



Tasmanian
Audit Office



Report of the Auditor-General
No. 1 of 2012-13

Sale of TOTE Tasmania

July 2012

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INTRODUCTION

TOTE Tasmania Pty Ltd (TOTE) was a State-owned company with its shares held in trust, for the Crown, by the Treasurer and Minister for Racing. It has an exclusive right to conduct wagering in Tasmania. TOTE conducts its business via a variety of channels, including telephone, internet and on-course as well as hotel and retail outlets.

In early January 2009, the Treasurer announced the intention to sell TOTE. The Treasurer said the sale of TOTE would give the Tasmanian community a better return on its investment than retaining it. At the time, it was speculated that TOTE was worth anything from \$250m to \$400m.

To facilitate the sale, Parliament passed the *TOTE Tasmania (Sale) Act 2009* (the 2009 Sale Act), which gave the Treasurer the power to sell or transfer shares in TOTE as he or she considers appropriate, but the Treasurer was required to have regard to achieving a fair and reasonable price¹. The 2009 Sale Act also required the

Auditor-General to conduct a review² of any sale made within 120 days of sale day³ and table conclusions before each House of Parliament⁴.

Whilst interest was received from potential buyers in 2009, the Treasurer did not receive any final binding offers that were acceptable and the sale process was abandoned.

In October 2011, the Treasurer indicated that if the market was right, the Government would again consider selling TOTE if the return to the taxpayer was sufficient. Consultants were engaged to advise Treasury on whether a fair and reasonable price for TOTE was offered.

On 1 December 2011, the Treasurer announced that TOTE would be sold to Tatts Group Limited (Tatts) for \$103m subject to regulatory approval. The sale was completed on 26 March 2012. After that date, control of TOTE passed to Tatts.

The objective of this review was to determine whether the Treasurer achieved a fair and reasonable price for TOTE.

1. Section 5 of the *TOTE Tasmania (Sale) Act 2009*.
2. Note that we performed a review; not an audit. ASAE 3000 uses the terms 'reasonable assurance engagement' and 'limited assurance engagement' to distinguish between the two types of assurance engagements that an assurance practitioner may perform. A review provides a lower level of assurance than an audit.
3. Under Section 3 of the *TOTE Tasmania (Sale) Act 2009*, Sale Day means the day on which TOTE's shares are acquired by a purchaser or the day on which the business vests in the purchaser. This was 26 March 2012.
4. Section 24 (1) *TOTE Tasmania (Sale) Act 2009*.

DETAILED REVIEW CONCLUSIONS

The overall conclusion is that a fair and reasonable price for TOTE was achieved. That conclusion is based on conclusions regarding the following separate review criteria.

Was the sale process appropriate?

We concluded that the sale process was appropriate, because:

- The approach to the sale was reasonable and consistent with past asset sales.
- Selection of a narrow and confidential sale process was a reasonable course of action.
- The identification of buyers was thorough and consistent with the decision to run a narrow and confidential sale process.
- The parties involved in the sale process had appropriate authority, skills and knowledge and were free from conflicts of interest.

Was the agreed price fair and reasonable?

The sale price considerably exceeded the retention value and there was no reason to expect a higher sale price would be achieved in the future. The agreed price appeared to be fair and reasonable.

Were other sale objectives achieved?

The following sale objectives were achieved:

- a continued terrestrial wagering presence in Tasmania
- the continuation of wagering on Tasmanian racing product in Tasmania
- a timely sale
- the successful party demonstrated experience and capacity to operate a wagering business in Tasmania
- the treatment of TOTE employees was considered as part of the sale process.

LIST OF RECOMMENDATIONS

The following Table reproduces the sole recommendation made in the body of the Report.

| REC | SECTION | WE RECOMMEND THAT ... |
|-----|---------|--|
| 1 | 2.3 | ... Treasury fully document the analysis performed to enable it to rely on expert reports. |



HM Blake
Auditor-General
24 July 2012

For the full report go to: <http://www.audit.tas.gov.au/publications>



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