



TAB ANNUAL REPORT

2003



MINISTER FOR RACING AND GAMING

I hereby submit for your information and presentation to Parliament, the Annual Report of the Totalisator Agency Board of Western Australia (TAB) for the year ended 31 July, 2003, which has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.

Ray Walker AM.

Chairman

MISSION STATEMENT

To position the TAB as a competitive and responsible community organisation in the wagering and gaming industry, providing the major source of funding for the development of racing and sports in Western Australia.

Totalisator Agency Board of W.A.

14 Hasler Road

Osborne Park

Western Australia 6017

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1. CHAIRMAN'S REPORT

This is the last full period annual report of the Western Australian TAB before the introduction of the new authority, Racing and Wagering Western Australia. It is an important change in the control of the industry and will improve its future in a very competitive environment. In 1961, the first year of operation of the TAB, the turnover was \$1 million. In 1992-3, after 33 years of operation the annual turnover was \$500 million and turnover will reach \$1 billion in 2003-4 after only 11 years.

The first year of the new authority will see a turnover of over \$1 billion, a solid base upon which to begin their new responsibilities. Therefore it is with pleasure that I report on another year of growth for 2002/2003. Turnover was increased to \$983 million, up 8.75% from last year and distribution to the racing codes, including subsidies was \$64.2million, up 10.4%. The contribution to the community through taxation was \$43.5 million, an increase of 8.5%. The return to customers was 83% of funds invested.

Growth was underpinned by good performances from all sectors. The agency network performed extremely well with a turnover of \$874.2 million representing 88.9% of total turnover. Although from a low base, fixed Odds Betting performed very well with an increase of 27%, reaching a turnover for the year of over \$20 million.

Electronic betting, including call centre, internet and interactive voice response achieved a turnover of over \$109 million.

Administrative expenses continue to be scrutinised carefully. In order to ensure an efficient system, important development projects required significant funding and this will continue to be necessary. Total costs, excluding direct operating costs and project costs for the year was \$30 million, which is only 2.0% above last year.

Racing vision is an important ingredient in service to customers and the TAB has reached agreement with Sky Channel to become the sole agent for the distribution of commercial racing vision in Western Australia.

The performance of the TAB in the last five years has been excellent. It is an efficient Western Australian organisation and an important part of the racing industry. There has been good dialogue with the racing codes and excellent growth in turnover has been achieved.

Much credit for this success is due to a dedicated management team led by the Chief Executive Officer, Mr Ray Bennett. On behalf of the Board I would like to thank him for his leadership and commitment. I would also like to congratulate him on his appointment as interim Chief Executive Officer to Racing and Wagering Western Australia where his ability and knowledge will be important in the challenges ahead.

The staff and agents of the TAB have played a significant role in the achievement of the organisation and the Board expresses appreciation for their efforts.

Finally, I would like to thank my fellow Board members for their valuable contribution to the strategies and governance of a successful Western Australian organization. It is pleasing that two members, Mr Mike Ryan and Mr Ross Cooper will be on the new authority, Racing and Wagering Western Australia.

On behalf of the Board I commend the State Government and in particular the Minister for Racing and Gaming, The Hon. Nick Griffiths for implementing a historic change to the conduct and control of racing in Western Australia.

I extend my best wishes to Racing and Wagering Western Australia and I am confident that there will be a better future for the industry.

Ray Walker AM.

Chairman



2. CHIEF EXECUTIVE OFFICER'S REPORT

The TAB continued its strong performance during 2002/2003, achieving new record sales in both racing and sports with growth rates of 8.62% in racing and 15.72% in sports, despite the huge impact of World Cup Soccer during the previous year.

Distributions to the Racing and Sports industries were at an all time high with \$64.4 million, including industry subsidies being distributed from TAB profits and a further \$3.5 million by way of unclaimed dividends.

The most significant event of the period was the passing of the Racing and Wagering Western Australia Act 2003 and the creation of a new racing industry body, Racing and Wagering Western Australia (RWVA). The underlying principles of the new body are totally supported by the TAB and we look forward to a new and exciting era for racing and wagering in this state.

During the year the Board endorsed a strategy designed to optimise sales performance through the various retail and electronic sales channels. The Network Review entailed an exhaustive study of work practices, technology options, retail channel management, customer requirements and its implementation over the next three years will deliver an efficient and effective off course sales platform.

Aligned with the Network Review detailed analysis was undertaken in relation to pooling arrangements and future information technology requirements, in particular strategies dealing with the replacement of the TAB mainframe betting engine.

