Speech by

Mr D. BRISKEY

MEMBER FOR CLEVELAND

Hansard 23 March 1999

GAMING MACHINE AND OTHER LEGISLATION AMENDMENT BILL

Mr BRISKEY (Cleveland—ALP) (2.54 p.m.): I rise to speak to the Gaming Machine and Other Legislation Amendment Bill 1998, which amends the Gaming Machine Act 1991, the primary legislative measures regulating the operation of gaming machines in Queensland's licensed clubs and hotels.

I take the member for Moggill to task over his mistaken belief that in 1997 the coalition Government's changes to the then Act had the full support of the industry. They most certainly did not have the full support of the club or hotel industries at that time. This is obvious when we look at the overwhelming support of both the club and hotel industries for the amendments in this Bill before the House today. That is made clear by the total rejection of the amendments of the member for Moggill, which he recently paraded through various clubs around Brisbane . He was told overwhelmingly by the industry that it rejects the amendments he proposes to move today. The industry rejected the changes made by the coalition Government in 1997 and the industry most certainly rejects the amendments the member for Moggill is proposing here today.

The member also said that he had thought through the changes very carefully. I suggest to him that he did not think very far ahead. He says that they provide greater flexibility for the industry. Did he consider the long-term damage to the industry through this greater flexibility, the long-term implications of his actions through those amendments, back in 1997? What would be the effect on the 650 or so clubs in Queensland when they all entered into these types of revenue sharing arrangements with the LMOs in Queensland? What would happen to not-for-profit community organisations? They would not be not-for-profit community organisations any more. They would all be there for the benefit of some private company, some private LMO. Would this long-term vision of his create 650 clubs returning 25% or 35%—why not 70%?—of their revenue to the private pockets of individual entrepreneurs? They are the long-term implications of the changes the coalition Government made back in 1997. The long-term effect of these changes would be to turn what are essentially not-for-profit community organisations and community clubs in this State into profit-making venues for private enterprise.

The honourable member seems to be misguided in his belief that the changes we are debating today have been hatched in some mysterious place and thrust upon an unsuspecting industry. I will set the honourable member straight with the facts. In the latter part of 1998, very great concern was being expressed by many within the industry, including Clubs Queensland and the Queensland Hotels Association, about the growing prevalence of revenue sharing arrangements, especially those involving TABCorp. These concerns were discussed in some detail at meetings of the Industry Consultative Committee. They were also discussed in a number of one-on-one meetings with industry participants, including TABCorp and representatives of the Government.

It became clear that, if the Government was to act to prevent this form of financing being entrenched, it needed to move very quickly to correct the situation. Accordingly, the Government took the amendments to the Gaming Machine Act which were then in the course of finalisation and made certain changes, including the addition of clause 113.

As honourable members are aware, the Treasurer introduced these changes into the Parliament on 19 November last year. In introducing those changes the Treasurer made it very clear that the Government was moving very quickly to prevent these arrangements from becoming the norm. To allow these arrangements to continue and later attempt to prevent them would have disadvantaged more sites and operators more seriously.

The Treasurer made it very clear that the changes would be accompanied by a consultation process and by a public benefit test under National Competition Policy guidelines. Both of these things have occurred. The Treasurer has met with many of the clubs affected, as have I. The Premier and the Treasurer have met with TABCorp. The Queensland Office of Gaming Regulation has met with all operators, with Clubs Queensland, the QHA, the Club Managers Association and gaming machine managers. No-one in the industry could have been in any doubt as to the Government's policy position or the reasons for its actions. No-one could argue that consultation was absent.

In 1997, as I said, the coalition Government introduced new laws that saw the deregulation of parts of the Queensland industry. Two fundamental changes to the gaming machine regulatory environment were implemented. Firstly, the ownership of gaming machines was no longer restricted to the Queensland Government. Sites were given freedom of choice to purchase and/or lease or sublease machines from licensed operators or approved financiers. Secondly, responsibility for the electronic monitoring was transferred to licensed monitoring operators, or LMOs. The effect of these changes was to remove the Queensland Government from operational aspects of the gaming machine industry while maintaining its regulatory role—a role that is crucial for the protection of the probity and integrity of the industry. In addition, gaming machine tax changed from a turnover-based tax to a metered win-based tax from 1 July 1997. All hotels and most clubs, excluding only the largest of the clubs, received significant tax cuts.

