



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 17 August 1999

INTERACTIVE GAMBLING (PLAYER PROTECTION) AMENDMENT BILL

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (4.44 p.m.): These amendments to the Act are tangible evidence of this Government's responsiveness to the community and its adherence to the highest standards of public accountability. Over the past few weeks there has been a concerted effort to undermine the credibility of the Government with respect to the issuing of the State's first interactive gambling licence. The Opposition and some elements within the media have chosen to ignore important facts, especially where they contradict scurrilous allegations of preferential treatment—such as the ones we heard from the member for Moggill—and windfall profits being provided to so-called Labor mates.

In supporting these amendments this afternoon, I want to set the record straight. There were no special deals. Gocorp Ltd was issued with a conditional interactive gambling licence because, after eight months of rigorous probity investigations by the Queensland Office of Gaming Regulation, it had satisfied the regulators and the Under Treasurer that it met the requirements for a licence.

I had rejected Gocorp's request for a reduction in the 50% tax rate and its request for a licence of 20 years' duration was also rejected in favour of a lesser period. When people associated with Gocorp complained to me about the length of time taken by the Queensland Office of Gaming Regulation to prepare regulations under the Act or to conduct its comprehensive probity checks, I had no hesitation in expressing my total confidence in the QOGR and in the impartiality and professionalism of its officers.

There was no exclusive licence awarded to Gocorp, nor was a tender awarded to Gocorp. As the coalition well knows, there is no limit on the number of licences that can be issued under the Act. Similar to any other applicant, Gocorp could expect a licence provided it met the standards required by the QOGR. There were no special deals for Gocorp because of the political affiliations of its minority shareholders. The families of the three Labor Party identities linked to Gocorp had a minority interest in their company, Navari Pty Ltd, which in turn had a minority interest in Gocorp. Collectively, the family interests of these three figures owned less than 6% of Gocorp. The three people in question were neither directors of Gocorp nor directors of Navari. In fact, one of these people, Councillor Pisasale, was forced to resign as a director as a result of the independent probity investigations conducted by the QOGR—an action which I had no hesitation whatsoever in endorsing.

On four counts—no exclusivity of licence, no tax cut, no real involvement for Pisasale, no 20-year licence—the decisions all went against Gocorp's interests. So much for special favours! Ironically, after two weeks of attacking the licensing process and my role as the responsible Minister, I find that the only charge which is being made against me is that I had a political responsibility to act unethically! Let me assure honourable members that I am always prepared to be condemned for ethical behaviour. As Treasurer, I consider commercially sensitive information day in and day out. I have a responsibility to act with integrity and not disclose confidential information just because someone thinks it would be smart politics to do so. It is my responsibility to ensure that decisions are taken for the right reasons and that the proper processes are observed, such as in this instance, where I have acted on the advice and recommendations of the independent regulator, the Queensland Office of Gaming Regulation and the Under Treasurer.

When the Leader of the Liberal Party was asked about the Gocorp licence issue on ABC radio on Tuesday, 27 July, did he question the legality of the process? Did he question the role and integrity of the Queensland Office of Gaming Regulation? No way! What did he say? He stated—

"I don't think there's anything illegal ... I'm not aware of anything illegal in that at all.

...

Um and ah, you know I very much doubt that the Office of Gaming Regulation would allow something like that through."

Thankyou, Dr Watson; I could not agree with you more.

Why are we debating this legislation this afternoon? The answer lies not in reality but in perception. It is no longer sufficient that these identities who have an affiliation with the Labor Party have little or no real influence within Gocorp. We are making sure that they can have no perceived interest, either. When the Parliament unanimously passed the Bill in March 1998, it left open the opportunity for political identities to invest in such enterprises—to have a perceived interest regardless of how small an interest they had in reality. That was not an issue for the Liberal Party and National Party Government in March 1998, although it knew—and it said so again this afternoon—of Mr D'Arcy's interest in this matter. The Independent member for Gladstone also supported the Bill, and the Labor Opposition believed the then Treasurer, Mrs Sheldon, when she said—

"The Queensland Office of Gaming Regulation will be responsible for administering the provisions of the proposed legislation ... it will ensure all forms of gaming and wagering whether conducted by traditional means or electronically, are conducted in accordance with a consistently high level of probity and integrity."