Considerable effort has been put into the control of expenses and thanks to the efforts of all staff, the total expenses (before projects) to net revenue after taxation (NRAT) ratio achieved 43.92%, a significant improvement over the previous year and the budget of 46.01%. The continued search for cost savings will be pursued in 2003/4.

The realisation of these savings and the projected control of future costs have allowed the TAB to take up the costs of vision from the racing venue to SKY for all SKY TAB programs. These costs are of direct benefit to the Racing Industry which previously met these costs from TAB distributions. In addition, the TAB will pay a subsidy to race clubs where they agree to a change in race date or venue to facilitate the commitment to SKY. This subsidy represents an additional flow of funding to the industry of some \$851,000.

Racing Radio operations have been extensively reviewed and the opportunity taken to expand the role of race callers to include on-course announcement duties. Additionally, the Racing radio metropolitan transmitter was relocated to Bentley.

TABForm, the largest selling form guide in Australia, continues to be upgraded and has achieved a high level of user acceptance and delivery of a lift in turnover in those meetings where form has been expanded.

The new year will bring its own challenges and I am confident that the staff of the TAB has the ability to meet any challenge and succeed. Our planning for the year ahead will focus on the integration of racing and wagering functions under RWVA.

Our core operating expenses are targeted to reduce to 43.2% of net revenue after tax, which will see the following flow of funds to the racing industry:

• Distributions	\$64,870,000
• Vision payments and Subsidy \$	940,000
• Unclaimed Dividends	<u>\$ 3,500,000 (est)</u>
	<u>\$69,310,000</u>

The TAB returns the highest percentage of turnover to the Racing Industry of any TAB in Australia or New Zealand and we remain committed to maximising returns to the racing and sporting industries in Western Australia.



2. CHIEF EXECUTIVE OFFICER'S REPORT cont.

Wagering

The TAB generated record turnover and profit growth during 2002/2003. Corporate turnover of \$983 million was achieved, representing growth over the previous period of \$79.7 million or 8.75%. A key growth driver for the year was the contribution from fixed odds sports betting. Whilst there was an additional 936 races, this represented an increase of only 1.8% over the previous year. The TAB undertook a number of important wagering development initiatives during the year, including:

1. The introduction of a new mid week Favourite Numbers game.
2. A review of the organisation's distribution channels leading to recommendations to close 19 low turnover outlets, establish new sites and upgrade 10 existing outlets.
3. The acquisition of SKY Channel's commercial rights in Western Australia.
4. Enhancement of fixed odds betting customer information.
5. Adoption of a new centralised customer service help desk system.
6. TAB text being transferred to Channel 9 and WIN television providing increased page and transmission capacity.

Other key projects were initiated during the period with introduction expected in the next financial period. These include; the introduction of TAB account deposits via credit cards and the ongoing improvement to existing TAB sports and racing products.

Corporate Planning and Development

The focus during the year was the development and implementation of strategies designed to facilitate the smooth integration of the controlling authority and wagering arms of the racing industry within the new controlling authority, Racing and Wagering Western Australia.

Headed by an Implementation Team the key aspects of documenting the required changes and effectively communicating the strategies to stakeholders was undertaken. The successful implementation of the strategies saw the smooth transition of the racing industry controlling authorities and functions move to RWWA on August 1 2003. Additionally, considerable work was undertaken to facilitate the smooth transition of the wagering functions, currently controlled by the TAB, to RWWA later in 2003. The coordination of the development of the five-year outlook for wagering and racing in Western Australia will be a major task for the division during the next 12 months.

Information Services

The Information Services Division experienced a busy year, with substantial project activity and over 52,000 races and 132 million bet transactions being processed during the 2002/2003 financial year.

Corporate Information

The demand for Corporate Information continued to grow throughout the year and a considerable number of reports were developed and implemented for management and staff. As the demand for information has increased, so too has the importance of centrally coordinating its dissemination. In an effort to improve the availability and management of corporate information, a strategy has been developed to publish reports via a Web interface, utilising an Intranet, and this will be implemented early in the new financial year.

Project Delivery

The delivery of the Program of Works has continued in line with the business priorities and approximately twenty projects were completed during the year, including pooled Quadrella and mid-week and multi-week Favourite Numbers. Although the focus of project delivery has been addressing the short to medium term business needs, this focus is expected to expand to more strategically focused projects over the coming year.



