



Speech by

Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

Hansard 18 August 1999

TAB QUEENSLAND LIMITED PRIVATISATION BILL

Hon. P. D. BEATTIE (Brisbane Central— ALP) (Premier) (11.36 a.m.): I move—

"That the Bill be now read a second time."

This Bill is about securing a vibrant and healthy future for Queensland's racing industry. It is about securing the future of more than 20,000 jobs associated with this industry and, importantly, it is about conducting the sale of the Queensland TAB with the utmost regard to probity and due process.

This Bill facilitates the sale of TAB Queensland Limited, which is presently a Government owned corporation. The TAB is registered under the Corporations Law as a public company limited by shares. All issued shares in the TAB are currently held by Ministers on behalf of the State. The situation with the Queensland TAB is not dissimilar to that of Suncorp-Metway when that entity was being sold by the previous Government. But there is one very real major difference. The forthcoming sale of the TAB by my Government will be conducted with the utmost probity and accountability. Far higher standards will apply than have ever previously applied in this State. This is because we are committed to a process that is totally transparent and accountable—a process that is beyond reproach. In this regard, my Government has appointed a probity auditor to oversee the entire sale process.

Dr Watson: There was never any question, so we didn't have any conflict of interest.

Mr BEATTIE: This is something that the member's Government did not do in relation to the sale of Suncorp-Metway. The member's Government did not do what we are doing. We have high standards. The member's Government did not appoint a probity auditor; we did.

This was not an approach the previous Government adopted. Since the appointment of Deloitte Touche Tohmatsu as probity auditor, that firm has been responsible for monitoring integrity, accountability and transparency of the selection of advisers on the TAB privatisation. The probity auditor will be reviewing matters such as—

the appointment and management of consultants;

the process for dealing with and assessing proposals received from cornerstone investors, if we continue to go down that road;

information security;

logistics management;

the management of conflicts of interest;

project structures to ensure accountability and responsibility;

pricing of the TABQ public offer; and

the institutional and retail share allocation process.

In other words, the works.

Other probity measures have included the development of guidelines to ensure due process is observed and appropriate accountability mechanisms are in place. In particular, a set of guidelines was developed to govern the cornerstone investor process and interaction by Government officials with potential cornerstone investors.

The approach taken ensured that all parties were treated equitably and that there was a complete audit trail to ensure accountability. Again, this approach sets new standards of probity and accountability in Queensland—standards that the Opposition believe fall into the "do as I say, not as I do" category. A set of probity and process guidelines has also been developed for the operation of the various committees established to implement the sale process.

In addition to these guidelines, the probity auditor has prepared a draft set of probity guidelines. These guidelines will set the standard for the conduct of Ministers and their staff, public servants involved in the TABQ float and all advisers to the Queensland Government on the TABQ float. Cabinet has endorsed a policy under which Ministers, other Government members of the Legislative Assembly, ministerial staff members and their associates, as well as public servants and advisers involved in the TABQ sale will be precluded from any participation in the offer. I took that submission to Cabinet and it was endorsed on Monday. It has also been approved by caucus. I took the same recommendation to caucus and it was also approved on Monday. Both those bodies have approved this process. This is only proper. I note that it is a policy that the Leader of the Opposition has already rejected when it comes to members of the National and Liberal Parties.

Further, the TAB project team has initiated a process of regularly briefing the Auditor-General and is rigorously applying the guidelines issued by the Auditor-General for best practice in the sale of material public assets. The measures that I have outlined do not form part of the legislation but are drawn to the attention of members to indicate that this Government is committed to the highest standards of probity and integrity. As members would understand, they have the weight of the decisions of Cabinet and caucus.

In 1997, a strategic review of TABQ found that it was facing a number of critical problems. These problems arose from: its commercial structure; its relationship with the Queensland racing industry, the QRI; and the structure and level of wagering taxation and the existing regulatory regime. Without comprehensive structural reform of the TAB and its relationship with the Queensland racing industry, both entities face an uncertain future.

Privatisation is a critical element of the structural reform necessary to improve TABQ's competitive position vis-a-vis the privatised TABs in New South Wales and Victoria. Privatisation of TABQ is supported by the Queensland racing industry as a necessary precondition to the long-term viability of the racing industry in this State. I am delighted to say that it was also supported by the recent ALP conference, after a very informed debate.