The other furphy that has been peddled in relation to Gocorp is that the issuing of the licence was somehow expanding gambling opportunities in the community. Nothing could be further from the truth. Apart from the fact that 90% of Queenslanders would be prevented from playing casino games offered by Gocorp because of the franchises held on those games by existing land-based casinos in Cairns, Townsville, Brisbane and the Gold Coast, the purpose of licensing an interactive gambling operation is not to promote gambling. Goodness knows there are plenty of operations already on the Net. Rather, the purpose of legislation was to protect those who want to play these games. Allow me to again quote the then Treasurer, Mrs Sheldon. She said—

"It is important to note that the Bill will not, and is not intended to, expand the range of gaming products available through commercial venues such as casinos, clubs and hotels."

This Act is part of a national regulatory framework which was recently praised in the much acclaimed report of the Productivity Commission on gambling in Australia. It is time that the facts were placed upon the record. Representatives of Australian Online Entertainment had numerous meetings with the coalition Government before and after the passage of the Act, and they met with me on 15 July 1998. I should mention that such a meeting with the new Treasurer is hardly surprising. Over the last 12 months, I have met with other casino operators and other companies involved in gaming and gambling, as one would expect a responsible Minister to do.

While I believe this meeting may have been requested by Mr Livingstone, I do not recall him attending this meeting. However, Mr Brad McCosker and Mr Reg Austin of AOE attended in the presence of my acting policy adviser. They indicated that the company wanted to apply for an interactive gambling licence. I informed them that applications for licences could be considered by the QOGR only after the subordinate legislation was gazetted. They also wanted an exclusive licence, and I was advised by QOGR that there would be no exclusivity as it was always intended that a number of licences could be issued.

At various times between July and September 1998, directors and shareholders in AOE, now known as Australian Internet Entertainment Limited—AIEL—including Messrs McCosker, D'Arcy and Livingstone, inquired as to progress in the preparation of the subordinate legislation. On each occasion, I advised them that the QOGR was progressing the regulations in consultation with other jurisdictions, in keeping with the national regulatory approach that had been developed over the previous three years.

On 24 August 1998 I received a letter from Mr McCosker seeking a licence to operate interactive gambling in Queensland and criticising "QOGR's inertia with regard to the drafting of the legislation and now the relevant regulations". I replied on 21 September, expressing "my full support for officers of the Queensland Office of Gaming Regulation", and I commended the officers for the progress that they had made on the regulatory regime. Again, I stood by the regulator. I rejected Gocorp's criticisms.

At its Bundaberg meeting of 21 September last year, Cabinet considered the Interactive Gambling (Player Protection) Regulations, which had been prepared by the Queensland Office of Gaming Regulation. After the meeting I issued a press release and held a press conference announcing that both the regulations and the Act would commence from 1 October last year. In further correspondence to Mr McCosker on 9 October, I advised that a licence applicant would be subjected to thorough checks by QOGR. I stated in my letter—

"I am advised by the QOGR that these steps should take some six weeks once an application has been lodged. Once this process is complete and QOGR are satisfied with the nature and viability of your business and internet services, I would expect a licence would be issued to your company."

It is worth noting that the process took eight months, rather than the six weeks estimated by QOGR. The QOGR advertised the availability of interactive gambling licences by posting its requirements on its web site on 1 October last year. There is no magic in Gocorp being the first company to have been issued with a licence, as its forerunner, AIEL, was the first company to apply, lodging its application with the QOGR in October last year.