2. CHIEF EXECUTIVE OFFICER'S REPORT cont.

Quality Assurance

The Quality Assurance team played a critical role in the successful implementation of all the projects and system maintenance activities throughout the year. Although the present QA methodology relies on substantial manual effort, there is a strategy to minimise the manual effort in future years through the implementation of a more current QA framework and testing software.

Information Systems

The responsibility of the Raceday Control function was transferred from the Operational Services section to the Wagering arm of the business in the latter part of the year. As a result of this change, the newly named Information Systems section is now totally focused on technical support for all aspects of information systems throughout the business. This change will enable the Information Systems team to focus on the ongoing demands of the existing environment, whilst also preparing for potential system and infrastructure changes resulting from the IT Alliance strategic options review.

Strategic Activities

The five year Program of Works has been mainly focused on meeting short to medium term business requirements over the past two years. In parallel with this activity, there has been a review of strategic options through the possible establishment of an IT Alliance with a third party. The outcome of this review resulted in the issue of a Request for Proposal (RFP) for wagering software and associated technology, which was advertised on 26 July 2003. The closing date for this RFP is 5 September and, depending upon the responses received, an outline for a future Information Technology strategy should be developed by the end of 2003.

Corporate Services

Planning for the integration of the TAB into Racing and Wagering Western Australia (RWVA) has had a significant influence on the Division's activities. The coordination and preparation of the inaugural RWVA budget for 2003/04 was completed for the RWVA Implementation Committee, and a new

"industry focused" chart of accounts was developed preparing the TAB's financial management system for RWVA accounting and reporting. Management reporting was improved with the introduction of a new user-friendly and automated system for reporting departmental costs and budgets, and by the introduction of balanced scorecard reporting for the Board. During the year 185 cash counts were conducted of TAB agency outlets as part of the compliance audit program undertaken for the TABs 260 agency outlets. A formal business continuity plan has been prepared and is in the process of being tested and fine-tuned. A business continuity coordinator has been appointed to manage this activity, in conjunction with other risk management tasks. The TABs information security procedures were reviewed during the year and a new Information Security Policy and Instructions have been developed, broadening the application and scope of information security management within the TAB to bring it into line with the applicable Australian standards. The TAB is also in the process of centralising a number of security administration activities to increase the division of duties in key areas and thus improving overall internal control. During the year the TAB invested record funds in accordance with the TAB investment policies and achieved returns in excess of the target rate of 0.25% above the Treasury discount rate.

Ray Bennett

Chief Executive Officer

TAB Executive Management

Ric Wimmer

General Manager Corporate Planning & Development

Julian Hilton-Barber

General Manager Corporate Services

Glen Fee

Chief Information Officer

Richard Burt

General Manager Wagering

RESPONSIBLE MINISTER

Hon. Nick Griffiths LLB MLC

Minister for Housing & Works; Racing & Gaming; Government Enterprises; Land Information.



3. BOARD MEMBERS

A board appointed by the Minister for Racing and Gaming governs the TAB. The Board comprises seven (7) individuals with "expertise relevant to the functions of the TAB and its operations, including expertise in management, finance, business or commerce or knowledge of, and expertise in, the racing industry." The role of the Board is to set policies and strategies

for the future direction of the organisation and to make decisions necessary to meet the TAB's objectives and performance targets. The Board also appoints the Chief Executive Officer.

Board members as at 31 July 2003, and their terms of office, are outlined below.

