Speech by

Mr N. ROBERTS

MEMBER FOR NUDGEE

Hansard 27 August 1999

TAB QUEENSLAND LIMITED PRIVATISATION BILL

Mr ROBERTS (Nudgee—ALP) (3.10 p.m.): I rise to speak on the TAB Queensland Limited Privatisation Bill. As I have said before in this place, I have a strong affinity with the racing industry. For many years I held an owner/trainer's licence and also a strapper's licence issued by the Queensland Turf Club. I also held a trainer's licence in Warwick. I have ridden track work at Eagle Farm, Doomben, Deagon, Albion Park, Clifford Park in Toowoomba, Allman Park in Warwick and Randwick in Sydney. I worked for Tommy Smith for a short period in Sydney and also at Roydon Lodge, a breeding and racing establishment near Christchurch in New Zealand, where I drove pacers and trotters during their morning and afternoon exercise.

Mr Pearce: Look how tall and thin he is. He wouldn't be able to get on a horse!

Mr ROBERTS: I have to respond to that interjection from the member for Fitzroy. He, like many of the other doubting Thomases in this place, just cannot believe or accept that at 6 feet 5 I was a regular track work rider. For the public record, I table in this House a photograph of myself riding a horse called Shiny Penny at Albion Park Racecourse in 1977. I hope that settles this matter once and for all.

I have also, in years gone by, been a regular racegoer, although today I restrict myself to the occasional visit to the track and would now be categorised as a $2 each way punter. So my interest in the industry is more than just a passing one.

I also have a strong belief that Governments should retain ownership of key public assets. I believe this is a factor which distinguishes us from the coalition—our commitment to maintaining a strong public sector role in the economy. Put simply, my basic political beliefs are founded on the principle that one of the key roles of Government is as an active defender of the public interest and that such an objective can only be achieved by an appropriate mix of private sector activity and Government ownership, regulation and control of key assets and services. It is for these reasons that I have taken a keen interest in the debate on the privatisation of the TAB.

At the outset I was an opponent of the sale. I concede that this position was to some degree coloured by my ideological beliefs. However, in the light of analysis of the facts and circumstances in which the industry now operates, I have changed my position to one of supporting the sale.

That reform needed to take place was not an issue. Most informed observers would concede that the racing industry and its relationship with the TAB needed to be modernised to secure the industry's future. Without change, the outcome would have been a significant loss of jobs and investment in our local industry. The racing industry is Queensland's fourth largest industry, employing around 6,000 people directly, including trainers, jockeys, strappers, farriers and veterinarians. An estimated 25,000 additional workers are employed in supporting industries such as transport, maintenance, the TAB, feed suppliers and growers, and marketing and administration. In considering these people's futures, it was not fair or just to base our individual decisions in this matter purely on ideological grounds.

The TAB has been a relatively good financial performer for some time. Since its establishment in 1962 it has contributed over $600m directly to galloping, harness racing and greyhound clubs in Queensland. It has also contributed much more than that in taxes to the State Government. Until recently, most of its activities have taken place without competition from other major competitors. That has now changed dramatically.

Wagering via the TAB now faces direct competition from a range of other gambling opportunities such as poker machines, casinos and keno. Wagering's share of the gambling market has been in slow decline since these developments. The future of the TAB and the racing industry was bleak. Major structural change was necessary to secure the racing industry's future in an increasingly competitive environment.

Today the Queensland racing industry certainly does not operate in a vacuum. There is no protective barrier at the Queensland border which protects it from what is happening in the southern States. Punters now have a wider choice as to whom they will bet with. Technology has now broken down any natural barriers that otherwise would have ensured that the betting dollar was wagered in Queensland on the Queensland TAB. With one touch on a quick dial phone, one can now place a bet with any TAB one chooses almost anywhere in the country.

There has been some discussion about whether the reforms should have stopped with the corporatisation of the TAB. After due consideration, I am now convinced that this would not have delivered the same potential benefits to the industry and its employees as a privatised TAB. Given the commercial risks existing in the gambling market, I am convinced that bureaucratic and political imperatives would have unnecessarily constrained the TAB in acting in its best commercial interests. And in the market that now exists, this is the only way in which the TAB and the industry should be operating.

It is not the role of a Government to be involved in speculative or high risk capital ventures. This is more properly a role for the private sector. The commercial risks in this new market are such that it is now an appropriate time for the Government to exit and transfer the risks to the private sector.

Whereas I support the sale of the TAB in this instance, I do not believe that the principles and basis for supporting privatisation will necessarily apply in other sectors. Gambling is not a public service such as health or education or a significant public asset such as our railways or electricity industry. Whereas these sectors are also becoming more exposed to competitive market forces, there is a strong case for continued and direct Government involvement in both the delivery and purchase of such services.

