

hospitality

Mullins Lawyers

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ACT NOW, DON'T DELAY!

MICHAEL POTTS



On 11 December 2010, the Premier and Minister for the Arts, The Honourable Anna Bligh announced that the gaming machine cap for individual hotels will be increased from 40 to 45 machines with effect from 1 July 2012.

We expect that from early next year Licensees will be able to apply to

increase the number of gaming machines to 45.

As an application to increase gaming machine numbers can take a while to prepare properly, it is vitally important, that if you intend to apply for an increase, you commence preparation shortly so that you are in a position to lodge your application once the Office of Liquor and Gaming Regulation (OLGR) begins accepting applications.

Process

The OLGR requirements for your application depends on the number of machines you intend to increase on your premises and be approved for.

Community Impact Statement

You may need to prepare and lodge a Community Impact Statement (CIS) which is a very detailed study of the impact the increase in gaming machines will have on the local community area.

A CIS is required when it is an application for an increase of 10 or more gaming machines. However, the OLGR have discretion to consider that an application is one of significant community impact even if the number of the increase is 9 or less.

Generally though, if the number applied for is less than 10, no significant CIS is required.

Advertising

If the application is one of significant community impact, it will be required to be publicly advertised. Members of the public can lodge comments/objections on the application.

Town planning may also need to be considered as part of your application process.

Time Frame

In our experience, if you are applying for 10 or more gaming machines and/or a CIS and advertising is required, the application process can take between **11 and 13 months**.

If you are applying for 9 or less machines and presuming no CIS or advertising is required, the application process can take a few months.



We expect that there will be a significant number of these applications made to the OLGR and we encourage you to be ready to lodge as soon as the OLGR begins accepting applications. We also expect that a price increase in authorities is likely having regard to the increased demand.

For many years we have assisted clients with their applications for increasing gaming machines. If you are considering applying for an increase in the number of gaming machines, please contact us to discuss how we can assist you in the application process.

VALUES OF OPERATING AUTHORITIES FOR HOTELS

MATTHEW BRADFORD



The authorised sales of operating authorities commenced in July 2004 and initially there was a continuing trend of price increases until prices reached their peak in November 2006. Since this time, there has been a continuing decrease in prices at each sale, until the most recent sale in July 2011, which yielded a modest price increase.

The July 2011 sale also saw a larger quantity of operating authorities sell in the South-East Region, although the quantity sold in the Coastal Region was its lowest ever and sales in the Western Region continue to be very low (with the exception of February 2011).

It will be interesting to see whether we have reached the bottom in terms of values, whether prices have stabilised or whether the increasing price trend will continue.

It is expected that values will increase in 2012 once the cap for gaming machines in hotels increases from 40 to 45 and hoteliers that have obtained increase approvals seek to top up their gaming machine numbers. This potential increase may be greater if the industry receives a positive outcome regarding Andrew Willkie's demand for a mandatory pre-commitment system.

We have provided a numeric summary of the sales figures since 2006 for your reference.

RESULTS OF RECENT GAMING MACHINE OPERATING AUTHORITY TENDERS

TENDER DATE	Nov-06	May-07	Nov-07	Mar-08	Jul-08	Dec-08	Mar-09
South East							
Number Sold:	120	156 (202)	104 (216)	75 (214)	35 (173)	96 (216)	15 (132)
Average Price:	\$283,292	\$216,948	\$169,221	\$142,985	\$149,802	\$138,781	\$124,667
Coastal							
Number Sold:	53	50 (92)	101 (138)	24 (76)	43 (80)	67	7
Average Price:	\$164,929	\$113,122	\$92,971	\$87,733	\$83,375	\$90,456	\$90,214
Western							
Number Sold:	13	22	4 (21)	7 (33)	3 (32)	0 (29)	0 (31)
Average Price:	\$74,965	\$72,909	\$65,499	\$50,139	\$52,076	N/A	N/A
Contribution to CIF	\$31.8M	\$24.9M	\$11.8M	\$9.6M	\$3.5M	\$9.4M	\$1.0M
TENDER DATE	Jul-09	Nov-09	Mar-10	Jul-10	Feb-11	Jul-11	
South East							
Number Sold:	23 (152)	48 (166)	57 (189)	7 (143)	5 (151)	117 (148)	
Average Price:	\$123,487	\$112,708	\$112,491	\$90,174	\$80,000	\$91,378	
Coastal							
Number Sold:	16	15 (26)	10 (19)	12 (61)	8 (113)	3 (129)	
Average Price:	\$111,650	\$97,130	\$72,800	\$74,275	\$72,500	\$75,100	
Western							
Number Sold:	0 (37)	3 (37)	0 (34)	0 (52)	27 (61)	5 (34)	
Average Price:	N/A	\$22,000	N/A	N/A	\$18,704	\$19,000	
Contribution to CIF	\$1.4M	\$2.1M	\$2.2M	\$458K	\$446K	\$8.3M	

Figures include GST and are prior to payment of government charges. The figures in brackets indicate the total number of operating authorities available where the total amount was not sold.



CURT SCHATZ
EDITORIAL

The newsletter for our Hospitality section this time concentrates on a couple of interesting and important topics.

The first article speaks generally about the imminent ability for hoteliers to seek to increase the number of gaming machines in their premises to 45. Michael Potts who is the latest lawyer to join our team as a partner has written this.

The article briefly sets out the process for this to occur and our best guess as to timing in relation to that option.

The second article is relative to that topic in that it briefly looks at historic data surrounding the tenders for operating authorities since the first tender some years ago.

It traces the value of operating authorities during that time and may act as some form of guide in the decision making for those of you that intend to increase your gaming machine numbers and will be in the market for operating authorities in the latter part of next year.

Our hospitality law division is now fully merged with the property law division of our firm and as most of you may know, I am the leader of our property/hospitality law division.

Our division is very large. It boasts five Partners, three Associates and four Solicitors. It provides a suite of services that incorporates many matters that are interrelated including town planning, all manner of property law and property transactions and the full suite of services for hospitality law including all liquor and gaming matters.

I am very proud of the large group and the impact that it is making in the Brisbane and Queensland market. I look forward to talking about this more at a later time.