

TOTE TASMANIA (SALE) BILL 2009

Second Reading

Mr AIRD (Derwent - Minister for Racing - 2R) - Madam President, I move

—
That the bill be now read the second time.

The Government is committed to ensuring the Tasmanian community's assets are put to their best use. In this context, the Government has reviewed its equity investment in TOTE Tasmania to determine whether it is in the public interest to retain, or whether the equity could be put to better strategic use.

The purpose of this bill is to provide for the sale of TOTE Tasmania. This is part of the Government's reforms of TOTE Tasmania and its regulatory environment.

Honourable members will recall that in November 2008 Parliament approved the separation of the racing and wagering operations of TOTE, with the creation of the Tasmanian Racing Board from 1 January 2009. This has enabled the TOTE to operate solely as a wagering business.

The second part of the reforms is to provide a modern regulatory framework for TOTE that is consistent with the regulation of other wagering and gaming businesses already operating in Tasmania. The Gaming Control Amendment Bill 2009 will provide such a framework.

TOTE Tasmania currently provides funding support to the newly formed Tasmanian Racing Board, for the benefit of the Tasmanian racing industry. The Government is replacing these funding arrangements with a legally binding Funding Deed between the Government and the Tasmanian Racing Board.

The Deed provides for the Government to fund the Tasmanian Racing Board to meet its operational expenses. The Funding Deed will also provide funding for capital expenditure upon the successful sale of TOTE. I have provided details about this Deed during the Council's debate on the Gaming Control Amendment Bill.

Let me be very clear on this point. The sale of the TOTE will not disadvantage the racing industry. On the contrary, it will provide \$40 million of funding for capital expenditure that would not otherwise have been available.

These arrangements while guaranteeing the Tasmanian Racing Board's future, also place it in a clear commercial context with responsibility for improving its own performance.

TOTE Tasmania has successfully operated since 2000 as a State-owned Company in an increasingly aggressive and dynamic market. If it is to remain competitive it needs to be able to continue to expand its business both interstate and overseas and be capable of dealing with the rigours of national and international competition. There is no longer any justification for retaining the TOTE in Government ownership. Indeed there are very persuasive reasons why it should not continue to be owned by the Government.

All jurisdictions other than Western Australia and the ACT have sold their TABs. The wagering product has subsequently been successfully provided by the private sector. There is no need for the Government to continue to hold equity in a business that can be provided by the private sector.

Secondly, it is the Government's intention to reinvest the net proceeds from sale, after provision for Tasmanian Racing Board funding and sale costs, into other state assets for the benefit of the wider Tasmanian community.

Thirdly, the sale of TOTE will benefit the community and taxpayers through reduced financial risk. The Australian wagering industry is highly competitive and subject to rapid technological change. This environment presents a number of ownership risks, which are better suited to private ownership, where the business can grow without the constraints of Government ownership. These constraints include the lack of access to capital and lack of scale economies. The Government does not consider that it is either prudent or responsible to continue its ownership of the TOTE within such an environment.

The Government has retained independent expert financial and legal advisers to ensure that the State's interests are properly protected. A probity adviser has also been retained to ensure that the sale process is conducted fairly and openly.

TOTE Tasmania currently has a successful business model and has demonstrated significant earnings growth over the last two years. Despite prevailing economic conditions, I am confident that a sale in the near future will attract significant buyer interest and yield an attractive sale price.

Both the Board and the management of the TOTE fully support its sale. The board and the management have concluded that there are considerable constraints and commercial difficulties associated with continued government ownership of what is a successful and profitable commercial enterprise anxious to expand its business interstate and overseas.

The sale will only proceed if it is in the best interests of the State. The bill requires the Treasurer to have regard to the achievement of a fair and reasonable price for TOTE Tasmania. The bill also provides for the Auditor-

General to review the sale of TOTE Tasmania and report to Parliament within four months on the outcome.

The community has an expectation that the sale of TOTE Tasmania will occur in a manner that:

- is administratively efficient and transparent;
- maximises financial and economic returns to the State; and
- ensures employees are treated fairly.
-

The TOTE Tasmania (Sale) Bill ensures these factors will be achieved.

Potential bidders for TOTE Tasmania must have certainty about the sale process and, importantly, must have the assurance that the time and resources they devote to the process will be on the basis that a sale can occur. Bidders also require the assurance that there can be timely and swift execution of the sale. The market place needs to know, particularly in the current political and economic environment, that the Parliament has authorised the sale.

This Sale Bill provides the Treasurer, on behalf of the Crown, authority to enter into negotiations for the sale of TOTE Tasmania against a framework of certainty and within defined boundaries.

The bill provides flexibility to enable the sale of the whole, or any part of TOTE Tasmania and establishes the mechanism to transfer any remaining elements of the business back to the Crown. These provisions, which are consistent with the approach taken in other Government business sales - will enable the Government to maximise the outcome for the State.

The bill specifies provisions that will guide the sale process, including transitional arrangements such as the treatment of existing business contracts and protection for employee entitlements.

The bill also defines the alternative sale structures available for conducting a sale with a proponent. Under either approach, the objective is that TOTE Tasmania is sold as a going concern.

The first approach is to sell the shares in TOTE Tasmania.

The second is to sell some or all of the assets and liabilities of TOTE Tasmania and transfer employees to the purchaser. The bill provides for any remaining business assets and liabilities to then be transferred to the Crown.

The availability of two options is to provide bidders with the flexibility to consider their most preferred approach to the purchase of the business. This ensures that the best possible sale value is achieved.

The bill clearly provides for the minimum of disruption to employees arising from the sale process. The bill broadly provides for the maintenance of employment terms and conditions for transferring employees and the ongoing recognition of service. It also provides a clear framework within which any potential redundancies arising from the sale of the TOTE business will be managed.

The sale of TOTE Tasmania makes sense, both from the perspective of the business and the Tasmanian community. It opens the way for the involvement of the private sector in an area in which it can appropriately contribute and enables the Government to better address the State's emerging needs.

The TOTE Tasmania (Sale) Bill provides the enabling mechanism for this strategy to be implemented. It ensures that the sale will occur in a manner that ensures the greatest chance of financial and economic returns to the State being maximised, that employees are appropriately treated and that the sale process is administratively efficient.

I commend the bill to the Council.