One of the primary aims of the privatisation of the TAB is to strengthen the Queensland racing industry by placing it in a more commercial relationship with the TAB, by providing greater funding certainty and autonomy to the Queensland racing industry and by enhancing the level of funding available to the industry. Most importantly, the aim is to secure the jobs of the thousands of people directly and indirectly employed in the racing industry across the State. In this regard, it is worth examining the experiences of the racing industries in Victoria and New South Wales following privatisation of the TABs in those States.

With respect to Victoria, the float of TABCorp in 1994 was the impetus for major change in the Victorian racing industry. The industry established a strategic review called the Leadership 2000 business plan that set down the course of action necessary to revitalise the industry. Since the introduction of Leadership 2000, the Victorian thoroughbred racing industry has achieved increased sales of Victorian thoroughbred wagering product, increased investment through the establishment of breeding industry incentives and satellite training centres, and substantially increased returns to industry investors. During 1994, just under $60m was available to owners through prize money and various subsidies. In 1998, the figure was over $90m—representing a 50% increase. Additionally, there were increased levels of participation by owners and patrons. Victoria is the only Australian State where attendances at race tracks are on the increase.

In 1994 the New South Wales TAB and TABCorp combined had a 35% share of the national market. TABCorp now has 37% while the New South Wales TAB has 30%. Owners, who are the biggest investors in the industry, now invest more than $350m in the Victorian industry annually. That is evenly split between bloodstock breeding and training. Horse numbers in Victoria have begun to rise since 1997, while in all other States the numbers have declined.

In terms of the effect on employment in the industry, a 1998 ACIL report states that since the float of TABCorp the number of industry employees has risen by 2,200—over 400 per year. Currently, it is estimated that there are 28,000 people employed in the Victorian industry.

In New South Wales, the TAB was privatised in May 1998. One of the immediate impacts on the racing industry was a considerable boost in prize money for its premier race days. The Sydney Turf Club increased prize money for its showpiece 1999 Golden Slipper Carnival by $1.5m to $8.5m. The STC also increased prize money for the 1998 Spring Carnival, as well as boosting prize money for all other meetings.

The Australian Jockey Club also boosted prize money for its 1998 Spring Carnival by $755,000, as well as increasing the prize money at its 1999 Autumn Carnival by $745,000. The New South Wales Country Council of Racing also believes that privatisation of the TAB has produced a number of positives for country racing in that State. These positives include the increase in funding for the country council from $24m to $32m per annum and acceptance fees for races in the region will be abolished from 1 July 1999, saving $180 per starter.

The two key initiatives that we need to give our own local racing industry a lift are cheaper racing costs for owners and better prize money. This is exactly what is being delivered in the southern States after the privatisation of their TABs.

In the context of the experience in those two other States, it is worth reflecting on the relationship between Queensland's TAB and our racing industry. Prior to the reforms, there was a very poorly constructed relationship. There was no contractual framework in which the TAB and the Queensland racing industry agreed on the quality and quantity of the racing product and the program supplied, the financial returns to the Queensland racing industry involved significant risk and had no clear relationship to their performance and there was a lack of clear strategic planning for the Queensland racing industry. These deficiencies have been addressed with the reforms that have been put in place with this Bill and others.

Under the revised arrangements, a 15-year product and program agreement has been negotiated between the racing industry and the TAB for their mutual benefit. Key features of the agreement are that the racing industry will supply a racing program and racing information to the TAB and the two parties will seek to reach mutual agreement on the program. The TAB will produce the wagering program in consultation with the racing industry. In consideration of the supply of the Australian racing product and the Queensland racing program, the Queensland racing industry will be paid, firstly, for the period prior to the sale, a fixed amount of $34m plus 22% of gross wagering revenue; for the first year after the sale, a fixed amount of $35m plus 25% of gross wagering revenue; for the period from the first anniversary of the sale to the fourth anniversary, a fixed amount of $35m per annum plus 26.5% of revenue; and from the fourth anniversary of the sale, 39% of revenue.

Other financial benefits accruing to the racing industry include the repayment of industry debt, currently estimated at $37m; a capital injection on corporatisation of $6m; a capital injection on privatisation of a further $10m; and the oncourse commission to race clubs to be paid on the basis of 4.9% of the turnover. In the first full year of privatisation, the total financial benefit to the racing industry in Queensland is estimated to be almost $106m. This compares with sustainable funding under the status quo of $88m in 1998-99.

Clearly, the significant increase in funding to the Queensland racing industry will enhance considerably its ability to further develop industry infrastructure, increase prize money and provide an attractive racing spectacle and racing product to the consuming public. In turn, this means more sustainable job and career opportunities in the longer term for TAB employees.

An important objective of the sale will be the fair and equitable treatment of TAB employees. Key elements of the approach are as follows: firstly, there will be the retention of all employees in the sale and a retention of their employment terms and conditions; there will be the continuation of superannuation arrangements for existing employees and an extension of redundancy benefits to all casual employees. Further, there will be preference for employees in the float, with a special allocation reserved for applications by employees. Employees will be given the opportunity to take a direct ownership interest in the enterprise for which they work. With those few comments, I commend the Bill to the House.