



Speech by

John-Paul Langbroek

MEMBER FOR SURFERS PARADISE

Hansard Wednesday, 1 March 2006

RACING (RACE FIELDS) AMENDMENT BILL

Mr LANGBROEK (Surfers Paradise—Lib) (9.28 pm), in reply: I am pleased to reply to the Racing (Race Fields) Amendment Bill 2006, a bill which the coalition has been left to introduce after inaction on the part of the Labor government. I want to thank my coalition colleagues for their support and also the Labor members who have spoken this evening. I must admit that it feels a bit like *Groundhog Day*. The member for Moggill just said that the debate on the fluoride bill reflected a similar situation. We had members on both sides expressing support for the principles. Probably this debate is not quite as dramatic as the debate on the fluoride bill in terms of the range of emotions, but we certainly had people expressing support for the bill and supporting the principle but opposing the bill. I find that quite unbelievable.

Mr Rickuss interjected.

Mr LANGBROEK: I take that interjection from the member for Lockyer. I invite them to cross the floor. Tonight I am going to highlight the strong and justifiable reasons behind this bill and the protection that it aims to provide Queensland's growing racing industry. What will become apparent is that the coalition's response of introducing this bill is in line with the action already taken by the Victorian parliament and with similar action taken by the New South Wales parliament.

Mr Shine: How many prosecutions?

Mr LANGBROEK: There have been no actual challenges against it. It is interesting that the member for Fitzroy, the member for Nudgee and the member for Toowoomba North have mentioned possible challenges. There have been no challenges to this legislation. I question the members' doubting of the ability of the Victorian parliament to frame legislation that would not be subject to challenge.

Mr Shine: How many prosecutions under the legislation?

Mr LANGBROEK: All I know is that they passed it on 29 November in Victoria and so far the sky has not fallen in.

Mr Shine: You should research a subject before you bring it in.

Mr LANGBROEK: As far as I know, there have been none. The important thing is that Victoria has done something about it. Doing nothing is worse.

Before I detail the bill's objectives, I must draw attention to the blatant hypocrisy in the current government's ranks with regard to protecting our racing industry against Betfair. Despite the fact that those opposite have been more than willing to make statements that Betfair is bad for the industry and for Queensland, what will become abundantly clear is that this government continues to contradict itself on the matter. The government fundamentally contradicts itself by not supporting this bill, despite previously asserting that Betfair will pose major problems for the Queensland racing industry.

When I looked at my research material this evening, I saw that on 3 November 2005 the racing minister said, 'I took a submission to ban Betfair in Queensland back in March'. Obviously he will not tell me who rolled him in cabinet. However, can I now invite you, Mr Speaker, as you are no longer in cabinet, to have a drink with me afterwards and tell me who rolled the minister for racing on his plan to ban Betfair.

Mr SPEAKER: My lips are sealed.

Mr LANGBROEK: In July 2004, the minister was quoted in the *Australian Financial Review* as stating, 'As far as I am concerned, betting exchanges are a rot waiting to happen'. What else did the minister say tonight? He said the legal opinion is that the bill may not prevent what it is supposed to prevent; that it is potentially ineffective and unenforceable. His other solution was that the federal government should do it. He said that we might do it in Queensland, but we will wait for a while. Might I suggest to the minister that if we do not do it, we are definitely putting at risk money to the three control bodies in Queensland racing. Time is of the essence. He was mentioning that this legislation may put at risk money to the control bodies. As I say, doing nothing is worse.

I agree with one of the minister's recent media releases in which he said that the Queensland government has always strongly opposed Betfair from setting up base in Australia because it makes profits without contributing any money to our local racing industry. He should have expressed that more to his Labor mate Paul Lennon before he allowed Betfair into Tasmania. In the same media statement the minister referred to the introduction of betting exchanges as a poisoned apple that would spell the end of racing as we know it in Queensland. As shadow minister, I completely agree. However, this government contradicts itself in deciding to oppose this bill. How can this government come out and make these points and then sell our industry short by not supporting this bill? By blocking this bill's introduction, the government proves again that it is all wind and no action.

Furthermore, the government contradicts itself internally by not having a consistent policy amongst its members about the value of the industry to Queensland. It may well be that the minister has just been rolled by the Premier. In April 2002, Premier Beattie commented that Queensland racing contributed \$700 million to the state's economy and generated full-time, part-time and casual jobs for almost 24,000 Queenslanders. That was back in 2002. Since then, the minister for racing has consistently pointed out that the racing industry remains in good health and continues to grow. However, in April 2004, when I was a very new member here, in answer to a question without notice, the minister downplayed the importance of the industry by stating to members of the opposition that we were overstating its employment statistics. He said that fewer than 4,800 Queenslanders were directly employed in the racing industry, which equates to 0.28 per cent of the total employment sector. Here was the minister, instead of advocating for the department he is responsible for, downplaying its success.

