



Legislative Assembly

Racing Legislation Amendment (Bookmakers) Bill Hansard

Extract

19/03/2002

Second Reading

Mr FACE (Charlestown—Minister for Gaming and Racing, and Minister Assisting the Premier on Hunter Development) [8.31 p.m.]: I move:

That this bill be now read a second time.

The object of the legislation before us is to amend the Greyhound Racing Authority Act, the Harness Racing New South Wales Act and the Thoroughbred Racing Board Act to provide bookmakers with the option of structuring their operations as a proprietary company. Previously, the three controlling bodies of racing could register or licence only individuals as bookmakers. This proposal involves the provision of an alternative operating structure for bookmakers and also represents the implementation of one of the recommendations resulting from the review of New South Wales racing and betting legislation in accordance with National Competition Policy. The proposal continues the longstanding arrangements in this State whereby the three controlling bodies of racing are responsible for the registration or licensing of bookmakers. If they so desire, persons who are licensed as bookmakers with one of the three racing controlling bodies will be able to apply for registration as a bookmaker company with that same controlling body. This will enable bookmakers to take advantage of the considerable benefits which flow from operating a business as a company. These include more favourable rates of Federal income tax and economies of scale.

Importantly, inherent in the new corporate bookmakers structures to be permitted are several key measures to ensure that the integrity of bookmaking in this State is not compromised and that the interests of punters are protected. These key measures include, first, that only proprietary companies registered in New South Wales under the Commonwealth Corporations Act 2001 are eligible to be licensed or registered as a bookmaker company here; second, that every director of a bookmaker company is to be a licensed bookmaker in his or her own right with the relevant controlling body; and, third, that a shareholder must be at least 18 years of age and must be either a director of the company or a close family member of a director. There are safeguards inherent in the proposal to prevent any overseas gambling interests capitalising on this legislative initiative to infiltrate the New South Wales bookmaker ranks. That is one of the major centrepieces of this legislation in light of overseas interests intruding into Australia, particularly in the Territories, in recent times.

In respect of the protection of the financial interests of punters, bookmaker companies will be required by the relevant racing controlling body to carry fully secured financial guarantees at least to the same level as individual bookmakers. This proposed expansion in the range of operating structures available to bookmakers is the culmination of extensive consultation between my department, the three controlling bodies of racing and the New South Wales Bookmakers' Co-Operative Limited. At the heart of these amendments to the legislation that governs the three controlling bodies of racing is the desire to improve the viability and long-term future of New South Wales bookmakers. Honourable members will be aware from the significant media coverage of an announcement in early March this year that a decision has been taken to abolish the State turnover tax on bookmakers. The abolition of this longstanding tax will take place from 31 March 2002 and will apply across-the-board to bookmakers betting on both racing and sport. Needless to say, both the State's bookmakers and the racing industry generally have responded very positively to this latest initiative to boost the viability of bookmakers and hence underpin their future as an integral component of the State's racing industry.

It gives me great pleasure to emphasise the very particular impact these two initiatives of taxation relief and the option of operating as a company will have on the State's country bookmakers, who at the moment certainly need all the help they can get. The combined effect of these measures will greatly reduce the costs associated with running a bookmaking business and will likely encourage any bookmakers who have been experiencing borderline profitability of late to continue as part of the country racing industry. At this point it would be remiss not to flag the relevance of this legislation to a matter of extreme gravity currently facing the State's racing industry. As I said earlier, that involves the threat posed by the Northern Territory and Australian Capital Territory corporate bookmakers who have established there with the sole purpose of plundering the wagering markets of the larger States. If that practice is allowed to go unchallenged, there is no doubt that the victims will be the New South Wales and Victorian racing industries.

Victoria and New South Wales supply the bulk of the Australian racing product. Honourable members should read Craig Young's article in the *Sydney Morning Herald*, which was written with the help of the former shadow Minister for Gaming and Racing, about what it is claimed that practice will do for country racing. It is one of the most naive contributions I have read since I have been a member of Parliament. The former shadow Minister for Gaming and Racing is not in the Chamber but one could write on the back of a postage what he knows about racing, especially country racing. I am pleased to note that the New South Wales racing industry, as a consequence of the

summit I held here three weeks ago which was referred to by Craig Young in his article, now appears to be responding to this threat in an unprecedented show of unity. The financial reality is that the racing industry in New South Wales is heavily dependent on tapping into a revenue stream from wagering turnover on its product. That revenue stream will diminish if there is a significant transfer of wagering turnover to corporate bookmakers in the Northern Territory and the Australian Capital Territory.