In April this year, QOGR reported to me on matters that had emerged from the probity investigations of the AIEL application and in particular the failure of one of the directors of Navari Pty Ltd, a minority shareholder of AIEL, to disclose certain criminal offences. QOGR considered it appropriate to require the director in question, Councillor Paul Pisasale, to resign his directorship of Navari. Yes, I know Councillor Pisasale, but I had no hesitation whatsoever in endorsing QOGR's actions.

On 14 May, AIEL—now Gocorp—directors Appleby and Farrar met with me in my ministerial office in the presence of Ms Caroline Tumour, my policy adviser. Gocorp sought this meeting to seek a reduction in the 50% tax rate which applies to interactive gambling licensees under the Queensland regulations. They told me that until recently they had been unaware of the 50% tax rate and that they considered the 50% tax rate would undermine the commercial viability of their enterprise. I told them that there would be no reduction.

Finally, on 3 June 1999 the Executive Director of the Queensland Office of Gaming Regulation, Mr David Ford, and the Under Treasurer, Mr Gerard Bradley, presented me with a memorandum recommending the issuing of an interactive gambling licence to Gocorp. My senior policy adviser, Mr Scott Flavell, and my policy adviser, Ms Tumour, were also in attendance at that meeting. Although the memorandum recommended the issue of a licence to Gocorp, it left open the issue of whether the duration of the licence should be 15 years or 20 years, stating that this was a matter for the discretion of the Treasurer.

The memorandum stated that Gocorp and their financial advisers, Deutsche Bank, considered that a 20-year licence was necessary for its financial viability. I told Messrs Ford and Bradley that leaving this matter to my discretion was unacceptable and that I wanted them to make a clear recommendation to me as to what should be the duration of the licence based on their professional judgment. I told Mr Ford and Mr Bradley that some people associated with the Gocorp application were well known to me but that I had not and I would not seek any preference or advantage for those people or for Gocorp.

Mr Ford and Mr Bradley together agreed that a licence of 15 years' duration would be appropriate, and Mr Bradley consequently amended the memorandum's recommendation to that effect in his own handwriting. I asked Mr Ford and Mr Bradley whether the recommendations for the issue of the licence were their recommendations, made according to their professional judgment in accordance with the processes and requirements applied by the Queensland Office of Gaming Regulation under the Act and whether there was any legal impediment to the issue of the licence. Mr Bradley and Mr Ford gave me those assurances and told me that there was no reason why the licence should not be issued.

I therefore endorsed the recommendations, as amended by the Under Treasurer, approving the issuing of a conditional licence to Gocorp. It is important to note that Gocorp is yet to take its first bet. Despite the issue of a conditional licence, Gocorp must yet satisfy QOGR that its proposed software and its financial capability meet appropriate standards before it can operate.

In the Courier-Mail of Tuesday, 27 July 1999, the following headline appeared on page 1. It was a beauty, wasn't it? "Internet jackpot for Labor mates", it bellowed. The accompanying story focused on the Labor Party affiliations of Messrs D'Arcy, Livingstone and Pisasale and the yet still to be substantiated claim that the issuing of the interactive gambling licence would produce a massive financial windfall for Gocorp's shareholders. I do not know where the Courier-Mail got the idea that Gocorp would be worth \$200m, but obviously that is the sort of source that the member for Moggill likes to refer to.

I can tell the member for Moggill that professional advice from Treasury suggests that the true value of Gocorp is but a fraction of that, particularly as Gocorp does not have an exclusive licence nor an operating licence at this time. If he wants to ask how much, he can ask Gocorp, but I will tell him that it is much, much, much less than the figures that have been bandied around by the Courier-Mail. Nevertheless, it was as a result of this article that the Premier and I wrote to the Auditor-General seeking an investigation of the licensing process in order to maintain public confidence in the propriety of Queensland's gaming licensing system and the integrity of the QOGR.