The comments by the Premier and the minister demonstrate the marked discrepancy within the government itself. It is unable to agree upon the value of racing to Queensland, let alone the implications Betfair may have for it. I remember when Betfair got its licence in Tasmania, after his previous glowing support for the racing industry the Premier said that he thought the TAB would do okay with some competition. This was after Paul Lennon had agreed to allow Betfair in. The strange thing is that racing gets all of its revenue from the proceeds of gambling, so how would it benefit from some competition when that particular competitor does not provide a guaranteed revenue to racing? So even when the Premier, from the former Socialist Party which used to eschew competition, embraces it, he gets it wrong.

The Premier does away with every other expert view on the matter, including the minister's view. I will come back to what those in the know believe in a moment. On the other hand, this side of the House understands the economic benefits that the racing industry provides to Queensland, as well as the social and cultural benefits of having popular, safe and entertaining events.

What the Queensland coalition has in this bill is a strategy to support the Queensland racing industry by providing it with the mechanisms it will require to maintain the steady growth that it has experienced well into the future, by protecting against unauthorised betting exchanges based interstate or overseas. The bill aims to ensure that the integrity of the industry is upheld through maintaining government revenue and effectively administering the conduct of racing to ensure that high standards of probity are preserved.

It is important to note at this point that this bill is not an anticompetitive piece of legislation. The offence does not in any way inhibit the state from licensing new wagering service providers in the future as this application is only in respect of illegal operators. I was interested to hear the minister's legal advice that perhaps Betfair or some other betting exchange would challenge it and, therefore, demand to be a legal operator.

Mr Caltabiano interjected.

Mr LANGBROEK: I echo the sentiments of the member for Chatsworth. We are happy to amend this bill according to the minister's legal advice and I promise him bipartisan support to do anything we can to stop these betting exchanges.

Mr Caltabiano: Table the advice.

Mr LANGBROEK: We would love to have that legal advice tabled so that we can look at it. I spoke to the chairman of Racing Victoria and he is very confident that the Victorian legislation will stand up to any challenge, whether it goes to the High Court under section 92 of the Constitution about competition between the states, or whether it is trade practice legislation. Of course, this government may choose to

ignore that advice and it can get a two-for-one deal from the High Court when it comes to do its federal IR legislation challenge and waste some more taxpayers' money.

At this point, I would like to properly explain how betting exchanges threaten Queensland racing and the revenues of both the industry and government. At present, betting exchanges—which have now been licensed by Tasmania—are a relatively new phenomena. Unlike traditional wagering providers like TABs and bookmakers, which support the racing industry through direct funding, betting exchanges pay nothing to support the racing industry. They provide an on-line facility, as many members have said tonight, for punters to back horses to win against odds laid by another punter. This makes it possible—and this is the very salient point—for punters to back a horse to lose rather than to win, posing an unacceptable risk to the integrity of racing in this state and country.

The economics of racing are not complicated. The betting industry pays a commercial fee for every race it uses. Exchange operators make their profits out of breaking that circle. Currently, racing followers access both totalisator wagering with TABs and fixed-odds betting with bookmakers. Each of these wagering sectors forms part of a commercial circle with the racing industry. As a result, the industry depends on a commercial linkage between wagering activities on racing events and the racing industry's cost base. Betting exchanges are a hybrid form of wagering, structured in a way that is intended to evade this linkage. The ongoing viability of racing depends on a commercial income stream from wagering back to racing to meet its cost base. However, under the betting exchange model, racing is treated solely as a means of driving use of the exchange site and generating commissions for its host. Racing receives no commercial return from this wagering. On the contrary, the business formula of exchanges is built on avoiding anything more than token payments.

Tasmania has taken the 30 pieces of silver. It has got \$5 million as a one-off pay-off or something and all sorts of other things but no guaranteed revenue that will continue down the track, year after year. As I say, they will take away the funding that the racing industry is currently guaranteed when they are a very small part of the Australian racing industry.

The paramutual wagering with TABs and the fixed-odds betting with bookmakers is subject to clearly defined commercial and regulatory obligations vis-a-vis the racing industry. Since privatisation, these totalisator companies are now publicly listed companies and operate within a corporate legislative environment, unlike many of the betting exchange operators, who operate outside these frameworks. Betfair will not allow Australian racing authorities the same access they have to betting information held by TABs and licensed bookmakers. The conditions Betfair wants are too restrictive, unacceptable to stewards, and would not allow thorough investigation of suspected corruption. That leads me to the next threat posed by betting exchanges.

As I have mentioned before, the risk they pose is to the integrity of racing and the propensity for criminal and unethical behaviour to result from their operation. Through betting exchanges, opportunities for corruption exist which in turn would lead to a loss of confidence in the industry from punters. We cannot afford to have allegations of race fixing and conspiracies in the industry. We need only to look to the UK, which the member for Southport, the member for Toowoomba South and others have mentioned tonight. In the UK criminal corruption has been linked to betting exchange transactions and the darkening shadow that has been placed over the industry there.