Board Members During 2002/2003	First Appointed	Current Term Expires
Mr Raymond R D Walker, AM (Chairman). First appointed 28.06.96. Company Director. Was employed by HBF from 1952, Chief Executive 1975 - 1993 and on the Board until 1998. Director Lifecare Health Ltd.	28 June 1996	31 July 2003
Professor John V Yovich (Deputy Chairman). First appointed 28.06.01. Vice Chancellor Murdoch University, WA. Is a leader in the veterinary profession. Also has vast knowledge of all facets of the WA Racing Industry. Was Vice-Chairman of the Western Australian Turf Club (1996-98). Was a member of the Racecourse Development Trust (1994-99).	28 June 2001	31 July 2003
Mrs Judith B McGowan. First appointed 28.06.01. Barrister and Solicitor of the Supreme Court of Western Australia. Lecturer in Law at Curtin University since 1976 and has vast experience in business law education both at the University and for private industry. Former part time referee on the Small Claims Tribunal. Has served on Law Society committees, the University Staff Credit Union, the Aquinas College Board and the Dental Board of WA.	28 June 2001	31 July 2003
Mr Ross A Cooper. First appointed 28.06.01. Retired. Was a Form Analyst with the Western Australian Trotting Association providing analytical assessment of race performance and assisting in maintaining confidence and integrity in the conduct of racing. Was a licensed bookmaker at thoroughbred, harness and greyhound race meetings in Western Australia (1976-2001). Is a life member of the WA Bookmakers' Association. Was a delegate to both the WA Thoroughbred Racing Industry Council and Harness Racing Industry Council. Was a member of the Betting Control Board (1994-1998).	28 June 2001	31 July 2003
Mrs Enid (Nena) F Snooks. First appointed 07.08.01. Licensed Real Estate Agent and Auctioneer since 1987 and has her own company, Nena Snooks Real Estate. Has been involved in the Real Estate Industry since 1981. Was a primary school teacher and a lecturer in Mathematics and Communications at Edith Cowan University.	7 August 2001	31 July 2003
Mr Michael J Ryan. First appointed 07.08.01. Retired. Has had over 25 years experience as a Manager in the Transport, Information & Communications Technology Industries and has had a wide and current range of contracts at senior level in the Western Australian and Australian Corporate and Government marketplace. Is currently on the Board of His Majesty's Theatre and the Starlight Foundation.	7 August 2001	31 July 2003
Mr Raymond (Ray) Bennett. First appointed 01.01.03. Appointed Chief Executive Officer of the TAB September 1995.	1 January 2003	31 July 2003

The Board Internal Audit Sub-Committee and Disputes Review Committee oversee specific aspects of the organisation's administration. Mr Ray Walker, as Chairman of the TAB, is an ex-officio member of the Betting Control Board and Prof. Yovich is a Deputy Member.



4. CEO'S STATEMENT OF COMPLIANCE

Human Resources

The TAB's full-time equivalent (FTE) staffing include full-time, part-time and casual employees, has remained very stable, shifting from 160 to 159 during this reporting period.

Equal Employment Opportunity

Equal Employment Opportunity (EEO) principles were applied in the advertising and selection of staff for the filling of vacant positions and in the implementation of human resource management practices. In addition, objectives of the Equity and Diversity Management Plan have been progressed during this reporting period. New legislation relating to sexual orientation and gender history was communicated to all staff.

Disability Services Plan

Objectives of the TAB's Disability Services Plan have been continued during this reporting period. Consideration of the needs of people with disabilities continues in the distribution and design of TAB facilities.

Occupational Safety and Health

The TAB Occupational Safety and Health Advisory Committee continues to examine and address a variety of organisational issues including ergonomic assessments, personal security of staff and TAB vehicles, standards of the working environment for staff, bomb threat and emergency evacuation procedures. The Committee also monitors the reporting process and implementation of OSH Plan outcomes.

Workers' Compensation and Rehabilitation

During the reporting period one claim was made under the Workers' Compensation and Rehabilitation Act.

The following table outlines the indicators as required by the Treasurer's Instruction 903(4)(vii)c:

Item	Year	
	2002/2003	2001/2002
Total number of claims	1	1
Frequency Rate	0	0
Estimated cost of claims per \$100 of payroll (includes ongoing claims from 1999/2000)	0.1942	0.0166
Premium rate	0.72	0.83
Rehabilitation success rate	n/a	n/a

Employee Relations

With the Government's abolition of Workplace Agreements, the transition of staff to either the Government Officers' Salaries, Allowances and Conditions General Agreement 2002 or statutory employment contracts has continued.

All the terms and conditions for race-callers and Racing Radio casual staff have been reviewed during the reporting period.

Public Sector Standards

1. In the administration of the TAB, I have complied with the revised Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics, the TAB Code of Conduct and Core Values and Behaviours.
2. Policies and guidelines that have been revised, are documented and available to all staff. New staff members are made aware of this information during their induction.
3. The Manager Human Resources is responsible for ensuring compliance with Public Sector Standards and ethical codes through the provision of a monitoring and advisory role to line managers. This responsibility is reflected in the position's duty statement. Human Resource Officers monitor all transactions for recruitment and selection, transfer, secondment, discipline, performance management, redeployment, temporary deployment (acting), grievance resolution and termination for consistency with TAB policies.
4. I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments.
5. Applications made for breach of standards review and the corresponding outcomes for the reporting outcomes are;
 - Number of breaches lodged - nil
 - Number of breaches found, including details of multiple breaches per application - n/a
 - Number of breaches still under review - n/a
 - Material breaches - n/a
 - Non-material breaches - n/a

Waste Paper Recycling

The TAB has established appropriate recycling arrangements for its waste paper. Waste paper is either shredded and stored on-site or is disposed in lockable bins both of which are removed for recycling on an as required basis.

