

Troubled Tabcorp in talks over casino licence terms

Embattled casino and gaming company Tabcorp has begun talks with the NSW Government over the exclusivity arrangements for its Star City casino licence in Sydney.

Acting Tabcorp chief Elmer Funke Kupper is believed to have met with the new NSW Gaming Minister, Graham West, earlier this month.

It is understood separate discussions are under way between the department, Tabcorp and Star City management over the exclusivity arrangements.

Tabcorp has held a 99-year licence for Star City since 1994 but its 12-year exclusivity period expires in September.

The talks come amid speculation that the Tabcorp board has narrowed its chief executive search. Matthew Slatter was dumped in March for underperformance and amid strong opposition from several institutional shareholders.

It is understood a „wish list“ compiled by head-hunter Egon Zehnder has been narrowed down to several international and local candidates.

Mr Funke Kupper is seen as a strong contender but there is speculation that the board is leaning towards an external appointment.

Against this background there is market talk that predators are running the ruler over the company for a possible AUD 10 billion carve-up. A move, possibly by PBL, Macquarie Bank and international private equity players, is considered to be a question of when rather than if.

Mr Funke Kupper, who joined Tabcorp last February after more

than nine years at the ANZ Bank, has been in the role of acting chief since 14 March.

He is steering the company through its negotiations with the Victorian Government over gaming and wagering licence renewals.

Investment bank UBS told clients last month that the most likely outcome from Tabcorp's negotiations in NSW was an „increase in the gaming tax rate, specifically electronic game machines and/or an upfront payment“.

Based on a gaming machine tax rate similar to that paid by pubs and clubs in NSW, UBS estimates a profit downgrade of up to 6.5 per cent for its 2008 net profit.

Tabcorp shares closed 23c up at AUD 17.58.