This privatisation is about ensuring the long-term health of the racing industry. It is about creating an industry that can compete with its rivals without the need for ongoing Government support. It is about protecting jobs. The first of the administrative steps taken in the privatisation process was the declaration of TABQ as a Government owned corporation in conjunction with its registration under the Corporations Law as a public company on 1 July 1999. From that day, a new TABQ board was appointed. Other preparations for the sale have been under way for several months and this enabling legislation represents one of the major milestones in the sale preparation process.

The Bill provides flexibility to the Government to enable TABQ to be sold in the most appropriate manner and to enable the shareholding Ministers flexibility in dealing quickly with issues arising in the sale process. In this regard, various aspects of the State financial institutions and Metway Merger Facilitation Act 1996 were followed, as well as drawing on similar legislation in other States.

The sale of TABQ will be effected under the auspices of the responsible Ministers, being the Treasurer and the Minister for Tourism, Sport and Racing. The responsible Ministers are given the capacity to prepare the company for sale in the most appropriate manner. The Ministers will retain ultimate control of the company until the TAB's shares are transferred to private ownership and, in this regard, the Ministers have the ability to direct the board and make necessary changes to the TAB's constitution. The Ministers will act in close consultation with the TAB's board of directors and management throughout the privatisation process.

The Bill also makes a number of amendments to various Acts associated with the racing and wagering industries, most of which facilitate restructuring of the TAB's operations in preparation for the sale. In particular, a number of changes have been made to the Racing and Betting Act to ensure the effectiveness of the new commercial arrangements made between the Queensland racing industry and the TAB. These arrangements provide a greater degree of certainty that the industry will be able to supply TABQ with the information it needs to conduct its race wagering business. As part of these commercial arrangements, the Queensland racing industry will receive payment from the TAB, resulting in a significant increase in funding available to the industry in this State.

These arrangements usher in a new era for the Queensland racing industry—an era that will see the industry emerge as one of the most vibrant and competitive in Australia. It is already the fourth biggest industry in this State and it has enormous potential to grow and fit very much within our lifestyle

and tourism industry. These provisions are similar to measures included in the sale enabling legislation for the privatisation of the New South Wales TAB.

To ensure that TABQ retains its Queensland character, the Bill requires that the headquarters of TABQ be located in Queensland, and so they should be. It also provides that the State Government can enforce this requirement by injunction even after it has sold all of its interest in TABQ. In this regard, the Bill follows the Suncorp-Metway legislation. These provisions will ensure that TABQ remains Queensland based. This requirement is not mere tokenism. It extends to holding and subsidiary companies of TABQ and covers the residence in Queensland of the majority of directors, including the managing director and the principal operational officers of the company and all significant company services. Specifically, the key positions of chairperson, chief executive officer, chief operating officer and chief financial officer will all be required to be located in Queensland.

Dr Watson interjected.

Mr BEATTIE: Similarly, key services such as Treasury operations, information technology management, human resource management and account processing will also be required to be located in Queensland.

Dr Watson interjected.

Mr BEATTIE: I am delighted to hear the Leader of the Liberal Party's enthusiastic support for these measures, and what exciting measures they are! They are almost unprecedented. There may be a precedent, but I will not discuss that today.

Additionally, the usual place for the company's board meetings to be held must be in Queensland. We are serious about preserving the TAB as a distinctly Queensland entity.

An important feature of the Bill is the imposition of restrictions on shareholdings in TABQ. In this regard, shareholders in TABQ will be restricted to a maximum shareholding of 10% for a period of five years. This will provide the newly privatised entity with certainty of ownership as it adjusts to its new environment. The shareholding restrictions rely for their operation upon well established Corporations Law concepts and principles. The restrictions are safeguarded by powers to order divestiture or forfeiture of shares in the event of a breach.

An exception to the 10% shareholding limit is made for a potential cornerstone investor, who will be entitled to hold an interest of up to 20% in TABQ during the five year shareholding restriction period. For the first two years following the introduction of a cornerstone investor, no disposals of TABQ shares are permitted without the approval of the Minister, subject to the expiry of the shareholder restriction period.

In any business, flexibility and corporate agility are key ingredients of success. This Bill is sufficiently flexible to allow for the appointment of a cornerstone investor before or after privatisation of TABQ. If a cornerstone investor were to be selected after the float, TABQ would be making the decision. This would allow TABQ to pursue potential equity participation in the course of establishing a strategic alliance post privatisation.