Racefax, an independent British monitoring service, identified over 170 instances of irregular betting patterns on betting exchanges between January and October 2003. It has also reported a sharp increase in the volume of otherwise fancied horses which drift in price and lose and whose unusual running indicates that there is an irregularity. As the member for Southport mentioned, one of the better known English jockeys was charged with deliberately losing eight rides in the season for financial gain on Betfair. The public suspicion generated by irregular betting patterns on betting exchanges is having and will continue to have a debilitating effect on the reputation of British racing. Let us not be naive about the follow-on effect. Punters will switch sports and no longer inject money into racing.

It is for those reasons that the Queensland coalition has introduced this bill. It is why the government should also want to support this bill. Indeed, to delay its introduction would be as unjustified as Minister Schwarten suggested the Tasmanian government was in allowing Betfair to commence operations there in November. If the government does not support this bill, it turns its back on the people and authorities of our racing industry. The message coming from them is consistent and clear: do what you can to protect us against the consequential threats of Betfair being introduced here. They are not saying, as the minister is, 'Let's see how it goes in other jurisdictions and let's wait to see if there are challenges.' They are saying, 'Do it now.'

Here are a few messages from some of the people in the industry. Andrew Ramsden, Chairman of the Australian Racing Board, has said that betting exchanges present the greatest threat to Australian racing as we know it in the 170-year history of the sport. He said that betting exchanges have no place in Australian racing and threaten the very existence of this sport and its long-term sustainability. He also said

that the introduction of Betfair was the sorriest development he had witnessed in his time in racing. He said—

The start of betting exchange operations in Australia ... cannot fail to leave a sour taste in the mouth of anyone who genuinely cares about the future of Australian racing.

The Queensland branch of the Australian Trainers Association has told me—

Put bluntly, the betting exchange operator makes its money out of providing a matching service for people to bet on race meetings, and paying a fair level of return to the trainers, owners, jockeys etc whose efforts produce those race meetings just doesn't figure into the equation.

Colin Anderson, President of the Australian Trainers Association, has said that it is far easier to identify a horse that cannot win a race than one that can. He said that if an individual can profit from a horse not winning a race, then a very sinister pathway to corruption is opened. The ATA has also stated—

Not only is this a recipe for actual malpractice but how long would public confidence survive the perception that beaten favourites had been backed to lose on a betting exchange by those in the know.

Paul Innes of the Australian Jockeys Association has said that betting exchanges have the potential to damage the public confidence in racing that has been built up over many years and depends entirely on every horse racing on its own merits. He said that being able to profit off a horse losing creates the perfect recipe for malpractice. He said that the exchanges also threaten the sustainability of the industry as they piggyback on the efforts of trainers and owners who stage race meetings, but they are not prepared to pay anything by way of fair remuneration.

Ipswich Turf Club Chairman, Wayne Patch, has said that anything that threatens racing integrity, be it real or perceived, is a worry for all of us. He believes that reduced TAB turnover would result in less prize money, a reduced quality of racing and, subsequently, a poorer standard of racehorse.

At the recent AGM of the International Federation of Horseracing Authorities in Paris, the 50 horse-racing authorities agreed upon this principle: no-one should be permitted to offer betting possibilities on races without having the express agreement of the racing authorities staging those events or the rights holder of the racing data and pictures. Another authority, the Asian Racing Federation, represents 20 racing jurisdictions in the region including Japan, Singapore, Hong Kong, New Zealand, India, South Africa and Korea. It has concluded that betting exchanges are fundamentally incompatible with the best interests of the sport and it is refusing to licence betting exchanges to operate in member countries.

The reality is that the present wagering and racing industry structure generates very healthy streams of taxation revenue as well as streams of revenue to support the survival of the racing industry while, at the same time, creating profits for the totalisator operators. The regulatory environment that is in place in the wagering arena is designed specifically and deliberately to protect the revenue streams that flow to the racing industry without which the racing industry as we know it would cease to exist.

Those who, like the Premier, argue that betting exchanges should be legalised in the interests of competition must have their arguments tested against the damage that it would do to the racing industry. The Premier and the Labor Party may care to change their tune after evaluating the damage Betfair could have on their government. The Beattie government currently pockets more than \$63 million from UNITAB's wagering taxes each year. The annual GST from various Magic Millions sales should be worth up to \$20 million, and then there are the other millions of dollars from GST generated from racing commerce around Queensland. Back in 2004 the Australian Training Association provided me with statistics stating that if betting exchanges were legalised and attract 20 per cent of the existing totalisator turnover the racing industry would stand to lose about \$120 million and the state and federal government would lose around \$130 million. Only last month, New South Wales Racing CEO, Peter V'Landys, said—

... in the long-term as Betfair's presence takes hold, it will have a devastating effect on the viability of the New South Wales racing industry. We have estimated losses of revenue of up to \$15 million per annum.