Despite repeated advice from my office to Courier-Mail journalists that the Queensland Act did not limit the number of interactive gambling licences available and that there was no competitive tendering process for the issue of a licence, the Courier-Mail on 30 July 1999 continued the incorrect assertion that Gocorp had been successful in a tender process and that it was done on the quiet. The editorial also made the clear inference that political affiliations had played a part in the process and that the licence had been issued to D'Arcy, Livingstone and Pisasale. This claim was made despite the fact that D'Arcy, Livingstone and Pisasale were neither directors of Gocorp nor directors of its minority shareholder, Navari.

Improper conduct was also inferred in an article by Paul Whittaker on Saturday, 31 July which highlighted not only Labor Party links between me and the three political identities associated with the Gocorp application but also that we were all members of the same Labor Party faction, as well as the existence of social ties. Shock, horror! Livingstone, Pisasale and I live in Ipswich. Pisasale and I know each other socially. And—wait for it!—a former electorate secretary of Livingstone is now a member of my staff. I have to say that if one has grown up in a community, lived there all one's life and been as active in that community, as I have, over the past 25 years, one would be expected to know other people who have been similarly active in that community. As a result of these articles and other media comment, the Leader of the Opposition, Mr Borbidge, then hopped on the bandwagon alleging "some very serious issues that need to be investigated".

Again for the record I state: no favourable treatment was accorded to Gocorp's application. Gocorp was subjected to the full scrutiny of the expert regulator, the QOGR, in exactly the same way that other applicants for these licences are being scrutinised.

While various people associated with Gocorp, such as Mr McCosker, Mr D'Arcy and Mr Livingstone, expressed their frustration with the length of time that the QOGR took to prepare the regulations and undertake the probity investigation, at no time did I interfere with the processes of the Queensland Office of Gaming Regulation. I remained confident in the independence and professionalism of QOGR officers in the discharge of their responsibilities, operating at arms-length from the ministerial office. As Minister, it was my duty to be satisfied, prior to the issue of a licence, that each applicant met the requisite standards of probity and financial and technological capability and that due process—something the Opposition does not know about—was afforded each application. I relied on the QOGR and the Under Treasurer to advise me.

Furthermore, I consider the personal and commercial information obtained by the QOGR and brought to my attention as a result of its investigations to be confidential and that I am not at liberty to publish that information to others who are not part of the decision-making process. I apply the same standards to other sensitive material that comes to my attention in my official capacity, be it commercial or otherwise.

In discharging my responsibilities under the Interactive Gambling (Player Protection) Act, I was at all times satisfied that due process was being followed and that the QOGR was undertaking its duties impartially and professionally. I am satisfied that no advantage was obtained for Gocorp with respect to its licence application and that the company's application had to comply in all respects with the same high standards which must be met by any other applicant for such a licence. I am also satisfied that no disadvantage nor advantage accrued to Gocorp as a result of the political affiliations, associations, domicile or identity of any of its directors or shareholders, whether those shareholdings in Gocorp were direct or indirect.

To have denied an applicant a licence on the grounds that some minority shareholder had a political affiliation, where the applicant had satisfied the requirements of the QOGR and where the QOGR through the Under Treasurer had recommended a licence be granted to them, would at law have exposed the Government to expensive litigation.

In the media comment on this issue there is one charge that has been made against me. It is that my decision to issue a conditional licence to Gocorp was politically stupid. It appeared in these terms in last Saturday's Courier-Mail, on 14 August. It states—

"Indications are Hamill believed commercial confidentiality was involved and, scrupulously, decided to tell no one, not even the Premier. If this is true he deserves full credit for his ethics and a monumental kick in the rear for his political stupidity."

In other words, because I followed the proper processes and observed the legal duties imposed on me as the responsible Minister, I stand accused of not acting like a politician but rather of acting ethically. I suggest that that is a pretty rare charge indeed.

If ever there is a message that needs to be heard by politicians and members of the media alike, it is that the people of Queensland are fed up with so-called smart politicians who act unethically and without integrity. Good politics and ethical behaviour are not, as the Opposition would suggest, at opposite ends of the spectrum. Ethical behaviour does not necessarily equate to political advantage but ethical behaviour, like good policy, is good politics.