Energy Strategy

The TAB adopted an energy strategy aimed at minimising and controlling both the quantity and cost of energy used at the Head Office. A number of initiatives were undertaken including:

- the installation of sensor lights throughout the building;
- a review of air-conditioning and lighting requirements;
- information sessions; and
- energy saving principles incorporated into building renovations and procurement.

Although positive outcomes have been achieved through these measures, more work is needed to achieve internal targets.



4. CEO'S STATEMENT OF COMPLIANCE cont.

TAB Marketing Expenditure

Advertising Agencies	Bowtell Clarke & Yole	\$285,527.40
Market Research Organisations	Media Monitors (WA)	\$5,023.25
Organisations	Hides Consulting Group	\$21,242.00
	Service Audits Market Research	\$3,314.09
	Research Solutions	\$50,962.45
Market Research Organisations	Total	\$80,541.79
Media Advertising Organisations	Southern Cross Broadcasting	\$51,420.00
	West Australian Newspapers Ltd	\$715,604.29
	Herald & weekly Times	\$6,000.00
Media Advertising Organisations	Total	\$773,024.29
Media Agencies	Media Decisions WA	\$849,251.46
Media Agencies	Total	\$849,251.46
Polling Organisations	Nil	Nil
Polling Organisations Total	Total	Nil

NB: \$707,212.35 Media Expenditure with West Australian Newspapers Ltd is for the Production of TABForm.



5. THE ACT AND COMPLIANCE WITH WRITTEN LAWS

Legislative Amendments

There were a number of amendments made to the Totalisator Agency Board (Betting) Act 1960 ("the Act") and the Totalisator Agency Board (Betting) Regulations 1988 ("the Regulations") during the course of the year.

The Regulations were amended and came into effect on 6 September 2002 which provided for:

- A new bet type called a Quaddie and define the rules applicable to that bet type; and
- Exemption from the bet cancellation restrictions on major race days.

The Regulations were further amended on 11 February 2003 to provide for the inclusion/deletion of international racing venues in the list of racecourses prescribed for the purposes of betting by the TAB. Another amendment was made on 20 May 2003, which provided for a refund of a bet on a scratched runner to be obtained prior to the close of betting on the relevant race.

The Betting Legislation Amendment Act 2002 was proclaimed to come into effect on 21 September 2002. This in part provided for an amendment to the Act which:

- Limited the extent to which the TAB may be sued to recover bets that were received by the TAB other than in accordance with the legislation; and
- Provide an authority for the Chief Executive Officer of the TAB to exercise powers and functions of the Board of the TAB pursuant to a power of delegation.

The Totalisator Agency Board Amendment Rules 2002 came into effect on 1 November 2002, which enabled procedures for the acceptance of cheque payments.

Throughout the course of the year the TAB had considerable input into the drafting of the Racing & Wagering Western Australia Act 2003. This Act provides for the establishment of Racing and Wagering, a body corporate charged with responsibility for managing the racing industry and TAB.

Enabling Legislation

The principal legislation governing the TAB is the Totalisator Agency Board Betting Act 1960 ("the Act") and the Totalisator Agency Board Betting Regulations 1988 together with the Betting Control Act 1954 and Betting Control Regulations 1978.

Other legislation to which the TAB must comply, but does not administer, includes the following. This list is not exhaustive but represents the legislation which impacts on the general operation of the TAB.

- Anti-corruption Commission Act 1988
- Clerks (Racing Industry Betting) Award 1978
- Electoral Act 1907
- Equal Opportunity Act 1984
- Financial Administration and Audit Act 1985
- Financial Transaction Reports Act 1988 (Cwth)
- Freedom of Information Act 1992
- Government Employees Superannuation Act 1987
- Government Officers Salaries, Allowances and Conditions Award 1989
- Industrial Relations Act 1979
- State Records Act 2000
- Occupational Safety and Health Act 1984
- Public Sector Management Act 1994
- State Supply Commission Act 1991
- Totalisator Agency Board Betting Tax Act 1960
- Totalisator Agency Board (Modification of Operations) Act 2002
- Unclaimed Money Act 1990
- Workers Compensation and Assistance 1981
- Workplace Agreements Act 1993 (Cwth)

Legislation, together with commercial principles, therefore governs the operation of the TAB.