If this practice continues and there is loss of revenue to this State, it is the racing industry and not the State Government coffers that will suffer the loss. Therefore, if there is not sufficient money to run the racing industry, prize money will diminish, people will not buy horses, and there will no be jockeys or trainers. There are 50,000 people in this State who are directly or indirectly dependent on racing. Those facts demonstrate the naivete of the article written by Craig Young in consultation with the former shadow Minister. The fact is that country racing will be the first to lose.

The fact is that country racing is likely to be the first sector of the industry to lose. I am told by my departmental people that at this stage it is conservatively estimated that the loss to the New South Wales industry probably will be \$20 million. I repeat that the Chief Executive Officer of the Totalizator Agency Board, Mr Warren Wilson, said the result will be that racing in this State will be like proprietary racing in the United Kingdom: participants will be racing for ribbons. If Coalition members think that is in the best interests of racing in New South Wales, they are as naive as the person who put the proposition that Craig Young reported on recently in the *Sydney Morning Herald*.

For the past five years, and certainly for the past three years, I have been bringing home to my counterparts in each of the other State and Territory jurisdictions the seriousness of intrusion of major corporate bookmaking companies of the likes of the Hills and Ladbrokes into our system of racing and what will happen as a result of the transfer of the operations of the former Vanuatu corporate bookmaking entity to the Northern Territory. The Northern Territory provides almost no racing product at all. It has several race meetings and a couple of greyhound meetings a year. I say to the four honourable members opposite, who represent substantial regional New South Wales areas: If that is what you want, I can see an integral part of the lifestyle of country New South Wales and country racing in this State disappearing.

The end result of the absolutely stupid proposal reported in the *Sydney Morning Herald* article by Craig Young—who will probably give me another bake, but has never given me a positive article in my life and is anti-TAB—would be to bring the TAB undone, even though the TAB raises the revenue that provides racing in this State with money to pay the owners, who in turn pay the jockeys and trainers in the horseracing industry. If the industry is dismembered, there will be no racing industry. One does not have to be Einstein to work that out. I might be emotional about the issue, but I do not want to see the end of racing, especially country racing, as we know it in this State.

I repeat, the financial viability of the racing industry in New South Wales is heavily dependent upon the racing industry being able to tap into the revenue stream provided by wagering turnover on its product. The smaller States and especially the Northern Territory, if they act like mavericks and establish themselves as areas of convenience, as is done in the Caribbean and the Bahamas, will destroy the great racing industry in New South Wales for their own short-term gain. That would be crazy. I will continue, while I am Minister, to oppose the intrusion of such operations into this State. I have done everything I can by way of legislation. Finally, the major States—namely, Victoria and New South Wales—are getting their heads together.

Quite frankly, they must withdraw their racing products, bookmakers' price fluctuations and the services offered by SkyChannel. That may sound draconian, but the fact is that if those sorts of measures are not taken the racing industry in this State will come undone. The industry's revenue stream will diminish if there is a transfer of wagering turnover to corporate bookmakers in the Northern Territory and the Australian Capital Territory. I hope sanity will prevail, at least in the Australia Capital Territory, whose Minister is coming to see me tomorrow afternoon. That is the first time in all these years that the Northern Territory and the Australian Capital Territory have wanted to talk to me. In the past they have said they will go their own merry way.

I am also pleased that my efforts over the past several years in alerting racing Ministers of the other Australian States about this potential problem are finally starting to bear fruit. It is not a case of, "I told you so." Recent statements in the media would suggest that some other States now appear to share the concerns of New South Wales. Needless to say, the New South Wales corporate bookmaker regime proposed here does not pose the same threats to the racing industry. On the contrary, it will assist this State's bookmakers to compete against the corporate bookmakers who are setting up in the Territories and targeting New South Wales punters. Those corporate bookmakers are out to make big money, but they do not supply any of the product. They could not give a tinker's cuss about our racing industry, especially country racing in New South Wales.

Finally, in terms of the detailed arrangements under this proposed regime, a precursor to the issue of any bookmaker company registrations or licences by the three controlling bodies of racing will be the inclusion of satisfactory provisions in their respective Rules of Racing and Betting to facilitate the authorisation of bookmakers to trade as corporations. Needless to say, any such rules will complement this draft legislation. Therefore, I am very pleased to be able to introduce the present proposal. Whilst it may not seem so at first sight, this measure is very important to improve the viability of New South Wales bookmakers. I commend the bill to the House.