

Treasurer Roozendaal: NSW Lotteries sale – more than \$1 billion in proceeds delivered to NSW taxpayers

NSW Treasurer Eric Roozendaal today announced the sale of NSW Lotteries – which will deliver the people of NSW total proceeds of more than \$1 billion.

Mr Roozendaal said the NSW Government has accepted a binding offer to transfer NSW Lotteries Corporation to Tatts Group Limited in a transaction that will deliver NSW taxpayers total proceeds of approximately \$1.01 billion.

As part of the transaction, Tatts Group will be granted an exclusive, 40-year licence to conduct public lotteries (excluding Keno) throughout the State.

Under the financial terms of the agreement, NSW Lotteries Corporation will transfer approximately \$160 million of cash and other assets to the NSW Government prior to completion.

Tatts Group will pay the NSW Government \$850 million cash as consideration for the licence and purchase of NSW Lotteries Corporation.

“This is a great outcome for the families and taxpayers of NSW,” Mr Roozendaal said.

“This is a good example of the strong financial management of this state.

“That means total proceeds of the sale of NSW Lotteries for NSW taxpayers of more than \$1 billion – money that will go straight back into funding frontline services for the families of NSW like teachers, police and nurses, and strengthening the state’s balance sheet.”

Mr Roozendaal said Tatts Group was selected as the new operator following a highly successful and competitive bidding process involving both domestic and international parties.

“Tatts Group’s offer met the Government’s objectives of achieving the best value for taxpayers and ensuring the ongoing integrity of public lotteries in NSW,” Mr Roozendaal said.

Mr Roozendaal said Tatts Group has a strong track record in the lottery, wagering and gaming sectors and a demonstrated capacity to operate within a regulated environment.

“Tatts Group is a leading operator of lotteries in Australia and has the necessary operational and financial capabilities to ensure NSW taxpayers continue to benefit from public lotteries,” Mr Roozendaal said.

Minister for Gaming and Racing Kevin Greene said a capacity to work within a regulatory framework was a factor in the sale process.

Mr Green issued a Regulatory Guideline that Tatts Group will be required to adhere to.

“Coupled with a requirement to provide a technology plan, this provides a strong regulatory framework,” Mr Greene said.

Mr Roozendaal said all shortlisted bidders had been subject to rigorous probity and financial checks by the regulator, Communities NSW, in order to ensure a suitable party was selected to operate NSW Lotteries. Communities NSW will continue to actively regulate the conduct of public lotteries throughout NSW.

Also important to this successful outcome is the fact that the NSW Parliament approved a stronger regulatory framework for public lotteries which will help ensure community protections remain in place.

Mr Roozendaal said the transaction not only removed the inherent conflict of the Government as owner and regulator of NSW Lotteries, but unlocked substantial funds that can be redirected to frontline services like police, teachers and nurses.

In addition, taxpayers will continue to benefit from the ongoing payment of duties from the sale of lotteries products, which totalled some \$330 million in the last financial year.

Mr Roozendaal said the Government appreciated input from stakeholders, including newsagent associations and employee representatives, who provided valuable assistance during the transaction process.

The Government has worked hard with these key stakeholders to strike a balance between ensuring appropriate protection for newsagents and employees, and achieving the Government’s transaction objectives and a great outcome for NSW.

“I would also like to thank the Board, management and staff for their outstanding work over a long period in making NSW Lotteries the strong business that it is today, and we wish them all the best as they embark on a new chapter in their careers,” Mr Roozendaal said.

Mr Roozendaal also thanked the Government’s advisers to the transaction, Goldman Sachs JBWere, Gilbert + Tobin and Ernst and Young, for their successful management of the process.

The transaction is expected to close at the end of March.

FACT SHEET

NSW LOTTERIES

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- NSW Lotteries is the largest state lottery in Australia generating over \$1.3 billion in annual sales
- Government duties paid by NSW Lotteries totalled over \$330 million last financial year
- The Government announced it would transfer NSW Lotteries to a new private operator in 2009. Legislation was passed by the NSW Parliament, with the support of both the ALP and the Coalition, in September 2009
- The NSW Lotteries transaction has unlocked public funds to be redirected to the community's other priorities, including health, transport and education
- By transferring NSW Lotteries to the private sector, the Government is removing the inherent conflict of being both owner and regulator

TRANSACTION STRUCTURE

- The NSW Lotteries licence will expire after the 40-year licence period and the Government at that stage will have the option to re-tender it
- Government will continue to receive duties from the sale of lotteries products, worth more than \$330 million last financial year
- The proceeds from the transaction were well above the Government's retention value

REGULATION

- The Government will continue to retain regulatory oversight over lotteries to protect community and consumer interests
- The regulatory framework for public lotteries has also been strengthened to ensure community protections, including harm minimisation measures, remained in place

EMPLOYEE PROTECTIONS

- Employees have received information detailing protections that have been put in place as part of this transaction
- The package includes an employment guarantee, a transfer payment and the option to remain with the NSW public sector

NEWSAGENT PROTECTIONS

- NSW Lotteries' existing agency agreements have transferred to the new operator without change
 - The Public Lotteries Act has been amended to include a comprehensive package of protections for newsagents, including:
 - a five-year freeze on any new types of agents
 - automatic extension of any agreements expiring during the five-year protection period, on the same terms
 - a five- year guarantee of no new obligations with respect to store fitouts and signage
 - a five-year guarantee to maintain agent support and training
 - The Government's decision to adopt a sole-distributor model gives added certainty that there will not be duplication costs for newsagents, such as requirements to install additional lottery infrastructure
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