The Gaming Machine Industry Consultative Committee was also established, with representatives from Clubs Queensland, the Queensland Hotels Association, licensed operators and the Queensland Office of Gaming Regulation, which provides ongoing feedback to the Government on the implementation of the white paper changes and other industry matters as they arise. Under these changes, licensed clubs will be permitted to increase to a maximum of 300 machines and hotels to a maximum of 45 machines by 2001. Variable player returns between 85% and 92% have been permitted since 1 July last year and will be phased in during the current financial year.

The Queensland Machine Gaming Commission has now approved eight licensed monitoring operators. While LMOs must provide basic monitoring services to sites, they also are able to offer a number of additional services, including leasing of machines, management advice, training, marketing and linked jackpots. The Bill is largely intended to authorise the next step in the implementation of the change process for the gaming machine industry that began under the previous Government. The majority of the amendments included in this Bill are administrative in nature and are necessary for the current regime to operate effectively.

The key administrative amendments will provide for the licensing of gaming nominees, changes in the licensing of machine managers, extending the term of most licences from two years to five years, and a number of other minor administrative amendments. The legislation will also give effect to the Government's commitment to the club industry to implement a package of legislative changes that will prohibit entrepreneurial activities being conducted to the detriment of clubs and their members.

The more controversial elements of this Bill relate to certain provisions that have been included to ensure that licensed monitoring operators and clubs continue to act in the best interests of clubs and their club members. In particular, I refer to amendments that prohibit revenue sharing arrangements between clubs and LMOs to continue. If the Government had not acted swiftly against the emergence of revenue sharing arrangements in the Queensland industry, the balanced approach to gaming which has characterised the Queensland industry would have been jeopardised.

I am concerned that the legislative regime that this Government inherited leaves the growth and direction of the gaming industry's development to market forces. This is a concern because, while significant community benefits can be attributed to a prosperous and dynamic gaming industry in this State, the large profits and significant negative social consequences that can flow from this industry demand that future developments occur in a responsible manner. The regulatory regime we inherited from the previous Government could, unless examined now, lead to an entrepreneurial market with a profit-at-any-cost ethos dominating the industry. This would not be beneficial to our community, and it is not consistent with the original premise as to why gaming machines were introduced into Queensland. The introduction of gaming machines in Queensland in 1992 occurred with minimal public backlash because the Government achieved

the balance between accessibility to poker machines, regulation of the industry and social returns to the community.

The initial impetus for the Queensland Government to consider the legalisation of gaming machine operations was to address the deteriorating financial position of licensed clubs across the State. The introduction of gaming machines, however, was permitted only under the control of a regulatory environment that would ensure the highest standards of machine gaming and an impeccable operation. Consequently, amongst other matters, the Government decided to purchase all gaming machines and rent them to sites, centrally monitor each gaming machine, create a special unit within Treasury to regulate the industry, and create an independent commission to oversee machine purchases, licensing and industry participants.

I firmly believe that the Government should continue to play a key role in developing the gaming industry in a manner that is consistent with community expectations. The gaming industry has some serious social and economic downsides and, therefore, must not be allowed to development in an unfettered manner. The Government must ensure that the community as a whole continues to benefit financially and socially from gaming. That is why the Beattie Government acted swiftly to stamp out revenue sharing financing arrangements which were emerging under the previous Government's regulatory regime and challenged a fundamental tenet of the State's balanced approach to gaming machines.

At the centre of the 1992 Labor Government approach was that clubs, because of their non-profit status, channelled all their gaming machine profits directly back into the community. These profits were used to provide better services and facilities for the local area, such as improved sporting facilities or dining or entertainment facilities. The emergence of revenue sharing arrangements between LMOs and clubs challenges this principle, and were it left to develop unfettered it would critically undermine the privileged position that community clubs currently enjoy in our State. After all, the sharing of gaming revenues enables a party other than the club to share in the club's gaming profits.

It has never been the intention of the Government for clubs to be used as a device for individual gain. The whole purpose of clubs is to provide an environment for like-minded individuals to share a common interest. Clubs are owned and operated and managed by their members as non-profit bodies. They have been recognised as an important part of the community infrastructure, and their status is reflected in the range of tax and other concessions they receive from both State and Federal Governments. A key element of their status is the requirement that all profits stay with the club and are used for the purposes of the club.

This Bill amends the previous Government's legislation to ensure that the development of this type of financing arrangement between LMOs and clubs is effectively prohibited, with one minor exception, that being linked jackpots. This element of the Bill has attracted significant media attention and been the subject of a comprehensive consultative process and a public benefit test. During the three months that have passed since the Bill was introduced into the Parliament, consultations have taken place, as I mentioned earlier.