Those are big numbers and, unless this parliament acts now to safeguard our industry, the shortfalls will not be easy to find.

In part, the coalition is proposing this bill to avoid the Beattie government again having to delve into its bottomless pit of money. That is the wrong approach. The coalition does not want the government to have to forgo \$10 million to \$15 million when Betfair starts pinching previously guaranteed revenue to support the industry. This government could have acted on 9 January when I called on it to do as Victoria did and legislate to stop the unauthorised publication of race fields.

The coalition does not want to see the Beattie government again act retrospectively when it could have acted proactively. We have seen that happen before. Only recently the Premier and health minister dipped into the 'when we stuff up' fund and announced more than a quarter of a billion dollars to pay doctors more over the next three years—on top of the December 2005 agreement. I ask the Beattie government to avoid having to act in such a way again and act now to support the bill. Queensland cannot afford to be naive to the threats Betfair and other unauthorised betting exchanges pose to our racing industry.

In summary, racing is a sport that depends upon public confidence in its integrity and is a major economic activity that generates substantial employment. Betting exchanges are incompatible with both of those interests because they encourage people to profit from horses losing and are structured in a way to evade commercial returns to racing as the content originator for wagering.

Betting exchanges can tarnish the industry through encouraging improper behaviour that would be very difficult to detect as seemingly unauthorised transactions are invisible to racing regulators. We need to protect our Queensland consumers and we cannot have a 'buyer beware' mantra established in respect of the industry. This parliament needs to realise that unauthorised exchanges do not have revenue taken from them to return to the industry. The operators of Betfair definitely do not. Anyone who bets with a betting exchange is doing the racing industry an enormous disservice and the Beattie government will effectively do the same if it does not support this bill.

Members opposite have acknowledged the threat. All this side of the House asks is that they follow through with their statements. I will highlight some of those statements. I have already dealt with some comments of some members. As in the fluoride debate, the member for Nudgee was very supportive but then said that he would not support the bill. He noted that Victoria and New South Wales have done something different, but I say to the member for Nudgee that at least they have done something. He mentioned the trade practice challenges that potentially exist in Victoria, yet there have been no challenges to legislation that they have had since November.

At the beginning of his contribution the member for Keppel told us that he knew a lot about racing, but he did not show a lot of that knowledge in his contribution. He said that the bill was a waste of time. The member for Fitzroy said that he would rather see challenges to the legislation in New South Wales and Victoria before he would be prepared to enact any legislation here. Similarly, the member for Toowoomba North said that the Victorian legislation was untested. He thought that no legislation was better than some legislation. I thought that statement was quite remarkable.

I remind the government of what Minister Schwarten said in the Ipswich *Queensland Times*. The honourable minister said that Betfair will 'spell the end of racing as we know it in Queensland'. It was the minister who said that the Queensland government has always strongly opposed Betfair setting up base in Australia because it profits without contributing any money to our local racing industry.

All the coalition asks is that the government steps up to the plate and supports this bill. For the good of the Queensland racing industry, support this bill. Do not prolong the introduction of the safeguards contained in this bill. Support this bill.

I repeat this request to the Beattie government because I am concerned that it will continue to blatantly disregard any private member's bills presented by the Queensland coalition not on their merits but due to the fact that we have introduced them. I did some research in the parliamentary library, which my friend the member for Chatsworth has already stolen. If the number of private member's bills introduced is indicative of the actions and the fervour of the opposition—I know that the minister for energy is always talking about the lazy and well resourced opposition—I decided to find out how many private member's bills were moved in the time of the coalition government. Six were moved between 1996 and 1998. How many have been moved from 1998 to 2006? Some 66. We come up with the ideas and those opposite steal them.

Mr SCHWARTEN: Mr Speaker, I rise on a point of order. I cannot let that one go. I have sat here and copped enough rot. It is a shame the member for Nicklin has not jumped on this. There was an agreement with him about private member's time. That is the reason it is different.

Mr SPEAKER: Order! There is no point of order.

Mr LANGBROEK: I had to get some sort of reaction. Only recently we saw the Beattie government almost plagiarise a private member's bill introduced by the then shadow health minister with regard to child employment with its Child Employment Bill.

The reality is that the Queensland Racing industry does not have the time to wait until Labor redrafts this private member bill to start protecting against unauthorised betting exchanges. The Racing (Race Fields) Amendment Bill 2006 should be supported now in line with other jurisdictions and having due regard to the lobbying of our racing authorities. Finally, if the Scrutiny of Legislation Committee has no problem with it neither should the Australian Labor Party. I commend this bill to the House.