



Media release

The Hon Michael O'Brien MP

Minister for Gaming
Minister for Consumer Affairs
Minister for Energy and Resources

Thursday 31 May 2012

Gaming machine monitoring fee arrangements finalised

The Victorian Coalition Government has finalised gaming machine monitoring fee arrangements to ensure existing gaming venues remain connected to Victoria's monitoring system as the new licence system comes into effect from 16 August 2012, Minister for Gaming Michael O'Brien announced today.

The Monitoring Licensee, Intralot Gaming Services (Intralot), has negotiated agreements with Tattersall's and Tabcorp to secure access to their monitoring systems, known as the "legacy systems," in order to ensure a smooth transition to the new monitoring arrangements.

The cost incurred by Intralot for access to the legacy systems will be recouped from venue operators at the rate of \$35 per machine per month for the first three years of the monitoring licence. Together with the base monitoring fee of \$29 per machine per month, the total monitoring fee at licence commencement will be \$64 per machine per month (excluding additional fees for optional linked jackpot arrangements).

The legacy system fee is less than 0.5 per cent of the average daily net revenue of each machine.

In accordance with the Monitoring Licence Related Agreement, an independent Pricing Review Panel examined the legacy system costs proposed by Intralot. The Minister sought further advice from the Department of Treasury and Finance. These reviews concluded that some, but not all, of the costs sought by Intralot are reasonable and ought to be recouped from gaming venues. The Pricing Review Panel recommended that the costs be recouped over three years.

The need for the new Monitoring Licensee to access the legacy systems is a direct result of the former Labor Government's mismanagement of the process that saw the awarding of the licence delayed by nearly two years.

The former Labor Government promised to award the Monitoring Licence in late 2009. However, by October 2010 Labor had only just issued invitations to apply for the licence and the evaluation of bids had not yet commenced.

The reduction in Intralot's implementation timeframe from more than two and a half years to less than 12 months has necessitated the new Monitoring Licensee to access the legacy systems as part of the transition.

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Intralot will utilise the legacy systems for the first six months of the new industry arrangements and will complete the development and rollout of its own monitoring system during this time.

“The Coalition Government inherited from Labor a licensing process that was massively behind schedule,” Mr O’Brien said.

“In order to ensure that electronic gaming in Victoria is properly monitored and probity is assured, the use of the legacy systems is a necessary step to protect the community’s interests when the new industry arrangements commence on 16 August 2012.”

Gaming machines cannot operate in Victoria unless they are connected to the monitoring system. The system is also essential to ensure the integrity of gaming and the correct calculation of tax payable.

Labor’s gambling licensing failings

\$3 billion pokie auction disaster:

- “...the project failed to achieve a satisfactory financial outcome and there were serious shortcomings in the project management. The revenue obtained from the sale of the entitlements was around \$3 billion less than the assessed fair market value of these assets.”

(VAGO, Allocation of Electronic Gaming Machine Entitlements, June 2011, p. viii)

Monitoring Licence delays:

- “It is intended that in 2009, the arrangements to establish an independent monitoring function will be finalised.”

(Review of the Electronic Gaming Machine, Club Keno and Wagering Licences and Funding Arrangements for the Racing Industry 2012 – Regulatory Review Phase – Statement of Outcomes, April 2008, p.16)

- “The government intends to award the Monitoring Licence in late 2009 / early 2010, allowing the new licensee time to work with the industry on transition in the lead up to 2012.”

(Gaming Machine Arrangements 2012, Statement of Outcomes II, February 2009, p.21)

- The Invitation to Apply Stage commenced on 29 October 2010
- The caretaker period for the 2010 State Election began on 2 November 2010
- The Monitoring Licence was awarded on 14 September 2011

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