Dr Watson: I was right, was I?

Mr BRISKEY: As the honourable member for Moggill knows, consultations took place before the introduction of the Bill as well. Consultations have taken place which involve formal meetings between the Queensland Office of Gaming Regulation and Clubs Queensland, the Queensland Hotels Association, the Club Managers Association, the eight LMOs, the Australian Gaming Machine Manufacturers Association and the machine manufacturers currently on the roll of manufacturers. In addition, extensive discussions took place at both ministerial and officer level with many interested parties, including TABcorp, Surf Life Saving Queensland, Clubs Queensland and affected clubs. As the Parliamentary Secretary to the Treasurer, I personally visited many of the clubs directly affected by the decision and held discussions with their management. Following these discussions, a draft public benefit test report was prepared and released for public comment in late February. A call for submissions was published in the Courier-Mail on Saturday, 27 February, with responses due by 15 March. Some 26 responses were received by the due date. These submissions have been reviewed and a final report prepared, taking these comments into account.

It is evident from the consultation process that the legislation is strongly supported by Clubs Queensland and the Queensland Hotels Association. It is also supported by many individual clubs. It has been vigorously opposed by TABCorp and Surf Life Saving Queensland as the sites most directly affected by the changes, and less vigorously by other LMOs who saw revenue sharing as a future option.

The public benefit test conducted in respect to clause 113 of this Bill noted that the gaming machine monitoring and ancillary services market in Queensland is the most competitive

in Australia. Consequently, there is no evidence to suggest that the amendment that prohibits revenue sharing will result in the diminishing of the level of competition in the industry. The report noted that—

> "While clause 113 has some impact on competition, it is not a substantial impact and it can therefore be argued that the amendment does not have the purpose or effect of substantially lessening competition in the Queensland gaming machine market."

Further, whilst the report acknowledges the complexity of the issue, it finds that—

> "It is open to the Government to come to the conclusion that the public benefit gained by ensuring that gaming machine venues retain the responsibility of controlling their own destiny through the prohibition of gaming machine revenue sharing arrangements outweigh the resulting inconvenience to the 1% of venues which will have to renegotiate their monitoring arrangements."

On the basis of this exhaustive consultation process and the results of the public benefit test, I am confident that the Government got it right last November when it moved swiftly to prohibit revenue sharing in Queensland.

There is no reason for the Government to alter its opposition to revenue sharing arrangements between sites and LMOs. What this consultation process has uncovered, however, is the significant financial difficulties that smaller clubs are experiencing in attempting to obtain the finance needed to establish a competitive gaming facility. Addressing the deteriorating financial position of smaller clubs was one of the "principal issues" identified in the 1996 white paper. The executive summary of the previous Government's white paper states that a principal issue identified by the review was "the competitiveness and viability of smaller sites vis a vis larger clubs".

However, the previous Government's reforms did not resolve this matter; if anything they made smaller clubs less financially viable. Unfortunately, some smaller clubs were led to believe that revenue sharing arrangements were a mechanism through which they could obtain the financing needed to establish a competitive gaming facility. These arrangements, however, are not the solution and in the long term would lead to the demise of smaller clubs as outside profit-oriented companies obtain quasi-equity stakes in clubs and ultimately dictate their development.

I have a first-hand understanding of the difficulties which face smaller clubs in obtaining finance. A club which is not in my electorate but which is close by is the Redlands Junior Rugby League Club. This club has a dedicated bunch of part-time executives who work full-time for the club. They work hard for the local juniors who play Rugby League at the club. This club has no chance of raising funds; nor does it have a chance of building a club similar in size to those around it.

As I mentioned earlier, as part of the consultation process that followed the introduction of this Bill, I visited a number of the smaller clubs that had entered into the revenue sharing contracts with TABCorp and I ascertained the impact of the Bill on those clubs. Of particular concern to me was the effect of the Bill on those clubs which, in good faith, had entered into revenue sharing arrangements with TABCorp and made commercial decisions based on these arrangements. A number of clubs had entered into arrangements with financiers to borrow money to extend building programs.

I think there is a case for the modification of clause 113 to allow for transitional arrangements to apply to assist those clubs that have, in good faith, entered into revenue sharing arrangements with TABCorp and made commercial decisions based on these arrangements. However, I believe that these transitional arrangements should not extend—

Time expired.