Arguments opposing the sale have centred on the potential threat to the pay and conditions of workers employed in the racing and betting industry under a privatised entity. The important point to note is that there has been no real significant improvement in workers' conditions under Government ownership. Also, it goes without saying that a more vibrant and competitive industry offers the best opportunity for increased benefits to be gained by workers. In fact, job losses will definitely occur if the present industry structure remains in Queensland.

The TABQ needs to change in response to national wagering and gaming developments, particularly the privatisation of the New South Wales and Victorian TABs. TABs in New South Wales, the New South Wales TAB, and in Victoria, TABCorp, are now privatised. Those TABs have become more competitive, attracting managerial expertise and additional capital and have a greater ability to develop innovative product initiatives. By performing better than previously, these TABs have boosted confidence in the racing and wagering industries in New South Wales and Victoria and have channelled more funds into the racing industry in those States. There has been a 16% increase in New South Wales and a 33% increase in Victoria. Prize money has increased in those States, which in turn has attracted further interest in the industry there, including interest from Queensland punters.

This has all occurred at the expense of horseracing in Queensland. The privatisation of the TABQ counters these developments in New South Wales and Victoria and ensures that the

New South Wales TAB and TABCorp do not bleed business from our State. Unless privatised, the TABQ and the racing industry will suffer a downturn in performance, and jobs will go, particularly in the less viable clubs in regional areas. This would not be in the interests of either the community or the Queensland racing industry.

Although the outlook seems bleak, we must not forget that the Queensland TAB has an enviable performance record. In every year over the past 37 years it has managed to increase turnover. Neither the New South Wales nor Victorian TABs have been able to match that record. In spite of its strong record, the Queensland TAB faces the most challenging environment it has encountered in its 37-year history. The threat of increased competition from privatised TABs in the south and from more intense competition in the broader gambling market is serious. The sustainability of that record is under question in an environment where new technologies and new distribution mechanisms mean that markets are no longer confined by State boundaries. It is this threat which led the Queensland racing industry and the TAB to push for the sale of the TAB. It has been argued that privatisation delivers a number of clear benefits to the TABQ. I am confident that this legislation will enable it to better compete in a more competitive market.

It provides greater operational flexibility, which translates into a greater capacity to respond more rapidly and more effectively to emerging competitive trends. It also provides the TABQ with access to capital from private equity and debt markets. This is especially important if the TABQ is to be adequately capitalised to maintain and enhance the infrastructure it requires for servicing its clients and competing successfully. Significant capital injections in the privatised New South Wales TAB and TABCorp have enabled those companies to attract Queensland punters.

To compete successfully against the greatly revamped New South Wales and Victorian TABs, TABQ needs to boost its capital funding. Access to capital is an important point that needs to be considered whenever we discuss the pros and cons of privatisation. The first priority of any Government, I think we would all agree, is to provide social infrastructure needed for the community, that is, to provide funding for our schools, our hospitals, our roads, our emergency services and the like. Consequently, in a tight fiscal climate, responsible Governments will be reluctant to divert scarce public funds to invest in services that have the capacity to raise their own funds and are not essential services, for example, horseracing. I will always choose to fund our schools and hospitals before providing millions of dollars towards a betting shop.

A privatised TABQ will have access to the private capital markets, releasing the Government from its funding obligations towards the TAB and opening up new funds for essential Government services. The sale of TABQ through a public float is expected to raise between \$200m and \$300m. A privatised TABQ is also estimated to pay over \$50m a year to the Queensland Government in taxes and licence fees. This money can be used to fund important initiatives in areas such as education, health and disability services. Privatisation will also provide a clearer commercial focus for TABQ.

In the model developed by the Government, TABQ will have clear commercial relationships with each of its major stakeholders, particularly its most important stakeholder, the Queensland racing industry. The product and program agreement negotiated between TABQ and the racing industry defines that relationship and does it in a way that provides an appropriate alignment of incentives and an appropriate set of rewards. As well, the product and program agreement provides TABQ with certainty of supply arrangements and the racing industry with certainty and autonomy in terms of its funding arrangements.

This privatisation model has the support of the racing industry and of TABQ management and staff. This privatisation and the specific details of the sale have not been forced on any of the stakeholders. Rather, it is a model that has been accepted by all as the most appropriate means by which both TABQ and the broader Queensland racing industry can respond to the competitive challenges that lie ahead.

Finally, this is important legislation that places TABQ on a more competitive footing and, in doing so, protects thousands of Queensland jobs and injects much needed capital into the Queensland racing industry.

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