



# AUSTRALIAN HOTELS & HOSPITALITY ASSOCIATION Inc.

ABN 79 948 978 376

## Submission to the Joint Select Committee on Gaming Reform

### Australian Hotels Association (Victoria) – AHA (Vic)

#### Introduction

AHA (Vic) is a branch of the national industrially registered Australian Hotels Association.

The overarching objective of the Australian Hotels Association (Victoria) is to effectively contribute to the establishment and maintenance of an economic and social environment that fosters the business success of members and Victorian pubs and hotels generally.

AHA (Vic) strives to be the pre-eminent Victorian hospitality industry association representing the rights and interests of its members to State, Federal and Local Government, other relevant parties and the community. AHA (Vic) provides industry leadership, lobbies on members' behalf and promotes best practice in hotel management, with a commitment to effective communication with members. AHA (Vic) actively contributes to the development and growth of tourism and tourism-related industries.

Within the diverse Victorian hospitality industry, AHA (Vic) membership incorporates CBD, metropolitan, regional and rural hotels and pubs, accommodation hotels, resorts and similar businesses.

The ongoing strategic objectives of AHA (Vic) are to:

- protect, promote and advance the interests and rights of members;
- uphold and promote the quality, integrity and reputation of the hotel industry, and
- provide timely, effective, relevant and value adding services to members.

## **Submission to the Joint Select Committee on Gambling Reform**

AHA (Vic) fully supports the submissions of the Australian Hotels Association and the Australasian Gaming Council to the Committee.

Additionally, AHA (Vic) wishes to bring to the Committee's attention the special and unique circumstances existing in the Victorian pub-based gaming industry, in particular:

- the restructure of Victoria's gaming industry, whereby the existing duopoly operator scheme (Tabcorp & Tattersalls) will be replaced by a venue owner operator scheme from August 2012, and
- the extensive legislated and/or announced harm-minimisation interventions of the Victorian Government, including:
  - significant restrictions on access to ATMs at gaming venues, including the already legislated total withdrawal of ATMs from 1 July 2012, and
  - the announced program for the implementation of pre-commitment mechanisms on gaming machines in Victoria from December 2010.

### Restructure of Victoria's gaming arrangements from August 2012

In April 2008 the then Brumby Labor Government announced that from August 2012 the 20-year gaming operator licences held by Tabcorp Holding and Tattersalls would expire and be replaced by a venue owner operator scheme providing that approved venue owners would own and operate gaming machines, consistent with arrangements in other Australian States and Territories.

However, unlike other States and Territories where gaming licences are issued in perpetuity, Victorian gaming machine entitlements are limited to the 10 year period 2012 – 2022 only.

Fundamental to the transition to the new scheme was the auction in May 2010 of the 10 year gaming machine entitlements (licenses) to holders of Victorian Commission for Gambling Regulation (VCGR) approved Venue Operator Licences.

In order that prospective bidders for the available 27,500 gaming machine entitlements participated in the auction with a full understanding of the Victorian Government's gaming regulatory scheme in the coming period, the Government detailed its intentions, particularly in respect of further restrictions on the operation and availability of ATMs in gaming venues and the implementation of a pre-commitment mechanism on gaming machines.

Then Premier Brumby in announcing the Government's intentions stated that such information was announced prior to the auction of gaming machine entitlements in order that prospective bidders could construct business plans for the period to 2022 with certainty.

Through the competitive, highly-regulated gaming machine entitlement auction in May 2010, the State of Victoria raised \$1 billion, being approximately \$550 million from hotels and \$450 million from clubs.

Additional to the \$1 billion payable for the entitlements to operate post-2012, Victorian gaming venues will also be required to fund the acquisition or the replacement of the existing fleet of gaming machines (estimated at a minimum \$200 million).

This is a unique situation and is placing considerable strain on the finances of Victoria's gaming venues, particularly having regard to bank limits and restrictions on borrowings occurring due to both the uncertainty in Victoria's gaming industry and the Global Financial Crisis.