In this regard, I wish to inform the House today that the Government has decided that a cornerstone investor will not be introduced prior to privatisation. This decision reflects a number of factors, in particular, the Government's desire to maximise the opportunity for Queenslanders to purchase shares in TABQ. It follows positive indications of very strong investor demand for TABQ shares. We are determined to see that the mums and dads of Queensland are the ones who get the maximum opportunity to buy shares in this float.

This decision does not mean that the cornerstone process is jettisoned, as some very interesting and worthwhile proposals were submitted by a number of potential investors. Rather, it takes advantage of the flexibility provided in the legislation to allow TABQ to enter into future arrangements, if desirable, with potential cornerstone investors following the float. This allows the TAB to control its own destiny and gives it the opportunity to consider various proposals for strategic alliances or cornerstone investors after the sale process is completed. It gives the TAB flexibility.

Even after the shareholding restriction provisions cease, other regulatory mechanisms exist which can limit the holding of shares in the privatised TAB. Under the Wagering Act 1998, the Queensland Office of Gaming Regulation will keep the ongoing suitability of persons associated with the wagering licensee under review. As a matter of course, any shareholder that acquires a 5% or larger shareholding is subject to a rigorous probity investigation to ensure that they are a suitable person to be associated with the licensee. This is in common with all other pieces of gaming legislation. This type of regulatory mechanism was not available in the Suncorp-Metway merger, and it offers added security that the Queensland TAB will indeed remain a Queensland entity. However, in common with the Suncorp-Metway legislation, the headquarters provisions mentioned earlier will apply indefinitely. Of course, the general provisions of the Corporations Law and the merger provisions of the Trade Practices Act 1974 will also apply to the privatised TABQ. The Bill also provides flexibility to allow for the

sale of shares in TABQ by way of an instalment receipt mechanism should such an approach be considered appropriate. The structure and precise details of the sale have yet to be settled.

Employees of TABQ will not be affected by the privatisation. The Bill contains specific provisions protecting their interests by preserving the status quo between TABQ and its employees throughout the privatisation process. These were undertakings that I gave prior to the approval of the privatisation by the Minister, the Cabinet and the party. We have lived up to those commitments. The net result of the TAB sale process will be to give Queensland TAB employees a degree of security and certainty that would have been unachievable had the TAB remained in Government hands.

I should say at this point that a specific allocation of shares will be set aside for TAB staff and agents. That is good news for the staff and their agents. TAB staff and agents will be given preference in the allocation process—and I am announcing that today. The Government is also discussing with the TAB board the implementation of an employee share plan to give employees a further opportunity to acquire a direct ownership interest in their own enterprise.

Privatisation of the TAB is essential if we are to preserve jobs in the Queensland racing industry. The racing industry depends on TABQ as a major source of income—funding that is used for major race meetings, prize money and to assist smaller racing clubs in regional and rural areas. We need a strong and profitable Queensland TAB to be able to compete with its southern counterparts and ensure that we protect the 24,000 jobs associated with the racing industry in Queensland.

I wish to read into Hansard a letter that I referred to earlier today, signed by the Minister for Tourism, Sport and Racing, the Honourable Bob Gibbs, and me, to the chairperson of TAB Queensland in relation to one of the current members of the TAB board. I am determined that this float will not only attract the mums and dads but will also be squeaky clean and be seen to be squeaky clean. The letter reads—

"Dear Mr Chapman

As you would be aware, the issue of Mr John Bird's position as a member of the Board of the TAB Qld Ltd and as Chairman of Labor Holdings Pty Ltd has been raised publicly. There is a perceived conflict of interest between the two roles.

The Guide for Government Board members, which all Directors of Government Owned Corporations (GOC) are given upon appointment, sets out the duties of Board members. Those duties include:

the duty to disclose direct or indirect interest in a matter being considered or about to be considered by the Board; and

the duty not to make improper use of information or position to gain, directly or indirectly, an advantage for himself or herself or to the detriment of the GOC.

Directors of a company GOC are bound by the provisions of the Corporations Law regarding conflict of interest matters. A director of a public company, who has a material personal interest in a matter that is being considered at a meeting of the board or of the directors of the company must not vote on the matter or be present while the matter is being considered.

Mr Bird's position with Labor Holdings Pty Ltd may give rise to a potential conflict of interest situation when matters relating to the sale of the TAB are being discussed.

The Queensland Government regards any perceived conflict of interest very seriously, and is confident that this matter will be dealt with appropriately."

That letter was sent by the Minister and me to the board. Today I have stressed in my contribution that, through administrative mechanisms, we will ensure that Labor Holdings is not able to participate in this float. I commend the Bill to the House.
