ACTTAB

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Mr Richard Mulcahy MLA
Chair
Standing Committee on Public Accounts
Legislative Assembly for the Australian Capital Territory
GPO Box 1020
Canberra ACT 2601

Dear Mr Mulcahy

Inquiry into Auditor-General's Report No. 5 of 2006: Rhodium Asset Solutions Ltd

I refer to your correspondence of 3 April 2007 inviting the Corporation to provide an oral submission at a public hearing in connection with the Committee's inquiry into Auditor-General's Report No. 5 of 2006.

You will recall that in response to an earlier invitation from the Committee, ACTTAB declined to lodge a written submission, the Board being of the view that it would be inappropriate to comment on matters pertaining to the Auditor-General's findings and recommendations in respect of Rhodium Asset Solutions Ltd, having concluded, contrary to the view of the Auditor-General, that the issues raised in the report were of little or no relevance to ACTTAB.

Following a subsequent discussion with the Committee's secretary to clarify the Board's position, the matter was reconsidered by the Board and ACTTAB is happy to assist the Committee by providing written comments in regard to the broader governance issues raised by the Auditor-General and their applicability to ACTTAB. ACTTAB would also be pleased to appear before the Committee to answer questions as appropriate.

ACTTAB was established in 1964 to provide a legal form of off course wagering in the Territory, consistent with similar initiatives in other Australian jurisdictions. By virtue of the *Betting (ACTTAB Limited) Act 1964*, ACTTAB has the exclusive right in the Territory to conduct or provide totalisator betting services on racing and sporting events. Wagers placed with the Corporation are directed into the national SuperTab pool through an agreement with the operator Tabcorp Limited. Additionally, ACTTAB is licensed under the provisions of the *Race & Sports Bookmaking ACT 2001* to conduct fixed odds bookmaking on designated sports and racing events and again, effects this business through an agreement with Tabcorp Limited, operator of the national Sportsbet scheme.

ACTTAB became a Territory Owned Corporation (TOC) on 1 July 1996 and at that time all assets, liabilities and staff of ACTTAB were transferred to the Company. Since establishment, ACTTAB has accepted over $2 billion in bets and now effectively competes in what has become a global gaming and wagering market driven by quantum advances in technology, particularly the Internet and product streaming. In financial year 2005-2006, ACTTAB's turnover was a record $177.1m, an increase of $13m or 7.9% on the previous year.

It is ACTTAB's understanding that the decision taken to establish the Corporation as a TOC, reflected the rapid change the industry was undergoing and the realisation that in order to survive, compete and grow its market, ACTTAB could no longer be effectively operated within the parameters and constraints imposed by the traditional government agency model, which brought with it, bureaucracy, red tape and related policies and procedures. ACTTAB was, after all, now competing in the global market with an emerging corporate bookmaking sector and the national proliferation of electronic gaming machines. The nature of our business is unique and it is one built on personal relationships. Maintenance of those relationships is a key objective of the Board, senior management and executive of the Corporation.

Consistent with its obligations and responsibilities under the *Corporations Act 2001 (Cth)* and the *Territory-owned Corporations Act 1990,* the ACTTAB Board has developed, implemented and monitors a comprehensive governance framework consisting of policies, guidelines, directions and procedures, to ensure that the Corporation's business is conducted transparently and in accordance with best governance practices and principles. Whilst these may not always be in accord with those applicable to government departments and agencies, they are, in the Board's view, appropriate to the conduct of a business, such as that operated by ACTTAB and ensures that the Corporation's business is transacted in an ethical and professional manner, having regard to what is in the best interests of the Corporation's shareholders and other stakeholders. Periodic review of policies, an active Audit Committee chaired by a Director with professional qualifications and a proactive Board ensures a high standard of professional conduct and governance.

Whilst confident that ACTTAB's governance framework is sufficiently robust so as to ensure that the major issues relating to a breakdown in governance, raised by the Auditor-General in Report No.5, could not be repeated within this Corporation, the Board is concerned by the proposition advanced by the Auditor-General, that government policies and procedures applicable to departments and agencies, ought apply to TOCs. This is a somewhat narrower view than that held by ACTTAB, particularly in terms of our understanding of the concept and operation of a TOC, the roles and responsibilities of a TOC Board and the nature of the business we conduct.

As previously indicated, ACTTAB would be pleased to appear before the Committee to answer questions as required.

Yours sincerely

Tony Curtis
Chief Executive

24 April 2007