The Victorian Government acted responsibly in detailing its future regulatory intentions in order that Business Plans and financial forecasts constructed by venues to assist in determining auction bidding limits were sustainable having regard to future gaming returns to the venue.

The additional costs to Victorian gaming venues of implementing a pre-commitment scheme as envisaged by the Gillard/Wilkie agreement within a payback period of the less 10 years remaining on the life of the gaming machine entitlements issued by the Victorian Government will place the very viability of Victoria's gaming hotels in question.

#### Restrictions on ATMs in Victoria

The restrictions in Victoria on ATMs in gaming venues are the most severe on the Australian mainland i.e.

- ATMs in Victoria are already totally excluded from gaming areas of hotels and clubs;
- Whilst prior to 2010, withdrawals from ATMs were restricted to a maximum of \$200 per debit-only account per withdrawal, from 1 January 2010 withdrawals are restricted to \$400 from debit-only accounts per day in total, and
- From 1 July 2012 existing legislation provides that ATMs will be totally excluded from all areas of a hotel or club with gaming machines, including exterior walls and adjacent car parks owned, leased or operated by the licensee.

The Victorian Government proceeded with the legislation to totally prohibit ATMs in gaming venues from 2012 notwithstanding that:

- non-gaming and gaming customers will be denied access to cash for non-gaming services of the hotel e.g. food, beverages, entertainment etc;
- security risks for both venues and customers will be significantly increased as venues will maintain increased cash holdings and customers will be required to bring more cash to the venue, and
- non-related third party ATM providers will position ATMs in premises adjacent to the licensed venue thereby making unlimited credit fund available to customers.

The report of the Productivity Commission Inquiry into Gambling in Australia did not recommend the total withdrawal of ATMs from gaming venues as will apply in Victoria from 2012, rather it recommended a \$250 withdrawal limit.

#### Pre-commitment in Victoria

The Victorian Government has announced and already commenced implementation of a "full" pre-commitment scheme as follows:

- 2010 – pre-commitment mandatory on all "next generation" electronic gaming machines;
- 2013 – pre-commitment mandatory on all gaming machines – venue networked, and
- 2015-16 – pre-commitment mandatory on gaming machines – State-wide networked.

The recently elected Baillieu Coalition Government has affirmed its commitment to the timetable and has also committed to work with gaming venues and other interested parties (including problem gambling groups) on developing protocols to encourage the take-up of pre-commitment and reduce any potential social stigma.

Our understanding of the Victorian Government's "full" pre-commitment scheme initially proposed by the Brumby Government and recently affirmed by the Baillieu Coalition Government to be operational by 2015-16 is:

- mandatory at all gaming venues;
- networked across Victoria, and
- voluntary use by players.

## Conclusion

Having regard to the already legislated and/or announced policies of the Victorian Government regarding the total removal of ATMs from gaming venues in July 2012, the staged implementation of a "full" pre-commitment scheme commencing Stage 1 on 10 December 2010, and the transition to a new gaming venue owner operator system from August 2012, an objective assessment will identify that the agreement between Prime Minister Gillard and Andrew Wilkie is redundant in Victoria.

AHA (Vic) submits to the Committee that:

- it is unreasonable, inequitable and in fact unnecessary for the Federal Government to unilaterally intervene in the commercial process established by the Victorian Government to restructure Victoria's gaming industry in 2012, including already publicly announced ATM and pre-commitment policies, to the serious long-term financial detriment of bona fide investors in Victoria's gaming industry;
- the Victorian post 2012 gaming regulatory scheme will significantly exceed the standard sought by the Productivity Commission and, given the total prohibition on ATMs in any area of a hotel with gaming machines from 1 July 2012, it is unnecessary and excessive to further impose the compulsory pre-commitment scheme envisaged by the Gillard/Wilkie Agreement, and
- with Victorian gaming licenses only being operative to 2022, the additional costs to implement a pre-commitment scheme as envisaged by the Gillard/Wilkie agreement and its attendant costs will impose an additional intolerable cost burden on Victorian gaming venues placing their viability in doubt.

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