

Tabcorp and Tatts Group to end duopoly

In Australia, gaming operators Tabcorp and Tatts Group are set to lose long-held monopolies on operating poker machines in the state of Victoria following an announcement by Premier John Brumby last week.

The State Government announced that pubs, hotels and clubs would be allowed to hold their own licenses when the two companies' current permits expire in four years rather than leasing machines from Tatts or Tabcorp. "The gaming machine industry has matured in Victoria and the time is right to empower local venue operators to make local decisions about their gaming operations," said Brumby.

The two companies each operate 13,750 machines in the southern Australian state and are the only licensed operators aside from Crown Casino, which operates another 2,500 machines under a separate licensing arrangement. Under a new venue-based model, no single operator will be able to own more than 35 per cent of the machines in pubs and licenses will be evenly split between clubs and pubs with the overall number of machines remaining static.

Tatts stated that the announcement would see it slash AUD 40 million from annual capital expenditures in order to maximize profits over the four remaining years. It also stated that it would seek to expand its businesses outside Victoria and in areas other than gaming.

John Story, Chairman for Tabcorp, said he was disappointed by the restructuring plans and criticized the government's decision not to refund the AUD 597 million license fee. He said the government had committed to repay the money at the time of Tabcorp's share market float in 1994 and that the firm

was "reviewing all available options" regarding a refund. "This is a commitment confirmed in the prospectus issued at the time of the float of the company," said Store.